



**UZBEKISTAN AIRWAYS JOINT STOCK COMPANY
AND ITS SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS
FOR THE YEAR ENDED 31 DECEMBER 2023
AND INDEPENDENT AUDITORS' REPORT**

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Independent Auditors' Report

To the Shareholder of Uzbekistan Airways Joint Stock Company

Opinion

We have audited the consolidated financial statements of Uzbekistan Airways Joint Stock Company (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

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 Auditors' Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (*IESBA Code*) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of Uzbekistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Standards, 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.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

Sanjarbek Saidov
General Director
Audit Organization KPMG Audit LLC
Tashkent, Uzbekistan
31 October 2024



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 December 2023	31 December 2022
UZS billion			
ASSETS			
Non-current assets			
Property, plant and equipment	7	7,083	5,686
Right-of-use assets	8	4,646	2,966
Receivables from the MEF of the Republic of Uzbekistan	9	1,667	1,750
Other non-current assets	10	745	301
Deferred tax assets	26	265	505
Total non-current assets		14,406	11,208
Current assets			
Inventories	11	470	338
Receivables from the MEF of the Republic of Uzbekistan	9	319	363
Trade and other receivables	12	553	520
Cash and cash equivalents	13	320	2,120
Income tax prepaid		204	115
Other assets	14	1,981	601
Total current assets		3,847	4,057
TOTAL ASSETS		18,253	15,265
EQUITY AND LIABILITIES			
Equity			
Share capital	15	4,263	4,263
Accumulated loss		(1,666)	(2,882)
Total equity		2,597	1,381
Non-current liabilities			
Loans and borrowings	16	6,149	7,227
Lease liabilities	17	4,974	3,026
Provisions for liabilities	19	289	204
Total non-current liabilities		11,412	10,457
Current liabilities			
Loans and borrowings	16	1,503	969
Lease liabilities	17	358	237
Trade and other payables	20	1,293	1,152
Liabilities under contracts with customers	21	943	1,069
Provisions for liabilities	19	147	-
Total current liabilities		4,244	3,427
Total liabilities		15,656	13,884
TOTAL EQUITY AND LIABILITIES		8,253	15,265

These consolidated financial statements were approved by management on 31 October 2024 and were signed on its behalf by:



Mr. Sh.Sh. Khudaykulov
Chairman of the Board

Mr. A.A. Sattarov
Deputy Chairman of the Board

Mr. S.B. Irmukhamedov
Director of Finance Department

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**

UZS billion	Note	2023	2022
Revenue	21	15,249	12,248
Cost of sales	22	(11,469)	(8,598)
Gross profit		3,780	3,650
Selling expenses	23	(353)	(277)
General and administrative expenses	24	(245)	(169)
Other operating expenses		(85)	(273)
Other operating income		141	107
Operating income		3,238	3,038
Net foreign exchange loss		(896)	(356)
Finance costs	25	(835)	(640)
Finance income		148	23
Profit before income tax		1,654	2,065
Income tax expense	26	(255)	(371)
Profit and total comprehensive income for the year		1,399	1,694

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

UZS billion	Note	Share capital	Accumulated loss	Total equity
Balance at 31 December 2021		4,263	(4,536)	(273)
Profit and total comprehensive income for the year		-	1,694	1,694
Dividends declared	15	-	(40)	(40)
Balance at 31 December 2022		4,263	(2,882)	1,381
Profit and total comprehensive income for the year		-	1,399	1,399
Transactions with shareholder				
Acquisition of Silk Avia LLC	15, 27	-	(14)	(14)
Dividends declared	15	-	(147)	(147)
Transactions with shareholder		-	(22)	(22)
Total transactions with shareholder		-	(183)	(183)
Balance at 31 December 2023		4,263	(1,666)	2,597

CONSOLIDATED STATEMENT OF CASH FLOWS

UZS billion	Note	2023	2022
Operating activities			
Profit for the year		1,399	1,694
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment	22, 24	383	513
Depreciation of right-of-use assets	22	326	195
Loss on disposal of PPE, inventories and other		17	218
Income tax expense	26	255	371
Interest accrued	25	783	593
Effect of early repayment and modification of loans and borrowings	25	17	14
Interest income		(130)	-
Net foreign exchange loss		896	356
(Reversal)/charge of allowance for expected credit losses		1	6
Change in provision for liabilities	19	232	116
Discount on other non-current assets	25	30	32
Illiquid inventories (recovery)/write-off		(13)	3
Profit from payables write-off		(85)	
Change in premium award points	21	35	(24)
Other income and expenses, net		(11)	(17)
Operating profit before changes in working capital		4,136	4,070
<i>Changes in working capital:</i>			
Inventories		(111)	(138)
Trade and other receivables		(267)	(71)
Other non-current assets		(329)	(91)
Other assets		(151)	(371)
Trade and other payables		391	367
Liabilities under contracts with customers		(186)	484
Cash flows from operating activities before income tax paid		3,482	4,250
Interest paid	18	(787)	(621)
Income tax paid		(103)	(118)
Net cash flow from operating activities		2,592	3,511
Investing activities			
Acquisition of property, plant and equipment	7	(1,271)	(155)
Placement of term deposits	10, 14	(1,366)	-
Sale of property, plant and equipment		1	-
Other receipts		6	9
Net cash flows used in investing activities		(2,630)	(146)
Financing activities			
Repayment of lease liabilities	18	(314)	(189)
Repayment of loans and borrowings	18	(1,768)	(2,995)
Additions of right-of-use assets	8	-	(9)
Dividends paid	15	(176)	(33)
Receipt of funds from the MEF of the Republic of Uzbekistan		474	423
Net cash flows used in financing activities		(1,784)	(2,803)
Net (decrease)/increase in cash and cash equivalents*		(1,822)	562
Cash and cash equivalents at the beginning of the year	13	2,120	1,591
Effect of movements in exchange rates on cash and cash equivalents		22	(33)
Cash and cash equivalents at the end of the year		320	2,120

* Significant transactions of investment and finance nature that were carried out without the use of cash and cash equivalents and excluded from the consolidated statement of cash flows are disclosed in Note 28.

1. ORGANISATION AND OPERATIONS

Uzbekiston Havo Yullari National Air Company was established by the Decree of the Government of the Republic of Uzbekistan No.44 dated 4 February 1992.

In accordance with the Decree of the President of the Republic of Uzbekistan No.УП-5584 dated 27 November 2018 "On measures for fundamental improvement of civil aviation industry of the Republic of Uzbekistan", Uzbekiston Havo Yullari National Air Company was reorganised through establishing Uzbekistan Airways Joint Stock Company (the "Company" or "Uzbekistan Airways JSC").

The Company owns the exclusive right to the trademark and service mark of Uzbekiston Havo Yullari National Air Company of the Republic of Uzbekistan.

In accordance with the international agreements of the Republic of Uzbekistan in the area of civil aviation, and the ICAO standards and rules in force in the Republic of Uzbekistan, the Company is the national carrier of the Republic of Uzbekistan.

The principal activities of the Company and its subsidiaries (the "Group") are:

- passenger and cargo air transportation services, both domestically and internationally, on a regular and charter basis;
- training and retraining of flight, technical and other personnel for work on international airlines, including those for other enterprises on a contract basis, and for work in the Group's representative offices abroad;
- technical maintenance of aircraft ("aircraft") services.

The Company's registered office is: 41 Amir Temur Avenue, Tashkent, Republic of Uzbekistan.

The Company owns interests in the charter capital of the following enterprises:

Enterprise	Activity	31 December 2023	31 December 2022
UZBEKISTAN AIRWAYS TECHNICS LLC	Aircraft maintenance	100%	100%
UZBEKISTAN HELICOPTERS LLC	Special-purpose aviation	100%	100%
Catering LLC	In-flight catering	100%	100%
Air Training Center LLC	Educational activity	100%	100%
Silk Avia LLC	Air passenger transport	100%	0%
Direktorate for Construction of Buildings and Structures LLC*	Other construction works	100%	0%

* In November 2023, Directorate for Construction of Buildings and Structures LLC was established for the purpose of construction of Tashkent East aerodrome.

1. ORGANISATION AND OPERATIONS (continued)

Information about the Group's aircraft fleet is shown in the table below:

Aircraft type	Type of ownership	Aircraft status**	Uzbekistan Airways JSC		Uzbekistan Helicopters LLC		Silk Avia LLC		Total for the Group	
			At 31 December		At 31 December		At 31 December		At 31 December	
			2023	2022	2023	2022	2023	2022	2023	2022
Boeing 767	own aircraft	In service	6	6	-	-	-	-	6	6
Boeing 787	own aircraft	In service	6	6	-	-	-	-	6	6
Boeing 757-23P	own aircraft	In service	1	2	-	-	-	-	1	2
Airbus 320-214	own aircraft	In service	9	9	-	-	-	-	9	9
A320 Neo	leased aircraft	In service	8	3	-	-	-	-	8	3
Airbus A321 NEO	leased aircraft	In service	5	5	-	-	-	-	5	5
Pilatus PC-24	own aircraft	In service	1	1	-	-	-	-	1	1
Airbus H125	own aircraft	In service	-	-	2	2	-	-	2	2
Airbus H130	own aircraft	In service	-	-	2	2	-	-	2	2
MI-8	own aircraft	In service	-	-	5	5	-	-	5	5
Let L-410	own aircraft	In service	-	-	2	-	-	-	2	-
ATR72-212A(600)	own aircraft	In service	-	-	-	-	3	-	3	-
Boeing 757-23P	own aircraft	In storage	1	-	-	-	-	-	1	-
Boeing 767	own aircraft	In storage	2	2	-	-	-	-	2	2
IL-76TD	own aircraft	In storage	6	6	-	-	-	-	6	6
IL-114-100	own aircraft	In storage	7	7	-	-	-	-	7	7
Total			52	47	11	9	3	-	66	56

2. BASIS OF PREPARATION**Statement of compliance**

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis using the accrual method. The material accounting policies applied in the preparation of these consolidated financial statements are set out below. The accounting policies set out below have been applied consistently by the Group to all periods presented in these consolidated financial statements.

All significant subsidiaries directly or indirectly controlled by the Group are included in these consolidated financial statements. A list of the Group's significant subsidiaries is set out in Note 1.

Functional and presentation currency

The national currency of the Republic of Uzbekistan is Uzbek Soum. Uzbek Soum is also the functional currency of all companies of the Group and presentation currency of the Group. All financial information in these consolidated financial statements is presented in billions of Uzbek Soums ("UZS billion"), unless otherwise indicated.

2. BASIS OF PREPARATION (continued)**Going concern**

These consolidated financial statements have been prepared on a going concern basis, which provides for asset sales and settlement of obligations in the ordinary course of business. Recoverability of the Group's assets, as well as its future operations can be significantly affected by the current and future economic environment.

The accompanying consolidated financial statements do not include adjustments that have to be made had the Group been unable to continue as a going concern.

Regional geopolitical conflicts

In February 2022, because of the military conflict between the Russian Federation and Ukraine, a number of countries imposed sanctions against the Russian Federation. The conflict affects not only the economic activity of two countries but the global economy as well.

Management believes that these circumstances had not have a material negative impact on the operations and the financial position of the Group.

The economy of the Republic of Uzbekistan generally continues displaying certain characteristics of an emerging market. It is particularly sensitive to fluctuations in prices of manufactured goods, gold, textile, and fruit and vegetable products, which constitute a significant share of the country's export. These characteristics also include, but are not limited to, having a national currency that is not freely convertible outside the country, and low liquidity securities market. The high inflation rate, continued political tensions in the region and the volatility of exchange rate have had, and may continue to have, a negative impact on the economy of the Republic of Uzbekistan, including causing decline in liquidity, and difficulties for attracting international funding.

The economic environment has a significant impact on the operations and the financial position of the Group. Management takes all necessary measures to ensure the Group's sustainable operations. Nevertheless, the future consequences of the current economic situation are difficult to predict, and current expectations and management's estimates may differ from actual results.

Moreover, air transportation service sector of the Republic of Uzbekistan is still impacted by political, legislative, fiscal and regulatory developments. The prospects for future economic stability in the Republic of Uzbekistan are largely dependent upon the effectiveness of economic measures undertaken by the Government, together with legal, controlling and political developments, which are beyond the Group's control.

3. MATERIAL ACCOUNTING POLICIES**Foreign currency transactions**

Transactions in foreign currencies are translated to the national currency - Soum - at exchange rates of the Central Bank of the Republic of Uzbekistan ("CBU") at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate of the CBU as at the end date of the appropriate reporting period. Foreign exchange differences arising from foreign exchange transactions are charged to financial results as incurred. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

The table below presents US Dollar, Euro and Russian Rouble to UZS exchange rates used for the translation of monetary assets and liabilities into foreign currencies:

	UZS per USD 1	UZS per EUR 1	UZS per RUB 1
At 31 December 2023	12,338.77	13,731.82	136.36
At 31 December 2022	11,225.46	11,961.85	156.64

Depreciation

Items of property, plant and equipment are depreciated on a straight-line basis during their estimated useful lives, based on the cost of the asset less its estimated residual value, starting from the date of acquisition, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

3. MATERIAL ACCOUNTING POLICIES (continued)**Depreciation (continued)**

The estimated useful lives of different components of the Group's fleet of aircraft and aircraft engines and other property, plant and equipment are as follows:

	Estimated useful life	Estimated residual value
Own airframes	20 years	0-10%
Own aircraft engines	12.5 years	nil
Buildings and constructions	25-50 years	nil
Machinery and equipment	12.5 years	nil
Vehicles	10 years	nil
Other	5-10 years	nil

Depreciation methods, expected useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Subsequent expenditure

The Group recognises the cost of replacing a component of an item of property, plant and equipment in the carrying amount of the item as incurred, if it is probable that the future economic benefits embodied within the asset will flow to the Group, and the cost of an item property, plant and equipment can be measured reliably. The replaced components are expensed at the time of replacement. All other costs are recognised in the consolidated statement of profit or loss and other comprehensive income during the year.

Capitalised costs on aircraft maintenance and repair: the costs of significant modernisation and reconstruction projects (mainly aircraft modernisation involving replacement of separate elements) are capitalised. The carrying amount of replaced parts is derecognised in the Group's consolidated statement of financial position and included in operating expenses in the Group's consolidated statement of profit or loss and other comprehensive income.

Capitalised costs on the aircraft maintenance and large modernisation and reconstruction projects are amortised using the straight-line method over the period ending on the forecast date of the next inspection or based on their estimated useful lives. The cost of ongoing repairs and maintenance of aircraft is expensed as incurred and included in operating expenses (maintenance) in the Group's consolidated statement of profit or loss and other comprehensive income.

Capitalised loan and borrowing costs: General and specific borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time to get ready for intended use (qualifying assets) are capitalised as part of the costs of those assets.

The commencement date for capitalisation is when (a) the Group incurs expenditures for the qualifying asset; (b) it incurs borrowing costs; and (c) it undertakes activities that are necessary to prepare the asset for its intended use.

Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use.

The Group capitalises borrowing costs that could have been avoided if it had not made capital expenditure on qualifying assets. Borrowing costs capitalised are calculated at the Group's average funding cost (the weighted average interest cost is applied to the expenditures on the qualifying assets), except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred on the specific borrowings less any investment income on the temporary investment of these borrowings are capitalised.

3. MATERIAL ACCOUNTING POLICIES (continued)

Right-of-use assets

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability on a present value basis;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- costs to restore the asset to the conditions required by lease agreements.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. For depreciation of the aircraft right-of-use assets the Group does not separate the aircraft components.

Depreciation on the items of the right-of-use assets is calculated using the straight-line method over their estimated useful lives, but no more than 12 years for the A320neo and A321neo aircraft.

Lease liabilities

Liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases of the Group, the Group's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, collateral and conditions.

Lease payments are allocated between principal and finance costs. The finance costs are charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Short-term lease payments for buildings, constructions, equipment and vehicles and lease payments of any low-value assets are recognised on a straight-line basis as an expense in profit or loss. A short-term lease is a lease agreement with a term not exceeding 12 months.

Accounting for provisions

Provision for aircraft maintenance under lease agreements under which the right of use is not transferred to lessees at the end of lease term.

The Group is obligated to perform regular scheduled maintenance of aircraft under the terms of its lease agreements and regulatory requirements relating to aviation safety.

According to certain aircraft lease agreements, the Group makes monthly payments in addition to the lease payments to the lessor's aircraft maintenance reserve for regular repairs and maintenance specified in the lease agreement during the lease period.

After carrying out repairs that fall within the definition of an event that is reimbursed from a previously accumulated maintenance reserve in accordance with the terms of the lease agreement, the Group receives reimbursement from the lessor in the amount of the actual repair costs, but not more than the accumulated maintenance reserve. At the end of the lease period, any remaining balance in the reserve fund is not reimbursed. The Group accounts for such payments as financial assets.

3. MATERIAL ACCOUNTING POLICIES (continued)**Accounting for provisions (continued)**

Major aircraft maintenance relates to airframes, engines, auxiliary power units, and landing gears. The C-check is heavy maintenance with approved performance intervals. It takes place the earliest of every 6,000 - 7,500 flight hours, 3,000 - 5,000 flight cycles and 18-24 months according to aircraft type.

6YR and 12YR are heavy maintenance connected with deep aircraft disassembly, structure inspection and anticorrosion prevention programme. 6YR and 12YR take place with an interval of at least every 6 years and every 12 years for an aircraft of A320 type. Scheduled engine repairs are carried out based on the remaining life (by cycles) or based on the results of engine diagnostics.

To account for provisions, the Group applies the provision-based approach as the Group considers it to be the most appropriate and charges provisions as aircraft are utilised in the amount that is calculated on the basis of the 12-year repair expenses from the beginning of a lease term. The Group recognises such expenses in profit or losses as incurred as a "damage" occurs as aircraft are utilised.

The Group's aircraft maintenance liabilities are presented in US Dollars.

Restoration works (not depending on aircraft utilisation)

Once a contract is signed, the Group charges a provision to cover the costs resulting from restoration work required to be performed just before returning aircraft to the lessors, such as painting of the shell. The cost of the right-of-use asset comprises the estimated costs to be incurred during performance of such works. This complement to the right-of-use asset is amortised over the lease term on a straight-line basis.

Sales revenue

Revenue is recognised at the moment or upon transfer of control over goods or services to the customer at the transaction price. The transaction price is the amount of compensation, the right to which the Group expects to receive in exchange for the transfer of the promised goods or services to customers. Revenue presents amounts due for goods and services sold in the ordinary course of business, net of taxes accrued on the revenue.

Passenger flights: Revenue from the sale of tickets is recognised upon delivery of air-transport services. The price of tickets sold and valid, that have not been used at the reporting date, is recognised in the Group's consolidated statement of financial position as a separate line item 'Contract liabilities' within current liabilities. The balance on this account is reduced as the Group continues to provide related transportation services, or when the passenger returns the ticket.

The price of tickets that have been sold but not used is recognised as sales revenue at the time when the right to return such tickets expires. The Group grants the right to return such tickets during a subsequent year. Revenue from the service for changes in bookings (service fees for changes in booking terms) is recognised when air transportation services are provided.

Where a passenger's itinerary consists of several segments and the transportation for such itinerary is formalised by a single agreement for air transportation, revenue for changes in booking terms is recognised when the first segment of the route is completed.

The Group conducts sales through agents that act as intermediaries distributing tickets among customers. In average, receivables are collected within a month from origination.

Commission fees payable to agents for the sale of air tickets are recognised as sales and marketing expenses within selling expenses in the consolidated statement of profit or loss and other comprehensive income in the period of the provision of the services, as according to current tariffs, the period for meeting obligations on passenger transportation does not exceed one year.

3. MATERIAL ACCOUNTING POLICIES (continued)**Sales revenue (continued)**

Revenue from passenger flights includes revenue under interline agreements signed between the Group and other airlines, whereby the airlines use their tickets to document transportation on regular flights operated by its partner airlines. The airline can issue tickets for any flights whose entire itinerary or several segments of one itinerary will be carried out by another carrier. Revenue from any flights that were provided by a partner under an interline agreement, but were documented on the Group's blank forms is recognised when the air transport services have been rendered by the partner, as the Group acts as an agent, in the amount of net income (commission fees), within the traffic revenue, in the Group's consolidated statement of profit or loss and other comprehensive income.

The Group is entitled to commission at a point in time when the interline partner has completed a flight, which corresponds to the point in time when the obligation to carry an end customer is performed and it is a basis for making settlement payments with the partner to the interline agreement.

Where a contract of carriage with a passenger includes two or more itinerary segments (performance obligations), with mixed terms and conditions whereby flights are operated by both the Group or partners to interline agreements, revenue from sale of itinerary segments for flights operated by the Group is recognised in full amount at a point in time when air transport services have been provided, and revenue from sale of itinerary segments for flights operated by other airlines is recognised in the amount equal to net income within 'revenue from transportation services' in the Group's consolidated statement of profit or loss and other comprehensive Income.

Cargo service: Revenue from cargo services is recognised in 'revenue from transportation services' when air transport services have been provided. The cost of air cargo services sold but not provided is recognised in the consolidated statement of profit or loss and other comprehensive Income within 'contract liabilities' from contracts with customers.

Charters: Revenue from air charter services (passenger and cargo service) is recognised in 'revenue from transportation services' when air transport services have been provided (charter flights have been completed). The cost of charter services sold but not provided (passenger and cargo service) is recognised in the consolidated statement of financial position within 'contract liabilities' from contracts with customers.

Other revenue: Other revenue from services is recognised at a point in time when such services have been provided.

A financing component: Under the contracts with customers, the expected length of time between when the entity transfers the promised goods or services to the customer and when the customer pays for those goods or services does not exceed one (1) year. Therefore, the Group need not adjust the promised amount of consideration for the effects of a significant financing component.

The Group does not have any substantial assets under the contracts with customers. When a right to consideration becomes unconditional, the Group recognises the receivables. The Group's contract liabilities include unearned revenue from passenger carriage services, obligations under the loyalty programme, and other advances paid by customers (Note 21).

Loyalty programmes

Uzbekistan Airways JSC operates the loyalty programme UzAirPlus (the "Programme" or "UzAirPlus Programme") which aims to reward passengers frequently flying with Uzbekistan Airways.

Revenue from bonus points awarded is recognised at a point in time when services, that were paid with bonus points, have been provided to the Programme's participant, or when unused bonus points expired, by reducing current deferred revenue and other current liabilities, based on the estimated value of a bonus point.

The amount of deferred revenue is determined by allocating the transaction price to performance obligations (the tickets sold and bonus points) in proportion to those stand-alone selling prices at contract inception.

The estimated value of bonus points earned but not used by participants of UzAirPlus Programme when travelling on the Group's flights is recognised as current deferred revenue under the loyalty programme, within 'current liabilities' in the consolidated statement of financial position.

3. MATERIAL ACCOUNTING POLICIES (continued)

Financial assets impairment – credit loss allowance for ECL

On a forward-looking basis, the Group assesses the ECL for financial assets measured at amortised cost. The Group measures ECL and recognises credit loss allowance for ECL at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Trade and other receivables are presented in the consolidated statement of financial position net of the credit loss allowance for ECL.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Credit loss allowance for trade receivables is determined in accordance with a provision matrix.

For other financial assets within the scope of the IFRS 9 expected credit losses model, the Group applies a three-stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified as Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12-month ECL"). If the Group identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL.

IFRS 9 impairment requirements also apply to cash and cash equivalents, and identified impairment loss was immaterial.

Purchases of subsidiaries from entities under common control

Purchases of subsidiaries from entities under common control are accounted for using the predecessor values method. Under the predecessor values method, the consolidated financial statements of the combined entity are presented prospectively from the date of the transaction. The assets and liabilities of the subsidiary transferred between the entities under common control are recognised at the predecessor entity's carrying amounts.

The predecessor entity is considered to be the highest reporting entity in which the subsidiary's IFRS financial information was consolidated. Related goodwill inherent in the predecessor entity's original acquisitions is also recorded in the consolidated financial statements. Any difference between the carrying amount of net assets, including the predecessor entity's goodwill, and the consideration for the acquisition is accounted for in these consolidated financial statements as an adjustment to retained earnings within equity.

Accounting for interrelated transactions

The Group applies a single approach to accounting for transactions that are interrelated or part of a common agreement. Interrelated transactions are treated as a single transaction if they meet one or more of the following criteria:

- Concurrence of transactions: Transactions have taken place concurrently or a transaction takes place subject to the other one does, i.e. the execution of a transaction depends on the execution of another transaction.

3. MATERIAL ACCOUNTING POLICIES (continued)

Accounting for interrelated transactions (continued)

- Common commercial impact: Transactions aim to achieve a common commercial impact or common commercial goal, and are to be treated as parts of a single transaction.
- Interrelated arrangements: An agreement (a transaction) may not be made unless the other one has been made, which indicates that the arrangements are interrelated.
- Commercial viability: Individual transactions may have no sense from a business perspective or be commercially unreasonable itself, but may be commercially reasonable if considered together with other transactions.

The Group considers each group of transactions to determine whether it is to be treated as a single interrelated transaction. This approach allows for a fair presentation of the Group financial position and performance and prevents from the income and expense accounting manipulations.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The Group makes judgements, estimates and assumptions that affect the amounts recognised in the consolidated financial statements and the carrying amounts of assets and liabilities within the next financial year.

Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies.

Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Useful lives and residual values of items of property, plant and equipment

The assessment of the useful lives of items of property, plant and equipment and their residual values is a matter of management judgement based on the use of similar assets in prior periods. To determine the useful lives and residual value of property, plant and equipment, management considers the following factors: nature of the expected use, estimated technical obsolescence and physical wear.

A change in each of the above conditions or estimates may require the adjustment of future depreciation expenses.

Impairment of items of property, plant and equipment and right-of-use assets

At each reporting date, the Group assesses the carrying amount of items of property, plant and equipment and right-of-use-assets to determine whether there is any indication that the value of these assets has decreased. This process requires management to apply judgements to determine the reasons of possible decrease in the value, including considering such factors as changes in the current economic situation, expectations of sectoral growth, change in future funding opportunities, technological obsolescence, termination of the use of assets, current replacement cost and other changes in the conditions that indicate there is evidence of impairment.

Measurement of ECLs

Measurement of ECLs for all financial instruments at amortised cost is a significant estimate that involves determination methodology, models and data inputs. The following components have a major impact on credit loss allowance: definition of default, SICR, probability of default ("PD"), exposure at default ("EAD"), and loss given default ("LGD"), as well as models of macro-economic scenarios.

The Group regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience. Taking into account the short term of assets, the forecasted macroeconomic indicators did not have a significant impact on the level of losses.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)**Measurement of ECLs (continued)**

Credit loss allowance for trade receivables is determined in accordance with a provision matrix based on the number of days of an asset being past due. The effect of adjustments on the projected macroeconomic indicators do not have a significant impact on the level of expected credit losses, given the short-term nature of contractual obligations.

Receivables from the Ministry of Economy and Finance of the Republic of Uzbekistan (the “MEF of the Republic of Uzbekistan”) (before 1 January 2023 - the Ministry of Finance of the Republic of Uzbekistan)

In accordance with the Decrees of the Cabinet of Ministers of the Republic of Uzbekistan, MEF of the Republic of Uzbekistan is obliged to provide cash funds to the Group for repayment of loans and borrowings and related interest, received for the acquisition and re-equipment of aircraft used solely for the state needs. Cash funds are provided before the scheduled repayments of loans and borrowings are to be made.

As the Group cannot use these aircraft in its operating activities, the Group has recognised accounts receivable from MEF of the Republic of Uzbekistan in the amount expected to be received in the future. These receivables are subsequently measured at amortised cost.

Assessment of lease terms

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not to exercise a termination option.

The Group considers factors that are the most relevant including historical lease durations and the costs and business disruption required to replace the leased asset.

Costs of regular repairs and maintenance of aircraft

The assessment of amount and expected timing of regular repairs and maintenance works are matters of management judgement.

In determining whether the present obligation should be recognised in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* the Group applies a unified provision-based approach to accounting as the Group believes it is the most relevant method and makes provisions as aircraft are used.

Estimates of the expected costs are based on the most reliable data on the assessment date. This takes into account the terms of the lease agreements, the age and condition of the aircraft and aircraft engines, the market value of the fixtures, components and assemblies to be replaced and the cost of the work required.

Government-controlled transactions

The Group applies judgement to determine whether the Government acts as a shareholder or a state body to account for transactions with entities controlled by the Government and shareholder. The effect of transactions with a shareholder is normally recorded in equity unless management has concluded that the shareholder acted as a state body. In the latter case, the effect of transactions with a shareholder is recorded in profit or loss. The Group also applies expert judgement in determining market interest rates had loans and borrowings been received at a below-market rate.

5. ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

A number of following standards and amendments to standards are effective for annual periods beginning after 1 January 2024; they do not have a material effect on the Group's consolidated financial statements.

- *Classification of Liabilities as Current or Non-Current and Non-Current Liabilities with Covenants (Amendments to IAS 1)*. The amendments, as issued in 2020 and 2022, aim to clarify the requirements on determining whether a liability is current or non-current, and require new disclosures for non-current liabilities that are subject to future covenants. The amendments apply for annual reporting periods beginning on or after 1 January 2024.

5. ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS (continued)

- *Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)*. The amendments introduce new disclosures regarding supplier financing arrangements that help users of financial statements assess the impact of such arrangements on the entity's liabilities and cash flows and on the entity's exposure to liquidity risk. The amendments apply for annual reporting periods beginning on or after 1 January 2024.
- Other standards. The following new standards, amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.
 - *Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)*.
 - *Lack of Exchangeability (Amendments to IAS 21)*.

6. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Parties are 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.

Parent company and ultimate controlling party

The sole shareholder of the Company is the Ministry of Economy and Finance of the Republic of Uzbekistan. The Group's ultimate controlling party is the Government of the Republic of Uzbekistan.

Transactions with government-related entities

The Group transacts with a number of entities that are controlled by, or under significant influence or joint control of the Government of the Republic of Uzbekistan. The Group applies the exemption in IAS 24 *Related Party Disclosures* that allows to present reduced related party disclosures regarding transactions with government-related entities. Transactions with other organisations associated with Uzbekistan Government, which are significant not individually but in the aggregate, and total UZS 295 billion for 2023 (2022: UZS 146 billion) are represented mainly by taxes, duties, bank services, and utilities transactions.

The Group primarily purchases fuel from entities under common control and ground handling and maintenance services.

6. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (continued)**Transactions with government-related entities (continued)**

UZS billion	Transaction value for the year ended 31 December		Outstanding balance as at 31 December	
	2023	2022	2023	2022
Sale of goods and services:				
Entities under common control	72	73	74	185
Purchase of goods and services:				
Entities under common control	(808)	(577)	(289)	(559)
Transactions with the MEF of the Republic of Uzbekistan:				
Receivables from the MEF of the Republic of Uzbekistan	474	423	1,986	2,113
Payables to the MEF of the Republic of Uzbekistan	-	-	(126)	-
Loans and borrowings:				
Entities under common control — principal amount paid, net/payable	(951)	(1,595)	(2,460)	(2,753)
Parent company - principal amount (paid)/received, net/payable	-	(444)	-	-
Entities under common control — interest paid/payable	(122)	(154)	(184)	(76)
Cash and cash equivalents				
Entities under common control	-	-	82	1,692
Short-term deposits paid				
Entities under common control	(1,234)	-	1,234	-
Collateral payments under the terms of loan agreements				
Entities under common control	-	145	-	-

Key management remuneration

Key management personnel (the members of the Management Board, directors and deputy directors of the departments and CEOs of subsidiaries) received the short-term remuneration including salary, paid leave allowance and sick leave pay, bonuses as well as other compensations, and per diem allowances. The total remuneration of the Group's key management personnel amounted to UZS 10 billion in 2023 (2022: UZS 5.8 billion). The increase in the amount of remuneration received by key management resulted from the increase in the numbers of key management and change in their membership.

7. PROPERTY, PLANT AND EQUIPMENT

UZS billion	Own aircrafts	Spare aircraft engines	Buildings and constructions	Machinery and equipment	Vehicles	Other property, plant and equipment	Equipment for installation	Total
Cost								
Balance at 1 January 2022	7,911	116	89	131	14	50	173	8,484
Additions	224	-	4	18	2	5	-	253
Disposals	(305)	-	-	(1)	-	-	(69)	(375)
Balance at 31 December 2022	7,830	116	93	148	16	55	104	8,362
Balance at 1 January 2023	7,830	116	93	148	16	55	104	8,362
Additions	643	-	37	20	11	4	556	1,271
Acquisition Silk Avia LLC	551	-	-	-	-	-	-	551
Disposals	(36)	-	-	(1)	-	-	-	(37)
Balance at 31 December 2023	8,988	116	130	167	27	59	660	10,147
<i>Accumulated depreciation</i>								
Balance at 1 January 2022	(1,987)	(99)	(48)	(74)	(9)	(35)	-	(2,252)
Depreciation	(487)	(7)	(2)	(11)	(2)	(4)	-	(513)
Disposals	88	-	-	1	-	-	-	89
Balance at 31 December 2022	(2,386)	(106)	(50)	(84)	(11)	(39)	-	(2,676)
Balance at 1 January 2023	(2,386)	(106)	(50)	(84)	(11)	(39)	-	(2,676)
Depreciation	(350)	(10)	(26)	(14)	(3)	(4)	-	(407)
Disposals	18	-	-	1	-	-	-	19
Balance at 31 December 2023	(2,718)	(116)	(76)	(97)	(14)	(43)	-	(3,064)
<i>Carrying amount</i>								
At 1 January 2022	5,924	17	41	57	5	15	173	6,232
At 31 December 2022	5,444	10	43	64	5	16	104	5,686
As at 31 December 2023	6,270	-	54	70	13	16	660	7,083

7. PROPERTY, PLANT AND EQUIPMENT (continued)

Depreciation expense for the year has been mainly charged to cost of sales.

In July and September 2023, two Let L-410 aircraft were delivered and put into operation. In October 2023, three ATR 72-600 aircraft, formerly owned by Uzbekistan Airports JSC, were transferred for free to Silk Avia LLC.

In April 2023, one Boeing 757-23P aircraft was decommissioned.

Three Boeing 787 aircraft and three ATR 72-600 aircraft are pledged as collateral; the residual value of these aircraft as at 31 December 2023 was USZ 3,571 billion (31 December 2022: three Boeing 787 aircraft with the residual value of UZS 3,211 billion).

Equipment for installation comprises advances paid for acquisition of aircraft of UZS 448 billion as at 31 December 2023 (31 December 2022: UZS 103 billion).

8. RIGHT-OF-USE ASSETS

UZS billion	A320, A321 aircraft
Cost	
Balance at 1 January 2022	1,248
Additions	2,128
Other	9
Balance at 31 December 2022	3,385
Balance at 1 January 2023	3,385
Additions	2,006
Balance at 31 December 2023	5,391
Accumulated depreciation	
Balance at 1 January 2022	(224)
Depreciation	(195)
Balance at 31 December 2022	(419)
Balance at 1 January 2023	(419)
Depreciation	(326)
Balance at 31 December 2023	(745)
Carrying amount	
At 1 January 2022	1,024
At 31 December 2022	2,966
At 31 December 2023	4,646

During 2023, the Group obtained and put into service five Airbus A320-NEO aircraft (2022: five Airbus A321-NEO aircraft)

Depreciation expense for the year has been charged to cost of sales.

The Group's liabilities under the lease agreements are secured by the lessor's ownership of the leased assets.

9. RECEIVABLES FROM THE MEF OF THE REPUBLIC OF UZBEKISTAN

UZS billion	31 December 2023	31 December 2022
Non-current portion	1,667	1,750
Current portion	319	363
Total	1,986	2,113

In accordance with the Decrees of the Cabinet of Ministers of the Republic of Uzbekistan, the Group is entitled to receive cash funds from the MEF of the Republic of Uzbekistan for repayment of loans and borrowings and related interest, received for the acquisition and re-equipment of aircraft used solely for the state needs. The Group has not recognised these aircraft as assets, as the Group has no control over these aircraft. IFRS 9 *Financial Instruments* requires that financial assets are initially recognised at fair value. As part of receivables was non-current and non-interest-bearing at initial recognition, the carrying amount of such receivables was recognised by discounting future cash flows in accordance with the agreed repayment schedule, using the interest rates ranging from 3.7 % to 6.8 % per annum. As at 31 December 2023 the entire receivables are categorised into Stage 1 (31 December 2022: Stage 1).

10. OTHER NON-CURRENT ASSETS

UZS billion	31 December 2023	31 December 2022
Payments to provisions for maintenance of leased aircraft	434	194
Long-term bank deposit	132	-
A security deposit for leased aircraft	94	59
Other	85	48
Total	745	301

Payments to provisions for maintenance of leased aircraft are transferred to the lessor to secure the lessee's full and timely fulfilment of its obligations for maintenance of leased aircraft. Payments include a monthly fixed amount and an amount depending on the number of flight hours. Payments to provisions for maintenance of leased aircraft is recoverable where the Group provides maintenance itself.

A bank deposit is placed with the bank rated B1 (Moody's) for a two-year term and it matures in June 2025; the deposit bears an interest rate of 6.75% per annum, and it is categorised into Stage 1.

A security deposit for leased aircraft is held with the lessor to secure the lessee's fulfilment of its obligations in full, on a timely basis and in good faith. The security deposit is transferred to the lessor in a single instalment or in several instalments. The security deposit is usually equal to three monthly lease payments. The security deposit can be offset against the last lease payment or any payment if there is any non-fulfilment of obligations by the lessee. The security deposit is returned subsequent to the lease agreement's termination/cancellation or the return of the aircraft immediately after the date the lease is terminated and lessee fulfils its obligations.

All amounts paid to provision for maintenance of leased aircraft and security deposits for leased aircraft as at 31 December 2023 and 2022 are placed with lessors rated A1 and Aaa (Moody's) and are categorised into Stage 1.

UZBEKISTAN AIRWAYS JSC AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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11. INVENTORIES

UZS billion	31 December 2023	31 December 2022
Spare parts and other materials	325	226
Fuel	141	107
Work-in-progress	4	5
Total	470	338

The cost of fuel written down in 2023, totalling UZS 4,091 billion (2022: UZS 3,539 billion), is included in cost of sales. The cost of spare parts and other consumables written off in 2022, totalling UZS 352 billion (2022: UZS 244 billion), is included in 'aircraft maintenance expense' item.

12. TRADE AND OTHER RECEIVABLES

UZS billion	31 December 2023	31 December 2022
Trade receivables from third parties	291	251
Trade receivables from related parties	74	185
Other receivables	172	77
Allowance for expected credit losses	(9)	(9)
Total financial assets within trade and other receivables	528	504
Receivables due from employees on other transactions	25	16
Total	553	520

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in Note 29

13. CASH AND CASH EQUIVALENTS

UZS billion	31 December 2023	31 December 2022
Cash on hand and in current bank accounts denominated in foreign currency	227	2,055
Cash on hand and in current bank accounts denominated in UZS	93	65
Total	320	2,120

As at 31 December 2023 and 31 December 2022, 26% and 81% of the Group's cash are held with National Bank of Foreign Economic Activity of the Republic of Uzbekistan JSC ("NBU JSC"), which is under control of the state and rated Ba3 (Moody's). The bank balances are neither past due nor impaired and are categorised into Stage 1.

14. OTHER ASSETS

UZS billion	31 December 2023	31 December 2022
Short-term deposits issued*	1,281	28
Advances paid to suppliers of goods/services	554	419
Taxes prepaid**	146	154
Total	1,981	601

* During 2023, the Group placed a short-term deposit with NBU JSC for a total of USD 100 million (equivalent to UZS 1,234 billion); the deposit bears an interest rate of 6.75% per annum, and it matures in December 2024; it is categorised into Stage 1.

14. OTHER ASSETS (continued)*** Taxes prepaid*

UZS billion	31 December 2023	31 December 2022
VAT	138	151
Other taxes	8	3
Total	146	154

15. SHARE CAPITAL

As at 31 December 2023 and 31 December 2022, share capital of Uzbekistan Airways JSC was equal to UZS 4,263 billion and is divided into 42,632,403,418 ordinary shares with a par value of UZS 100 (one hundred) per share.

As at 31 December 2023 and 2022, the Company's sole Shareholders is MEF of the Republic of Uzbekistan.

Dividends

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. Since all ordinary shares of the Company are owned by the sole shareholder, decisions on payment of dividends are made by the shareholder at its own discretion.

On 24 June 2023, the shareholder of Uzbekistan Airways JSC approved the distribution of dividends in the amount of UZS 147 billion, or UZS 3.42 per each of the 43 billion shares.

16. LOANS AND BORROWINGS

Creditor	Currency	Maturity date	Principal amount and interest payable		Non-current portion		Current portion	
			31 December 2023	31 December 2022	31 December 2023	31 December 2022	31 December 2023	31 December 2022
State Development Bank of Cyprus	USD	2026-2030	4,818	5,194	3,909	4,391	909	803
The Fund for Reconstruction and Development of the Republic of Uzbekistan	USD, EUR		1,847	2,381	1,594	2,215	253	166
NBU JSC	USD, UZS	2024-2026	797	448	456	448	341	-
Islamic Development Bank	USD	2025	190	173	190	173	-	-
Total			7,652	8,196	6,149	7,227	1,503	969

China Development Bank

During 2012- 2021, the Group received loans with a limit of USD 537,4 million (equivalent of UZS 4,223 billion) through NBU JSC, to purchase A-320-200 and Boeing 787 aircraft; loans bear interest rates of LIBOR 6m+3%/3.1% (inclusive of NBU margin of 0.5% per annum), where part of borrowings was received to purchase aircraft intended to be operated solely for the state needs. As at 31 December 2023 and 31 December 2022, the residual value of these loans was UZS 4,818 billion and UZS 5,194 billion, respectively, including the residual value of loans for the state needs of UZS 1,133 billion and UZS 1,217 billion, respectively. The loans were granted for 10 years, with a grace period of 3 years. The loans are secured by the guarantee of the Government of Uzbekistan. In December 2023, the lender's interest rates were changed to fixed rates of 5.1% -6.15%.

Management assessed whether the modification was substantial based on quantitative and qualitative factors and concluded the modification was substantial based on qualitative factor. Management also concluded that the above fixed interest rates are market interest rates as of the date of modification, despite these rates are lower than the Group's borrowings rates. Management concluded so based on that loans provided by development banks constitute a separate segment, and therefore, loans issued by China Development Bank are loans at market rate.

The Fund for Reconstruction and Development of the Republic of Uzbekistan

During 2017- 2019, the Group received loans with a limit of USD 334 million (UZS 2,477 billion) and EUR 45 million (UZS 452.7 billion) through NBU JSC, to purchase A320 and Boeing 787 aircraft, and the spare aircraft engine; part of the loans bears the interest rates of LIBOR 6m+2.5% per annum (inclusive of NBU margin of 0.5%) and other part of the loans is interest-free.

The residual value of the loans bearing the interest rate of LIBOR 6m+2.5% per annum (inclusive of NBU margin of 0.5%) as at 31 December 2023 and 2022 is UZS 994 billion and UZS 1,485 billion, respectively. The loans were granted for 10 years, with a grace period of 3 years. During 2021, the grace period was extended to 2024.

Interest-free loans were received to purchase aircraft intended to be operated solely for the state needs. As at 31 December 2023 and 2022, the residual value of these loans was UZS 853 billion and UZS 896 billion, respectively. The loans were granted for 15 years, with a grace period of 3 years.

16. LOANS AND BORROWINGS (continued)**The Fund for Reconstruction and Development of the Republic of Uzbekistan (continued)**

In 2023, the amount of USD 58,9 million (UZS 705,4 billion) in total was allocated for early repayment of loans from the Fund for Reconstruction and Development of the Republic of Uzbekistan, repayable in 2023-2024.

IFRS 9 requires initial recognition of financial liabilities based on their fair values. Considering that the interest rate for loans received to purchase special-purpose aircraft is not a market interest rate, carrying amount of the loans was calculated by discounting future cash flows in accordance with the agreed repayment schedule using interest rates of 3.7% and 6.8% per annum.

NBU JSC

During 2014-2019, the Group received loans with a limit of USD 121 million (UZS 326 billion) from NBU JSC to purchase Boeing 787 aircraft. The loans bear rates of 4.5% per annum. In December 2019, addenda were signed to convert the outstanding debt in US Dollars to Uzbek Soums which amounted to UZS 822 billion, and to change the interest rate to 16%. In April 2020, addenda were signed to decrease the interest rates to 10%. The loans were granted for 7 and 10 years, with a grace period of 3 years. The loans are secured by the guarantee of the Government of the Republic of Uzbekistan.

During 2023, a loan from Uzbekistan Airports JSC to NBU JSC received for the purchase of three ATR72-600 aircraft was transferred to the Group under the Debt Assignment Agreement (see Notes 27 and 28). The loans are granted and mature in November 2024, bearing an interest rate of SOFR 6m+4.5%. The loan is secured by three purchased ATR72-600 aircraft.

In 2022, the amount of USD 32,2 million (UZS 354 billion) in total was allocated for early repayment of loans from NBU JSC, repayable in 2023-2024.

Islamic Development Bank (IDB)

During 2013, the Group received loans with a limit of USD 208,6 million (UZS 438 billion) through NBU JSC, to purchase Boeing 767-300ER aircraft; IDB extra charge being SWAP+1.85% per annum (inclusive of NBU margin of 0.5%). The loans were issued for a period of 12 years. The loans are secured by the guarantee of the Government of the Republic of Uzbekistan.

Information about the Group's exposure to interest, currency risks and liquidity risk is disclosed in Note 29.

17. LEASE LIABILITIES

	31 December 2023	31 December 2022
UZS billion		
No-current portion	4,974	3,026
Current portion	358	237
Total	5,332	3,263

The Group leases aircraft from third parties, the contract currency is US dollars. The aircraft lease term is twelve years.

The list of the Group's aircraft, including those operated under lease contracts as at 31 December 2023 and 31 December 2022 is set out in Note 1.

17. LEASE LIABILITIES (continued)

In 2023, the Group discounted the lease payments using borrowing rates of 10.1% (2022: The Group discounted the lease payments using a borrowing rate of 7.1%).

The Group's lease liabilities are secured by the lessor's right to the leased assets.

Information about the Group's exposure to interest, currency risks and liquidity risk is disclosed in Note 29.

18. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

UZS billion	Loans and borrowings	Lease liabilities	Total
Balance at 1 January 2022	10,821	1,267	12,088
Proceeds from loans and borrowings/new lease contracts	-	2,128	2,128
Principal payments	(2,995)	(189)	(3,184)
Interest payments	(499)	(122)	(621)
Changes in exchange rates	278	57	335
Effect of early repayment	14	-	14
Interest accrued	577	122	699
Balance at 31 December 2022	8,196	3,263	11,459
Proceeds from loans and borrowings/new lease contracts	487	2,006	2,493
Principal payments	(1,768)	(314)	(2,082)
Interest payments	(542)	(245)	(787)
Changes in exchange rates	724	377	1,101
Effect from modification	17	-	17
Interest accrued	538	245	783
Balance at 31 December 2023	7,652	5,332	12,984

19. PROVISIONS FOR LIABILITIES

Provisions for liabilities include provisions for regular repairs and maintenance relating to leased aircraft.

UZS billion	31 December 2023	31 December 2022
Engine	228	104
Engine parts	152	67
6-year engine check	26	15
12-year engine check	10	8
Landing gear	5	4
Auxiliary power unit	15	6
Total	436	204

The movement in the accrued provision for aircraft maintenance for the years ended 31 December is as follows:

UZS billion	2023	2022
1 January	204	88
Charge for the year	232	116
31 December	436	204

19. PROVISIONS FOR LIABILITIES (continued)

As per the terms of the lease agreement, the Group must perform routine aircraft repair and maintenance procedures through the useful life of aircraft and pay for them, as well as to return the aircraft to the lessor in satisfactory condition at the end of the lease. The repair costs involved in calculation of the provision are denominated in US dollars.

These provisions are expected to be used as follows:

UZS billion	31 December 2023	31 December 2022
Within one year	147	-
Within second year	63	
After third year		
Total provision for aircraft maintenance	436	
Less: current portion		-
Non-current portion	289	

Significant judgement is involved in the determination of aircraft repair and maintenance provisions. Management estimates are prepared based on the current technical condition of the aircraft, historical flight hours and flight cycles, the expected level of future aircraft recycling, taking into account the lease term, as well as condition of aircraft in which they must be returned to the lessor. Estimates are made using the following key assumptions:

- estimated utilisation rate of flight hours and cycles is based on historical data and actual aircraft utilisation;
- the aircraft is assumed to be used under standard practices and regulations; and
- no provisions have been made for unscheduled maintenance.

20. TRADE AND OTHER PAYABLES

UZS billion	31 December 2023	31 December 2022
Trade payables from third parties	536	413
Trade payables from related parties	289	559
Liabilities to shareholder	126	-
Total financial liabilities within trade and other payables	951	972
Wages and salaries payable	141	100
Other	201	80
Total other payables	342	180
Total	1,293	1,152

Information about the Group's exposure to interest, currency risks and liquidity risk is disclosed in Note 29.

Following the acquisition of Silk Avia LLC, the Company assumed the liability to issue additional shares in favour of the state (see Note 15). The issuance of additional shares had not yet been completed as at the date of the financial statements, and this amount was not registered as share capital but was included in 'trade and other payables' as a liability to the shareholder. The increase in share capital is expected to be completed by the end of 2024 (see Note 27).

21. REVENUE**International flights**

Regular passenger flights	12,737	9,744
Cargo operations	1,066	1,260
Charter air transportation	658	556

Domestic flights

Regular passenger flights	480	355
Charter air transportation	5	10
Cargo operations	1	4

Other revenue

Other revenue	302	320
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Total	15,249	12,248
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The 2022 disclosure was amended to reclassify revenue to properly represent regular passenger flights and cargo operations in the amount of UZS 133.5 billion.

The share of revenue from cargo operations attributable to one counterparty in 2023 is 43% (2022: 53%).

Contract balances

The following table provides information about receivables and liabilities from contracts with customers.

UZS billion	31 December 2023	31 December 2022
Trade receivables	365	436
Liabilities under contracts with customers - advances received	(853)	(1,014)
Liabilities under contracts with customers - customer loyalty programme	(90)	(55)

The Group recognises the receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer.

Liabilities to customers primarily relate to the value of air tickets sold but not yet used by passengers for the flights of the Group at the reporting date, as well as to the liabilities of UzAirPlus Programme. This amount will be recognised as revenue when the passenger uses his/her air ticket for the purpose or upon expiry of the air ticket that has not been presented for refund.

In the current reporting period, revenue in the amount of UZS 996 billion was recognised in respect of contract liabilities at 31 December 2022 (2022: UZS 366.5 billion in respect of contract liabilities at 31 December 2021).

No information is provided about remaining performance obligations at 31 December 2023 and 31 December 2022 that have an original expected duration of one year or less, as allowed by IFRS 15.

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22. COST OF SALES

UZS billion	2023	2022
Aviation fuel	4,091	3,539
Ground handling	1,590	1,170
Wages and salaries and social insurance payments	1,317	951
Air navigation services for passage through the airspace	926	648
Aircraft maintenance	943	588
Depreciation of property, plant and equipment and right-of-use assets	683	705
Expenses for in-flight meals served to passengers and flight crew	440	262
Leases of aircrafts, engine and other production equipment*	409	-
Passenger service expenses	345	266
Aircraft navigation mobile communication services	243	176
Aircraft and flight crew insurance	149	81
Other	333	212
Total	11,469	8,598

*In April 2023, the Group concluded a wet lease agreement to lease 2 A330 aircraft for 12 months.

23. SELLING EXPENSES

UZS billion	2023	2022
Commission fees	266	235
Software support	30	12
Wages and salaries and social insurance payments	28	20
Other	29	10
Total	353	277

24. GENERAL AND ADMINISTRATIVE EXPENSES

UZS billion	2023	2022
Wages and salaries and social insurance payment	122	88
Bank services	88	51
Third-party services (energy resources)	2	1
Software support	-	4
Other	33	25
Total	245	169

25. FINANCE COSTS

UZS billion	2023	2022
Interest on loans and borrowings	538	471
Lease interest	245	122
Effect from modification	17	-
Discount on other non-current assets	30	32
Effect of early repayment	-	14
Other	5	1
Total	835	640

26. INCOME TAX

Income tax expense components

The Group is a payer of the standard tax rate. In 2023 and 2022 the income tax rate is 15%.

UZS billion	2023	2022
Current income tax	(15)	(4)
Deferred tax	(240)	(367)
Income tax for the year	(255)	(371)

Reconciliation of income tax expense with the amount of accounting profit multiplied by applicable tax rate

Reconciliation of expected and actual income tax expense is presented below:

UZS billion	2023	2022
Profit before tax	1,654	2,065
Income tax expense at statutory tax rate of 15%:	(248)	(310)
Non-deductible expenses	(7)	(4)
Other tax effects	-	(57)
Income tax expense for the year	(255)	(371)

Deferred taxes broken down by types of temporary differences

The tax effect of temporary differences between the carrying amounts of assets and liabilities for the purposes of the consolidated financial statements is as follows:

For 2023:

UZS billion	1 January 2023	Recognised in profit or loss	31 December 2023
Tax effect of deductible/(taxable) temporary differences			
Property, plant and equipment	158	(181)	(23)
Right-of-use assets	(445)	(252)	(697)
Inventories	12	(2)	10
Trade and other receivables	11	(9)	2
Other assets	24	-	24
Loans and borrowings	153	(45)	108
Lease liabilities	489	311	800
Liabilities under contracts with customers	(11)	(58)	(69)
Provisions for liabilities	32	33	65
Trade and other payables	12	15	27
Recognised tax losses	70	(52)	18
Net deferred tax assets	505	(240)	265
Recognised deferred tax asset	961	(93)	1,054
Recognised deferred tax liability	(456)	333	(789)
Net deferred tax assets	505	240	265

26. INCOME TAX (continued)**Deferred taxes broken down by types of temporary differences (continued)**

For 2022:

UZS billion	1 January 2022	Recognised in profit or loss	31 December 2022
Tax effect of deductible/(taxable) temporary differences			
Property, plant and equipment	335	(177)	158
Right-of-use assets	(154)	(291)	(445)
Inventories	7	5	12
Trade and other receivables	148	(137)	11
Other assets	-	24	24
Loans and borrowings	183	(30)	153
Lease liabilities	190	299	489
Liabilities under contracts with customers	(11)	-	(11)
Provisions for liabilities	13	19	32
Trade and other payables	50	(38)	12
Recognised tax losses	111	(41)	70
Net deferred tax assets	872	(367)	505
Recognised deferred tax asset	1,037	(76)	961
Recognised deferred tax liability	(165)	(291)	(456)
Net deferred tax assets	872	(367)	505
Tax loss carry-forwards			
The tax losses do not expire. Management believes that the Group will generate sufficient taxable profit from operations in future to fully utilise the tax losses.			
The deferred tax assets recognised in respect of tax losses carried forward comprise amounts that are probable to be realised based on management's estimates of future taxable profits.			

27. BUSINESS COMBINATION UNDER COMMON CONTROL

In November 2023, in accordance with the Decree of the President of the Republic of Uzbekistan PP No.337 dated 16 October 2023, the Group obtained control over Silk Avia LLC as a result of transfer of 100% share of Uzbekistan Airports JSC in the authorised capital of Silk Avia LLC to the authorised capital of Uzbekistan Helicopters LLC, while preserving its brand name, as part of Uzbekistan Airways JSC. Silk Avia LLC is a regional carrier that was incorporated in July 2021.

According to the Decree, the purpose of the acquisition is to provide favourable conditions for the development of domestic passenger flights as well as tourism, and further improving the quality of services provided in the Republic of Uzbekistan.

In addition, as part of this Decree, three ATR 72-600 aircraft previously owned by Uzbekistan Airports JSC were transferred free of charge to Silk Avia LLC. The aircraft were transferred at the book value of UZS 551 billion as at the date of transfer.

27. BUSINESS COMBINATION UNDER COMMON CONTROL (continued)

As Silk Avia LLC and Uzbekistan Helicopters LLC are state-controlled entities, i.e. being under common control before and after the acquisition, this business acquisition transaction falls within the definition of transactions under common control. The Group has elected the book value accounting for the transaction and accounted for the assets and liabilities of Silk Avia LLC at the book value at which they were previously accounted for in accordance with IFRS by Uzbekistan Airports JSC. Accordingly, no fair value measurement is required, no goodwill arises in accounting of this acquisition, and any difference between the consideration transferred and the total carrying amount of the acquiree's assets and liabilities at the date of the transaction is included in equity within retained earnings/(accumulated loss). The Group has used the prospective presentation method in respect of this acquisition, i.e. the Silk Avia LLC performance and balance sheet are included prospectively from the date on which the business combination under common control occurred.

In accordance with the Decree, loans that Uzbekistan Airports JSC received from NBU JSC in the amount of UZS 487 billion to acquire the above-mentioned three aircraft, were also transferred to the Company at book value. The property of Uzbekistan Airways JSC worth 125 percent of loan value allocated for three ATR72-600 aircraft, as well as the aircraft to be purchased, was transferred as collateral to secure these loans.

Also, in accordance with the Decree, the Company has the right to reduce payments of future dividends on the state share (when they are declared and payable) in proportion to payments to NBU JSC based on relevant decisions of the sole shareholder.

As a result of the business combination under common control, the Company acquired the following assets and assumed the following liabilities:

UZS billion	Carrying amount at acquisition date
Property, plant and equipment	551
Trade and other receivables	38
Cash	14
Inventories	8
Total assets	611
Other provisions	126
Accumulated loss	(14)
Total equity	112
Loans and borrowings	487
Trade and other payables	12
Total liabilities	499
Total equity and liabilities	611

28. MATERIAL NON-CASH TRANSACTIONS FROM INVESTING AND FINANCING ACTIVITIES

Property, plant and equipment: As a result of the merger with Silk Avia LLC, during the reporting period the Group obtained control over 3 ATR 72-600 aircraft having a book value of UZS 551 billion.

Inventories: As a result of the merger with Silk Avia LLC, inventories were increased by UZS 8 billion.

Receivables and payables: As a result of the merger with Silk Avia LLC, accounts receivable increased by UZS 38 billion and accounts payable by UZS 12 billion.

During 2023, in accordance with agreement on offsetting homogeneous counter claims between Uzbekistan Airways JSC and Islom Karimov nomidagi Toshkent Xalqaro Aeroporti LLC, a total amount of UZS 262 billion was offset.

Loans and borrowings: In 2023, loans received for the purchase of 3 ATR 72-600 aircraft in the amount of UZS 487 billion were transferred to the Company.

29. RISK MANAGEMENT**Financial risk management**

The Group has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk (including currency risk, interest rate risk and other price risks).

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework

Management of the Group has overall responsibility for the establishment and oversight of the Group's risk management framework, for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Management of the Group controls the compliance with policy and procedures of the Group in risk management and analyses adequacy of risk management system regarding the risk faced by the Group.

Credit risk

The Group's exposure to credit risk arises as a result of a counterparty's potential default on its payment obligations. Financial assets that expose the Group to potential credit risk consist primarily of trade receivables, accounts receivable from the MEF of the Republic of Uzbekistan and bank balances and other receivables. Credit risk is the single largest risk for the Group's business. Management therefore carefully manages its exposure to credit risk. To mitigate credit risk, the Group enters into transactions with known and creditworthy parties that have a reliable credit history.

The Group's maximum exposure to credit risk by class of financial assets includes the following:

UZS billion	Note	31 December 2023	31 December 2022
Receivables from the MEF of the Republic of Uzbekistan	10	1,986	2,113
Short-term deposits issued	15	1,281	28
Payments to maintenance provisions and insurance coverage for leased aircraft and engines	11	528	253
Trade and other receivables	13	528	504
Cash and cash equivalents	14	320	2,120
Long-term deposits issued	11	132	-
Total		4,775	5,018

The majority of the Group's cash in bank accounts as at 31 December 2023 and 31 December 2022 are held with NBU JSC. Taking into account the state control of the bank and high probability of state support, credit risk is assessed as low (see Notes 13 and 14).

29. RISK MANAGEMENT (continued)**Credit risk (continued)**

If trade receivables are less than 12 months, the Group reflects expected credit losses through the timely establishment of adequate allowances for expected credit losses. When calculating the level of expected credit losses, the Group considers information on the level of historical losses for each category of customers. Given the short life of the assets, the projected macroeconomic factors have no significant impact on the level of losses. In case of adverse developments in the economy, the factors can be adjusted.

Measurement of expected credit losses

The Group applies the IFRS 9 simplified approach to measuring expected credit losses (ECL) which uses a lifetime expected loss allowance for trade receivables.

To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due. For purposes of measuring PD, the Group defines default as a situation when the exposure meets one or more of the following criteria:

- the borrower is more than 90 days past due on its contractual payments;
- international rating agencies have classified the borrower in the default rating class;
- the borrower meets the unlikelihood-to-pay criteria listed below:
 - the borrower is insolvent;
 - it is becoming likely that the borrower will enter bankruptcy.

The assessment whether or not there has been a significant increase in credit risk since initial recognition is performed on an individual basis. The Group constantly monitors and verifies the criteria used to determine whether there is a significant increase in credit risk in terms of their appropriateness. The assumption that there has been a significant increase in credit risk since initial recognition when financial assets are more than 30 days past due, is not refuted.

The Group considers a significant increase in credit risk for a financial instrument when one or more of the following quantitative, qualitative or restrictive criteria are met. For trade and other receivables:

- 30 days past due; and
- relative threshold value: The Group monitors borrowers with high credit risk on a regular basis and, depending on the assessment of macroeconomic, industry and other relevant factors, determines whether such counterparties have a significant increase in credit risk.

The following table provides information on the quality of trade and other receivables before ECL allowance as at 31 December 2023 and 31 December 2022:

UZS billion	31 December 2023	Gross carrying amount	Impairment allowance	Credit-impaired
Not past due	1,986	-	-	No
Past due 30 days	295	-	-	No
Past due 31-90 days	43	-	-	No
Past due 91-180 days	25	(2)	-	Yes
Past due 181-270 days	15	(1)	-	Yes
Past due more than 360 days	159	(6)	-	Yes
Total	2,523	(9)		

29. RISK MANAGEMENT (continued)**Measurement of expected credit losses (continued)**

	31 December 2022		
	Gross carrying amount	Impairment allowance	Credit-impaired
UZS billion			
Not past due	2,113	-	No
Past due 30 days	261	-	No
Past due 31-90 days	38	-	
Past due 91-180 days	7	(1)	Yes
Past due 181-270 days	23	(4)	Yes
Past due more than 360 days	184	(5)	Yes
Total	2,626	(10)	

Currency risk

The Group is exposed to currency risk on revenue, purchases and borrowings that are denominated in a currency other than the Uzbek Soum. The currency risk mainly arises from transactions in US Dollars, Euro and Russian roubles.

Due to inadequate currency risk management tools in the financial market of the Republic of Uzbekistan, the Group does not have insurance coverage against currency risks.

29. RISK MANAGEMENT (continued)**Currency risk (continued)**

The financial statements items exposed to significant currency risk as at:

At 31 December 2023:

UZS billion	Monetary financial assets				Monetary financial liabilities			Net currency position
	Receivables from the MEF of the Republic of Uzbekistan	Other non-current assets	Short-term deposits issued	Cash and cash equivalents	Loans and borrowings	Accounts payable	Lease liabilities	
Currency								
USD	1,588	660	1,234	123	(6,767)	(333)	(5,332)	(8,827)
EUR	398	-	-	28	(398)	(14)	-	14
RUB	-	-	-	25	-	-	-	25
Total	1,986	660	1,234	176	(7,165)	(347)	(5,332)	(8,788)

At 31 December 2022

UZS billion	Monetary financial assets				Monetary financial liabilities			
	Receivables from the MEF of the Republic of Uzbekistan	Other non-current assets	Short-term deposits paid	Cash and cash equivalents	Loans and borrowings	Accounts payable	Lease liabilities	
Currency								
USD	1,736	194	-	1,193	(7,371)	(266)	(3,263)	(7,776)
EUR	377	-	-	54	(377)	(21)	-	33
RUB	-	-	-	779	-	-	-	779
Total	2,113	194	-	2,026	(7,748)	(287)	(3,263)	(6,964)

29. RISK MANAGEMENT (continued)**Currency risk (continued)**

The following table presents the sensitivity of profit or loss, inclusive of the income tax, and equity to reasonably possible changes in exchange rates applied as at the date of the consolidated financial statements, on the basis that all other variables remain constant:

UZS billion	31 December 2023	31 December 2022
USD (10% increase)	(750)	(656)
USD (10% decrease)	750	656
EUR (10% increase)	1	3
EUR (10% decrease)	(1)	(3)
RUB (10% increase)	2	66
RUB (10% decrease)	(2)	(66)

Liquidity risk

Liquidity risk is defined as the risk that the Group will encounter difficulty in meeting financial liabilities.

The Group manages its liquidity position to ensure that funds be available at any time to meet all payment obligations as they become due. The Group monitors the operating profit-to-interest ratio and other liquidity ratios to prevent the liquidity gap.

Management believes that target indicators are reasonable and achievable for the foreseeable future. Management of the Group believes that additional sources of financing are accessible by the Group, if such need arises. The MEF of the Republic of Uzbekistan provides financing to repay loans and borrowings obtained for the purchase of aircraft and aircraft engines for the state needs. Such funding is provided at the time of loans and borrowings repayment.

The presentation below includes a maturity analysis for the Group's loans and borrowings, leases and financial liabilities within trade and other payables based on contractual undiscounted payments, including interest:

29. RISK MANAGEMENT (continued)**Liquidity risk (continued)**

	Carrying amount	Total	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year
UZS billion						
Loans and borrowings with a floating interest rate	1,304	1,544	-	329	194	1,021
Loans and borrowings with a fixed interest rate	5,494	6,522	-	612	582	5,328
Non-interest-bearing loans and borrowings	854	1,000	-	54	54	892
Lease	5,332	7,721	63	313	376	6,969
Accounts payable	951	951	951	-	-	-
Total carrying amount and potential future payments on financial liabilities at 31 December 2023	13,935	17,738	1,014	1,308	1,206	14,210
Loans and borrowings with a floating interest rate	6,679	8,402	-	516	578	7,308
Loans and borrowings with a fixed interest rate	621	832	-	8	9	815
Non-interest-bearing loans and borrowings	896	1,058	-	94	73	892
Lease	3,263	4,420	35	176	211	3,997
Accounts payable	972	972	972	-	-	-
Total carrying amount and potential future payments on financial liabilities at 31 December 2022	12,431	15,684	1,007	794	871	13,012

Interest rate risk

The Group is exposed to the risk of market interest rate fluctuations on its financial performance and cash flows. Changes in interest rates mainly affect the cost of borrowing money (fixed interest rate) and future cash flows (floating interest rate on loans and borrowings).

At the time of raising new loans and borrowings as well as leases, management makes a decision based on the assumption - which interest rate (fixed or floating) will be more advantageous to the Group for the entire period up to maturity.

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed-rate financial instruments as fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not have an effect on profit or loss or on equity.

29. RISK MANAGEMENT (continued)**Cash flow sensitivity analysis for variable rate instruments**

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss after income tax by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

UZS billion	Profit or loss for the period	
	100 bp increase	100 bp decrease
2023		
Variable rate instruments	(11)	11
Cash flow sensitivity (net)	(11)	11
2022		
Variable rate instruments	(72)	72
Cash flow sensitivity (net)	(72)	72

30. CONTINGENCIES**Taxation contingencies**

The taxation system in the Republic of Uzbekistan continues to evolve and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities.

Taxes are subject to review and investigation by various levels of authorities, which have the authority to impose severe fines, penalties, and interest charges. A tax year generally remains open for review by the tax authorities during the three subsequent calendar years.

All these circumstances may create tax risks in the Republic of Uzbekistan that are more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Uzbekistan tax legislation, official pronouncements and court decisions. However, the interpretations of the tax authorities and courts, especially due to reform of the supreme courts that resolve tax disputes, could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

Guarantees

No guarantees were issued by the Group as at 31 December 2023 and 31 December 2022.

Insurance

The Group maintains risk insurance as both compulsory insurance in accordance with the legislation of the Republic of Uzbekistan and voluntary insurance including civil liability risks, risks of loss and damage to aircraft.

Aviation insurance

The Group places risks with internationally recognised and financially reliable insurance and reinsurance companies in accordance with the international aviation risk insurance standards. Types of insurance coverage are stated below:

- All-Risks aviation insurance against property damage to aircraft, engines, spare parts and equipment;

30. CONTINGENCIES (continued)

Insurance (continued)

- Insurance of civil liability of a carrier to third parties and passengers for luggage and cabin baggage, cargo and mail;
- Insurance of aircraft, including spare parts and equipment against war risks and allied risks and excess liability for aviation war risks, hijacking and other perils;
- Deductible insurance of airframe, including spare engines.

The Group does not have full coverage for its plant facilities, business interruption, or third-party liability in respect of property or environmental damage arising from accidents on Group's property or relating to Group's operations. Management believes that the risk of loss or damage to some assets that could have an adverse impact on the Group's operations and financial position, is not significant.

Litigations

During the reporting period, the Group was involved (both as a plaintiff and a defendant) in several litigations arising in the ordinary course of business. Management is unaware of any existing litigations or claims against the Group, which may have a material adverse effect on the operations and financial position of the Group.

Capital commitments

As at 31 December 2023 the Group has capital commitments to Airbus S.A.S. to purchase 12 new aircraft - A320neo and A321neo for an estimated amount of USD 694.28 million (UZS 8,567 billion) with delivery during 2029-2030 (31 December 2022: UZS 7,793 billion), as well as commitments to purchase 2 LET L- 410 aircraft for an estimated amount of EUR 13.6 million (UZS 187 billion) with delivery in 2024.

31. FAIR VALUE OF FINANCIAL INSTRUMENTS

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices applied for measurement of Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Management believes that the fair value of the Group's financial assets and liabilities approximate their carrying amount. Fair values were determined for measurement and disclosure purposes based on the following valuation technique:

31. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Trade and other receivables and payables

Trade and other receivables and payables – for receivables and payables with a maturity of less than 1 year – fair value does not differ materially from the carrying amount as the effect of the time value of money is insignificant.

Loans and borrowings

As at 31 December 2023 and 31 December 2022, the Group held both fixed and floating rate instruments. Management of the Group performs analysis of the fair value of loans at each reporting date by comparing similar loans and borrowings in the market. As a result of this analysis, the interest rates of floating rate financial instruments did not differ significantly from market interest rates as at 31 December 2023 and 31 December 2022. Management believes that the fair value of the Group's fixed rate financial instruments and non-interest-bearing financial instruments at 31 December 2023 is UZS 5,762 billion (31 December 2021: UZS 1,148 billion). The estimated fair value is based on discounting cash flows using current interest rates for new instruments with similar credit risk and maturity. The fair value of loans and borrowings was allocated to Level 3 of the fair value hierarchy.

Fair value of cash and cash equivalents was allocated by management to Level 2 of the fair value hierarchy and all other financial assets and liabilities - to Level 3 of the fair value hierarchy.

32. SUBSEQUENT EVENTS

Acquisition of aircraft

In June 2024, the Group and Airbus signed an addendum to increase deliveries from twelve aircraft (A320neo and A321neo) to fourteen A321neo aircraft. The estimated amount of the delivery is USD 879 million (UZS 10 846 billion).

Sale of aircraft and aircraft engines

For the period from February to August 2024, the Group sold 98 used aircraft engines for a total of USD 3.7 million (UZS 46.5 billion).

In March 2024, the Group signed an agreement to sell five Ilyushin IL-76TD aircraft. The total contract value is USD 5.7 million (UZS 64 billion).

In June 2024, the Group signed an agreement to sell two Boeing B757 aircraft. The total deal value is USD 8.8 million (UZS 98 billion).

Aircraft lease

In February and March 2024, two ATR 72-600 aircraft were delivered on lease, under new finance lease agreements for a total of USD 20 million concluded with Nordic Aviation Capital; a lease term is 12 years for each aircraft.

In April and May 2024, two A320neo aircraft were delivered on lease, under new finance lease agreements, with a lease term of 12 years.

In May 2024, the Group concluded with Qanot Sharq LLC a 1-year lease agreement to lease two A330-243 aircraft under the terms of ACMI (where the lessor agrees to provide an aircraft, crew, maintenance and insurance). The estimated amount of lease payments is USD 36 million (UZS 444 billion).

Construction of aircraft hangars

In March 2024, the Group signed a contract to build two aircraft hangars worth UZS 400 billion. The estimated completion date is November 2024.

Dividends payable

On 16 August 2024, the shareholder approved the distribution of dividends in the amount of UZS 205 billion, or UZS 4.7 per each of the 43 billion shares.