

JSC “UZAUTO MOTORS”

Interim Condensed Consolidated Financial Statements
for the six month period ended 30 June 2022

JSC “UZAUTO MOTORS”

CONTENTS

	Page
STATEMENT OF MANAGEMENT’S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	1
REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	2-3
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	4
INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	5
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	6
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	7
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	
1. GENERAL INFORMATION	8
2. BASIC OPERATION	10
3. SIGNIFICANT ACCOUNTING POLICIES	11
4. CRITICAL ACCOUNTING ESTIMATES, AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES	11
5. ADOPTION OF NEW AND REVISED STANDARDS	11
6. SEGMENT INFORMATION	12
7. BALANCES AND TRANSACTIONS WITH RELATED PARTIES	12
8. PROPERTY, PLANT AND EQUIPMENT	14
9. CASH AND CASH EQUIVALENTS	15
10. RESTRICTED CASH	15
11. BANK DEPOSITS	15
12. TRADE AND OTHER RECEIVABLES	16
13. INVENTORIES	16
14. DISCONTINUED OPERATIONS	16
15. SHARE CAPITAL AND OTHER RESERVES	17
16. BORROWINGS	17
17. TRADE AND OTHER PAYABLES	18
18. CONTRACT LIABILITIES	18
19. REVENUE FROM CONTRACTS WITH CUSTOMERS	18
20. INCOME TAX	19
21. CONTINGENCIES AND COMMITMENTS	19
22. MANAGEMENT OF CAPITAL	21
23. FAIR VALUE DISCLOSURES	21
24. EVENTS AFTER THE BALANCE SHEET DATE	22

JSC "UZAUTO MOTORS"

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2022

Management is responsible for the preparation of the interim condensed consolidated financial statements that present the financial position of JSC "UZAUTO MOTORS" (the "Company") and its subsidiaries (the "Group") as of 30 June 2022, and the results of its operations, cash flows and changes in shareholders' equity for the six month period then ended, in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*.

In preparing the interim condensed 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 interim condensed consolidated financial position and financial performance; and
- Making an assessment of the Group's ability to 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 interim condensed consolidated financial position of the Group, and which enable them to ensure that the interim condensed consolidated financial statements of the Group comply with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*;
- Maintaining statutory accounting records in compliance with Uzbekistan legislation and accounting standards;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The interim condensed consolidated financial statements of the Group for the six month period ended 30 June 2022 were approved by management on 28 October 2022.

On behalf of the Management:



Bo Inge Andersson
General Director
Tashkent, Uzbekistan



K.J. Umurzakov
Chief Financial Officer
Tashkent, Uzbekistan



A.I. Yakubov
Chief Accountant
Tashkent, Uzbekistan

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To Shareholders of Joint Stock Company “UzAuto Motors”:

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of JSC “UzAuto Motors” and its subsidiaries (the “Group”) as of 30 June 2022 and the related interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six month period then ended, and selected explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting.

“Deloitte & Touche” Audit Organisation LLC

Deloitte & Touche” Audit Organisation LLC is included in the Register of auditing organizations of the Ministry of Finance of the Republic of Uzbekistan from 8 June 2021

28 October 2022
Tashkent, Uzbekistan



Erkin Ayupov
Qualified Auditor/Engagement Partner
Auditor qualification certificate authorizing
audit of companies, #04830 dated
22 May 2010 issued by the Ministry of
Finance of the Republic of Uzbekistan

Director
“Deloitte & Touche” Audit Organisation LLC

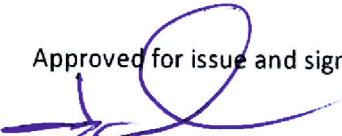
JSC "UZAUTO MOTORS"

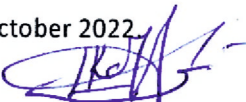
Interim Condensed Consolidated Statement of Financial Position (unaudited)


In thousands of US Dollars

	Notes	30 June 2022	31 December 2021 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	8	547,424	523,894
Intangible assets		1,971	2,311
Restricted deposits		580	3,742
Bank deposits	11	171,980	191,414
Loans issued		7,003	4,647
Other non-current assets		4,652	7,961
Investment in associate		6,358	-
Total non-current assets		739,968	733,969
Current assets			
Cash and cash equivalents	9	80,456	136,020
Restricted cash	10	130,874	70,648
Bank deposits	11	70,317	124,290
Restricted deposits		2,340	3,514
Loans issued		6,529	7,567
Trade and other receivables	12	178,399	206,776
Advances paid to suppliers		320,427	179,900
Income tax receivables		533	-
Inventories	13	690,581	767,036
Assets classified as held for sale	14	87,294	-
Total current assets		1,567,750	1,495,751
TOTAL ASSETS		2,307,718	2,229,720
EQUITY			
Share capital	15	356,628	266,667
Additional paid in capital	15	131,611	131,611
Other reserves	15	96,604	96,604
Retained earnings		151,230	137,718
Cumulative translation differences		(87,087)	(88,413)
Equity attributable to the Company's owners		648,986	544,187
Non-controlling interest		546	538
TOTAL EQUITY		649,532	544,725
LIABILITIES			
Non-current liabilities			
Borrowings	16	299,340	299,915
Deferred income tax liability		20,759	22,022
Other non-current liabilities		5	1,764
Total non-current liabilities		320,104	323,701
Current liabilities			
Borrowings	16	2,523	28,827
Trade and other payables	17	495,690	441,902
Income tax payable		-	5,079
Other taxes payables		1,794	1,704
Contract liabilities	18	771,574	872,932
Dividends payable		3,823	8,443
Other liabilities		2,590	2,407
Liabilities directly associated with assets classified as held for sale	14	60,088	-
Total current liabilities		1,338,082	1,361,294
TOTAL LIABILITIES		1,658,186	1,685,995
TOTAL EQUITY AND LIABILITIES		2,307,718	2,229,720

Approved for issue and signed on 28 October 2022.


Bo Inge Andersson


K.J. Umurzakov


A.I. Yakubov

The notes set out on pages 8 to 21 form an integral part of these interim condensed consolidated financial statements.

JSC "UZAUTO MOTORS"

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (unaudited)

In thousands of US Dollars

	Notes	Six month period ended 30 June	
		2022	2021
Continuing operations			
Revenue from contracts with customers	19	1,739,101	1,009,389
Cost of sales		(1,516,486)	(845,144)
Gross profit		222,615	164,245
General and administrative expenses		(56,059)	(44,136)
Selling expenses		(46,656)	(24,083)
Expected credit losses on trade receivables		(77)	(2,601)
Loss from disposal of subsidiary		(406)	-
Share of profit of associate		513	-
Other operating income and expenses, net	20	23,724	4,673
Operating profit		143,654	98,098
Finance income		12,516	12,641
Finance costs		(5,910)	(5,321)
Net foreign exchange gain/(loss)		724	(5,218)
Profit before income tax		150,984	100,200
Income tax expense	21	(23,487)	(16,651)
Profit for the year from continuing operations		127,497	83,549
Discontinued operations			
Loss for the year from discontinued operations	14	(606)	-
Profit for the period		126,891	83,549
Other comprehensive loss:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation to presentation currency		1,326	(5,243)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		128,217	78,306
Profit is attributable to:			
Owners of the Company		126,883	83,559
Non-controlling interest		8	(10)
Total comprehensive income is attributable to:			
Owners of the Company		128,209	78,318
Non-controlling interest		8	(10)

Approved for issue and signed on 28 October 2022.



Bo Inge Andersson
General Director
Tashkent, Uzbekistan



K.J. Umurzakov
Chief Financial Officer
Tashkent, Uzbekistan



A.J. Yakubov
Chief Accountant
Tashkent, Uzbekistan

The notes set out on pages 8 to 21 form an integral part of these interim condensed consolidated financial statements.

JSC "UZAUTO MOTORS"

Interim Condensed Consolidated Statement of Changes to Equity (unaudited)

In thousands of US Dollars

Notes	Attributable to owners of the Company						Total
	Share capital	Additional paid in capital	Other reserves	Cumulative translation differences	Retained earnings	Non-controlling interest	
Balance at 1 January 2021	266,667	131,611	88,443	(71,373)	(11,695)	536	404,189
Profit for the period	-	-	-	-	83,560	(10)	83,550
Other comprehensive loss for the period	-	-	-	(5,243)	-	-	(5,243)
Balance at 30 June 2021	266,667	131,611	88,443	(76,616)	71,865	526	482,496
Balance at 1 January 2022	266,667	131,611	96,604	(88,413)	137,718	538	544,725
Profit for the period	-	-	-	-	126,883	8	126,891
Capitalisation issue	15	89,961	-	-	(94,808)	-	(4,847)
Dividend declared	15	-	-	-	(18,563)	-	(18,563)
Other comprehensive gain for the period	-	-	-	1,326	-	-	1,326
Balance at 30 June 2022	356,628	131,611	96,604	(87,087)	151,230	546	649,532

Approved for issue and signed on 28 October 2022.



Bo Inge Andersson
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Tashkent, Uzbekistan



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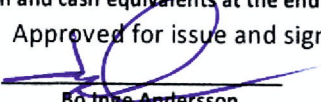
JSC "UZAUTO MOTORS"

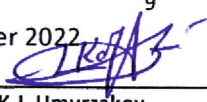
Interim Condensed Consolidated Statement of Cash Flows (unaudited)

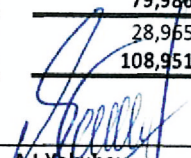
In thousands of US Dollars

	Notes	Six month period ended 30 June	
		2022	2021
Cash flows from operating activities			
Profit before income tax		150,984	100,200
<i>Adjustments for:</i>			
Share of profit of associate		(513)	-
Depreciation of property, plant and equipment		15,912	17,348
Amortisation of intangible assets		347	2,676
Loss/(gain) on disposal of property, plant and equipment		17	(547)
Loss from disposal of subsidiary		406	-
Expected credit losses on trade receivables		77	2,601
Net foreign exchange loss		(724)	5,218
Finance income		(12,516)	(12,641)
Finance costs		5,910	5,321
Operating cash flows before working capital and other changes		159,900	120,176
Net (increase)/decrease in:			
Trade and other receivables		58,416	34,257
Advances paid to suppliers		(131,689)	(48,567)
Inventories		71,887	(202,771)
Restricted deposits		4,622	12,538
Restricted cash		(55,683)	(65,695)
Other non-current assets		(2,190)	(3,154)
Assets classified as held for sale		(30,161)	-
Net increase/(decrease) in:			
Trade and other payables		29,356	233,113
Contract liabilities		(104,855)	172,272
Taxes and related charges payable		(4,748)	1,841
Other liabilities		(1,544)	2,026
Operating cash flows before interest and income tax		(6,689)	256,036
Interest paid		(2,468)	(6,117)
Interest received		10,724	2,655
Income tax paid		(30,392)	(20,354)
Net cash (used in)/generated by operating activities		(28,825)	232,220
Cash flows from investing activities			
Purchase of property, plant and equipment		(42,313)	(213,037)
Proceeds from sale of property, plant and equipment		372	5,620
Capitalised interest paid		(5,423)	(3,365)
Purchase of intangible assets		108	-
Loans issued		(6,444)	-
Repayment of loans issued		5,123	1,036
Bank deposits placements		-	(137,786)
Proceeds from bank deposits		72,538	56,782
Net cash generated by/(used in) investing activities		23,961	(290,749)
Cash flows from financing activities			
Proceeds from borrowings		-	322,417
Repayment of borrowings		(22,972)	(170,063)
Dividends paid to the Company's shareholders	15	(22,792)	(11,820)
Net cash (used in)/generated by financing activities		(45,764)	140,534
Effect of exchange rate changes on cash and cash equivalents		(1,360)	(2,001)
The effect of translation to presentation currency		(3,576)	(18)
Net (decrease)/increase in cash and cash equivalents		(55,564)	79,986
Cash and cash equivalents at the beginning of the year	9	136,020	28,965
Cash and cash equivalents at the end of the year	9	80,456	108,951

Approved for issue and signed on 28 October 2022


Bo Inge Andersson
General Director
Tashkent, Uzbekistan


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Chief Financial Officer
Tashkent, Uzbekistan


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Chief Accountant
Tashkent, Uzbekistan

The notes set out on pages 8 to 21 form an integral part of these interim condensed consolidated financial statements.

JSC “UZAUTO MOTORS”

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

In thousands of US Dollars

1. GENERAL INFORMATION

Organization and operations

JSC “UzAuto Motors” (the “Company”) and its subsidiaries (together referred to as the “Group”) manufacture vehicles, and sell vehicles and spare parts, under the brand of Chevrolet to dealers and distributors mainly in Uzbekistan and Kazakhstan.

The Company was established as a joint venture company with Daewoo Motors Company in March 1993. In October 2005, the Company became wholly-owned by JSC “Uzavtosanoat” (The “Parent Company”). Based on Decree of President of the Republic of Uzbekistan № PP-800, the Company was recognised as a joint stock company “General Motors Uzbekistan” and is domiciled in Uzbekistan. The Company changed its name from JSC “General Motors Uzbekistan” to JSC “UzAuto Motors” effective from 1 July 2019.

In October 2017, the Parent Company and General Motors Company, USA (“GM”) agreed to create the GM Alliance, which is a new cooperation platform that meets the needs of the Uzbekistan growing automotive industry. GM Alliance also provides an access to GM’s automotive technologies and know-how. Within the GM Alliance, the Parent Company assumes full control over operating activity in the production of cars and car engines. On 25 August 2020, the Parent Company which is the sole shareholder of the Company agreed to establish “UzAuto Passenger Vehicles Management” LLC which is an immediate Parent Company of the Group (the “Immediate Parent Company”). The Immediate Parent Company is the sole shareholder of the Company.

The Parent Company is a state-owned company, which is the dominant controlling body (equivalent of a government Ministry) of the automotive industry within the Republic of Uzbekistan. As at 31 December 2021, the ultimate controlling party of the Company was the Government of the Republic of Uzbekistan.

The Company’s registered address is 81 Xumo Street, Asaka, Andijan region, Republic of Uzbekistan. The Group’s manufacturing facilities are primarily based in Asaka (Andijan Region), Pitnak city (Khorezm Region) and Tashkent, Uzbekistan. Ten automobile models under the Chevrolet brand were produced in these facilities during 2021 and 2020. The maximum production capacity of the Company is approximately 415 thousand vehicles annually.

As at the end of the reporting period, the Company owns the following subsidiaries:

	Proportion of ownership interest / <u>Voting rights, %</u>			
	<u>30 June 2022</u>	<u>31 December 2021</u>	<u>Country</u>	<u>Nature of business</u>
"Kurgontepa Tibbiyot Diagnostika Markazi" LLC	100.00%	100.00%	Uzbekistan	Service
"Khonobod Sihatgohi" LLC	100.00%	100.00%	Uzbekistan	Service
"Grand Auto Palace" LLC	100.00%	100.00%	Uzbekistan	Service
"Avtosanoat-Injining" LLC	98.00%	97.73%	Uzbekistan	Service

JSC "UZAUTO MOTORS"

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

In thousands of US Dollars

In February 2020, a decision was made to incorporate "Research and Development Center" LLC. The interest of the Group is 100%. The Supervisory Board of the Company made a decision to liquidate "Research and Development Center" LLC in April 2022.

In April 2020, the Company purchased 99.66% of interest in the share capital of "UzLogistic" LLC which specialises in the transportation of goods and logistic services for the cash consideration of US Dollar 6,280 thousand (at the official exchange rate as at date of the decision of Supervisory Board).

In 19 May 2022, the Company transferred control from the group for the cash consideration of US dollar 6,000 thousand to be paid to the subsidiary. The total share transferred comprised 52.72%. The transfer of control was initiated based on the joint-venture agreement signed between UzAuto Motors LLC and Centrum Aviation. Per the agreement Centrum Aviation is obliged to invest within the next 5 years up to US dollars 25,000 thousand. As of the reporting date "UzLogistic" LLC is treated as associate company.

In March 2020, the Company acquired a 95.46% share in "Avtosanoat-Injiniring" LLC by transferring the Company's share in "Avtosan Universal Servis" LLC in the amount of US Dollar 5,960 thousand (at the official exchange rate as at date of the decision of Supervisory Board) as consideration. In August 2020, and June 2021, the Company acquired an additional 1.80%, and 0.41%, share of "Avtosanoat-Injiniring" LLC for the cash consideration of US Dollar 18,609 thousand, and US Dollar 3,323 thousand, respectively (at the official exchange rate as at date of the decision of Supervisory Board). In May 2021, the Supervisory board of the Company made a decision on the disposal of "Avtosanoat-Injiniring" LLC. "Avtosanoat-Injiniring" LLC is to be transferred to LLC "Avtosanoat Invest", an entity under common control.

As at 30 June 2022 and 2021, the Company had in total 11,072 and 11,196 employees, respectively.

In March 2020, the World Health Organisation declared the outbreak of COVID-19 a global pandemic. In response to the pandemic, the Uzbek authorities implemented numerous measures attempting to contain the spreading and impact of COVID-19, such as travel bans and restrictions, quarantines, shelter-in-place orders and limitations on business activity, including closures. These measures have, among other things, severely restricted economic activity in Uzbekistan and have negatively impact businesses, market participants, clients of the Group, as well as the Uzbek and global economy.

During 2021, the business environment has gradually recovered from the coronavirus pandemic, and began actively restoring its activities as it was before the pandemic.

At the time of issuing these interim condensed consolidated financial statements, the pandemic had a significant impact on the Group's sales as follows. In 2020, there was an increase in demand for computer and medical equipment as a result of the pandemic. Accordingly, manufacturers of semiconductor chips used in the production of passenger cars have reoriented their supply chains to the consumer electronics and medical sectors. As a result, a shortage of semiconductor chips is affecting the Group and decreasing the volume of cars it is able to produce and sell, and has driven increase in work in progress and contract liabilities. The Group continues to work closely with GM in order to resolve this issue and believes that components containing microchips can be transported quickly via air shipments if required. Management expect the semiconductor supply shortage to have a temporary impact on Group's business. There has been no significant impact on liquidity, solvency and other financial performance indicators, however future effects cannot be predicted.

JSC “UZAUTO MOTORS”

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

In thousands of US Dollars

On 24 February 2022, the Russian Federation invaded Ukraine. In response, multiple jurisdictions, including the EU, Switzerland, the UK, the US, Canada, Japan and Australia have imposed economic sanctions on Russia, including measures to ban new investment, and block the largest financial institutions and several state-owned enterprises. In additions to the imposition of sanctions, a growing number of large public and private companies have announced the cessation of business activities in Russia. The ongoing military actions continues to lead to significant effect on a number of economies of the CIS region.

The Group ceased its operations with Russian based companies. To prevent the negative impact of sanctions on settlements with suppliers, the Group has taken a number of measures, including reconsidering supply chain routes, particularly for steel. The impact of these and further developments on future operations and financial position of the Group at this stage is difficult to determine, but there are no immediate impacts.

2. BASIS OF PREPARATION

These interim condensed consolidated financial statements were authorised for issue by the management on 28 October 2022.

Going concern

Management prepared these interim condensed consolidated financial statements on a going concern basis. In assessing its going concern status, management of the Group has taken account of its financial position, expected future trading performance, its borrowings and other available credit facilities, its forecast compliance with covenants on those borrowings, its capital expenditure commitments and future expansion plans, and analysed the impact of macro-economic developments on the operations of the Group.

For the period ended 30 June 2022, the Group had a cash outflow from operating activities mainly as a result of consequences of COVID 19 (Coronavirus), which has affected the supply chain of components for vehicles produced. Additionally, gross profit margin for the period decreased as compared with the six month period ended 2021 mainly due to the increase in cost of materials used in production of vehicles.

The conflict in Ukraine impacted the operations of the Group particularly the supply chain. The Group is taking measures to prevent negative impact of the sanctions by seeking new suppliers. The Group also made additional advances to suppliers to prevent a shortage of materials.

The above-mentioned events, nevertheless, do not preclude management from preparing these consolidated interim financial statements on a going concern basis, as the management identifies the following events that allow management to use the going concern assumption when preparing these consolidated interim financial statements:

- The Group mainly generates its revenue from sales to domestic market (more than 88% of total revenue) which has been moderately affected by the pandemic. The spread of the virus in the Republic of Uzbekistan has been regulated and managed by the Government.
- Due to the Group’s strategic importance for the Republic, the Group has access to low-cost financing from the state banks.
- In the third quarter of 2022, the advances received from customers increased, increasing the cash inflows from operating activities of the group.
- Furthermore, the volume of vehicle sales increased by 72% in the first half of 2022 compared to the

JSC “UZAUTO MOTORS”

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

In thousands of US Dollars

first half of 2021.

Thus, the Group sees its activities as going concern and continuing to be in the foreseeable future. The Group has neither the intention nor the need to liquidate or significantly reduce the scale of its operations. The directors believe that there are no material uncertainties that may cast significant doubt on the Group’s ability to continue as a going concern, and, as a result, these interim condensed consolidated financial statements have been prepared under the going concern basis of accounting.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34 “Interim Financial Reporting” and should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2021, which have been prepared in accordance with International Financial Reporting Standards (IFRS).

Interim period tax measurement. Interim period income tax expense is accrued using the effective tax rate that would be applicable to expected total annual earnings, that is, the estimated weighted average annual effective income tax.

4. CRITICAL ACCOUNTING ESTIMATES, AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

No changes to the estimates and judgements were made as compared to those made in the annual consolidated financial statements for the year ended 31 December 2021. The area of the most significant management judgment remains the determination of the ongoing legal proceedings, outcomes, and probability of related outflow of resources embodying economic benefits. For more details refer to Note 22.

5. ADOPTION OF NEW AND REVISED STANDARDS

At the date of authorisation of these interim condensed consolidated financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

Title	Subject	Effect on the interim condensed consolidated financial statements
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	No impact
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	No impact
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	No impact
Amendments to IAS 8	Definition of Accounting Estimates	No impact
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	No impact

JSC “UZAUTO MOTORS”

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

In thousands of US Dollars

6. SEGMENT INFORMATION

The Group’s Executive Board (the Chief Operating Decision Maker (CODM)) examines the Group’s performance from a product perspective and has identified two reportable segments of its business:

- Asaka plant – manufacturing and selling in Uzbekistan and certain CIS countries the following Chevrolet models: Spark, Nexia, Cobalt and Lacetti; and
- Khorezm plant – manufacturing and selling in Uzbekistan and certain CIS countries the following Chevrolet models: Damas and Labo.

All other segments – manufacturing and sale of spare parts, selling imported automobiles in Uzbekistan and certain CIS countries, and other activities, are not reportable operating segments, as they are not separately reviewed by the Executive Board in order to make decisions about resources to be allocated and assess performance.

The CODM reviews the Group’s internal reporting in order to assess performance and allocate resources. Internal reporting is based on measures that are different from measures used in these interim condensed consolidated financial statements.

7. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Parties are generally considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions, which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

At 30 June 2022, the outstanding balances with related parties specified below were as follows:

	Parent Company	Companies under common control and significant influence of the Parent Company	Total
Loans issued	-	5,134	5,134
Trade and other receivables	76	33,767	33,843
Advances paid to suppliers	-	251,002	251,002
Advances received	-	1,646	1,646
Trade and other payables	-	26,712	26,712
Dividends payable	3,823	-	3,823

JSC "UZAUTO MOTORS"

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

In thousands of US Dollars

The transactions with related parties for the six month period ended 30 June 2022 were as follows:

	<u>Parent Company</u>	<u>Companies under common control and significant influence of the Parent Company</u>	<u>Total</u>
Sales of goods	-	1,190	1,190
Other income	-	751	751
Purchases of raw materials and consumables	3,081	325,141	328,222
Dealer's commission	-	13,617	13,617
Finance income	-	2,831	2,831

At 31 December 2021, the outstanding balances with related parties were as follows:

	<u>Parent Company</u>	<u>Companies under common control and significant influence of the Parent Company</u>	<u>Total</u>
Restricted deposits	-	181	181
Loans issued	-	2,986	2,986
Trade and other receivables	77	56,800	56,877
Advances paid to suppliers	202	42,466	42,668
Borrowings	2,366	-	2,366
Trade and other payables	349	14,423	14,772
Dividends payable	8,442	-	8,442

The income and expense items with related parties for the six month period ended 30 June 2021 were as follows:

	<u>Parent Company</u>	<u>Companies under common control and significant influence of the Parent Company</u>	<u>Total</u>
Sales of goods	4	2,820	2,824
Other income	-	219	219
Purchases of raw materials and consumables	-	226,255	226,255
Dealer's commission	-	8,772	8,772
Finance income	-	99	99

The Group is a government related entity, as it is ultimately controlled by the Government of Uzbekistan. Therefore, in respect of other related parties transactions except for those disclose above, the Group chose to apply the exemption in IAS 24 Related Party Disclosures in relation to its government related transactions and outstanding balances, including commitments.

The table below summarises individually significant government related balances:

	<u>30 June 2022</u>	<u>31 December 2021 (audited)</u>
Cash and cash equivalents	122,178	66,292
Restricted cash	74,886	117,439
Restricted deposits	6,246	5,414
Bank deposits	-	84,262
Total individually significant government related balances	203,310	273,407

JSC “UZAUTO MOTORS”

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

In thousands of US Dollars

As of 30 June 2022, the Group has withdrawn the bank deposit in the amount of US Dollars 84,262 thousand that were placed with the banks controlled by the Government of the Republic of Uzbekistan.

Key management compensation

Key management includes General Director, twenty-one other members of the Executive Board, the Chief Accountant.

Key management compensation is presented below:

	Six month period ended 30 June	
	2022	2021
Short-term benefits:		
Salaries	1,468	377
Short-term bonuses	206	33
State pension and social security costs	70	50
Total key management compensation	1,744	460

8. PROPERTY, PLANT AND EQUIPMENT

Movements in the carrying amount of property, plant and equipment were as follows:

	Buildings and improve- ments	Machinery and equipment	Motor vehicles	Computer and office equipment	Advances, construction in progress and equipment for installation	Total
Cost at 1 January 2021	135,322	730,369	37,525	15,107	103,264	1,021,587
Accumulated depreciation	(71,221)	(577,372)	(33,308)	(13,929)	-	(695,830)
Carrying amount at 1 January 2021	64,101	152,997	4,217	1,177	103,265	325,757
Additions	-	-	-	-	251,315	251,315
Disposals	(10)	(5,394)	(180)	(38)	-	(5,622)
Transfers	7,217	38,610	3,583	801	(50,211)	-
Depreciation charge	(4,876)	(25,383)	(1,433)	(537)	-	(32,229)
The effect of translation to presentation currency	(2,182)	(5,256)	(182)	(44)	(7,663)	(15,327)
Carrying amount at 31 December 2021	64,250	155,574	6,005	1,359	296,706	523,894
Cost at 31 December 2021	137,865	694,450	36,435	13,758	296,706	1,179,214
Accumulated depreciation	(73,615)	(538,876)	(30,430)	(12,399)	-	(655,320)
Carrying amount at 31 December 2021	64,250	155,574	6,005	1,359	296,706	523,894
Additions	-	-	-	-	51,190	51,190
Disposals	(3,101)	(610)	(2,750)	(11)	-	(6,472)
Transfers	286	4,766	1,330	837	(7,219)	-
Reclassified as held for sale	(574)	-	-	-	(3,454)	(4,028)
Depreciation charge	(2,424)	(12,503)	(711)	(274)	-	(15,912)
The effect of translation to presentation currency	(817)	(467)	(47)	4	79	(1,248)
Carrying amount at 30 June 2022	57,620	146,760	3,827	1,915	337,302	547,424
Cost at 30 June 2022	133,395	696,513	34,267	14,515	337,302	1,215,992
Accumulated depreciation	(75,775)	(549,753)	(30,440)	(12,600)	-	(668,568)
Carrying amount at 30 June 2022	57,620	146,760	3,827	1,915	337,302	547,424

JSC "UZAUTO MOTORS"

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

In thousands of US Dollars

As at 30 June 2022, machinery and equipment includes assets, such as production accessories tools leased out (Right of use assets per IFRS 16) in the amount of US Dollar 10,993 thousand (31 December 2021: US Dollar 13,419 thousand).

As at 30 June 2022, part of the advances, construction in progress and equipment for installation additions during the period includes advances paid in respect of development of new SUV-B and B-segment models under the GEM platform totaling US Dollar 17,306 thousand (31 December 2021: US Dollar 58,923 thousand). As at the reporting date, major part of the advances, construction in progress and equipment for installation includes construction expenditure incurred in relation to welding workshop in relation to new segment models under the GEM platform.

As at 30 June 2022, the gross carrying amount of fully depreciated property, plant and equipment still in use is US Dollar 401,670 thousand (31 December 2021: US Dollar 403,015 thousand)

9. CASH AND CASH EQUIVALENTS

	<u>30 June 2022</u>	<u>31 December 2021 (audited)</u>
Cash and cash equivalents in foreign currencies	22,492	94,627
Cash and cash equivalents in local currency	57,943	41,393
Other cash equivalents	21	-
Total cash and cash equivalents	<u>80,456</u>	<u>136,020</u>

The credit quality of cash and cash equivalents balances at period end is summarised based on Moody's and S&P's ratings as follows:

	<u>30 June 2022</u>	<u>31 December 2021 (audited)</u>
B1 rating (Moody's)	77,917	124,884
B- rating (S&P's)	2,475	11,074
BB- rating (S&P's)	64	62
Total cash and cash equivalents	<u>80,456</u>	<u>136,020</u>

10. RESTRICTED CASH

Restricted cash mainly includes cash resources in the amount of US Dollar 98,527 thousand (2021: US Dollar 113,605 thousand) in JSCB "Asaka" (B1 rate by Moody's), which are subject to restrictions stipulated by the regulations of the letter of credit transaction with JSCB "Asaka". Therefore, they are not available for immediate or general business use by the Group until the full execution of contracts with suppliers of raw materials.

11. BANK DEPOSITS

Bank deposits balances are mainly saving deposits with local banks. The credit quality of bank deposits balances at period end is summarised based on Moody's and Fitch ratings as follows:

	<u>30 June 2022</u>	<u>31 December 2021 (audited)</u>
B- rating (S&P's)	213,507	197,109
B1 rating (Moody's)	28,781	74,754
BB- rating (Fitch)	-	4,614
B rating (Fitch)	9	39,227
Total bank deposits	<u>242,297</u>	<u>315,704</u>
Less short-term portion	<u>70,317</u>	<u>124,290</u>
Total long-term bank deposits	<u>171,980</u>	<u>191,414</u>

JSC "UZAUTO MOTORS"

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

In thousands of US Dollars

12. TRADE AND OTHER RECEIVABLES

	<u>30 June 2022</u>	<u>31 December 2021</u> <u>(audited)</u>
Trade receivables from legal entities	63,926	26,882
Trade receivables from individuals	11,172	73,425
Other financial receivables	54,870	75,335
Less expected credit loss allowance	(14,374)	(14,326)
Total financial assets within trade and other receivables	115,594	161,316
Prepayments	62,805	45,460
Total trade and other receivables	178,399	206,776

13. INVENTORIES

Inventories are comprised of the followings:

	<u>30 June 2022</u>	<u>31 December 2021</u> <u>(audited)</u>
Goods in transit	185,115	247,207
Raw materials and spare parts	301,167	232,010
Finished goods	125,006	119,867
Work in progress	79,293	167,952
Total inventories	690,581	767,036

14. DISCONTINUED OPERATIONS

On 19 May 2022, The Supervisory board of the Group made a decision to dispose of "Avtosanoat-Injiniring" LLC. The disposal is expected to be completed in May 2023, on which date control of "Avtosanoat-Injiniring" LLC passes to the acquirer.

The results of the discontinued operations, which have been included in the profit for the year, were as follows:

	<u>Period ended 30 June</u> <u>2022</u>
Revenue	583
Expenses	(1,189)
Loss on discontinued operations	(606)

The disposal is consistent with the Group's long-term policy to focus its activities on the Group's other businesses. These operations, which are expected to be transferred under common control within 12 months, have been classified as a disposal group held for sale and presented separately in the interim condensed consolidated statement of financial position. The discontinued operations are available for the immediate sale. The proceeds of disposal are expected to be at the carrying amount of the related net assets and accordingly no impairment losses have been recognised on the classification of these operations as held for sale.

The major classes of assets and liabilities comprising the operations classified as held for sale are as follows:

JSC "UZAUTO MOTORS"

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

In thousands of US Dollars

	Period ended 30 June 2022
Property, plant and equipment	14,227
Investments	480
Inventories	24,038
Advances paid to suppliers	1,061
Trade and other receivables	40,105
Cash and bank balances	1,924
Contract assets	5,459
Total assets classified as held for sale	87,294
Trade and other payables	13,444
Borrowings	5,600
Advances received	41,044
Total liabilities associated with assets classified as held for sale	60,008
Net assets of disposal group	19,523

15. SHARE CAPITAL AND OTHER RESERVES

The nominal registered amount of the Company's issued share capital as at 30 June 2022 was US Dollar 356,628 thousand (2021: US Dollar 266,667 thousand). Based on Shareholder's decision 2.-2022 decision, the Group has capitalised retained earnings in the amount of US Dollar 94,808 thousand (which includes withholding tax of US Dollar 4,847 thousand) and increased its registered amount of issued share capital to US Dollars 356,628 thousand. The Immediate Parent Company is the sole shareholder of the Company. The total authorised number of shares as at 30 June 2022 is 344,000.017 thousand shares (2021: 266,667 thousand shares) with a par value of Uzbek Sum 1 per share. (2021: Uzbek Sum 1 per share).

Other reserves include additional reserve funds formed on net profit of prior years in accordance with local legislation for US Dollar 96,604 thousand (2021: US Dollar 96,604 thousand).

During six months 2022, the Group declared dividends of US Dollar 18,563 thousand and partially paid in the amount of to US Dollars 14,509 thousand. In addition, during six months 2022, the Group has paid dividends in the amount of US dollars 8,283 thousand that were declared in 2021.

16. BORROWINGS

	Carrying amounts	
	30 June 2022	31 December 2021 (audited)
Debt securities issued	301,863	301,272
Borrowings from banks	-	26,286
Other borrowings	-	1,184
Total borrowings	301,863	328,742
Less short-term portion	2,523	28,827
Total long-term borrowings	299,340	299,915

Debt securities issued

The Group's Debt securities issued are US Dollar denominated quasi-sovereign unsecured corporate bonds in the amount of US Dollar 300,000 thousand, issued on 27 April 2021 on London Stock Exchange under the Rule 144A and Reg S which have a maturity of five years. Debt securities bear interest at the

JSC “UZAUTO MOTORS”

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

In thousands of US Dollars

rate of 4.85 percent per annum payable in equal instalments semi-annually in arrears on 4 May and 4 November in each year. Debt securities issued contain the following covenants:

- The consolidated net leverage ratio under which the Group’s net debt must not exceed 3.75 times its EBITDA; and
- The aggregate principal amount of outstanding Indebtedness Incurred by the Parent Company’s subsidiaries must not exceed 3.5% the consolidated total assets.

The Group was in compliance with the covenants as at 30 June 2022 and 31 December 2021.

17. TRADE AND OTHER PAYABLES

	<u>30 June 2022</u>	<u>31 December 2021 (audited)</u>
Trade payables	465,357	433,702
Other trade payables	30,333	8,200
Total trade and other payables	495,690	441,902

Trade payables mainly comprise short-term payables to the Group’s main foreign supplier – GM Korea Company and other local suppliers of spare parts. The credit period on purchases from GM Korea Company by the Group has increased from 60 days to 120 days.

Other trade payables consist of payables derived from activities other than the core business of the Group.

18. CONTRACT LIABILITIES

As at 30 June 2022 the majority of contract liabilities are advances received for sale of cars in the amount US Dollar 760,781 thousand (31 December 2021: 845,425). The decrease is due to the stabilization of global chip shortage.

19. REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group derives revenue from the transfer of goods at a point in time in the following major product lines and geographical regions:

	<u>Six month period ended 30 June</u>	
	<u>2022</u>	<u>2021</u>
Domestic sales		
<i>Domestic sales</i>		
Cars	1,513,797	824,945
Spare parts	16,177	16,562
Other	8,183	26,602
Total domestic sales	1,538,157	868,109
Export sales		
<i>Export sales</i>		
Cars	198,711	141,280
Spare parts	2,233	-
Total export sales	200,944	141,280
Total revenue from contracts with customers	1,739,101	1,009,389

JSC "UZAUTO MOTORS"

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

In thousands of US Dollars

The Group sells vehicles and spare under the following brands:

	Six month period ended 30 June	
	2022	2021
Chevrolet	1,685,253	956,634
Ravon	-	9,663
Other	53,848	43,092
Total revenue from contracts with customers	1,739,101	1,009,389

Sales prices are approved by the Supervisory Board for both domestic and export markets. Domestic and export sales are carried out mainly through domestic and foreign dealers respectively.

Management of the Group has concluded that the Group's operations are not highly seasonal in accordance with IAS 34.

20. OTHER OPERATING INCOME AND EXPENSES, NET

	Six month period ended 30 June	
	2022	2021
Reimbursement	9,861	2,539
Tax refund	6,216	-
Other income, net	7,647	2,134
Total other operating income and expenses, net	23,724	4,673

21. INCOME TAX

The interim period income tax is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year.

The applicable rate applied for the six months period ended 30 June 2022 is 15% which was the actual statutory tax rate for 2021 (the estimated tax rate for the six month period ended 30 June 2021 was 17%).

22. CONTINGENCIES AND COMMITMENTS

Taxation

The tax environment in the Republic of Uzbekistan is subject to change and inconsistent application, interpretation and enforcement. Non-compliance with Uzbekistan law and regulations can lead to the imposition of penalties and interest. The management believes that it has adequately provided for all tax liabilities in accordance with its interpretations of laws and regulations. However, the risk remains that relevant authorities could interpret tax laws and regulations differently and take differing positions with regard to interpretative issues, and as such, the effect could be significant. Consequently, additional taxes may be assessed including penalties and interest, which could be significant. No provision has been made for these contingencies.

The Group is liable for unified social payment and payroll related taxes and contributions. Laws related to these contributions have not been in force for significant periods, in contrast to more developed market economies. Therefore, regulations are often unclear or non-existent and few precedents with regards to many issues have been established.

JSC "UZAUTO MOTORS"

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

In thousands of US Dollars

Legal proceedings

In all cases listed below, the Group's management assessed potential risks based on its own estimates, external professional advice, the positions of the parties, known factual circumstances, current court practice, expiration of the statute of limitations and other factors.

Claims to hold the Company and some other parties jointly liable under the subsidiary liability for obligations of CJSC PII "UzDaewoo-Voronezh", LLC "UzDaewoo Avto-Ufa" and LLC "UzavtoRus"

Prior to 2018, the Company guaranteed the debts of certain related parties (dealers) operating in Russia under loan agreements with Russian banks. During the course of the bankruptcy cases of these dealers, some creditors filed a lawsuit demanding to hold the Company and some other parties liable for the obligations of these entities. The amount of the claims attributable to the Company is Russian Roubles 13,822 million (equivalent of US Dollars 187,572 thousand) per Russian regulations. Preliminary court hearings concerning CJSC PII "UzDaewoo-Voronezh" case has not been held as of the date of issuance of these interim condensed consolidated financial statements. It is assessed that the risk of unfavourable outcome for the Company in respect of holding the Company liable under the liability as not probable due to the following: (i) the Company is not a shareholder of CJSC PII "UzDaewoo-Voronezh" and, in accordance with Russian Bankruptcy Law, the Company cannot, therefore, be presumed a controlling person and beneficiary of the alleged illegal and/or bad faith behaviour of the relevant companies making it difficult to establish liability; (ii) the bankruptcy of the relevant companies occurred during a major crisis in the automotive market in Russia, with many international suppliers ceasing to deliver cars to Russia and (iii) the statute of limitation for holding liable under certain lawsuits has expired. The Company assessed that it is not probable that the lawsuits will result in holding the Company liable for obligations of the Russian entities thus the Company did not accrue any provision in these interim condensed consolidated financial statements. On 5 February 2019, a lawsuit was filed against the Company demanding to hold the Company and the Parent Company liable as guarantor for obligations of LLC "UzavtoRus". The Moscow Arbitration Court ruling dated 23 March 2021 found there were grounds for holding the Company responsible for the obligations of LLC "UzavtoRus". The Company and the Parent Company have submitted relevant appeals in two instances, which were not satisfied by both courts of appeal. The Group has submitted the application to the Supreme Court to appeal the decision of the Arbitration Court. On 21 January 2022, the Supreme Court of the Russian Federation refuses to take over the proceeding. By the ruling of the Moscow Arbitration Court dated 10 February 2022, the proceedings on the case were resumed to determine the amount of liability. On 22 June 2022, the Company was hold liable for obligations of LLC "UzavtoRus" based on the ruling of the Moscow Arbitration Court. The amount of the claim attributable to the Company is Russian Roubles 3,405 million (equivalent of US Dollars 46,204 thousand). Taking into the consideration that the direct execution of decisions of Russian courts requires an appeal to the courts of the Republic of Uzbekistan, complexity of execution of the decisions taken by Russian court in another jurisdiction, the management of the Group evaluates the possibility of the outflow of resources from the Group in order to settle the case as not probable. Accordingly, no provision for the liability for the obligations of LLC "UzavtoRus" has been made in these interim condensed consolidated financial statements.

The Group determines its best estimate of contingent liabilities on the basis of the information available at the date of preparation of these interim condensed consolidated financial statements. This assessment may change over time and is adjusted regularly on the basis of new information and circumstances.

JSC “UZAUTO MOTORS”

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

In thousands of US Dollars

Antimonopoly cases

As of 30 June 2022, the Group does not have any other antimonopoly cases related to customer complaints. From time to time, in the normal course of business, the Group is named as a defendant in various other legal actions, including arbitrations and other litigations that arise in connection with the business. Concerning matters for which the Group believes that losses are probable and can be reasonably estimated, the Group has established respective reserves.

In many proceedings, however, it is inherently difficult to determine whether any losses are probably or even reasonably possible or to estimate the size or range of the possible losses. Accordingly, it is possible that an adverse outcome from such proceedings could exceed the amounts accrued in an amount that could be material to the interim condensed consolidated financial statements of the Group, and its results of operations or cash flows in any particular reporting period.

Capital expenditure commitments

As of 30 June 2022, the Group has contractual capital expenditure commitments in respect of development of new SUV-B and B-segment models under the GEM platform totaling US Dollar 23,336 thousand (31 December 2021: US Dollar 73,892 thousand). The Group has already allocated the necessary resources in respect of these commitments. The Group believes that future net income and funding will be sufficient to cover these and any similar commitments.

Guarantees

Guarantees are irrevocable assurances that the Group will make payments in the event that another party cannot meet its obligations. As at 30 June 2022, the Group does not have any guarantees.

23. MANAGEMENT OF CAPITAL

The primary objective of managing the Group’s capital is to ensure that there is sufficient capital available to support the funding requirements of the Group, including capital expenditure, in a way that optimises the cost of capital, maximises shareholders’ returns and ensures that the Group remains in a sound financial position.

The Group manages and adjusts the capital structure as opportunities arise in the market place, as when borrowing matures, or as and when funding is required. This may take the form of raising equity, market or bank debt or hybrids thereof. This strategy remains unchanged from prior years.

24. FAIR VALUE DISCLOSURES

The principal financial instruments comprise cash and cash equivalents, bank deposits, restricted deposits, restricted cash, trade and other receivables, borrowings and trade and other payables. The carrying amounts of financial assets and liabilities recorded at amortised cost in these consolidated financial statements approximate their fair value, except for borrowings.

JSC "UZAUTO MOTORS"

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

In thousands of US Dollars

The fair value of borrowings was measured based on the present value of discounted cash flows at the market interest rate at the end of each reporting periods presented.

	<u>Carrying value</u>	<u>Fair value</u>
Borrowings at 30 June 2022	301,863	302,111
Borrowings at 31 December 2021	328,742	328,721

Whilst accounted for at amortised cost, the fair value measurement of borrowings is within Level 2 of the fair value hierarchy in accordance with IFRS 13 Fair value measurement.

25. EVENTS AFTER THE BALANCE SHEET DATE

On 15 July 2022, the Supervisory board of the Company made a decision to liquidate its subsidiaries "Kurgontepa Tibbiyot Diagnostika Markazi" LLC and "Khonobod Sihatgohi" LLC.

In accordance with the decision of the supervisory board on 15 July 2022, it was approved to transfer equity holding in the share capital of "Grand Auto Palace" LLC to State Assets Management Agency. As of the reporting date, the company is treated as subsidiary.

On 6 October 2022, IPO announcement of UzAuto Motors was made, the largest car manufacturer in Uzbekistan started. This is the first public offering (IPO) by a large state-owned company in Uzbekistan. By the end of 2022, the Company intends to list up to 5% of its shares on the Republican Stock Exchange «Toshkent».

On 18 July 2022, UzAuto Motors launched mass industrial production of the Chevrolet Tracker 2023 model. UzAuto Motors officially announced the start of sales of domestic SUV-B segment from 30 August 2022. The start of production at the company's plant in the city of Asaka marked a new step in the development of the country's automotive industry, since for the first time in Uzbekistan the production of a full cycle of a new class of cars - crossovers began.

On 27 September 2022, the supplementary agreement signed to the facility agreement dated on 28 April 2022 between the Group with Credit Suisse AG and Raiffeisen Bank International AG to reduce the amount of borrowed funds from US Dollar 64,000 thousand to US Dollar 48,000 thousand. As at the date of the issuance of these interim condensed consolidated financial statements, no funds have been drawn under this agreement.