



THE REPUBLIC OF UZBEKISTAN

represented by the Ministry of Finance of the Republic of Uzbekistan

Global Medium Term Note Programme

Under the Global Medium Term Note Programme described in this Base Prospectus (the “**Programme**”), the Republic of Uzbekistan (the “**Issuer**” or “**Uzbekistan**”), represented by the Ministry of Finance of the Republic of Uzbekistan, may from time to time issue notes (the “**Notes**”).

This Base Prospectus has been approved by the Financial Conduct Authority (the “**FCA**”) in its capacity as competent authority for the purposes of Directive 2003/71/EC (as amended, including by Directive 2010/73/EU, the “**Prospectus Directive**”) and relevant implementing measures in the United Kingdom as a base prospectus issued in compliance with the Prospectus Directive and relevant implementing measures in the United Kingdom for purposes of giving information with regard to the issue of the Notes described in this Base Prospectus for the period of 12 months from the date of this Base Prospectus. Application has been made for such Notes to be admitted to the official list of the FCA (the “**Official List**”) and to the London Stock Exchange plc (the “**London Stock Exchange**”) for such Notes to be admitted to trading on the London Stock Exchange’s regulated market (the “**Market**”). References in this Base Prospectus to Notes being “**listed**” (and all related references) shall mean that such Notes have been admitted to the Official List and have been admitted to trading on the Market. The Market is a regulated market for the purposes of Directive 2014/65/EU (“**MiFID II**”). Notice of the aggregate nominal amount of interest (if any) payable in respect of, the issue price of, and any other terms and conditions not contained herein that are applicable to, each Tranche (as defined in “*Overview of the Programme*”) of Notes will be set forth in a final terms document (the “**Final Terms**”) or in a separate prospectus specific to such Tranche (the “**Drawdown Prospectus**”) as described below in “*Final Terms and Drawdown Prospectuses*”, which, with respect to Notes to be admitted to the Official List and to be admitted to trading on the Market, will be delivered to the FCA and to the London Stock Exchange on or before the date of issue of the Notes of such Tranche.

The Notes of each Series (as defined in “*Overview of the Programme*”) will be issued in registered form and may be offered and sold (a) outside the United States in reliance on Regulation S under the Securities Act of 1933, as amended (“**Regulation S**”) (the “**Unrestricted Notes**”) and represented by a registered global note certificate (each an “**Unrestricted Global Note**”) without interest coupons which may be deposited on the relevant issue date (i) in the case of a Series intended to be cleared through Euroclear Bank SA/NV (“**Euroclear**”) and/or Clearstream Banking, S.A. (“**Clearstream, Luxembourg**”) with a common depositary (the “**Common Depositary**”) and (ii) in the case of a Series intended to be cleared through a clearing system other than, or in addition to, Euroclear and/or Clearstream, Luxembourg, or delivered outside of a clearing system, as agreed between the Issuer and the relevant Dealers, and/or (b) within the United States only to “qualified institutional buyers” (“**QIBs**”) (as defined in Rule 144A under the Securities Act (“**Rule 144A**”)) in reliance on Rule 144A (the “**Restricted Notes**”) and will be represented one or more registered global note certificates (each a “**Restricted Global Note**”) and together with the Unrestricted Global Notes, the “**Global Notes**”), without interest coupons, which, as specified in the Final Terms may be cleared through Euroclear and/or Clearstream, Luxembourg or through The Depository Trust Company (“**DTC**”) and which may be deposited on the relevant issue date with either a Common Depositary or a custodian (the “**Custodian**”) for DTC and registered in the name of Cede & Co. as nominee for DTC. Prospective purchasers are hereby notified that sellers of Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. Interests in Restricted Global Notes will be subject to certain restrictions on transfer. See “*Transfer Restrictions*”. Beneficial interests in the Global Notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC, Euroclear and Clearstream, Luxembourg and their participants. Except as described herein, certificates for Notes will not be issued in exchange for beneficial interests in a Global Note.

The Issuer’s current long term debt rating by S&P Global Ratings (“**S&P**”) is BB- and Fitch Ratings Limited (“**Fitch**”) is BB-. Tranches of Notes to be issued under the Programme may be rated or unrated. Where a Tranche is to be rated, such rating will not necessarily be the same as the ratings assigned to the Programme. Where a Tranche is rated, the applicable rating(s) will be specified in the relevant Final Terms. Whether or not each credit rating applied for in relation to a relevant Tranche will be (a) issued by a credit rating agency established in the European Economic Area (the “**EEA**”) and registered under the CRA Regulation, or (b) issued by a credit rating which is not established in the EEA by will be endorsed by a credit rating agency which is established in the EEA and registered under the CRA Regulation or (c) issued by a credit rating agency which is not established in the EEA but which is certified under the CRA Regulation will also be disclosed in the relevant Final Terms. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency. Each of S&P and Fitch is established in the European Union (the “**EU**”), domiciled in the United Kingdom, and is included in the list of credit rating agencies registered in accordance with Regulation (EC) No. 1060/2009 on Credit Rating Agencies as amended by Regulation (EU) No. 513/2011 (the “**CRA Regulation**”). The list of credit rating agencies registered and/or certified under the CRA Regulation is available on the European Securities and Markets (“**ESMA**”) website (<http://www.esma.europa.eu/page/list-registered-and-certified-CRAs>) (last updated 20 December 2018).

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”), or with any securities regulatory authority of any State or other jurisdiction of the United States, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. For a summary of certain restrictions on resale, see “*Subscription and Sale*” and “*Transfer Restrictions*”.

This Base Prospectus should be read and construed together with any amendment or supplement hereto. Further, in relation to any Series, this Base Prospectus should be read and construed together with the relevant Final Terms.

Investing in the Notes involves certain risks. See “*Risk Factors*” beginning on page 5.

Amounts payable under the Notes may be calculated by reference to either LIBOR or EURIBOR, which are provided by ICE Benchmark Administration Limited (“**ICE**”) and the European Money Markets Institute (the “**EMMI**”), respectively. As at the date of this Base Prospectus, ICE appears on the register of administrators and benchmarks established and maintained by the ESMA pursuant to Article 36 of the Benchmark Regulation (Regulation (EU) 2016/1011) (the “**Benchmark Regulation**”) and the EMMI does not appear on the register of administrators and benchmarks established and maintained by the ESMA pursuant to Article 36 of the Benchmark Regulation. As far as the Issuer is aware, the transitional provisions in Article 51 of the Benchmark Regulation apply, such that the EMMI is not currently required to obtain authorisation or registration.

Arrangers and Permanent Dealers

Citigroup

Gazprombank

J.P. Morgan

RESPONSIBILITY STATEMENT

This Base Prospectus constitutes a base prospectus for the purposes of the Prospectus Directive and for the purpose of giving information with regard to the Issuer and the Notes which, according to the particular nature of the Issuer and of the Notes, is necessary to enable investors to make an informed assessment of the economic, fiscal and political condition of the Issuer and the rights attaching to the Notes.

The Issuer accepts responsibility for the information contained in this Base Prospectus and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus to the best of its knowledge is in accordance with the facts and does not omit anything likely to affect the import of such information.

To the best of the knowledge and belief of the Issuer, having taken all reasonable care and made all reasonable enquiries to ensure that such is the case, this Base Prospectus contains all information regarding the Issuer and the Notes which (in the context of the issue of the Notes) is material; such information is true and accurate in all material respects and is not misleading in any material respect; any opinions, predictions or intentions expressed in this Base Prospectus on the part of the Issuer are honestly held or made and are not misleading in any material respect; this Base Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in such context) not misleading in any material respect; and all proper enquiries have been made to ascertain and to verify the foregoing.

No person has been authorised to give any information or to make any representation other than those contained in this Base Prospectus in connection with the offering, issue and sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any Arranger or Dealer (each as defined in “*Overview of the Programme*”).

Neither the Arrangers nor the Dealers have separately verified the information contained herein. None of the Arrangers or the Dealers makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Base Prospectus. Neither this Base Prospectus nor any Final Terms are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Arrangers or the Dealers that any recipient of this Base Prospectus or any Final Terms should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Base Prospectus and any Final Terms and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Arrangers or the Dealers undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Base Prospectus and any Final Terms nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Arrangers or the Dealers.

Generally, investment in emerging markets such as Uzbekistan is only suitable for investors who fully appreciate the significance of the risks involved in, and are familiar with, investing in emerging markets. Investors are urged to consult their own legal and financial advisers before making an investment. Emerging markets can also experience more instances of corruption by government officials and misuse of public funds than do more mature markets, which could affect the ability of governments to meet their obligations under issued securities.

Investors should also note that emerging markets such as Uzbekistan are subject to rapid change and that the information set out in this Base Prospectus may become outdated relatively quickly.

SUPPLEMENTS TO THIS BASE PROSPECTUS

If at any time the Issuer shall be required to prepare a supplementary prospectus pursuant to section 87G of the Financial Services and Markets Act 2000 (the “**FSMA**”), the Issuer will prepare and make available an appropriate amendment or supplement to this Base Prospectus or a further Base Prospectus which, in respect of any subsequent issue of Notes to be listed on the Official List and admitted to trading on the Market, shall constitute a supplementary prospectus as requested by the UK Listing Authority and Section 87G of the FSMA.

The Issuer has undertaken, in connection with the listing of the Notes on the Official List, that in the event of a change in the condition of the Issuer, which is material in the context of the Programme or the issue of Notes, and if there is a significant new factor, material mistake or inaccuracy relating to the information contained in this Base Prospectus which is capable of affecting the assessment of any Notes, which inclusion would be

required by investors for the purpose of making an informed assessment of the economic, fiscal and political condition of the Issuer and the rights attaching to the relevant Notes, the Issuer will prepare or procure the preparation of a supplement to this Base Prospectus or, as the case may be, publish a new base prospectus, for use in connection with that or any subsequent issue by the Issuer of Notes listed on the Official List.

IMPORTANT NOTICES

Neither the delivery of this Base Prospectus or any Final Terms nor the offering, sale or delivery of any Note shall, under any circumstances, create any implication that the information contained in this Base Prospectus is accurate subsequent to the date hereof or that there has been no change in the affairs of the Issuer since the date hereof or the date upon which the Base Prospectus has been most recently amended or supplemented or that there has been no adverse change in the economic, fiscal and political condition of the Issuer since the date hereof or the date upon which the Base Prospectus has been most recently amended or supplemented or any other information supplied in connection with the Programme is correct as at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. This Base Prospectus may only be used for the purpose for which it has been published.

The distribution of this Base Prospectus and any Final Terms and the offering, sale or delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Final Terms comes are required by the Issuer, the Arrangers and the Dealers to inform themselves and to observe any such restriction. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Base Prospectus and any Final Terms and the offering material relating to the Notes, see “*Subscription and Sale*”. In particular, the Notes have not been and will not be registered under the Securities Act and will be offered and sold outside the United States in reliance on Regulation S and sold in the United States to QIBs in reliance on Rule 144A. Prospective purchasers of Notes are hereby notified that sellers of Notes may be relying on the exemption from registration requirements of Section 5 of the Securities Act provided by Rule 144A.

This Base Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Arrangers or the Dealers to subscribe for, or purchase, any Notes. In particular, this Base Prospectus does not constitute an offer of securities to the public in the United Kingdom. Consequently, this document is being distributed only to, and is directed at (a) persons who have professional experience in matters relating to investments falling within article 19(1) of the FSMA (Financial Promotion) Order 2005 (the “**Order**”) or (b) high net worth entities falling within article 49(2)(a) to (d) of the Order and other persons to whom it may be lawfully communicated falling within article 49(1) of the Order (all such persons together being referred to as “**relevant persons**”). Any person who is not a relevant person should not act or rely on this document or any of its contents. Persons into whose possession this Base Prospectus may come are required by the Issuer, the Arrangers and the Dealers to inform themselves about and to observe such restrictions.

FORWARD LOOKING STATEMENTS

Certain statements included herein may constitute “forward looking statements” within the meaning of Section 27A of the Securities Act and Section 21E of the United States Securities Exchange Act of 1934, as amended (the “**Exchange Act**”); however, this Base Prospectus is not entitled to the benefit of the safe harbour created thereby. Such statements, certain of which can be identified by the use of forward looking terminology such as “believes”, “expects”, “may”, “are expected to”, “intends”, “will”, “will continue”, “should”, “could”, “would be”, “seeks”, “approximately”, “estimates”, “predicts”, “projects”, “aims” or “anticipates”, or similar expressions or the negative thereof or other variations thereof or comparable terminology, or by discussions of strategy, plans or intentions, involve a number of risks and uncertainties. Such forward looking statements are necessarily dependent on assumptions, data or methods that may be incorrect or imprecise and that may be incapable of being realised. Therefore, undue reliance should not be placed on them. The Issuer has based these forward looking statements on its current view with respect to future events and financial results.

Forward looking statements speak only as at the date on which they are made and the Issuer undertakes no obligation to update publicly any of them in light of new information or future events. Forward looking statements involve inherent risks and uncertainties. Forward looking statements include, but are not limited to: (i) plans with respect to the implementation of economic policy; (ii) expectations about the behaviour of the economy if certain economic policies are implemented; (iii) the outlook for gross domestic product, inflation, exchange rates, interest rates, commodity prices, foreign investment, balance of payments, trade and fiscal balances; and (iv) estimates of external debt repayment and debt service.

The Issuer cautions that a number of important factors could cause actual results to differ materially from those contained in any forward looking statement. The information contained in this Base Prospectus identifies important factors that could cause such differences, including, but not limited, to the following adverse external factors, such as:

- adverse events in other emerging market countries, which could dampen foreign investment or adversely affect the trading price of the Notes; and
- adverse domestic factors, such as:
 - changes in economic or other policies, including monetary policy applicable in Uzbekistan, which could affect inflation, growth rates and/or other aspects of the Uzbekistan economy;
 - a decline in foreign direct investment (“**FDI**”), increases in domestic inflation, high domestic interest rates, exchange rate volatility or an increase in the level of domestic and external debt, which could lead to lower economic growth, a decrease in Uzbekistan’s fiscal revenues or an increase in debt service requirements; and
 - any deterioration in political or economic stability or in investor perceptions thereof; and
- changes in international commodities prices, foreign exchange rates or prevailing interest rates, which could adversely affect Uzbekistan’s balance of payments and external reserves.

The sections of this Base Prospectus entitled “*Risk Factors*”, “*Overview of the Republic of Uzbekistan*” and “*The Economy of the Republic of Uzbekistan*” contain a more complete discussion of the factors that could adversely affect the Issuer. In light of these risks, uncertainties and assumptions, the forward looking events described in this Base Prospectus may not occur. The Issuer does not undertake any obligation to update or revise any forward looking statement, whether as a result of new information, future events or otherwise, except as may be required by law or applicable regulations. All subsequent written and oral forward looking statements attributable to the Issuer or to persons acting on its behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Base Prospectus.

All subsequent written or oral forward looking statements attributable to the Issuer, or persons acting on its behalf, are expressly qualified in their entirety by the cautionary statements contained throughout this Base Prospectus. As a result of these risks, uncertainties and assumptions, a prospective purchaser of the Notes should not place undue reliance on these forward looking statements.

STABILISATION

In connection with the issue of any Tranche, the Dealer or Dealers (if any) named as the stabilising manager(s) (the “Stabilising Manager(s)”) (or persons acting on behalf of the Stabilising Manager(s)) in the relevant Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the relevant Tranche. Any stabilisation action or over allotment must be conducted by the Stabilising Manager(s) (or persons acting on behalf of the Stabilising Manager(s)) in accordance with all applicable laws, regulations and rules.

NOTICE TO PROSPECTIVE UNITED STATES INVESTORS

THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER REGULATORY AUTHORITY IN THE UNITED STATES, NOR HAVE ANY OF THE FOREGOING AUTHORITIES REVIEWED OR PASSED UPON OR ENDORSED THE MERITS OF THE NOTES OR THE ACCURACY OR THE ADEQUACY OF THIS BASE PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

This Base Prospectus is being furnished only to a limited number of investors in the United States who are persons reasonably believed to be QIBs and to investors outside the United States. Any reproduction or

distribution of this Base Prospectus, in whole or in part, in the United States and any disclosure of its contents or use of any information herein in the United States for any purpose, other than in considering an investment by the recipient in the Notes, is prohibited. Each potential investor in the Notes, by accepting delivery of this Base Prospectus agrees to the foregoing and each purchaser or holder of interests in Notes will be deemed, by its acceptance or purchase of any such Notes, to have made certain acknowledgements, representations and agreements as set out in “*Subscription and Sale*” and “*Transfer Restrictions*”.

MIFID II PRODUCT GOVERNANCE / TARGET MARKET

The Final Terms in respect of any Notes may include a legend titled “MiFID II Product Governance” that will outline the target market assessment in respect of such Notes and which channels for distribution of such Notes (or beneficial interests therein) are appropriate. In those cases, any person or entity subsequently offering, selling or recommending such Notes (or beneficial interests therein) (a “**distributor**”) should take into consideration the target market assessment; *however*, a distributor subject to MiFID II will remain responsible for undertaking its own target market assessment in respect of such Notes (or beneficial interests therein) (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the “**MiFID Product Governance Rules**”), any Dealer subscribing for any Notes (or beneficial interests therein) is a manufacturer in respect of such Notes (or beneficial interests therein), but otherwise none of the Arrangers, the Dealers or any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS

If the Final Terms in respect of any Notes includes a legend entitled “Prohibition of Sales to EEA Retail Investors”, the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded, the “**Insurance Mediation Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “**PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

FINAL TERMS AND DRAWDOWN PROSPECTUSES

In this section the expression “necessary information” means, in relation to any Tranche, the information necessary to enable investors to make an informed assessment of the prospects of the Issuer and of the rights attaching to the Notes. In relation to the different types of Notes which may be issued under the Programme, the Issuer has endeavoured to include in this Base Prospectus all of the necessary information except for information relating to the Notes which is not known at the date of this Base Prospectus and which can only be determined at the time of an individual issue of a Tranche.

Any information relating to the Notes which is not included in this Base Prospectus and which is required in order to complete the necessary information in relation to a Tranche will be contained either in the relevant Final Terms or in a Drawdown Prospectus.

For a Tranche which is the subject of Final Terms, those Final Terms will, for the purposes of that Tranche only, complete this Base Prospectus and must be read in conjunction with this Base Prospectus. The terms and conditions applicable to any particular Tranche which is the subject of Final Terms are the Terms and Conditions of the Notes described in the relevant Final Terms as supplemented to the extent described in the relevant Final Terms.

The terms and conditions applicable to any particular Tranche which is the subject of a Drawdown Prospectus will be the Terms and Conditions of the Notes as supplemented, amended and/or replaced to the extent described

in the relevant Drawdown Prospectus. In the case of a Tranche which is the subject of a Drawdown Prospectus, each reference in this Base Prospectus to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus unless the context requires otherwise.

PRESENTATION OF INFORMATION

Statistical data appearing in this Base Prospectus has, unless otherwise stated, been obtained from the State Committee of the Republic of Uzbekistan on Statistics, Ministry of Finance of the Republic of Uzbekistan, Ministry of Economy of the Republic of Uzbekistan, Ministry of Public Education of the Republic of Uzbekistan, Ministry of Labour of the Republic of Uzbekistan, the State Committee of Uzbekistan for Geology and Mineral Resources, Central Bank of the Republic of Uzbekistan (“**CBU**”). Some statistical information has also been derived from information publicly made available by third parties such as the International Monetary Fund (the “**IMF**”), the International Bank for Reconstruction and Development (the “**IBRD**”) and other third parties. Where such third party information has been so sourced the source is stated where it appears in this Base Prospectus. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by such third parties, no facts have been omitted which would render the reproduced inaccurate or misleading. Similar statistics may be obtainable from other sources, but the underlying assumptions, methodology and, consequently, the resulting data may vary from source to source.

References to gross domestic product (“**GDP**”) are to nominal GDP unless indicated otherwise.

In this Base Prospectus, unless otherwise specified, references to “**Uzbekistan**” or the “**State**” are to the Republic of Uzbekistan; references to “**Government**” or “**Parliament**” are to the Government or Parliament of Uzbekistan, respectively; references to the “**CIS**” are to the Commonwealth of Independent States; references to “**UZS**” and “**soums**” are to the currency of Uzbekistan; and references to “**U.S. dollars**” and “**U.S.\$**” are to the currency of the United States of America. References to “billions” are to thousands of millions.

Conversions of amounts from soums to U.S. dollars are solely for the convenience of the reader and, unless otherwise stated, are made at various exchange rates. No representation is made that Uzbekistan soum or U.S. dollar amounts referred to herein could have been or could be converted to U.S. dollars or soums, as the case may be, at any particular rate or at all.

Websites referred to in this Base Prospectus and the information therein do not form part of this Base Prospectus.

Certain figures included in this Base Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same item of information may vary to reflect such rounding, and figures shown as totals may not be the arithmetical aggregate of their components.

Due to the adoption in 2018 of new methodologies for calculating financial and statistical data by the State Committee of the Republic of Uzbekistan on Statistics, certain existing data included in this Base Prospectus may be subject to revision in future. See *“Risk Factors – Risks Relating to Uzbekistan – Statistics published by Uzbekistan and appearing in this Base Prospectus may be more limited in scope and published less frequently and differ from those produced by other sources”*.

Public Official Information

Information included in this Base Prospectus and identified as being derived from information published by Uzbekistan or one of its agencies or instrumentalities is included herein on the authority of such publication as a public official document of Uzbekistan. All other information herein with respect to Uzbekistan is included herein as a public official statement made on the authority of the Ministry of Finance.

EXCHANGE RATES

Solely for convenience, this Base Prospectus includes conversions of certain soum amounts into U.S. dollars at specified rates.

The following table sets forth the period-end, average and high and low rates for soum, each expressed in soum and based on the soum/U.S. dollar exchange rates as reported by the CBU for the periods indicated:

<u>Year/month</u>	<u>High</u>	<u>Low</u>	<u>Average⁽¹⁾</u>	<u>Period end</u>
			(soum/U.S. dollar)	
January 2019	8,384.95	8,336.25	8,358.52	8,384.94
2018	8,339.55	7,783.05	8,068.05	8,339.55
2017	8,120.07	3,239.62	5,140.30	8,120.07
2016	3,231.48	2,816.47	2,968.90	3,231.48
2015	2,809.98	2,424.23	2,573.48	2,809.98
2014	2,422.40	2,203.22	2,314.85	2,422.40
2013	2,202.20	1,985.46	2,097.20	2,202.20

Source: Central Bank of the Republic of Uzbekistan

Note:

(1) The average rate is calculated based on annualised weekly exchange rates to determine the annual or monthly average rate (as the case may be).

As at 1 February 2019, the official exchange rate of CBU was U.S.\$1.00 to UZS8,384.94.

The exchange rates set out in the table above may differ from the actual rates used in the preparation of the information appearing in this Base Prospectus. The inclusion of these exchange rates is not meant to suggest that any amount of the currencies specified above has been, or could be, converted into the applicable currency at the exchange rates indicated or at any other exchange rate.

THE METHODOLOGY OF THE STATE COMMITTEE OF THE REPUBLIC OF UZBEKISTAN ON STATISTICS

According to the methodology of the State Committee of the Republic of Uzbekistan on Statistics, goods and services produced by enterprises with a state share of less than 100% are considered to be goods and services produced by the private sector.

ENFORCEMENT OF FOREIGN JUDGMENTS AND AWARDS

The Issuer is a sovereign state and substantially all of its assets are located in the Republic of Uzbekistan. As a result, it may not be possible (a) to effect service of process upon the Issuer outside of the Republic of Uzbekistan, (b) to enforce against it in courts of jurisdictions other than the Republic of Uzbekistan, judgments obtained in such courts unless the Issuer has effectively waived its state immunity or (c) to enforce against it in the Republic of Uzbekistan's courts, judgments obtained in other jurisdictions unless that other jurisdiction and the Republic of Uzbekistan are party to a treaty on mutual recognition and enforcement of judgments.

Neither the United Kingdom nor the United States is party to any such treaty with the Republic of Uzbekistan and even if an applicable international treaty is in effect, the recognition and enforcement in Uzbekistan of a foreign judgment will in all events be subject to exceptions and limitations provided for in the laws of the Republic of Uzbekistan. In the absence of such agreements the courts of Uzbekistan may recognise and enforce a foreign judgment on the basis of the principle of reciprocity. The Uzbek legislation does not include clear rules on the application of the principle of reciprocity. Thus, there can be no assurance that the courts of Uzbekistan will recognise and enforce a judgment rendered by courts of a jurisdiction with which Uzbekistan has no agreement on the basis of the principle of reciprocity.

Nevertheless, the Issuer will irrevocably appoint the Ambassador of the Republic of Uzbekistan to the Court of St. James's as its authorised agent on whom process may be served in any action arising out of or based on the Notes in an English court.

The Issuer will also agree that any claims or disputes arising in respect of the Notes shall be referred to and finally settled by arbitration in accordance with the rules of the LCIA. The Republic of Uzbekistan is a party to the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958 (the “**New York Convention**”) and, accordingly, an arbitral award should generally be recognised and enforceable in Uzbekistan under the New York Convention provided the conditions to enforcement set out in the New York Convention are met.

However, an Uzbek court may refuse the recognition and enforcement of foreign arbitral awards in full or part if one of the following grounds exists:

- (i) a party to the arbitration agreement is in any way incapable by the law applicable to it or the arbitration agreement is invalid under the chosen governing law, and in the absence of such governing law — according to the law of the country where a foreign arbitral award has been rendered;
- (ii) a party against which a foreign arbitral award is rendered has not been timely and duly notified about the proceedings, their time and place or due to other reasons could not provide its explanations;
- (iii) a foreign arbitral award is rendered in a dispute not provided for or not subject to the terms of the arbitration agreement or arbitration clause in the contract, or contains rulings on matters beyond the scope of the arbitration agreement or arbitration clause in the contract, unless rulings on matters covered by the arbitration agreement either by reservation may be separated from those not covered by such agreement or reservation;
- (iv) a composition of the arbitration body or the arbitration process did not comply with the agreement of the parties or, in the absence thereof, did not comply with the law of the country where the arbitration took place;
- (v) a foreign arbitral award is not final for the parties or cancelled, or suspended by the competent authority of the state where it was rendered, or of the country the laws of which are being applied;
- (vi) a dispute was resolved by an incompetent foreign court or arbitration.

The court may also refuse to recognise and enforce a foreign arbitral award if:

- (i) enforcement of a foreign arbitral award will contradict the “public order” of the Republic of Uzbekistan;
- (ii) the subject matter of the dispute may not be subject to arbitration under the laws of the Republic of Uzbekistan;
- (iii) the statute of limitations for the enforcement of a foreign arbitral award has expired.

Recognition and enforcement of foreign arbitral awards in Uzbekistan may still be difficult, in particular, if the enforcement of a foreign arbitral award conflicts with the “public policy” of Uzbekistan. The laws of Uzbekistan do not provide any clear guidelines for determining what the “public policy” of Uzbekistan actually is. The ambiguity of the “public policy” concept may be used by Uzbek courts to deny recognition and enforcement of foreign arbitral awards rendered against Uzbekistan or threatening its interests.

In addition, an Uzbek court will ignore any dispute resolution agreement of the parties if it finds that under the Uzbekistan legislation it has exclusive jurisdiction over such disputes.

Although Uzbek law recognises choice of law principles for contractual obligations, the choice of foreign law will not exclude the application of mandatory rules of Uzbek law which cannot be derogated from by the agreement of the parties. According to Uzbek law, regardless of the choice of law applicable to the relations of the parties, certain mandatory rules of Uzbek law still shall be applied.

In Uzbekistan, upon receipt of a foreign arbitral award, the party seeking to enforce the award must submit an application for the recognition and enforcement of the foreign arbitral award to the relevant economic courts in the Republic of Uzbekistan. The court will review the award to ensure there are no grounds (as discussed above) to refuse recognition and enforcement. Upon a finding that the foreign arbitral award is satisfactory, the court will adapt a ruling on recognition and enforcement and issue a writ of execution, which must be submitted to the Bureau of Mandatory Enforcement within three years of the court’s ruling on the foreign arbitral award.

As a condition for admissibility in evidence of any documents, the courts of Uzbekistan will require the submission of such documents either (i) as originally executed counterparts, or (ii) as duly notarised copies. In

addition, in case of an official document issued outside Uzbekistan, unless a valid international agreement of Uzbekistan provides otherwise, such official document will be admissible in evidence by a court of Uzbekistan if (i) such official document is legalised by an Uzbek consul in the country of its issuance and a duly certified Uzbek language translation of such official document is notarised by an Uzbek notary or (ii) the apostil is affixed to such official document by the competent authority of the country of its issuance subject to the Convention Abolishing the Requirement of Legalisation for Foreign Public Documents dated 5 October 1961 and a duly certified Uzbek language translation of such official document is notarised by an Uzbek notary.

Taking into account that Uzbekistan is a sovereign state, there is a risk that notwithstanding the waiver of sovereign immunity by Uzbekistan in connection with the Notes, a claimant will not be able to enforce a foreign judgment or arbitral award in Uzbekistan against certain assets of Uzbekistan, e.g. property, including any bank account, used by a diplomatic or consular mission of the Issuer or its special missions or delegations to international organisations, including their heads and other employees, property of military character and under the control of the military authorities or defence agencies, property of the CBU, including gold and foreign currency reserves and property located in Uzbekistan and used for public or governmental purposes (as distinct from property used for commercial purposes) without Uzbekistan having specifically consented to such enforcement at the time when the enforcement is sought. In addition, certain state-owned assets are statutorily exempt from court enforcement procedures in Uzbekistan. The enforcement in Uzbekistan of any court judgment or arbitral award against any assets of the Issuer which are subject to a mortgage, pledge, lien or other security interest or encumbrance granted by the Issuer to a third party will also be subject to the provisions of applicable laws governing such mortgages, pledges, liens, security interests or encumbrances (including, without limitation, the order of priority for the satisfaction of claims of secured and unsecured creditors from such assets). See “*Risk Factors — Risks related to the Notes generally — Enforcement of judgments or arbitral awards against Uzbekistan can be difficult in certain jurisdictions*”. In addition, Uzbekistan has not consented to service or waived sovereign immunity with respect to actions brought against it under US federal securities laws or any state securities laws. In the absence of a waiver of immunity by Uzbekistan with respect to such actions, it may not be possible to obtain a judgment in such an action brought in a US court against Uzbekistan unless such court were to determine that Uzbekistan is not entitled under the U.S. Foreign Sovereign Immunities Act of 1976 to sovereign immunity with respect to such actions.

TABLE OF CONTENTS

	Page
OVERVIEW OF THE PROGRAMME	1
RISK FACTORS	5
TERMS AND CONDITIONS OF THE NOTES	20
FORM OF FINAL TERMS	52
SUMMARY OF PROVISIONS RELATING TO NOTES IN GLOBAL FORM	58
USE OF PROCEEDS	61
OVERVIEW OF THE REPUBLIC OF UZBEKISTAN	62
THE ECONOMY OF THE REPUBLIC OF UZBEKISTAN	79
BALANCE OF PAYMENTS AND FOREIGN TRADE	103
MONETARY AND FINANCIAL SYSTEM	114
PUBLIC FINANCE	134
PUBLIC DEBT	150
TAXATION	161
CLEARING AND SETTLEMENT	167
TRANSFER RESTRICTIONS	171
SUBSCRIPTION AND SALE	173
GENERAL INFORMATION	175

OVERVIEW OF THE PROGRAMME

This overview does not purport to be complete and must be read as an introduction to this Base Prospectus and any decision to invest in the Notes should be based on a consideration of this Base Prospectus as a whole.

Words and expressions defined in “Terms and Conditions of the Notes” shall have the same meanings in this overview.

Issuer The Republic of Uzbekistan represented by the Ministry of Finance of the Republic of Uzbekistan

Description and Size Global Medium Term Note Programme

The Programme is unlimited in amount.

Arrangers Citigroup Global Markets Limited
GPB-Financial Services Ltd
J.P. Morgan Securities plc

Permanent Dealers Citigroup Global Markets Limited
GPB-Financial Services Ltd
J.P. Morgan Securities plc

The Issuer may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Base Prospectus to “**Permanent Dealers**” are to those persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and references to “**Dealers**” are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.

Fiscal Agent, Exchange Agent and

Calculation Agent Citibank, N.A., London Branch

Principal Paying and Transfer

Agent Citibank, N.A., London Branch

Registrar Citigroup Global Markets Europe AG

Method of Issue The Notes will be issued in series (each, a “**Series**”) having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. However, further notes having the same terms and conditions as the Notes of a particular Series so as to form a single series with the Notes of the particular Series will be issued with a separate CUSIP and ISIN unless such further notes are fungible with the original Notes for U.S. federal income tax purposes. Each Series may comprise one or more tranches of notes (each, a “**Tranche**”) issued on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the denominations, issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same

Series) will be completed in the Final Terms or the Drawdown Prospectus (as the case may be) which, for the purposes of that Tranche only, supplements the Terms and Conditions of the Notes and this Base Prospectus and must be read in conjunction with this Base Prospectus. The terms and conditions applicable to any particular Tranche are the Terms and Conditions of the Notes as supplemented, amended or replaced by the relevant Final Terms or the relevant Drawdown Prospectus (as the case may be).

Issue Price Notes may be issued at any price on a fully paid basis, as specified in the Final Terms. The price and amount of the Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.

Form of Notes Each Series will be issued in registered form only.

Restricted Notes will initially be represented by a Restricted Global Note and Unrestricted Notes will initially be represented by an Unrestricted Global Note. The Global Notes will be exchangeable for Definitive Note Certificates (as defined herein) in the limited circumstances specified in the Global Notes.

Clearing Systems Euroclear, Clearstream, Luxembourg and DTC, unless otherwise agreed, and such other clearing system as may be agreed between the Issuer, the Fiscal Agent and the relevant Dealer(s).

Currencies Notes may be denominated in any currency or currencies, subject to compliance with all applicable legal, regulatory and central bank requirements.

Maturities Subject to compliance with all relevant laws, regulations, directives and/or central bank requirements, any maturity.

Denominations Notes will be issued in such denominations as may be specified in the relevant Final Terms (the “**Specified Denomination**”), provided that, subject to the below, the Specified Denomination(s) shall not be less than €100,000 or its equivalent in another currency. For so long as the Notes are represented by a Global Note, and the relevant clearing system(s) so permit, subject to the below, the Notes shall be tradeable only in the minimum authorised denomination of €100,000 or its equivalent in another currency and higher integral multiples of any smaller amount specified in the relevant Final Terms.

Interests in the Restricted Notes shall be held in amounts of not less than U.S.\$200,000 or its equivalent in other currencies. Notes (including Notes denominated in Sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the Financial Services and Markets Act 2000 (as amended, the “FSMA”) will have a minimum denomination of £100,000 (or its equivalent in another currency).

Interest Notes may be interest-bearing or non interest-bearing (as set out in the relevant Final Terms). Interest (if any) may accrue at a fixed rate or a floating rate.

Redemption The applicable Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity or that such Notes will be redeemable at the option of the Issuer upon giving notice to the Noteholders on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer.

Unless otherwise permitted by then current laws and regulations, Notes (including Notes denominated in Sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whole issue otherwise would constitute a contravention of section 19 of the FSMA will have a minimum redemption amount of £100,000 (or its equivalent in the relevant currency).

Status of the Notes Subject as set out in “*Negative Pledge*” below, the Notes are unsecured obligations of the Issuer which rank *pari passu*, without any preference among themselves and at least *pari passu* in right of payment with all other outstanding present and future unsecured External Indebtedness (as defined in the Terms and Conditions of the Notes) of the Issuer.

Negative Pledge The Notes will have the benefit of a negative pledge as described in Condition 6 (*Negative Pledge*).

Credit Ratings Where a Tranche is rated, the applicable rating(s) will be specified in the relevant Final Terms. Whether or not each credit rating applied for in relation to a relevant Tranche will be (a) issued by a credit rating agency established in the EEA and registered under the CRA Regulation, or (b) issued by a credit rating which is not established in the EEA by will be endorsed by a credit rating agency which is established in the EEA and registered under the CRA Regulation or (c) issued by a credit rating agency which is not established in the EEA but which is certified under the CRA Regulation will also be disclosed in the relevant Final Terms. The list of credit rating agencies registered and/or certified under the CRA Regulation is available on the ESMA website (<http://www.esma.europa.eu/page/list-registered-and-certified-CRAs>) (last updated 20 December 2018).

A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

Taxation All payments of principal and interest in respect of the Notes will be made free and clear of withholding or deduction for any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by or within the Republic of Uzbekistan or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law.

In that event, the Issuer shall pay such amounts as will result in the receipt by the Noteholders of such amounts as would have been received by them if no such withholding or deduction has been required, subject to certain exceptions set out in Condition 12 (*Taxation*).

Governing Law English law.

Transfer Restrictions The offering and sale of Notes is subject to applicable laws and regulations including, without limitation, those of the United States, the United Kingdom and the Republic of Uzbekistan. See “*Subscription and Sale*”.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933 (the “**Securities Act**”) or any State securities law. Consequently, the Notes may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and any applicable state securities laws. See “*Transfer Restrictions*”.

Listing and Trading Applications have been made for the Notes to be admitted during the twelve months after the date hereof to listing on the Official List and to trading on the Market and references to “listing” shall mean that such Notes have been admitted to the Official List and have been admitted to trading on the Market.

Notes may also be unlisted or may be listed or admitted to trading, as the case may be, on any market (including any unregulated or regulated market for the purposes of MiFID II) as may be agreed among the Issuer and the relevant Dealer(s) or (in the case of a direct purchase of Notes by an investor) the relevant Noteholders(s) in relation to each relevant Series.

Enforcement of Notes in Global

Form In the case of Global Notes, individual investors’ rights against the Issuer will be governed by a deed of covenant dated on or around 4 February 2019 (the “**Deed of Covenant**”), a copy of which is available for inspection at the specified office of the Fiscal Agent.

Risk Factors Investing in the Notes involves a high degree of risk, which investors should ensure they fully understand. These include: risks associated with emerging markets, risks relating to Uzbekistan and risks relating to the Notes. See “*Risk Factors*”.

Use of Proceeds The net proceeds of the issue of the Notes will be used by the Issuer for general budgetary purposes, including infrastructure projects.

RISK FACTORS

Investment in the Notes involves a high degree of risk. Prospective investors should carefully consider the following risk factors, together with the other information set out in this Base Prospectus, before making a decision to invest in the Notes and should understand that the risks set forth below could, individually or in the aggregate, have a material adverse effect on the Issuer's ability to repay principal and make payments of interest on the Notes or otherwise fulfil its obligations under the Notes. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring. Additional risks and uncertainties not currently known to the Issuer or that the Issuer currently deems to be immaterial may also materially affect the Issuer's economy and its ability to fulfil its obligations under the Notes. In any such case, investors may lose all or part of their investment in the Notes.

Risks Relating to Emerging Markets

Investing in securities involving emerging markets generally involves a higher degree of risk than investing in securities in more developed markets

Investors in emerging markets should be aware that these markets are subject to greater risk than more developed markets, including in some cases significant economic, political, social and legal risks. Investors should also note that emerging economies, such as Uzbekistan, are subject to rapid change and that the information set forth herein may become outdated relatively quickly.

Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in the light of those risks, their investment is appropriate. Generally, making an investment in emerging markets is suitable only for sophisticated investors who fully appreciate the significance of the risks involved. Investors are urged to consult with their own legal and financial advisers before making an investment in the Notes.

Disruptions in the international capital markets and changing regulatory environments can lead to reduced liquidity and increased credit risk premiums for certain market participants and result in a reduction of available financing. Countries located in emerging markets may be particularly susceptible to these disruptions and changes and also to reductions in the availability of credit or increases in financing costs, which could result in them experiencing financial difficulty.

In addition, the availability of credit to entities operating within emerging markets is significantly influenced by levels of investor confidence in such markets as a whole. Accordingly, any factors that impact market confidence, such as a decrease in credit ratings or state or central bank intervention in a particular market, could affect the price or availability of funding for entities within any of these markets, which could, in turn, have an impact on the wider economies of such markets.

Fluctuations in the global economy or an increase in the perceived risks associated with investing in countries located in emerging markets could reduce foreign investment in Uzbekistan and, as a result, have an adverse effect on Uzbekistan's economy. If foreign investment in Uzbekistan's economy declines, it may experience liquidity constraints. Uzbekistan's economy is also not immune from developments in the economies of other countries located in emerging markets. Even if Uzbekistan's economy remains relatively stable, financial unrest or instability experienced in one or more countries located in an emerging market, especially countries in the CIS, the Caspian Sea or Central Asian regions (which have recently experienced significant political instability, including terrorism and internal unrest), could have a negative impact on Uzbekistan's economy.

Any of the aforementioned risks could have a negative effect on Uzbekistan's economy, and thus could have a material adverse effect on the trading price of the Notes.

Risks Relating to Uzbekistan

Uzbekistan's economy is vulnerable to external shocks and fluctuations in the global economy

Uzbekistan's economy and finances have been affected adversely by global financial developments and political changes in certain emerging markets. Changes in both the global and domestic environment have resulted in, among other things, lower liquidity levels across the banking sector, tighter credit conditions for Uzbekistan companies generally and fluctuating global demand for and instability in the price of gold, natural gas, cotton and other commodities and downward pressure on the soum.

While Uzbekistan's economy was not as materially adversely affected by the global financial crisis as many other emerging market economies, its economy is nonetheless vulnerable to external shocks and the economic performance of its trading partners. A significant decline in economic growth in any of Uzbekistan's other major trading partners, particularly Russia (whether or not resulting from sanctions imposed by, among others, the United States and the EU), China and Switzerland, could have a material adverse effect on Uzbekistan's balance of trade and adversely affect Uzbekistan's economic growth. Uzbekistan also depends on neighbouring states to access world markets for a number of its major exports. Should access to these export routes be materially impaired, this could adversely impact Uzbekistan's economy. Events occurring in one geographic or financial market sometimes have so-called "contagion effects", whereby they result in an entire region or class of investments being disfavoured by international investors. It is possible that the market for investments in Uzbekistan, including the Notes, will be affected in the future by negative economic or financial developments in neighbouring countries or countries whose economies or credit ratings are similar to those of Uzbekistan. See "*— Sanctions imposed on certain Russian and Ukrainian persons and entities could have an indirect adverse impact on Uzbekistan's economy*" below. The most significant contagion effecting Uzbekistan's economy is the global change in prices for certain commodities. Several global economies, including China, also currently experience a slowdown in economic growth and stock market volatility. China is one of the main trade partners of Uzbekistan, which means that any disruption to economic stability or growth in China, or any rupture in economic or political relations between Uzbekistan and China, could have an adverse effect on the economy of Uzbekistan which, in turn, may materially and adversely affect Uzbekistan's financial condition and its ability to repay the Notes. In addition, Uzbekistan is in the process of implementing structural economic reforms aimed at, *inter alia*, price and trade liberalisation and tax control. See "*— Implementation of market-based reforms may not be effective which may slow the growth of Uzbekistan's economy*". Should the Government succeed in the implementation of market reforms, Uzbekistan's economy would be more integrated into the world trading system and inter-linked with the global economy and economies of the main trade partners and neighbouring states of Uzbekistan, which may make Uzbekistan's economy more vulnerable to external shocks, such as global economic crises and currency and commodity price volatility.

Internally, state-owned enterprises represent a significant part of the Uzbek economy. For example, JSC "Uzbekneftegaz" (the Uzbek state oil and gas company) and its subsidiaries are major taxpayers for the state budget, contributing 5.9 trillion soums to the state's revenues and accounting for approximately 2.0% of Uzbekistan's total GDP in 2017. Any decline in the financial performance of these businesses, regardless of the underlying reasons for such decline, could have a direct and indirect material adverse impact on the revenues in Uzbekistan's State Budget.

Furthermore, Uzbekistan also faces economic risks of volatility in workforce remittances (in particular, from Russia) and unemployment. Unemployment in Uzbekistan increased from 5.8% in 2017 to 9.0% in 2018, mainly due to overall population growth not matched by increased job creation and increase in effectiveness of unemployment statistics. Decreases in remittances inflows or increases in the unemployment rate could have an adverse effect on the economy of Uzbekistan.

There can be no assurance that weaknesses in the global economy, or a future external economic crisis, will not have a negative effect on Uzbekistan's economy or on investors' confidence in Uzbekistan's markets. This could affect Uzbekistan's ability to raise capital in the international debt markets and may have a material adverse effect on the trading price of the Notes.

Sanctions imposed on certain Russian and Ukrainian persons and entities could have an indirect adverse impact on Uzbekistan's economy

The United States and the EU (as well as other nations, such as Australia, Canada, Japan and Switzerland) have imposed several rounds of sanctions on certain Russian and Ukrainian persons and entities. The sanctions, combined with a substantial decline in global oil prices, had an adverse effect on the Russian economy, prompting downward revisions to the credit ratings of the Russian Federation and a number of major Russian companies that are ultimately controlled by the Russian Federation, caused extensive capital outflow from Russia in 2014 and 2015 and impaired the ability of Russian issuers to access the international capital markets. The governments of the United States and certain EU member states, as well as certain EU officials, have indicated that they may consider additional sanctions.

While Uzbekistan maintains independent diplomatic relationships with both Russia and Ukraine and has confirmed its neutral position with respect to the tensions between Russia and Ukraine, Uzbekistan has significant economic and political relations with Russia.

Russia is the main trade and economic partner of Uzbekistan. Sanctions imposed on certain Russian persons and entities by the United States, the EU and other countries in connection with the conflict in Ukraine, in connection with Russia's alleged actions aimed at undermining the cybersecurity of the United States during the last presidential elections or any other action by Russia which may result in further sanctions could prevent Uzbekistan from trading with certain Russian counterparties, which could have a material adverse impact on Uzbekistan's trade and consequently the country's economy.

Uzbekistan's close economic links with Russia, the existing sanctions imposed on certain Russian and Ukrainian persons and entities or any future sanctions could have a material adverse effect on Uzbekistan's economy, which in turn could have a material adverse effect on the trading price of the Notes.

Any material reduction in the price of commodities, particularly gold, natural gas, copper and uranium, may materially adversely affect the revenues and financial condition of Uzbekistan

Uzbekistan is a country with abundant mineral resources and a major exporter of commodities, including gold, natural gas, copper and uranium. It is the second largest producer of gold and uranium and the third-largest producer of natural gas and copper in the CIS region. In 2018, gold and energy (including oil products) together comprised 39.1% of total exports of goods, amounting to U.S.\$2.9 billion and U.S.\$2.7 billion, respectively. Uzbekistan's economy and State Budget particularly rely on the fiscal revenues of these exports.

Because of the country's reliance on commodity exports, Uzbekistan is at risk of shocks stemming from declines in the prices of its major exports. Any global downturn could lead to lower commodity export prices. Additionally, over the last five years, international cotton prices have been weak due to global cotton production exceeding demand. The significant share of commodities in Uzbekistan's exports and the country's major trading partners' vulnerability to commodity price shocks could significantly worsen the impact of adverse external shocks for Uzbekistan by lowering exports, commodity prices and remittances at the same time. As a result, fluctuations in international export prices of these commodities may have a material impact on Uzbekistan's GDP, fiscal revenues, balance of payments, external revenues and future financial condition, including its ability to make payments on the Notes.

Uzbekistan has had complex relations with the EU and the United States and any such points of tension could have a material adverse effect on Uzbekistan's economy or political environment or the market value of the Notes

Uzbekistan has had complex relations with the EU and the United States in the past, each of which has raised human rights concerns.

Historically, Uzbekistan's treatment of protestors and alleged violation of human rights has significantly affected Uzbekistan's relationship with the EU and the United States. After the Cold War, President Karimov sought to improve relations with the West. Uzbekistan made its military bases available to the United States for military and intelligence operations in Afghanistan and, in March 2002, the two countries signed the Declaration on the Strategic Partnership and Cooperation Framework.

However, in May 2005, the United States and the EU criticised Uzbekistan's treatment of peaceful protests in the city of Andijan, which led to a number of alleged killings. In response, the EU imposed sanctions, banning Uzbek officials allegedly connected to the treatment of protestors from traveling to Europe and establishing embargos on arms and military equipment exports. The United States added additional limits to pre-existing congressional bans on assistance for Uzbekistan, such as military assistance.

Since May 2005, the normalisation of political relations between Uzbekistan and both the United States and EU has resumed. The EU removed all sanctions on Uzbekistan in 2009, citing positive human rights trends and the United States has been providing a limited amount of financial assistance and granting six-month waivers to the country related to the United States' congressional bans.

Uzbekistan's relationship with EU countries has also been developing in recent years and Germany and France in particular are important trade partners of Uzbekistan (for example, the volume of Uzbek-German trade and Uzbek-French trade in 2018 amounted to U.S.\$772.0 million and U.S.\$306.4 million, respectively). See — *"Overview of the Republic of Uzbekistan — International Relations — Foreign States — European Union"*.

No assurance, however, can be given that Uzbekistan's current foreign policy relationships with both the United States and the EU will continue or that the United States and the EU will not impose new restrictions on

Uzbekistan in relation to past or future points of tension or that such frictions will not affect the political and economic environment in Uzbekistan and the market value or liquidity of the Notes. Additionally, complex political relations with the EU and the United States could have an adverse effect on investments in Uzbekistan and the availability of external funding from international capital markets.

Any deterioration in Uzbekistan's relations with neighbouring countries may adversely affect Uzbekistan's economy

In the past, Uzbekistan has had a number of disputes with neighbouring countries, particularly with Tajikistan and Kyrgyzstan.

Uzbekistan has had a number of disagreements with Tajikistan and Kyrgyzstan regarding Uzbek gas and electricity supplies. In December 2009, Uzbekistan announced plans to withdraw from a shared Soviet-era power grid, the Central Asian United Energy System, because it had established new power lines for its own use. Uzbekistan's withdrawal from the grid led to electricity supply disruption for Tajikistan and Kyrgyzstan. Uzbekistan has since begun negotiations with the two countries to ensure adequate energy supplies are restored.

Uzbekistan and Tajikistan have had disputes regarding Tajikistan's plan to complete construction of a hydroelectric power station and dam in Rogun, Tajikistan. Originally started in the Soviet era, Tajikistan aimed to build the Rogun power station in order to secure a significant energy source for the country. Uzbekistan firmly opposed the construction, arguing it could endanger main river flows from the Pamir Mountains down into Uzbekistan's cotton fields, creating agricultural and ecological issues. To prevent construction, Uzbekistan imposed a transport blockade of Tajiki construction materials. However, in 2018, high-level bilateral discussions were held over the construction of the plant and dam and in November 2018, the dam was put into operation in the presence of Uzbekistan's delegation.

Uzbekistan and Kyrgyzstan have also had border disputes regarding Kyrgyzstan's attempts to reclaim a disputed water reservoir. Kyrgyzstan claims that the Al-Buka reservoir is ten kilometres within its own borders with Uzbekistan, but Uzbekistan retains current control of the reservoir. In April 2016, Uzbekistan deployed troops to Chalasart on the Kyrgyz-Uzbek border in retaliation for Kyrgyzstan's attempt to reclaim the reservoir. However, under the tenure of President Mirziyoyev, border guards have been withdrawn and negotiations have begun on border demarcation.

Uzbekistan and Turkmenistan's relations are characterised by a high level of bilateral cooperation. The level of cooperation in the political, trade, economic, scientific, technical and cultural-humanitarian spheres is steadily increasing. The volume of trade between the two countries amounted to U.S.\$302.3 million in 2018, a 69.9% increase as compared to 2017, which represented 0.9% of total foreign trade turnover. The close cooperation of the two states in the oil and gas, transport and communication industries is important to Uzbekistan.

Following President Mirziyoyev's election in December 2016, he has strongly emphasised improving relations with neighbouring countries as a major foreign policy goal. President Mirziyoyev has taken positive steps to improve ties with Kazakhstan, Kyrgyzstan and Tajikistan in an effort to improve regional cooperation. In February 2017, President Mirziyoyev restored air traffic between Tashkent and Dushanbe, allowing commercial flights to operate between the two countries for the first time in more than 20 years, re-opened cross boundary checkpoints, as well as introduced a visa free regime for 30 days for the residents of both countries.

No assurance, however, can be given that Uzbekistan's current foreign policy goals and relationships with its neighbours will continue. A change of policy of the Uzbek government, deterioration of relations between Uzbekistan and its neighbours in the future or inter-ethnic discord could have a material adverse effect on the Uzbek economy.

Implementation of market-based reforms may not be effective which may slow the growth of Uzbekistan's economy

Since early 2017, the Government has introduced a number of measures aimed at the liberalisation of the Uzbekistan economy and to encourage growth and foreign investment. These reforms include currency and trade liberalisation, reforms of the tax and state budget processes, the restructuring and privatisation of state-owned entities and the reform of the agriculture and financial sectors.

For example, on 5 September 2017, the Government liberalised the foreign exchange rate and brought it to equilibrium with current market rates by allowing it to depreciate by 93.4% against the U.S. dollar (from 4,210 soums per U.S.\$1 to 8,100 soums per U.S.\$1).

Additionally, a number of actions were taken in order to liberalise foreign trade operations. These measures included the abolition of, *inter alia*, (i) licensing procedures for wholesale trade activities and special orders for taxation of trade entities; (ii) special orders for accounting for the realised proceeds of exclusive excise tax on goods (automobiles, vegetable oil and others) and their use; (iii) requirements to obtain permission for export trade; and (iv) the special regime requiring approval from the State Committee of the Republic of Uzbekistan for the promotion of privatised enterprises and the development of competition for product placement on exchange trades and the introduction of a notification procedure for their approval.

The Government's market liberalisation programme is aimed at raising Uzbekistan's competitiveness and openness, ensuring freedom of economic activity, strengthening macroeconomic stability and boosting economic growth, modernising and diversifying leading sectors of the economy, reforming the financial and banking sector, protecting private property and entrepreneurship, expanding foreign economic activity, drawing foreign investment, developing tourism and implementing structural changes in agriculture.

Among major planned reforms in the near future is the restructuring and privatisation of one of the biggest state-owned companies in Uzbekistan — JSC "Uzbekenergo", which is a strategically important company for the country in the electricity energy sector. Currently, JSC "Uzbekenergo" consists of 49 generation, transmission and distribution enterprises.

There can be no assurance however that planned reforms aimed at liberalising Uzbekistan's economy will be carried out in full or that such reforms as are implemented will be successful in improving economic growth or encouraging foreign direct investment. Any such failure could have a material adverse effect on Uzbekistan's economy.

Challenges in the implementation of economic and financial reforms may mean such reforms are delayed or do not happen, which may have a negative effect on the performance of the Uzbekistan economy

In order to ensure the sustainable growth of Uzbekistan's economy, the Government has been implementing a wide range of economic, financial and banking system reforms, and reforms of the legal, tax and regulatory environment. The Government has approved policy measures and actions to reform the customs regime, promote private sector investments, diversify the economy, to broaden the tax base and to facilitate access to credit to further foster private investment in Uzbekistan by both local and foreign investors.

The continued pursuit of Uzbekistan's long-term objectives in these areas, including those contemplated by the Development Strategy for 2017-2021, will depend on a number of factors including continued political support in Uzbekistan and across multiple government ministries, adequate funding, the outcome of policy reviews, improved security, power sector reform, availability of human capital and significant coordination. The economic and other assumptions underlying the objectives set forth in the Development Strategy for 2017-2021, including with respect to oil prices and production, GDP growth, inflation, external debt and the fiscal deficit, may not be met, which would undermine Uzbekistan's ability to achieve its stated objectives. Failure to achieve one or more of the objectives or complete certain reforms or projects set forth in the Development Strategy for 2017-2021 may render it difficult to achieve other stated objectives, and Uzbekistan's ability to achieve its strategic objectives may be affected by many factors beyond its control. Moreover, some planned reforms may disadvantage certain existing stakeholders, who may seek to curtail such reforms. In addition, the Government has a number of privatisation plans, which may be difficult to achieve without implementing further legislation or active participation from international investors.

If the Government is not able to fund or implement the large number of reforms and proposals (including privatisations) currently being proposed, or if there is a delay in such funding or implementation, then the Government may not be able to meet the long-term strategic objectives, which could result in an adverse effect on the economy of Uzbekistan and its ability to make payments on the Notes.

There is a continuing need for the Government's efforts to fight corruption and improve the business climate in Uzbekistan

Emerging economies, such as the Uzbek economy, are subject to rapid change and are vulnerable to market conditions. Emerging economies may also experience more instances of corruption of government officials and misuse of public funds than more mature markets. Fighting corruption has been identified by the Government as one of the key priorities for Uzbekistan, and the Government continues to work towards improving accountability, governance standards and legislative framework. While the Government has recently introduced a

number of anti-corruption reforms, including the law “On Combatting Corruption” dated 3 January 2017 which aims to raise the efficiency of anti-corruption measures through consolidating the efforts of government bodies and civil society, in Transparency International’s 2017 Corruption Perceptions Index survey of 180 countries, the Republic of Uzbekistan was ranked number 157, indicating that a perception of public sector corruption occurring within the country remains widespread. Government corruption can lead to the misallocation of state funds, tax revenues or the mismanagement of state projects. In addition, corruption or allegations of corruption in Uzbekistan may have a negative impact on its economy and reputation abroad, especially on its ability to attract foreign investment.

Uzbekistan’s business climate and competitive indicators are negatively affected by the need to reform construction permits, investor protection arrangements, and cross-border insolvency and trading arrangements. In the World Bank’s Ease of Doing Business Survey 2019, Uzbekistan ranked 76 out of 190 countries for ease of doing business while in 2012 Uzbekistan was ranked 166 out of 190 countries.

Any future allegations of corruption in Uzbekistan and the failure to address the need for reforms could have a negative effect on the ability of Uzbekistan to attract foreign investment, and thus have a negative effect on both the economy of Uzbekistan and the ability of Uzbekistan to repay principal and make payments of interest on the Notes.

Uzbekistan’s banking sector remains vulnerable to external shocks

Uzbekistan’s banking system’s low exposure to global financial markets largely shielded the sector from the effects of the global financial crisis due to limited financial liberalisation, a partly integrated economic structure into the world trading system and large financial subsidies for key sectors. However, Uzbekistan’s banking sector is still concentrated, underdeveloped and vulnerable to macroeconomic shocks, such as devaluation of the soum.

As of 1 January 2019, the banking sector of the Republic of Uzbekistan consisted of 29 active banks, comprising four wholly state-owned banks, 13 partly state-owned joint stock commercial banks, five banks with foreign capital and seven private banks. As of 1 January 2019, there was a high level of concentration in the banking sector, with the wholly and partly state-owned banks holding 84% of all of the banking sector’s total assets, 89% of the banking sector’s total loans, 81% of the banking sector’s total share capital and 68% of the banking sector’s total deposits, whereas the banks without state ownership held 16% of all of the banking sector’s total assets, 11% of the banking sector’s total loans, 19% of the banking sector’s total share capital and 32% of the banking sector’s total deposits. In addition, a large share of the banking sector’s loans is comprised of loans to state-owned companies guaranteed by the state, exposing the sector to the high loan concentration to single borrower risk. Deterioration of the creditworthiness of the largest borrowers who are also key enterprises of the economy may lead to systemic shocks for the economy as a whole and the banking sector in particular.

In addition, as of 1 January 2019, the non-performing loans (“NPL”) ratio of the banking sector in Uzbekistan amounted to 1.28%. However, prior to 2019, banks benefited from certain discretion with regard to the calculation of their NPL ratios. Based on a CBU initiative, going forward, banks will be required to employ external audit companies to implement IFRS 9 standard models for valuation and measurement of their assets, which is likely to lead to an increase in NPL ratios and respective provisions in the banking sector. The likely increase in NPLs could also put pressure on the capital levels of the banks which is likely to be lower upon implementation of IFRS 9 standards. Furthermore, risk management in the Uzbekistan’s banking sector is at the development stage and has not yet reached international standards. For example, stress-testing and scoring systems, which have already been implemented based on the IMF methodology, also identified concentration as the main risk for the state-owned banks.

In 2017, following currency liberalisation reform, the banking sector also had a high level of loans denominated in U.S. dollars and other foreign currencies, giving rise to risks relating to currency fluctuations. The volume of loans denominated in foreign currencies increased from 68,838 billion soums in 2017 to 93,527.0 billion soums in 2018. As of 1 January 2019, foreign currency denominated loans constituted approximately 55.9% of total loans in the sector and foreign currency denominated deposits amounted to approximately 61.8% of the total deposit portfolio of the banking sector. The majority of these foreign currency denominated loans were long-term loans granted by the Uzbekistan Fund for Reconstruction and Development (“UFRD”) to state-owned enterprises for imports of equipment and machinery.

There is also a risk that financial assistance to the banking sector may be needed from the state in the event of a macroeconomic shock, which it may not be willing and/or able to provide. To increase the efficiency of the

banking sector, the Government is planning a number of reforms, such as the privatisation of some state-owned banks, including to foreign investors. However, there can be no assurance that such reforms will be successful or sufficient. Deficiencies in the Uzbek banking sector may result in the banking sector being more susceptible to future worldwide credit market downturns and economic slowdowns.

The Uzbek banking sector remains vulnerable and there can be no assurance that future turmoil in the global banking sector and the wider economy will not have a negative effect on Uzbekistan's banking sector, which could have a material adverse effect on Uzbekistan's economy and the trading price of the Notes.

The Uzbekistan currency is subject to volatility and depreciation

Any depreciation of the soum against the U.S. dollar or other foreign currencies, and any future devaluations in the currencies of Uzbekistan's neighbouring countries (including countries forming part of the CIS, and specifically including Russia) may adversely affect the financial condition of Uzbekistan and its economy, as well as Uzbekistan's ability to repay its debt denominated in currencies other than the soum, including amounts due under the Notes. The value of the soum may also be impacted by a number of external factors which are outside of the State's control.

A significant devaluation of the soum will materially affect the ability of the Republic to service non-soum denominated debt. Additionally, any depreciation or further devaluation of the soum could result in reduced revenues in the balance of payments or outflow of capital from Uzbekistan and may also lead to increased inflation and domestic interest rates, any of which could have a material adverse effect on Uzbekistan's economy in general, and the asset quality of the Uzbekistan banking sector in particular.

Uzbekistan's economy is under inflationary pressure

The economy of Uzbekistan is significantly affected by inflationary pressure. Uzbekistan's inflation was equal to 14.3% in 2018, 14.4% in 2017, 5.7% in 2016 and 5.6% in 2015. The expenses of local businesses are mostly denominated in soums and accordingly potentially affected by inflation. For example, employee wages have been, and are likely to continue to be, particularly sensitive to monetary inflation in Uzbekistan. In particular, the dependence on imports for many investment and consumer goods creates a risk for the economy of Uzbekistan in case of an increased inflation rate. The CBU expects inflation and CPI to remain high in 2019 on the back of price liberalisation reforms implemented in the country in 2018. Any failure to contain inflation could have a material adverse effect on Uzbekistan's economy, as well as result in political and economic unrest. For a detailed analysis of inflation in Uzbekistan, see "*Monetary and Financial System — Inflation*".

Political instability or a change in government could have a negative effect on Uzbekistan's economy

Uzbekistan has had periods of political instability in the past, particularly following independence in 1991. In addition, Uzbekistan is a relatively young democracy, having had only one transition of power since independence. Both the previous and current presidential administrations have undertaken significant political, legal and economic reforms focusing on achieving macroeconomic stability and an environment conducive to sustainable economic growth. However, these positive trends may not be sustainable over the longer term. Any significant changes in the political climate in Uzbekistan, including changes affecting the stability of the Government or involving a rejection or reversal of reform policies, may have a negative effect on the economy.

In addition, should the existing or future Government of Uzbekistan fail to implement planned structural reforms, as reforms of this nature may be politically unpopular, the economy may not achieve sustainable growth. The extent to which Uzbekistan will be able to attract broad scale investment in the absence of significant reforms is uncertain, and Uzbekistan's ability to repay principal and make payments of interest on the Notes and to raise capital in the external debt markets in the future may be affected.

A significant portion of Uzbekistan's economy is not recorded

A significant portion of Uzbekistan's economy is comprised of the informal, or shadow, economy. The informal economy is not recorded, resulting in a lack of revenue for the Government, ineffective regulation, unreliable statistical information (including the understatement of GDP and the contribution to GDP of various sectors) and an inability to monitor or otherwise regulate a large portion of the economy. The lack of effective regulation and enforcement in this sector also gives rise to other issues, including health and safety issues. Although the Government is attempting to address the informal economy by, among other things, revising the tax regime and liberalising certain regulations, there can be no assurances that such measures will adequately address the issues and bring the informal economy into the formal sector.

Enforcement of judgements or arbitral awards against Uzbekistan can be difficult in certain jurisdictions

Uzbekistan is a sovereign state and has not submitted to the jurisdiction of any foreign courts in connection with the Notes. The Conditions provide that arbitration will be the exclusive remedy in relation to any dispute relating to the Notes. If a Noteholder is granted a monetary award in any arbitration proceedings in relation to the Notes, it may attempt to enforce that award or bring proceedings on the award as a debt owing to it in Uzbekistan and attempt to obtain a judgment thereon. In addition, Uzbekistan, the United Kingdom and the United States are parties to the New York Convention and, accordingly, an arbitral award should generally be recognised and enforceable in Uzbekistan provided the conditions to enforcement set out in the New York Convention are met. See “*Enforcement of Foreign Judgments and Awards*” for more information on enforcing an arbitral award in Uzbekistan. However, there is a risk that, notwithstanding the waiver of sovereign immunity by Uzbekistan, a claimant will not be able to enforce an award against assets of Uzbekistan in certain jurisdictions (including by way of an arrest order or attachment or seizure of such assets and their subsequent sale) without Uzbekistan having specifically consented to such enforcement at the time when the enforcement is sought. Furthermore, Uzbekistan reserves the right to plead sovereign immunity under the U.S. Foreign Sovereign Immunities Act of 1976 with respect to actions brought against it under any United States federal or state securities law. See “*Enforcement of Foreign Judgments and Awards*”.

Uzbekistan’s courts will not enforce a judgment obtained in a court outside Uzbekistan unless there is a treaty in effect between the relevant country and Uzbekistan providing for reciprocal enforcement of judgments and then only in accordance with the terms of such treaty. There is no such treaty in effect between Uzbekistan and the United Kingdom or the United States.

Even if an applicable international treaty is in effect or a foreign judgment might otherwise be recognised and enforced on the basis of reciprocity, the recognition and enforcement of a foreign judgment will in all events be subject to exceptions and limitations provided for in Uzbek law. For example, an Uzbekistan court may refuse to recognise or enforce a foreign judgment or arbitral award if its recognition or enforcement would be contrary to Uzbekistan public policy.

As a result, it may be difficult to obtain recognition or enforcement of a foreign judgment in respect of the Notes.

Uzbekistan is undertaking a number of reforms in its legal system, some of which may not happen in the time period planned or may take longer than expected, which could impact economic and other reforms

Uzbekistan’s legal system is continuing to develop since it achieved independence from the Union of Soviet Socialist Republics (the “USSR”) in 1991 and is therefore subject to greater risks and uncertainties than a more mature legal system. In particular, risks associated with Uzbekistan’s legal system include:

- The laws of the Republic of Uzbekistan relating to currency regulation grant to each of the President of the Republic of Uzbekistan, the Cabinet of Ministers of the Republic of Uzbekistan and the CBU the right to change the sub-legislative acts on the currency regulation regime, i.e., to restrict or suspend any currency transactions for the purposes of implementing international obligations and in cases when emergency situations arise; however, such emergency situations are not clearly defined under the laws of the Republic of Uzbekistan. See “— *The Uzbekistan currency is subject to volatility and depreciation*”.
- In contractual documentation entered into with Uzbek entities, foreign law shall not apply where the application of such foreign law would be contrary to the public policy of the Republic of Uzbekistan. The concept of public policy is not well developed in the Republic of Uzbekistan; it is possible, however, that such considerations could apply in specific circumstances where, for example, the interests of creditors, employees, the national or local economy, public health and safety or national security are involved. The Civil Code of the Republic of Uzbekistan further provides that the application of foreign law cannot be refused solely on the basis of differences in legal, political or economic systems of a foreign state and the Republic of Uzbekistan.
- Pursuant to the Civil Code of the Republic of Uzbekistan, certain mandatory provisions of Uzbek law shall apply irrespective of the choice of foreign law. Potentially, these mandatory provisions could include the fundamental principles of Uzbek law which generally underpin such areas as tax, administrative and criminal law, licensing and registration, public health, construction and safety requirements, labour law, insurance, competition, embargoes, forex and other public regulations. The Civil Code does not specify any reasons for applying such mandatory provisions.

- The laws of the Republic of Uzbekistan governing commercial activities are evolving and reflect the transition which the economy and the government of the Republic of Uzbekistan are undergoing to modernise the Uzbek economy. Such factors may cause rapid change in legislation, adoption of new legislation (on occasion with a retroactive effect), and a failure, delay or misinterpretation in the implementation of legislation. In addition, the legal system of the Republic of Uzbekistan is unfamiliar with certain international commercial law terminology, concepts and practices used in connection with legal documentation commonly used in international transactions.
- The laws of the Republic of Uzbekistan may contain unpublished, secret, or otherwise classified provisions. The market practice remains in Uzbekistan that presidential decrees or decrees of the Cabinet of Ministers may include redacted or confidential provisions, access to which may be strictly limited.

Each of the above can cause uncertainty in transactions between foreign investors and Uzbek residents. Further, the commitment of Government officials and agencies to comply with legal obligations and negotiated agreements has not always been reliable and there is a tendency for the authorities to take arbitrary action. Legal redress for breach or unlawful action may not be readily available or may be subject to significant delays. These and other factors that have an impact on Uzbekistan's legal system make foreign investments in Uzbekistan subject to greater risks and uncertainties than an investment in a country with a more mature legal system, which may negatively impact foreign investment.

In addition, the judicial system, judicial officials and other Government officials in the Republic may not be fully independent of external social, economic and political forces. Therefore, judicial or administrative decisions could be unduly influenced. The possible lack of judicial and administrative independence may adversely affect the willingness of foreign investors to make investments in the Republic.

The securities market in Uzbekistan is underdeveloped

Uzbekistan has a less-developed securities market than the United States or the United Kingdom and other Western European countries, which may hinder the development of Uzbekistan's economy. An organised securities market was established in Uzbekistan in 1994 and procedures for settlement, clearing and registration of securities transactions remains subject to legal uncertainties and technical difficulties. Although significant developments have occurred in recent years, including the first ever initial public offering of JSC "Quartz", placing stock worth 7.5 billion soums in April 2018, the sophisticated legal and regulatory frameworks necessary for the efficient functioning of modern capital markets have yet to be fully developed in Uzbekistan. In particular, legal protections against market manipulation and insider trading are not as well developed or as strictly enforced in Uzbekistan as they are in the United States or the United Kingdom and other Western European countries, and existing laws and regulations may be applied inconsistently. In addition, less information relating to Uzbekistan-based entities may be publicly-available to investors in such entities than is available to investors in entities organised in the United States or the United Kingdom and other Western European countries. The above-mentioned factors may impair foreign investment in Uzbekistan and hinder the development of Uzbekistan's economy.

Uzbekistan is subject to natural disasters, including droughts and earthquakes, which has negatively affected Uzbekistan in the past and may negatively affect it in the future

Natural disasters, including earthquakes and floods, are a threat to the Uzbek economy. Uzbekistan may also be increasingly threatened by climate change. A global increase in the mean temperature is likely to lead to changed precipitation patterns, sea level rises and more frequent extreme weather events, such as prolonged droughts and flooding. Uzbekistan's economy is dependent on climate sensitive sectors, such as agriculture. A change in climate may have several consequences, including lower agricultural productivity, damage to coastal infrastructure, fragile ecosystems, impact on health and biodiversity, financial market disruption, lower GDP and altered migration patterns.

Expenditures associated with natural disaster relief efforts may adversely affect Uzbekistan's budgetary position and, as a result, may impair Uzbekistan's ability to service payments on the Notes. In addition, because agriculture, forestry and fishing accounts for a significant portion of Uzbekistan's gross value added of industries (being 32.4% of gross value added of industries in 2018), any natural disasters or other effects associated with climate change could have a material adverse effect on the Uzbekistan economy.

Statistics published by Uzbekistan and appearing in this Base Prospectus may be more limited in scope and published less frequently and differ from those produced by other sources

Historically, public dissemination of economic statistics was restricted. In September 2017, a Presidential decree was issued mandating the publication of economic and financial data. A range of Ministries and institutions produce statistics relating to Uzbekistan and its economy, including the State Committee of the Republic of Uzbekistan on Statistics (in respect of the real economy and other social figures), the CBU (in respect of monetary and financial statistics) and the Ministry of Finance of the Republic of Uzbekistan (in respect of fiscal statistics).

While Uzbekistan has agreed to adhere to the IMF's Enhanced-General Data Dissemination Standards, the estimated and projected financial and statistical data contained in this Base Prospectus may be more limited in scope and published less frequently than in the case of other countries, for example those in Western Europe and the United States, and adequate monitoring of key fiscal and economic indicators may be difficult. Estimated and projected financial and statistical data appearing in this Base Prospectus has, unless otherwise stated, been obtained from public sources and documents. Similar statistics may be obtainable from other sources, but the underlying assumptions, methodology and, consequently, the resulting data may vary from source to source. Additionally, due to the adoption in 2018 of new methodologies for calculating financial and statistical data by the State Committee of the Republic of Uzbekistan on Statistics, certain existing data included in this Base Prospectus may be subject to revision in future.

There may be material differences between preliminary or estimated statistical data set forth in this Base Prospectus and actual results. As a result, investors may face greater difficulty in accessing the risks of investing in the Notes, which may adversely affect the liquidity and price of the Notes.

Factors Which Are Material for the Purpose of Assessing the Risks Associated with the Notes

Risks related to the Notes generally

Set out below is a brief description of certain risks relating to the Notes generally:

Structure of a Particular Issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features:

- **Variable Rate Notes**

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

- **Inverse Floating Rate Notes**

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate, such as LIBOR. The market values of these Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate on the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

- **Notes Issued at a Substantial Discount or Premium**

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility compared to conventional interest-bearing securities with comparable maturities.

- **Fixed Rate Notes**

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes.

If the Issuer has the right to redeem any Notes at its option, this may limit the market value of the Notes concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return.

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

The Notes contain collective action clauses under which the terms of any one Series and/or multiple Series may be amended, modified or waived without the consent of all the holders of the Notes of that Series or all the holders of any other Series being aggregated, as the case may be

The Terms and Conditions of the Notes contain provisions regarding amendments, modifications and waivers, commonly referred to as “collective action” clauses. Such clauses permit defined majorities to bind all Noteholders, including Noteholders who did not vote and Noteholders who voted in a manner contrary to the majority. The relevant provisions also permit, in relation to reserved matters, multiple Series to be aggregated for voting purposes (provided that each such Series also contains the collective action clauses in its Terms and Conditions).

The Issuer expects that all Series issued under the Programme will include such collective action clauses, thereby giving the Issuer the ability to request modifications or actions in respect of reserved matters across multiple Series. This means that a defined majority of the holders of such Series (when taken in the aggregate) would be able to bind all holders of Notes in all the relevant aggregated Series.

Any modification or actions relating to reserved matters, including in respect of payments and other important terms, may be made to a single Series with the consent of the holders of 75% of the aggregate principal amount outstanding of such Notes, and to multiple Series with the consent of both (i) the holders of 66⅔% of the aggregate principal amount outstanding of all Series being aggregated and (ii) the holders of 50% in aggregate principal amount outstanding of each Series being aggregated. In addition, under certain circumstances, including the satisfaction of the Uniformly Applicable Condition in the Terms and Conditions of the Notes, any such modification or action relating to reserved matters may be made to multiple Series with the consent of 75% of the aggregate principal amount outstanding of all Series being aggregated only, without requiring a particular percentage of the holders in any individual affected Series to vote in favour of any proposed modification or action. Any modification or action proposed by the Issuer may, at the option of the Issuer, be made in respect of some Series only and, for the avoidance of doubt, the provisions may be used for different groups of two or more Series simultaneously. At the time of any proposed modification or action, the Issuer will be obliged, *inter alia*, to specify which method or methods of aggregation will be used by the Issuer.

There is a risk therefore that the Terms and Conditions of a Series may be amended, modified or waived in circumstances whereby the Noteholders voting in favour of an amendment, modification or waiver may be Noteholders of a different Series and as such, less than 75% of the Noteholders of the relevant Series would have voted in favour of such amendment, modification or waiver. In addition, there is a risk that the provisions allowing for aggregation across multiple Series may make the Notes less attractive to purchasers in the secondary market on the occurrence of an Event of Default or in a distress situation. Further, any such amendment, modification or waiver in relation to any Notes may adversely affect their trading price.

In the future, the Issuer may issue debt securities which contain collective action clauses in the same form as the collective action clauses in the Terms and Conditions of the Notes. If this occurs, then this could mean that any Series issued under the Programme would be capable of aggregation with any such future debt securities. The Terms and Conditions of the Notes also include a provision in respect of the establishment of a Noteholders' Committee, which may represent the holders of a single Series or multiple Series.

The Issuer is not required to effect equal or rateable payment(s) with respect to the Notes or any other External Indebtedness, and is not required to pay other External Indebtedness at the same time or as a condition of paying sums on the Notes and vice versa

Notes issued under the Programme will at all times rank at least *pari passu* in right of payment with all other unsecured External Indebtedness (as defined in the Terms and Conditions of the Notes) of the Issuer, from time to time outstanding. However, the Issuer will have no obligation to effect equal or rateable payment(s) at any time with respect to the Notes or any other External Indebtedness and, in particular, will have no obligation to pay other External Indebtedness at the same time or as a condition of paying sums due on the Notes and vice versa. See Condition 5 (*Status*) of the Terms and Conditions of the Notes.

The Terms and Conditions restrict the ability of an individual Noteholder to declare an event of default, and permit a majority of Noteholders to rescind a declaration of such a default

The Terms and Conditions contain a provision which, if an Event of Default occurs, permits the holders of at least 25 per cent. in aggregate nominal amount of the outstanding Notes of the relevant Series to declare all the Notes of that Series to be immediately due and payable by providing notice in writing to the Issuer, whereupon the Notes of that Series shall become immediately due and payable, at their nominal amount with accrued interest, without further action or formality.

The Terms and Conditions also contain a provision permitting the holders of at least 50% in aggregate nominal amount of the outstanding Notes of the relevant Series to notify the Issuer to the effect that the Event of Default or Events of Default giving rise to any above-mentioned declaration is or are cured following any such declaration and that such holders wish the relevant declaration to be withdrawn. The Issuer shall give notice thereof to the Noteholders, whereupon the relevant declaration shall be withdrawn and shall have no further effect.

Investors who hold less than the minimum Specified Denomination may be unable to sell their Notes and may be adversely affected if Definitive Note Certificates are subsequently issued

The Terms and Conditions do not permit the sale or transfer of Notes in such circumstances as would result in amounts being held by a Noteholder which are lower than the minimum Specified Denomination (as defined in the Terms and Conditions). However, in the event that a Noteholder holds a principal amount of less than the minimum Specified Denomination, such Noteholder would need to purchase an additional amount of Notes such that it holds an amount equal to at least the minimum Specified Denomination to be able to trade such Notes. Noteholders should be aware that Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

If a Noteholder holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time, such Noteholder may not receive a Definitive Note Certificate in respect of such holding (should Definitive Note Certificates be issued) and would need to purchase a principal amount of Notes such that its holding amounts to at least a Specified Denomination in order to be eligible to receive a Definitive Note Certificate.

If Definitive Note Certificates are issued, Noteholders should be aware that Definitive Note Certificates which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Holders of Notes held through DTC, Euroclear and Clearstream, Luxembourg must rely on procedures of those clearing systems to effect transfers of Notes, receive payments in respect of Notes and vote at meetings of Noteholders

Notes issued under the Programme will be represented on issue by one or more Global Notes that may be deposited with a common depository for Euroclear and Clearstream, Luxembourg or may be deposited with a custodian for DTC (each as defined under “*Summary of Provisions Relating to Notes in Global Form*”). Except in the circumstances described in each Global Note, investors will not be entitled to receive Notes in definitive form. Each of DTC, Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in each Global Note held through it. While the Notes are represented by a Global Note, investors will be able to trade their beneficial interests only through the relevant clearing systems and their respective participants.

While the Notes are represented by Global Notes, the Issuer will discharge its payment obligations under the Notes by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Note must rely on the procedures of the relevant clearing system and its participants to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Global Note.

Holders of beneficial interests in a Global Note will not have a direct right to vote in respect of the Notes so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

Transferability of the Notes may be limited under applicable securities laws

The Notes have not been and will not be registered under the Securities Act or the securities laws of any state of the United States or any other jurisdiction. Notes issued under the Programme may not be offered, sold or otherwise transferred in the United States other than to persons that are QIBs. Each purchaser of Notes will be deemed, by its acceptance of such Notes, to have made certain representations and agreements intended by the Issuer to restrict transfers of Notes as described under “*Subscription and Sale*” and “*Transfer Restrictions*”. It is the obligation of each purchaser of Notes to ensure that its offers and sales of Notes comply with all applicable securities laws.

In addition, if at any time the Issuer determines that any owner of Notes, or any account on behalf of which an owner of Notes purchased its Notes, is a person that is required to be a QIB, the Issuer may compel that such owner’s Notes be sold or transferred to a person designated by or acceptable to the Issuer.

The Notes may not be suitable as an investment for all investors

Potential investors must determine the suitability of an investment in the Notes in each Series in the light of their own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Base Prospectus or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact that such Notes will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor’s currency;
- understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect such investor’s investment and ability to bear the applicable risks.

Risks related to the market generally

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

The secondary market generally

The Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have a severely adverse effect on the market value of the Notes.

Credit ratings may not reflect all risks

The credit rating(s) assigned to the Notes at any time may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A

credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. Further, other ratings (including confidential or unpublished ratings) may be assigned with respect to the Issuer or the Notes (now or in the future) which may differ (and which may be lower) from the ratings set out in this Base Prospectus or any applicable Final Terms.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended). Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by the ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency being included in such list as there may be delays between certain supervisory measures being taken against a relevant rating agency and publication of an updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Base Prospectus.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) the Notes are legal investments for it, (ii) the Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of the Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

Benchmark Uncertainty — Changes or uncertainty in respect of LIBOR, EURIBOR and other benchmark rates might affect investors in floating rate Notes

With respect to any Series that has a floating rate of interest based upon a benchmark, such as LIBOR or EURIBOR, investors should consider that the manner in which these rates are set is undergoing significant change. For example, LIBOR and EURIBOR have been the subject of recent English, international and other regulatory guidance and proposals for reform. Some of these reforms are already effective, including the majority of the provisions of the Benchmark Regulation.

In particular, the sustainability of LIBOR has been questioned by the FCA as a result of the absence of relevant active underlying markets and possible disincentives (including possibly as a result of regulatory reforms) for market participants to continue contributing to the calculation of LIBOR. In a speech on 27 July 2017, Andrew Bailey, the Chief Executive of the FCA, announced the expectation of the FCA that LIBOR will cease to be sustained in its current form from the end of 2021 (at the latest). The FCA has statutory powers to require panel banks to contribute to LIBOR where necessary. The FCA has decided not to ask, or to require, that panel banks continue to submit contributions to LIBOR beyond the end of 2021. The FCA has indicated that it expects that the current panel banks will voluntarily sustain LIBOR until the end of 2021, although there can be no assurance that they will not cease to do so sooner. The FCA's intention is that after 2021 it will no longer ask, or require, banks to submit contributions to LIBOR. The FCA's current intentions, as well as the reforms described above, might: (a) cause the LIBOR benchmark to disappear entirely or (as a result of a change in methodology or otherwise) perform differently than in the past, (b) create disincentives for market participants to continue to administer or contribute to the calculation of LIBOR and/or (c) have other consequences that cannot be predicted.

The Benchmark Regulation was published in the Official Journal of the EU on 29 June 2016, the provisions of which became fully effective on 1 January 2018. The Benchmark Regulation applies to the provision of benchmarks (including LIBOR and EURIBOR), the contribution of input data to a benchmark and the use of a benchmark within the EU and, among other things: (a) require benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and to comply with extensive requirements in relation to the administration of "benchmarks" and (b) prevent certain uses by EU-supervised entities of "benchmarks" of administrators that are not authorised/registered (or, if non-EU based, deemed equivalent or recognised or endorsed). The scope of the Benchmark Regulation is wide and, in addition to so-called "critical benchmark" indices such as LIBOR and EURIBOR, applies to many interest rates, foreign exchange rate indices and other indices where used to determine the amount payable under or the value or performance of certain financial instruments traded on a trading venue (i.e., an EU "regulated

market,” “multilateral trading facility” (MTF) or “organised trading facility” (OTF)) or via a systematic internaliser, certain financial contracts and investment funds. These rules would apply to the Notes, including (if applicable) as a result of their listing on the Market.

The Terms and Conditions of the Notes provide for certain fallback arrangements in the event that a published benchmark (such as LIBOR and EURIBOR) becomes unavailable, or if any Paying Agent, Calculation Agent, the Issuer or other party is no longer permitted lawfully to calculate interest on any Notes by reference to such benchmark. Such fallback arrangements include the possibility that the Rate of Interest could be set by reference to a Successor Rate or an Alternative Reference Rate (each as defined in the Terms and Conditions of the Notes), and that such Successor Rate or Alternative Reference Rate may be adjusted (if required) in order to reduce or eliminate any economic prejudice or benefit (as applicable) to investors arising out of the replacement of the original Reference Rate (as defined in the Terms and Conditions of the Notes), and may include amendments to the Terms and Conditions of the Notes to ensure the proper operation of the successor or replacement benchmark (all as further described in Condition 8.4 (*Benchmark Replacement*)). In certain circumstances, the ultimate fallback for the purposes of calculation of Rate of Interest for a particular Interest Period (as defined in the Terms and Conditions of the Notes) may result in the Rate of Interest for the last preceding Interest Period being used. This may result in the effective application of a fixed rate for floating rate Notes based on the rate which was last observed on the Relevant Screen Page (as defined in the Terms and Conditions of the Notes). In addition, due to the uncertainty concerning the availability of Successor Rates and Alternative Reference Rates and the involvement of an Independent Adviser, there is a risk that the relevant fallback provisions may not operate as intended at the relevant time.

Any of the matters noted above in this risk factor or any other significant change to the setting or existence of LIBOR, EURIBOR or any other benchmark rate might have a material adverse effect on the value or liquidity of, and the amount payable under, the applicable Notes. No assurance may be provided that relevant changes will not be made to any such benchmark rate and/or that any such benchmark rate will continue to exist. Investors should consider these matters when making their investment decision with respect to any Notes that have a floating rate of interest based upon a benchmark rate.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions that, subject to completion and as read in conjunction with the relevant Final Terms, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of Part A of the Final Terms or (ii) these terms and conditions as so completed (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Notes. References in the terms and conditions to “Notes” are, unless the context requires otherwise, to the Notes of one Series only, not to all Notes that may be issued under the Programme.

1. Introduction

The Republic of Uzbekistan (the “**Issuer**”), represented by the Ministry of Finance of the Republic of Uzbekistan (“**Uzbekistan**”) acting upon authorisation of the President and the Cabinet of Ministers of the Republic of Uzbekistan has established a Global Medium Term Note Programme (the “**Programme**”) for the issuance of notes (the “**Notes**”). The Notes are constituted by, are subject to and have the benefit of a deed of covenant dated 4 February 2019 (as may be amended or supplemented from time to time, the “**Deed of Covenant**”) executed by the Issuer for the benefit of holders of the Notes (“**Noteholders**” or “**holders**”) and are the subject of a fiscal agency agreement dated 4 February 2019 (as may be amended or supplemented from time to time, the “**Fiscal Agency Agreement**”) and made between the Issuer, Citibank Global Markets Europe AG as registrar (the “**Registrar**”, which expression includes any successor registrar appointed from time to time in connection with the Notes), Citibank, N.A., London Branch as fiscal agent (the “**Fiscal Agent**”, which expression includes any successor fiscal agent appointed from time to time in connection with the Notes) and the transfer agents, paying agents and other agents named therein.

Notes issued under the Programme will be issued in series (each, a “**Series**”) having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may comprise one or more tranches of notes (each, a “**Tranche**”) issued on the same or different issue dates. The specific terms of each Tranche (which will, save in respect of the denominations, issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be set forth in the applicable Final Terms (the “**Final Terms**”), which should be read in conjunction with these terms and conditions. The terms and conditions applicable to any particular Tranche are these terms and conditions, as completed by the relevant Final Terms (together, the “**Terms and Conditions**”). In the event of any inconsistency between these terms and conditions and the relevant Final Terms, the relevant Final Terms shall prevail.

All subsequent references in these Terms and Conditions to “**Notes**” are to the Notes of the same Series. Copies of the relevant Final Terms are available for inspection by Noteholders during normal business hours at the Specified Office of the Fiscal Agent, the initial Specified Office of which is set out below.

Certain provisions of these Terms and Conditions are summaries of the Fiscal Agency Agreement and the Deed of Covenant and are subject to their detailed provisions. The Noteholders are bound by, and are deemed to have notice of, all the provisions of the Fiscal Agency Agreement and the Deed of Covenant applicable to them. Copies of the Fiscal Agency Agreement and the Deed of Covenant are available for inspection by Noteholders during normal business hours at the Specified Offices of the Fiscal Agent, the initial Specified Office of which are set out below.

2. Definitions and Interpretation

2.1 Definitions

Terms defined in the Fiscal Agency Agreement or the Deed of Covenant shall, unless otherwise defined herein or the context requires otherwise, bear the same meanings herein. In these Terms and Conditions the following expressions have the following meanings:

“**Accrual Yield**” has the meaning given in the relevant Final Terms;

“**Adjustment Spread**” means a spread (which may be positive or negative) or formula or methodology for calculating a spread, which the Independent Adviser (in consultation with the Issuer) or the Issuer (acting in a reasonable manner) (as applicable), determines is required to be applied to the Successor Rate or the Alternative Reference Rate (as applicable) in order to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to Noteholders as a

result of the replacement of the Reference Rate with the Successor Rate or the Alternative Reference Rate (as applicable) and is the spread, formula or methodology which:

- (a) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Reference Rate with the Successor Rate by any Relevant Nominating Body; or
- (b) in the case of a Successor Rate for which no such recommendation has been made or in the case of an Alternative Reference Rate, the Independent Adviser (in consultation with the Issuer) or the Issuer (acting in a reasonable manner) (as applicable) determines is recognised or acknowledged as being in customary market usage in international debt capital markets transactions which reference the Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Reference Rate (as applicable); or
- (c) if no such customary market usage is recognised or acknowledged, the Independent Adviser (in consultation with the Issuer) or the Issuer in its discretion (as applicable), determines (acting in a reasonable manner) to be appropriate;

“Alternative Reference Rate” means the rate that the Independent Adviser or the Issuer (as applicable) determines has replaced the relevant Reference Rate in customary market usage in the international debt capital markets for the purposes of determining rates of interest in respect of bonds denominated in the Specified Currency and of a comparable duration to the relevant Interest Period, or, if the Independent Adviser or the Issuer (as applicable) determines that there is no such rate, such other rate as the Independent Adviser or the Issuer (as applicable) determines in its discretion (acting in a reasonable manner) is most comparable to the relevant Reference Rate;

“Benchmark Event” means, in respect of a Reference Rate:

- (a) such Reference Rate ceasing to be published for a period of at least five business days or ceasing to exist;
- (b) a public statement by the administrator of such Reference Rate that it will, by a specified date within the following six months, cease publishing such Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of such Reference Rate);
- (c) a public statement by the supervisor of the administrator of such Reference Rate that such Reference Rate has been or will, by a specified date within the following six months, be permanently or indefinitely discontinued;
- (d) a public statement by the supervisor of the administrator of such Reference Rate that means such Reference Rate will be prohibited from being used or that its use will be subject to restrictions or adverse consequences, in each case within the following six months; or
- (e) it has become unlawful for any Paying Agent, Calculation Agent, the Issuer or other party to calculate any payments due to be made to any Noteholder using such Reference Rate;

“Broken Amount(s)” has the meaning given in the relevant Final Terms;

“Business Centre(s)” means the city or cities specified as such in the relevant Final Terms;

“Business Day” means:

- (a) in the case of Euros, a TARGET Settlement Day;
- (b) in the case of a Specified Currency other than Euros, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for that currency; or
- (c) in the case of a Specified Currency or one or more Business Centre(s) specified in the relevant Final Terms, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres so specified;

“Business Day Convention”, in relation to any particular date, has the meaning given in the relevant Final Terms and, if so specified in the relevant Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

- (a) **“Following Business Day Convention”** means that the relevant date shall be postponed to the first following day that is a Business Day;

- (b) **“Modified Following Business Day Convention”** or **“Modified Business Day Convention”** means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (c) **“Preceding Business Day Convention”** means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
- (d) **“FRN Convention”, “Floating Rate Convention”** or **“Eurodollar Convention”** means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Final Terms as the Specified Period after the calendar month in which the preceding such date occurred provided, however, that:
 - (i) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
 - (ii) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
 - (iii) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and
- (e) **“No Adjustment”** means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

“Calculation Agent” means the Fiscal Agent or such other Person specified in the relevant Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Final Terms;

“Calculation Amount” has the meaning given in the relevant Final Terms;

“Day Count Fraction” means, in respect of the calculation of an amount for any period of time (the **“Calculation Period”**), such day count fraction as may be specified in these Conditions or the relevant Final Terms and:

- (a) if **“Actual/Actual (ICMA)”** is so specified, means:
 - (i) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
 - (ii) where the Calculation Period is longer than one Regular Period, the sum of:
 - (A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
 - (B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;
- (b) if **“Actual/Actual (ISDA)”** is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (c) if **“Actual/365 (Fixed)”** is so specified, means the actual number of days in the Calculation Period divided by 365;
- (d) if **“Actual/360”** is so specified, means the actual number of days in the Calculation Period divided by 360;
- (e) if **“30/360”** is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y₁” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y₂” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M₁” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M₂” is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

“D₁” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

“D₂” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30”;

- (f) if “**30E/360**” or “Eurobond Basis” is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y₁” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y₂” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M₁” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M₂” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D₁” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

“D₂” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D₂ will be 30; and

- (g) if “**30E/360 (ISDA)**” is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y₁” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y₂” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M₁” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M₂” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D₁” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D₁ will be 30; and

“D₂” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D₂ will be 30,

provided, however, that in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

“Euro Exchange Date” means the date on which the Issuer gives notice (the **“Euro Exchange Notice”**) to the Noteholders that replacement Notes denominated in Euros are available for exchange;

“External Indebtedness” means all obligations, and Guarantees in respect of obligations, for money borrowed or raised (whether or not evidenced by bonds, debentures, notes or other similar instruments) denominated or payable, or which at the option of the relevant creditor or holder thereof may be payable, in a currency other than the lawful currency of the Issuer;

“Extraordinary Resolution” has the meaning given in Condition 17.1 (Convening Meetings of Noteholders; Conduct of Meetings of Noteholders; Written Resolutions);

“Financial Centre(s)” means the city or cities specified as such in the relevant Final Terms; **“Fixed Coupon Amount”** has the meaning given in the relevant Final Terms;

“Guarantee” means any guarantee of or indemnity in respect of Indebtedness or other like obligation;

“Indebtedness” means any indebtedness of any Person for money borrowed, whether incurred, assumed or guaranteed, other than trade credit in the ordinary course of business;

“Independent Adviser” means an independent financial institution of international repute or other independent financial adviser of recognised standing and with appropriate expertise, in each case appointed by the Issuer at its own expense;

“Interest Amount” means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period;

“Interest Commencement Date” means the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms;

“Interest Determination Date” has the meaning given in the relevant Final Terms;

“Interest Payment Date” means the date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms and, if a Business Day Convention is specified in the relevant Final Terms:

- (a) as the same may be adjusted in accordance with the relevant Business Day Convention; or
- (b) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Final Terms as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

“Interest Period” means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

“International Monetary Assets” means all the Issuer’s official holdings of gold and all the Issuer’s holdings of (i) Special Drawing Rights, (ii) Reserve Positions in the Fund and (iii) Foreign Exchange, and the terms **“Special Drawing Rights”**, **“Reserve Positions in the Fund”** and **“Foreign Exchange”** have, as to the types of assets included, the meanings given to them in the publication of the IMF entitled **“International Financial Statistics”** or such other meanings as shall be formally adopted by the IMF from time to time;

“ISDA Definitions” means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified in the relevant Final Terms;

“Issue Date” has the meaning given in the relevant Final Terms;

“Margin” has the meaning given in the relevant Final Terms;

“Maturity Date” has the meaning given in the relevant Final Terms;

“Participating Member State” means a Member State of the European Union which adopts the Euro as its lawful currency in accordance with the Treaty;

“Payment Business Day” means:

- (a) if the currency of payment is Euros, any day which is:
 - (i) a day on which banks in the relevant place of presentation (if presentation is required) are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
 - (ii) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Financial Centre; or
- (b) if the currency of payment is not Euros, any day which is:
 - (i) a day on which banks in the relevant place of presentation (if presentation is required) are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
 - (ii) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Financial Centre;

“Permitted Security Interest” means:

- (i) any Security Interest upon property to secure Public External Indebtedness incurred for the purpose of financing the acquisition of such property and any renewal and extension of such Security Interest which is limited to the original property covered thereby and which secures any renewal or extension of the original secured financing;
- (ii) any Security Interest existing on property at the time of its acquisition to secure Public External Indebtedness and any renewal or extension of any such Security Interest which is limited to the original property covered thereby and which secures any renewal or extension of the original secured financing;
- (iii) any Security Interest arising by operation of law which has not been foreclosed or otherwise enforced against the assets to which it applies; and
- (iv) any Security Interest securing Public External Indebtedness or any Guarantee of Public External Indebtedness incurred for the purpose of financing all or part of the costs of the acquisition, construction or development of a project, provided that (a) the holders of such Public External Indebtedness or Guarantee expressly agree to limit their recourse to the assets and revenues of such project as the principal source of repayment of such Public External Indebtedness and (b) the property over which such Security Interest is granted consists solely of such assets and revenues;

“Person” means any individual, company, corporation, firm, partnership, joint venture, association, unincorporated organisation, trust or other judicial entity, including, without limitation, any state or agency of a state or other entity, whether or not having separate legal personality;

“Principal Financial Centre” means, in relation to any currency, the principal financial centre for that currency provided, however, that:

- (a) in relation to Euros, it means the principal financial centre of such Participating Member State as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and
- (b) in relation to Australian dollars, it means either Sydney or Melbourne and, in relation to New Zealand dollars, it means either Wellington or Auckland, in each case as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

“Public External Indebtedness” means External Indebtedness of the Issuer which is in the form of, or represented by, bonds, notes, or other securities and which is, or may be, quoted, listed or ordinarily purchased and sold on any stock exchange, automated trading system, over-the-counter securities market or other securities market;

“Rate of Interest” means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in relevant Final Terms or calculated or determined in accordance with the provisions of these Terms and Conditions and the relevant Final Terms;

“Redemption Amount” has the meaning given in the relevant Final Terms;

“Reference Banks” means the four major banks selected by the Calculation Agent in consultation with the Issuer in the market that is most closely connected with the Reference Rate;

“Reference Price” has the meaning given in the relevant Final Terms;

“Reference Rate” has the meaning given in the relevant Final Terms;

“Regular Period” means:

- (a) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;
- (b) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where “Regular Date” means the day and month (but not the year) on which any Interest Payment Date falls; and
- (c) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where “Regular Date” means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period.

“Relevant Date” means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;

“Relevant Nominating Body” means, in respect of a reference rate:

- (a) the central bank for the currency to which the reference rate relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the reference rate; or
- (b) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (i) the central bank for the currency to which the reference rate relates, (ii) any central bank or other supervisory authority which is responsible for supervising the administrator of the reference rate, (iii) a group of the aforementioned central banks or other supervisory authorities, or (iv) the Financial Stability Board or any part thereof;

“Relevant Screen Page” means the page, section or other part of a particular information service specified as the Relevant Screen Page in the relevant Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

“Reserved Matter” means any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of any payment under the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution;

“Security Interest” means any mortgage, charge, pledge, lien, security interest or other encumbrance securing any obligation of any Person or any other type of preferential arrangement having similar effect over any assets or revenues of such Person;

“Specified Currency” has the meaning given in the relevant Final Terms;

“Specified Denomination(s)” has the meaning given in the relevant Final Terms;

“Specified Interest Payment Date” has the meaning given in the relevant Final Terms;

“Specified Office” has the meaning given in the Fiscal Agency Agreement;

“Specified Period” has the meaning given in the relevant Final Terms;

“Successor Rate” means the rate that the Independent Adviser or the Issuer (as applicable) determines is a successor to or replacement of the Reference Rate which is formally recommended by any Relevant Nominating Body;

“**TARGET System**” means the Trans European Automated Real Time Gross Settlement Express Transfer (TARGET) System 2 or any successor thereto;

“**TARGET Settlement Day**” means any day on which the TARGET System is open;

“**Treaty**” means the Treaty establishing the European Communities, as amended; and “**Zero Coupon Note**” means a Note specified as such in the relevant Final Terms.

2.2 Interpretation

In these Terms and Conditions:

- (a) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 12 (*Taxation*), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Terms and Conditions;
- (b) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 12 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Terms and Conditions;
- (c) references to Notes being “outstanding” shall be construed in accordance with the Fiscal Agency Agreement; and
- (d) if an expression is stated in Condition 2.1 (*Definitions*) to have the meaning given in the relevant Final Terms, but the relevant Final Terms gives no such meaning or specifies that such expression is “not applicable” then such expression is not applicable to the Notes.

3. Form, Denomination and Title

The Notes are issued in registered form in the Specified Denomination(s) shown in the relevant Final Terms, without interest coupons, provided that:

- (a) the Specified Denomination(s) shall not be less than €100,000 or its equivalent in another currency;
- (b) interests in the Restricted Notes shall be held in amounts of not less than U.S.\$200,000 or its equivalent in other currencies; and
- (c) Notes (including Notes denominated in Sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA will have a minimum denomination of £100,000 (or its equivalent in another currency).

Title to the Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Fiscal Agency Agreement (the “**Register**”). Except as ordered by a court of competent jurisdiction or as required by law, the holder of any Note shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it or its theft or loss and no person shall be liable for so treating the holder.

4. Transfers of Notes

4.1 Transfer

One or more Notes may be transferred, in whole or in part in the Specified Denominations set out in the applicable Final Terms and subject to the minimum transfer amounts specified therein, upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the relevant Note or Notes, together with the form of transfer endorsed on such Note or Notes (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or the relevant Transfer Agent (as applicable) may reasonably require, including for the purposes of establishing title to the relevant Note, and the identity of the person making the request. In the case of a transfer of part only of a holding of a Note, a new Note shall be issued to the transferee in respect of the part transferred and a further new Note in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Fiscal Agency Agreement. A copy of the current regulations will be made available by the Registrar or any Transfer Agent to any Noteholder upon request.

4.2 Delivery

Each new Note to be issued pursuant to Condition 4.1 (*Transfer*) shall be available for delivery within five business days of receipt of the form of transfer and surrender of the Note for exchange. Delivery of the new Note(s) shall be made at the specified office of the Registrar or the relevant Transfer Agent (as the case may be) to whom delivery or surrender of such form of transfer or Note shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Note to such address as may be so specified, unless such holder requests otherwise and pays in advance to the Registrar or the relevant Transfer Agent the costs of such other method of delivery and such insurance as it may specify. In this Condition 4.2, “**business day**” means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the Registrar or the relevant Transfer Agent (as the case may be).

4.3 No Charge

Transfers of Notes shall be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and security as the Registrar or the relevant Transfer Agent may require).

4.4 Restrictions on Transfer

No Noteholder may require the transfer of a Note to be registered during the period of 15 days ending on the due date for redemption of, or payment of any interest amount in respect of, that Note.

5. Status

The Notes constitute direct, general, unconditional and (subject to Condition 6 (*Negative Pledge*)) unsecured obligations of the Issuer and the full faith and credit of the Issuer is pledged for the due and punctual payment of principal and interest on the Notes and for the performance of all obligations of the Issuer in respect of the Notes and the Deed of Covenant. The Notes will at all times rank *pari passu* without preference among themselves and at least *pari passu* in right of payment with all other unsecured External Indebtedness of the Issuer from time to time outstanding, provided further that the Issuer shall have no obligation to effect equal or rateable payment(s) at any time with respect to the Notes or any other External Indebtedness and, in particular, shall have no obligation to pay other External Indebtedness at the same time or as a condition of paying sums due on the Notes and *vice versa*.

6. Negative Pledge

So long as any Note remains outstanding the Issuer shall not create, incur, assume or permit to arise or subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of its International Monetary Assets, present or future, to secure (i) any Public External Indebtedness or (ii) any Guarantee in respect of Public External Indebtedness unless, at the same time or prior thereto, the Issuer's obligations under the Notes and the Deed of Covenant are secured equally and rateably therewith or have the benefit of such other arrangement as may be approved by an Extraordinary Resolution (as defined in the Fiscal Agency Agreement) of Noteholders.

7. Fixed Rate Note Provisions

7.1 Application to Fixed Rate Notes

This Condition 7 is applicable to the Notes only if the relevant Final Terms specifies the Fixed Rate Note Provisions as being applicable.

7.2 Rate of Interest for Fixed Rate Notes

The Notes bear interest on the outstanding principal amount from the Interest Commencement Date at the rate(s) per annum equal to Rate(s) of Interest payable in arrear on each Interest Payment Date in each year

and on the Maturity Date if the Maturity Date does not fall on an Interest Payment Date, subject as provided in Condition 11 (*Payments*). The amount of interest payable on each Interest Payment Date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the relevant Final Terms, amount to the Broken Amount(s) so specified.

7.3 Calculation of Interest Amounts for Fixed Rate Notes

If interest is required to be calculated for a period ending other than on an Interest Payment Date, such interest shall be calculated by applying the Rate of Interest to each Calculation Amount, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest subunit of the Specified Currency, half of any such sub unit being rounded upwards or otherwise in accordance with applicable market convention. In these Terms and Conditions “**sub unit**” means, with respect of any currency other than the U.S. dollar, the lowest amount of such currency that is available as legal tender in the country of such currency, and with respect to U.S. dollars means one cent.

7.4 Additional Definitions

For the purposes of these Terms and Conditions, “**Day Count Fraction**” means:

(a) if “Actual/Actual (ICMA)” is specified in the relevant Final Terms:

- (i) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the “**Accrual Period**”) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Interest Determination Dates (as specified in the relevant Final Terms) that would occur in one calendar year; or

For the purposes of Condition 7.4(a) “**Determination Period**” means each period from (and including) an Interest Determination Date to (but excluding) the next Interest Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not an Interest Determination Date, the period commencing on the first Interest Determination Date prior to, and ending on the first Interest Determination Date falling after, such date);

- (ii) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

- (A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (i) the number of days in such Determination Period and (ii) the number of Interest Determination Dates (as specified in the relevant Final Terms) that would occur in one calendar year; and

- (B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (i) the number of days in such Determination Period and (ii) the number of Interest Determination Dates that would occur in one calendar year; and

- (b) if “30/360” is specified in the relevant Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30 day months) divided by 360.

8. Floating Rate Note Provisions

8.1 Application to Floating Rate Notes

This Condition 8 is applicable to the Notes only if the relevant Final Terms specifies the Floating Rate Note Provisions.

8.2 Interest Payment Dates

The Notes bear interest on the outstanding principal amount from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (a) the Specified Interest Payment Date(s) (each, an “**Interest Payment Date**”) in each year specified in the relevant Final Terms; or

- (b) if no Specified Interest Payment Date(s) is/are specified in the relevant Final Terms, each date (each such date, together with each Specified Interest Payment Date, an “**Interest Payment Date**”) which falls in the number of months or other period specified as the Specified Period in the relevant Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall in these Terms and Conditions, mean the period from (and including) an Interest Payment Date (or, as the case may be, the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

8.3 Rate of Interest for Floating Rate Notes

The Rate of Interest payable from time to time in respect of the Notes shall be determined in the manner specified in the relevant Final Terms.

- (a) Where Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will, subject as provided below, be either:

- (i) the offered quotation; or

- (ii) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) (the “**Relevant Time**”) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations, *provided, however* that:

- (x) if no Reference Rate appears on the Relevant Screen Page at the 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the relevant Interest Determination Date, subject as provided below, the Rate of Interest shall be the arithmetic mean of the Reference Rates that each of the Reference Banks is quoting to leading banks in the Principal Financial Centre at the Relevant Time on the relevant Interest Determination Date, as determined by the Calculation Agent; and

- (y) if paragraph (x) above applies and the Calculation Agent determines that fewer than two Reference Banks are so quoting Reference Rates, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) that the Calculation Agent determines to be the rates (being the nearest equivalent to the Reference Rate) in respect of a Calculation Amount of the Specified Currency that at least two out of five leading banks selected by the Calculation Agent in the Principal Financial Centre are quoting at or about the Relevant Time on the date on which such banks would customarily quote such rates for a period commencing on the relevant Interest Determination Date relating to the next succeeding Interest Period for a period equivalent to the duration of the relevant Interest Period (I) to leading banks carrying on business in Europe, or (if the Calculation Agent determines that fewer than two of such banks are so quoting to leading banks in Europe) (II) to leading banks carrying on business in the Principal Financial Centre; except that, if fewer than two of such banks are so quoting to leading banks in the Principal Financial Centre, the Rate of Interest shall be the Rate of Interest determined on the previous Interest Determination Date (after readjustment for any difference between any Margin or Maximum Rate of Interest or Minimum Rate of Interest applicable to the preceding Interest Period and to the relevant Interest Period).

- (b) Where ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where “**ISDA Rate**” in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the

Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;
- (ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms; and
- (iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on the LIBOR for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Final Terms.

8.4 Benchmark Replacement

In addition, notwithstanding the provisions above in Condition 8.3 (*Rate of Interest for Floating Rate Notes*), if the Issuer determines that a Benchmark Event has occurred in relation to the relevant Reference Rate specified in the relevant Final Terms when any Rate of Interest (or the relevant component part thereof) remains to be determined by such Reference Rate, then the following provisions shall apply:

- (a) the Issuer shall use all reasonable endeavours to appoint, as soon as reasonably practicable, an Independent Adviser to determine (acting in a reasonable manner), no later than five business days prior to the relevant Interest Determination Date relating to the next succeeding Interest Period (the “**IA Determination Cut-off Date**”), a Successor Rate or, alternatively, if there is no Successor Rate, an Alternative Reference Rate for the purposes of determining the Rate of Interest (or the relevant component part thereof) applicable to the Notes;
- (b) if the Issuer (acting in a reasonable manner) is unable to appoint an Independent Adviser, or the Independent Adviser appointed by it fails to determine a Successor Rate or an Alternative Reference Rate prior to the IA Determination Cut-off Date, the Issuer (acting in a reasonable manner) may determine a Successor Rate or, if there is no Successor Rate, an Alternative Reference Rate;
- (c) if a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) is determined in accordance with the preceding provisions, such Successor Rate or, failing which, an Alternative Reference Rate (as applicable) shall be the Reference Rate for each of the future Interest Periods (subject to the subsequent operation of, and to adjustment as provided in, this Condition 8.4 (*Benchmark Replacement*)); provided, however, that if sub-paragraph (b) applies and the Issuer (acting in a reasonable manner) is unable to or does not determine a Successor Rate or an Alternative Reference Rate prior to the relevant Interest Determination Date, the Rate of Interest applicable to the next succeeding Interest Period shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the preceding Interest Period (or alternatively, if there has not been a first Interest Payment Date, the rate of interest shall be the initial Rate of Interest) (subject, where applicable, to substituting the Margin that applied to such preceding Interest Period for the Margin that is to be applied to the relevant Interest Period); for the avoidance of doubt, the proviso in this sub-paragraph (c) shall apply to the relevant Interest Period only and any subsequent Interest Periods are subject to the subsequent operation of, and to adjustment as provided in, this Condition 8.4 (*Benchmark Replacement*));
- (d) if the Independent Adviser or the Issuer (acting in a reasonable manner) determines a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) in accordance with the above provisions, the Independent Adviser or the Issuer (acting in good faith and in a commercially reasonable manner) (as applicable), may also specify changes to these Conditions, including but not limited to the Day Count Fraction, Relevant Screen Page, Business Day Convention, business days, Interest Determination Date and/or the definition of Reference Rate applicable to the Notes, and the method for determining the fallback rate in relation to the Notes, if such changes are necessary to ensure the proper operation of such Successor Rate, Alternative Reference Rate and/or Adjustment Spread (as applicable). If the Independent Adviser (in consultation with the Issuer) or the Issuer (acting in a reasonable manner) (as applicable), determines that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Reference Rate (as applicable) and determines the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Reference Rate (as applicable). If the Independent Adviser or the Issuer (acting in a reasonable manner) (as applicable) is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Successor Rate or Alternative Reference Rate (as applicable) will apply without an

Adjustment Spread. For the avoidance of doubt, the Fiscal Agent shall, at the direction and expense of the Issuer, effect such consequential amendments to the Fiscal Agency Agreement and these Conditions as may be required in order to give effect to this Condition 8.4 (*Benchmark Replacement*). Noteholder consent shall not be required in connection with effecting the Successor Rate or Alternative Reference Rate (as applicable) or such other changes, including for the execution of any documents or other steps by the Fiscal Agent (if required); and

- (e) the Issuer shall promptly, following the determination of any Successor Rate or Alternative Reference Rate (as applicable), give notice thereof to the Fiscal Agent and Noteholders, which shall specify the effective date(s) for such Successor Rate or Alternative Reference Rate (as applicable) and any consequential changes made to these Conditions,

provided that the determination of any Successor Rate or Alternative Reference Rate, and any other related changes to the Notes, shall be made in accordance with Applicable Law.

8.5 Minimum and Maximum Rate of Interest

If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.

8.6 Calculation of Interest Amounts for Floating Rate Notes

The Calculation Agent will, as soon as reasonably practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, determine the Rate of Interest for the relevant Interest Period and calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the principal amount of such Note during such Interest Period and multiplying the product by the relevant Day Count Fraction and rounding the resultant figure to the nearest sub unit of the relevant Specified Currency, half of any such sub unit being rounded upwards or otherwise in accordance with applicable market convention.

8.7 Calculation Agent

If the relevant Final Terms specify that any other amount is to be calculated by the Calculation Agent, the Calculation Agent will, as soon as reasonably practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Calculation Agent in the manner specified in the relevant Final Terms.

8.8 Notice

The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Issuer, the Fiscal Agent and each listing authority, stock exchange and quotation system (if any) by which the Notes have then been admitted to listing, trading and quotation as soon as reasonably practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders by the Issuer in accordance with Condition 20 (Notices). The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period.

8.9 Notices Binding

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 8 by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer and the Noteholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

9. Zero Coupon Note Provisions

9.1 Application for Zero Coupon Notes

This Condition 9 is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the relevant Final Terms as being applicable.

9.2 Redemption Amount Improperly Refused

If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:

- (a) the Reference Price; and
- (b) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

10. Redemption and Purchase

10.1 Final Redemption

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at its Redemption Amount specified in the applicable Final Terms in the relevant Specified Currency on the Maturity Date specified in the applicable Final Terms, subject as provided in Condition 11 (*Payments*).

10.2 Redemption at the option of the Issuer (Call Option)

If Issuer Call is specified as being applicable in the applicable Final Terms, the Issuer may, having given not less than the minimum period nor more than the maximum period of notice each as specified in applicable Final Terms to the Noteholders in accordance with Condition 20 (*Notices*) (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) each as specified in the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms.

The Optional Redemption Amount will either be the specified percentage of the nominal amount of the Notes stated in the applicable Final Terms or, if Make-whole Amount is specified in the applicable Final Terms, will be the higher of (i) 100 per cent. of the nominal amount outstanding of the Notes to be redeemed and (ii) the sum of the present values of the nominal amount outstanding of the Notes to be redeemed and the Remaining Term Interest on such Notes (exclusive of interest accrued to the date of redemption) and such present values shall be calculated by discounting such amounts to the date of redemption on an annual basis (assuming a 360-day year consisting of twelve 30-day months or, in the case of an incomplete month, the number of days elapsed) at the Reference Bond Rate, plus the Redemption Margin, all as determined by the Determination Agent.

In this Condition:

“DA Selected Bond” means a government security or securities selected by the Determination Agent as having an actual or interpolated maturity comparable with the remaining term of the Notes, that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities denominated in the Specified Currency and of a comparable maturity to the remaining term of the Notes;

“Determination Agent” means a leading investment bank or financial institution of international standing selected by the Issuer;

“Quotation Time” shall be as set out in the applicable Final Terms;

“Redemption Margin” shall be as set out in the applicable Final Terms;

“Reference Bond” shall be as set out in the applicable Final Terms or the DA Selected Bond;

“Reference Bond Price” means, with respect to any date of redemption, (a) the arithmetic average of the Reference Government Bond Dealer Quotations for such date of redemption, after excluding the highest and lowest such Reference Government Bond Dealer Quotations, or (b) if the Determination Agent obtains fewer than four such Reference Government Bond Dealer Quotations, the arithmetic average of all such quotations;

“Reference Bond Rate” means, with respect to any date of redemption, the rate per annum equal to the annual or semi-annual yield (as the case may be) to maturity or interpolated yield to maturity (on the relevant day count basis) of the Reference Bond, assuming a price for the Reference Bond (expressed as a percentage of its nominal amount) equal to the Reference Bond Price for such date of redemption;

“Reference Date” will be set out in the relevant notice of redemption;

“Reference Government Bond Dealer” means each of five banks selected by the Issuer, or their affiliates, which are (A) primary government securities dealers, and their respective successors, or (B) market makers in pricing corporate bond issues;

“Reference Government Bond Dealer Quotations” means, with respect to each Reference Government Bond Dealer and any date of redemption, the arithmetic average, as determined by the Determination Agent, of the bid and offered prices for the Reference Bond (expressed in each case as a percentage of its nominal amount) at the Quotation Time on the Reference Date quoted in writing to the Determination Agent by such Reference Government Bond Dealer;

“Remaining Term Interest” means, with respect to any Note, the aggregate amount of scheduled payment(s) of interest on such Note for the remaining term of such Note determined on the basis of the rate of interest applicable to such Note from and including the date on which such Note is to be redeemed by the Issuer pursuant to this Condition 10.2 (*Redemption at the option of the Issuer (Call Option)*);

In the case of a partial redemption of Notes, the Notes to be redeemed (the **“Redeemed Notes”**) will (i) in the case of Redeemed Notes represented by Definitive Note Certificates, be selected individually by lot, not more than 30 days prior to the date fixed for redemption and (ii) in the case of Redeemed Notes represented by a Global Note, be selected in accordance with the rules of Euroclear and/or Clearstream, Luxembourg, (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion). In the case of Redeemed Notes represented by Definitive Note Certificates, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 20 (*Notices*) not less than 15 days prior to the date fixed for redemption.

10.3 Purchase

The Issuer may at any time purchase, or procure others to purchase for its account, Notes in the open market or otherwise and at any price. Notes so purchased may be held or resold (provided that such resale is outside the United States as defined in Regulation S under the United States Securities Act of 1933, as amended, or, in the case of any Notes resold pursuant to Rule 144A under that Act is only made in accordance with that Rule and otherwise in compliance with all Applicable Law) or surrendered for cancellation, at the option of the Issuer. Any Notes so purchased, while held by or on behalf of the Issuer or any Person acting on behalf of the Issuer, shall not entitle the holder to vote at any meeting of Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of Noteholders.

10.4 Cancellation

All Notes which are submitted for cancellation pursuant to Condition 10.3 (*Purchase*) will be cancelled and may not be reissued or resold. For so long as the Notes are admitted to trading on the regulated market of the London Stock Exchange plc (the **“Stock Exchange”**) and the rules of such exchange so require, the Issuer shall promptly inform the Stock Exchange of the cancellation of any Notes under this Condition 10.4 (*Cancellation*).

11. PAYMENTS

11.1 Payments

Payments of principal shall be made only against presentation and (provided that payment is made in full) surrender of Notes at the Specified Office of any Paying Agent by cheque drawn in the currency in which the payment is due on, or by transfer to an account denominated in that currency (or, if that currency is Euros, any other account to which Euros may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency.

11.2 Record Date

Payments of interest shall, subject to Condition 11.4 (*Payment Business Day*), be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the

“Record Date”). Payments of interest on each Note shall be made in the relevant currency by cheque drawn on a bank and mailed by uninsured post to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. The holder of such Notes will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of such Notes as a result of a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the post. Upon application by the holder to the specified office of any Paying Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a bank.

11.3 Payments Subject to Applicable Laws

All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 12 (*Taxation*). No commissions or expenses shall be charged to the Noteholders in respect of such payments.

11.4 Payment Business Day

If the due date for payment of any amount in respect of any Note is not a Payment Business Day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.

12. Taxation

12.1 Payments Free and Clear of Taxes

All payments of principal and interest in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by or within the Republic of Uzbekistan or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as will result in the receipt by the Noteholders of such amounts as would have been received by them if no such withholding or deduction had been required, except that no such additional amounts shall be payable in respect of any Note presented for payment:

- (a) by a holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of its having some connection with Uzbekistan other than the mere holding of such Note; or
- (b) more than 30 days after the Relevant Date except to the extent that the relevant holder would have been entitled to such additional amounts if it had presented such Note on the last day of such period of 30 days; or
- (c) where (in the case of a payment of principal or interest on redemption) the relevant Note is surrendered for payment in the Republic of Uzbekistan.

In addition, if and to the extent that the obligations of the Issuer, to pay additional amounts pursuant to this Condition 12 are or have become illegal, unenforceable or otherwise invalid, the Issuer will indemnify and hold harmless each holder of a Note from and against, and will, upon written request of a holder and presentation of reasonable supporting documentation, reimburse each such holder for, the amount of any Taxes withheld or deducted from, or paid by such holder in respect of, payments made under or with respect to the Notes or the Deed of Covenant and which would not have been withheld, deducted or paid had the said obligations not been or become illegal, unenforceable or otherwise invalid. Solely for purposes of these Terms and Conditions, any payment made pursuant to this paragraph shall be considered an additional amount.

12.2 FATCA

Notwithstanding anything to the contrary in this Condition 12, none of the Issuer, any Paying Agent or any other person shall be required to pay any additional amounts with respect to any withholding or deduction imposed on or in respect of any Note pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder (**“FATCA”**) or any laws of Uzbekistan, or any agreement between the United States of America and Uzbekistan, implementing FATCA.

13. Events of Default

If any of the following events (each, an “**Event of Default**”) occurs and is continuing, then the holders of not less than 25 per cent in aggregate outstanding principal amount of the Notes may, by notice in writing to the Issuer (with a copy to the Fiscal Agent), declare all the Notes to be due and payable, whereupon they shall immediately become due and repayable at their principal amount together with accrued interest without further action or formality and notice of any such declaration shall promptly be given to all other Noteholders by the Issuer:

- (a) *Non-payment*: the Issuer is in default with respect to the payment of principal, interest or additional amounts on any of the Notes and such default continues for a period of 30 days; or
- (b) *Breach of other Obligations*: the Issuer is in default in the performance, or is otherwise in breach, of any covenant, obligation, undertaking or other agreement under the Notes (other than a default or breach elsewhere specifically dealt with in this Condition 13) and such default or breach is not remedied within 60 days after notice thereof has been given to the Issuer at the Specified Office of the Fiscal Agent by any holder of Notes; or
- (c) *Cross Acceleration*: (a) any other Public External Indebtedness of the Issuer (i) becomes due and payable prior to the due date for payment thereof by reason of default by the Issuer, or (ii) is not repaid at maturity as extended by the period of grace, if any, applicable thereto, or (b) any Guarantee given by the Issuer in respect of Public External Indebtedness of any other Person is not honoured when due and called upon; provided that the aggregate amount of the relevant Public External Indebtedness or liability under such Guarantee in respect of which one or more of the events mentioned in this Condition 13(c) shall have occurred equals or exceeds U.S.\$50,000,000 or its equivalent in other currencies; or
- (d) *Moratorium*: a general suspension of, or a moratorium on, the payment of principal of, or interest on, the Public External Indebtedness of the Issuer is declared by the Issuer, or the Issuer is, or admits that it is, unable to pay any Public External Indebtedness as it falls due, or the Issuer commences proceedings with a view to the general adjustment of its Indebtedness; or
- (e) *IMF Membership*: the Issuer shall cease to be a member of the International Monetary Fund (IMF) or shall cease to be eligible to use the general resources of the IMF;
- (f) *Invalidity or unenforceability*: the validity of the Notes is contested by the Issuer or the Issuer shall deny any of its obligations under the Notes (whether by a general suspension of payments or a moratorium on the payment of debt or otherwise) or it is or becomes unlawful for the Issuer to perform or comply with all or any of its obligations set out in the Notes or all or any of its obligations set out in the Notes shall be or become unenforceable or invalid.

If the Issuer receives notice in writing from holders of at least 50 per cent in aggregate outstanding principal amount of the Notes to the effect that the Event of Default or Events of Default giving rise to any above mentioned declaration of acceleration is or are cured following any such declaration and that such holders wish the relevant declaration to be withdrawn, the Issuer shall give notice thereof to the Noteholders (with a copy to the Fiscal Agent), whereupon the relevant declaration shall be withdrawn and shall have no further effect, but without prejudice to any rights or obligations which may have arisen before the Issuer gives such notice (whether pursuant to these Conditions or otherwise). No such withdrawal shall affect any other or any subsequent Event of Default or any right of any Noteholder in relation thereto.

14. Prescription

Claims against the Issuer for payment in respect of the Notes shall be prescribed and become void unless made within ten years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

15. Replacement of Notes

If any Note is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Replacement Agent (as defined in the Fiscal Agency Agreement), subject to all Applicable Law and listing authority, stock exchange or quotation system requirements (if any), upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer and the Replacement Agent may reasonably require. Mutilated or defaced Notes must be surrendered before replacements will be issued.

16. Agents

16.1 Agents of the Issuer

In acting under the Fiscal Agency Agreement and in connection with the Notes, the Fiscal Agent acts solely as agent of the Issuer. The Fiscal Agent does not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

16.2 Requirements to Maintain Agents

The initial Fiscal Agent, Paying Agent, Transfer Agent and Registrar and their respective initial Specified Offices are listed below. The initial Calculation Agent (if any) is specified in the relevant Final Terms. The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent and to appoint a successor Fiscal Agent, Paying Agent, Transfer Agent, Registrar or Calculation Agent and additional or successor agents; provided, however, that:

- (a) the Issuer shall at all times maintain a Fiscal Agent;
- (b) if a Calculation Agent is specified in the relevant Final Terms, the Issuer shall at all times maintain a Calculation Agent;
- (c) if and for so long as the Notes are admitted to listing, trading or quotation, by any listing authority, stock exchange or quotation system which requires the appointment of a Paying Agent in any particular place, the Issuer shall maintain a Paying Agent having its Specified Office in the place required by such listing authority, stock exchange or quotation system; and
- (d) the Issuer shall maintain a Registrar whose Specified Office shall be outside the United Kingdom.

Notice of any change in any of the Agents or their respective Specified Offices shall promptly be given to the Noteholders.

17. Meetings of Noteholders; Written Resolutions and Electronic Consents

17.1 Convening Meetings of Noteholders; Conduct of Meetings of Noteholders; Written Resolutions

- (a) The Issuer may convene a meeting of the Noteholders at any time in respect of the Notes in accordance with the provisions of the Fiscal Agency Agreement. The Issuer will determine the time and place of the meeting and will notify the Noteholders of the time, place and purpose of the meeting not less than 21 and not more than 45 days before the meeting.
- (b) The Issuer will convene a meeting of Noteholders if the holders of at least 10 per cent. in principal amount of the outstanding Notes (as defined in the Fiscal Agency Agreement and described in Condition 17.9 (*Notes controlled by the Issuer*)) have delivered a written request to the Issuer setting out the purpose of the meeting. The Issuer will notify the Noteholders within 10 days of receipt of such written request of the time and place of the meeting, which shall take place not less than 21 and not more than 45 days after the date on which such notification is given.
- (c) The Issuer (with the agreement of the Fiscal Agent) will set the procedures governing the conduct of any meeting in accordance with the Fiscal Agency Agreement. If the Fiscal Agency Agreement does not include such procedures, or additional procedures are required, the Issuer and the Fiscal Agent will agree such procedures as are customary in the market and in such a manner as to facilitate any multiple series aggregation, if in relation to a Reserved Matter the Issuer proposes any modification to the terms and conditions of, or action with respect to, two or more series of debt securities issued by it.
- (d) The notice convening any meeting will specify, *inter alia*:
 - (i) the date, time and location of the meeting;
 - (ii) the agenda and the text of any Extraordinary Resolution to be proposed for adoption at the meeting;
 - (iii) the record date for the meeting, which shall be no more than five business days before the date of the meeting;
 - (iv) the documentation required to be produced by a Noteholder in order to be entitled to participate at the meeting or to appoint a proxy to act on the Noteholder's behalf at the meeting;
 - (v) any time deadline and procedures required by any relevant international and/or domestic clearing systems or similar through which the Notes are traded and/or held by Noteholders;

- (vi) whether Condition 17.2 (*Modification of this Series of Notes only*), or Condition 17.3 (*Multiple Series Aggregation — Single limb voting*), or Condition 17.4 (*Multiple Series Aggregation — Two limb voting*) shall apply and, if relevant, in relation to which other series of debt securities it applies;
 - (vii) if the proposed modification or action relates to two or more series of debt securities issued by it and contemplates such series of debt securities being aggregated in more than one group of debt securities, a description of the proposed treatment of each such group of debt securities;
 - (viii) such information that is required to be provided by the Issuer in accordance with Condition 17.6 (*Information*);
 - (ix) the identity of the Aggregation Agent and the Calculation Agent, if any, for any proposed modification or action to be voted on at the meeting, and the details of any applicable methodology referred to in Condition 17.7 (*Claims Valuation*); and
 - (x) any additional procedures which may be necessary and, if applicable, the conditions under which a multiple series aggregation will be deemed to have been satisfied if it is approved as to some but not all of the affected series of debt securities.
- (e) In addition, the Fiscal Agency Agreement contains provisions relating to Written Resolutions and Electronic Consents. All information to be provided pursuant to this Condition 17.1 shall also be provided, *mutatis mutandis*, in respect of Written Resolutions and Electronic Consents.
 - (f) A “**record date**” in relation to any proposed modification or action means the date fixed by the Issuer for determining the Noteholders and, in the case of a multiple series aggregation, the holders of debt securities of each other affected series that are entitled to vote on a Multiple Series Single Limb Extraordinary Resolution or a Multiple Series Two Limb Extraordinary Resolution, or to sign a Multiple Series Single Limb Written Resolution or a Multiple Series Two Limb Written Resolution.
 - (g) An “**Extraordinary Resolution**” means any of a Single Series Extraordinary Resolution, a Multiple Series Single Limb Extraordinary Resolution and/or a Multiple Series Two Limb Extraordinary Resolution, as the case may be.
 - (h) A “**Written Resolution**” means any of a Single Series Written Resolution, a Multiple Series Single Limb Written Resolution and/or a Multiple Series Two Limb Written Resolution, as the case may be.
 - (i) Any reference to “**debt securities**” means any notes (including the Notes), bonds, debentures or other debt securities (which for these purposes shall be deemed to include any sukuk representing the credit of the Republic of Uzbekistan or any other similar instrument) issued directly or indirectly by the Issuer in one or more series with an original stated maturity of more than one year.
 - (j) “**Debt Securities Capable of Aggregation**” means those debt securities which include or incorporate by reference this Condition 17 and Condition 18 (*Aggregation Agent; Aggregation Procedures*) or provisions substantially in these terms which provide for the debt securities which include such provisions to be capable of being aggregated for voting purposes with other series of debt securities.

17.2 Modification of this Series of Notes only

- (a) Any modification of any provision of, or any action in respect of, these Terms and Conditions, the Fiscal Agency Agreement and/or the Deed of Covenant in respect of the Notes may be made or taken if approved by a Single Series Extraordinary Resolution or a Single Series Written Resolution as set out below.
- (b) A “**Single Series Extraordinary Resolution**” means a resolution passed at a meeting of Noteholders duly convened and held in accordance with the procedures prescribed by the Issuer and the Fiscal Agent pursuant to Condition 17.1 (*Convening Meetings of Noteholders; Conduct of Meetings of Noteholders; Written Resolutions*) by a majority of:
 - (i) in the case of a Reserved Matter, at least 75 per cent. of the aggregate principal amount of the outstanding Notes held by Noteholders present in person or represented by proxy; or
 - (ii) in the case of a matter other than a Reserved Matter, more than 50 per cent. of the aggregate principal amount of the outstanding Notes held by Noteholders present in person or represented by proxy.

- (c) A “**Single Series Written Resolution**” means a resolution in writing signed or confirmed in writing by or on behalf of the holders of:
 - (i) in the case of a Reserved Matter, at least 75 per cent. of the aggregate principal amount of the outstanding Notes; or
 - (ii) in the case of a matter other than a Reserved Matter more than 50 per cent. of the aggregate principal amount of the outstanding Notes.

Any Single Series Written Resolution may be contained in one document or several documents in the same form, each signed or confirmed in writing by or on behalf of one or more Noteholders.
- (d) Any Single Series Extraordinary Resolution duly passed or Single Series Written Resolution approved shall be binding on all Noteholders, whether or not they attended any meeting, whether or not they voted in favour thereof and whether or not they signed or confirmed in writing any such Single Series Written Resolution, as the case may be.

17.3 Multiple Series Aggregation — Single limb voting

- (a) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Debt Securities Capable of Aggregation may be made or taken if approved by a Multiple Series Single Limb Extraordinary Resolution or by a Multiple Series Single Limb Written Resolution as set out below, provided that the Uniformly Applicable condition is satisfied.
- (b) A “**Multiple Series Single Limb Extraordinary Resolution**” means a resolution considered at separate meetings of the holders of each affected series of Debt Securities Capable of Aggregation, duly convened and held in accordance with the procedures prescribed by the Issuer and the Fiscal Agent pursuant to Condition 17.1 (*Convening Meetings of Noteholders; Conduct of Meetings of Noteholders; Written Resolutions*), as supplemented if necessary, which is passed by a majority of at least 75 per cent. of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in aggregate).
- (c) A “**Multiple Series Single Limb Written Resolution**” means each resolution in writing (with a separate resolution in writing or multiple separate resolutions in writing distributed to the holders of each affected series of Debt Securities Capable of Aggregation, in accordance with the applicable bond documentation) which, when taken together, has been signed or confirmed in writing by or on behalf of the holders of at least 75 per cent. of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in aggregate). Any Multiple Series Single Limb Written Resolution may be contained in one document or several documents in substantially the same form, each signed or confirmed in writing by or on behalf of one or more Noteholders or one or more holders of each affected series of debt securities.
- (d) Any Multiple Series Single Limb Extraordinary Resolution duly passed or Multiple Series Single Limb Written Resolution approved shall be binding on all Noteholders and holders of each other affected series of Debt Securities Capable of Aggregation, whether or not they attended any meeting, whether or not they voted in favour thereof, whether or not any other holder or holders of the same series voted in favour thereof and whether or not they signed or confirmed in writing any such Multiple Series Single Limb Written Resolution, as the case may be.
- (e) The “**Uniformly Applicable**” condition will be satisfied if:
 - (i) the holders of all affected series of Debt Securities Capable of Aggregation are invited to exchange, convert, or substitute their debt securities, on the same terms, for (A) the same new instrument or other consideration or (B) a new instrument, new instruments or other consideration from an identical menu of instruments or other consideration; or
 - (ii) the amendments proposed to the terms and conditions of each affected series of Debt Securities Capable of Aggregation would, following implementation of such amendments, result in the amended instruments having identical provisions (other than provisions which are necessarily different, having regard to the currency of issuance).
- (f) It is understood that a proposal under paragraph (a) above will not be considered to satisfy the Uniformly Applicable condition if each exchanging, converting, substituting or amending holder of each affected Series of Debt Securities Capable of Aggregation is not offered the same amount

of consideration per amount of principal, the same amount of consideration per amount of interest accrued but unpaid and, the same amount of consideration per amount of past due interest, respectively, as that offered to each other exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation (or, where a menu of instruments or other consideration is offered, each exchanging, converting, substituting or amending holder of each affected Series of Debt Securities Capable of Aggregation is not offered the same amount of consideration per amount of principal, the same amount of consideration per amount of interest accrued but unpaid and the same amount of consideration per amount of past due interest, respectively, as that offered to each other exchanging, converting, substituting or amending holder of each affected Series of Debt Securities Capable of Aggregation electing the same option from such menu of instruments).

- (g) Any modification or action proposed under paragraph (a) above may be made in respect of some series only of the Debt Securities Capable of Aggregation and, for the avoidance of doubt, the provisions described in this Condition 17.3 may be used for different groups of two or more series of Debt Securities Capable of Aggregation simultaneously.

17.4 Multiple Series Aggregation — Two limb voting

- (a) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Debt Securities Capable of Aggregation may be made or taken if approved by a Multiple Series Two Limb Extraordinary Resolution or by a Multiple Series Two Limb Written Resolution as set out below.
- (b) A “**Multiple Series Two Limb Extraordinary Resolution**” means a resolution considered at separate meetings of the holders of each affected series of Debt Securities Capable of Aggregation, duly convened and held in accordance with the procedures prescribed by the Issuer and the Fiscal Agent pursuant to Condition 17.1 (*Convening Meetings of Noteholders; Conduct of Meetings of Noteholders; Written Resolutions*), as supplemented if necessary, which is passed by a majority of:
 - (i) at least 66 per cent of the aggregate principal amount of the outstanding debt securities of affected series of Debt Securities Capable of Aggregation (taken in aggregate); and
 - (ii) more than 50 per cent of the aggregate principal amount of the outstanding debt securities in each affected series of Debt Securities Capable of Aggregation (taken individually).
- (c) A “**Multiple Series Two Limb Written Resolution**” means each resolution in writing (with a separate resolution in writing or multiple separate resolutions in writing distributed to the holders of each affected series of Debt Securities Capable of Aggregation, in accordance with the applicable bond documentation) which, when taken together, has been signed or confirmed in writing by or on behalf of the holders of:
 - (i) at least 66 per cent of the aggregate principal amount of the outstanding debt securities of all the affected series of Debt Securities Capable of Aggregation (taken in aggregate); and
 - (ii) more than 50 per cent of the aggregate principal amount of the outstanding debt securities in each affected series of Debt Securities Capable of Aggregation (taken individually).

Any Multiple Series Two Limb Written Resolution may be contained in one document or several documents in substantially the same form, each signed or confirmed in writing by or on behalf of one or more Noteholders or one or more holders of each affected series of Debt Securities Capable of Aggregation.

- (d) Any Multiple Series Two Limb Extraordinary Resolution duly passed or Multiple Series Two Limb Written Resolution approved shall be binding on all Noteholders and holders of each other affected series of Debt Securities Capable of Aggregation, whether or not they attended any meeting, whether or not they voted in favour thereof, whether or not any other holder or holders of the same series voted in favour thereof and whether or not they signed or confirmed in writing any such Multiple Series Two Limb Written Resolution, as the case may be.
- (e) Any modification or action proposed under paragraph (a) above may be made in respect of some series only of the Debt Securities Capable of Aggregation and, for the avoidance of doubt, the provisions described in this Condition 17.4 may be used for different groups of two or more series of Debt Securities Capable of Aggregation simultaneously.

17.5 Reserved Matters

In these Conditions, “**Reserved Matter**” means any proposal:

- (a) to change the date, or the method of determining the date, for payment of principal, interest or any other amount in respect of the Notes, to reduce or cancel the amount of principal, interest or any other amount payable on any date in respect of the Notes or to change the method of calculating the amount of principal, interest (other than any variation arising from the discontinuation of any interest rate benchmark used to determine the amount of any payment in respect of the Notes) or any other amount payable in respect of the Notes on any date;
- (b) to change the currency in which any amount due in respect of the Notes is payable or the place in which any payment is to be made;
- (c) to change the majority required to pass an Extraordinary Resolution, a Written Resolution, an Electronic Consent or any other resolution of Noteholders or the number or percentage of votes required to be cast, or the number or percentage of Notes required to be held, in connection with the taking of any decision or action by or on behalf of the Noteholders or any of them;
- (d) to change this definition, or the definition of “Extraordinary Resolution”, “Single Series Extraordinary Resolution”, “Multiple Series Single Limb Extraordinary Resolution”, “Multiple Series Two Limb Extraordinary Resolution”, “Written Resolution”, “Single Series Written Resolution”, “Multiple Series Single Limb Written Resolution”, “Electronic Consent” or “Multiple Series Two Limb Written Resolution”;
- (e) to change the definition of “debt securities” or “Debt Securities Capable of Aggregation”;
- (f) to change the definition of “Uniformly Applicable”;
- (g) to change the definition of “outstanding” or to modify the provisions of Condition 17.9 (*Notes controlled by the Issuer*);
- (h) to change the legal ranking of the Notes;
- (i) to change any provision of the Notes describing circumstances in which Notes may be declared due and payable prior to their scheduled maturity date, set out in Condition 13 (*Events of Default*);
- (j) to change the law governing the Notes, the courts to the jurisdiction of which the Issuer has submitted in the Notes, any of the arrangements specified in the Notes to enable proceedings to be taken or the Issuer’s waiver of immunity, in respect of actions or proceedings brought by any Noteholder, set out in Condition 24 (*Governing Law and Arbitration*);
- (k) to impose any condition on or otherwise change the Issuer’s obligation to make payments of principal, interest or any other amount in respect of the Notes, including by way of the addition of a call option;
- (l) to modify the provisions of this Condition 17.5;
- (m) except as permitted by any related guarantee or security agreement, to release any agreement guaranteeing or securing payments under the Notes or to change the terms of any such guarantee or security;
- (n) to exchange or substitute all the Notes for, or convert all the Notes into, other obligations or securities of the Issuer or any other person, or to modify any provision of these Terms and Conditions in connection with any exchange of the Notes for, or the conversion of the Notes into, any other obligations or securities of the Issuer, which would result in the Terms and Conditions as so modified being less favourable to the Noteholders which are subject to the Terms and Conditions as so modified than:
 - (i) the provisions of the other obligations or debt securities of the Issuer or any other person resulting from the relevant exchange or conversion; or
 - (ii) if more than one series of other obligations or debt securities results from the relevant exchange or conversion, the provisions of the resulting series of debt securities having the largest aggregate principal amount; or
- (o) to approve the substitution of any person for the Issuer (or any previous substitute) as principal obligor under the Notes and the Deed of Covenant.

17.6 Information

Prior to or on the date that the Issuer proposes any Extraordinary Resolution, Written Resolution or Electronic Consent pursuant to Condition 17.2 (*Modification of this Series of Notes only*), Condition 17.3 (*Multiple Series Aggregation – Single limb voting*) or Condition 17.4 (*Multiple Series Aggregation – Two limb voting*), the Issuer shall publish in accordance with Condition 18.8 (*Manner of publication*) and provide the Fiscal Agent with the following information:

- (a) a description of the Issuer's economic and financial circumstances which are, in the Issuer's opinion, relevant to the request for any potential modification or action, a description of the Issuer's existing debts and a description of its broad policy reform programme and provisional macroeconomic outlook;
- (b) if the Issuer shall at the time have entered into an arrangement for financial assistance with multilateral and/or other major creditors or creditor groups and/or an agreement with any such creditors regarding debt relief, a description of any such arrangement or agreement and where permitted under the information disclosure policies of the multilateral or such other creditors, as applicable, copies of the arrangement or agreement shall be provided;
- (c) a description of the Issuer's proposed treatment of external debt securities that fall outside the scope of any multiple series aggregation and its intentions with respect to any other debt securities and its other major creditor groups; and
- (d) if any proposed modification or action contemplates debt securities being aggregated in more than one group of debt securities, a description of the proposed treatment of each such group, as required for a notice convening a meeting of the Noteholders in Condition 17.1(d)(vii).

17.7 Claims Valuation

For the purpose of calculating the par value of the Notes and any affected series of debt securities which are to be aggregated with the Notes in accordance with Condition 17.3 (*Multiple Series Aggregation – Single limb voting*) and Condition 17.4 (*Multiple Series Aggregation – Two limb voting*), the Issuer may appoint a Calculation Agent. The Issuer shall, with the approval of the Aggregation Agent and any appointed Calculation Agent, promulgate the methodology in accordance with which the Calculation Agent will calculate the par value of the Notes and such affected series of debt securities. In any such case where a Calculation Agent is appointed, the same person will be appointed as the Calculation Agent for the Notes and each other affected series of debt securities for these purposes, and the same methodology will be promulgated for each affected series of debt securities.

17.8 Manifest error, etc.

The Notes, these Terms and Conditions and the provisions of the Fiscal Agency Agreement may be amended without the consent of the Noteholders to correct a manifest error. In addition, the parties to the Fiscal Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature or it is not materially prejudicial to the interests of the Noteholders.

17.9 Notes controlled by the Issuer

For the purposes of (a) determining the right to attend and vote at any meeting of Noteholders, or the right to sign or confirm in writing, or authorise the signature of, any Written Resolution, (b) Condition 17.1 (*Convening Meetings of Noteholders; Conduct of Meetings of Noteholders; Written Resolutions*) and (c) Condition 13 (*Events of Default*), any Notes which are for the time being held by or on behalf of the Issuer or by or on behalf of any person which is owned or controlled directly or indirectly by the Issuer or by any public sector instrumentality of the Issuer shall be disregarded and be deemed not to remain outstanding, where:

- (i) “**public sector instrumentality**” means the Central Bank of Uzbekistan, any department, ministry or agency of the government of the Republic of Uzbekistan or any corporation, trust, financial institution or other entity owned or controlled by the government of the Republic of Uzbekistan or any of the foregoing; and
- (ii) “**control**” means the power, directly or indirectly, through the ownership of voting securities or other ownership interests or through contractual control or otherwise, to direct the management of or elect

or appoint a majority of the board of directors or other persons performing similar functions in lieu of, or in addition to, the board of directors of a corporation, trust, financial institution or other entity.

A Note will also be deemed to be not outstanding if the Note has previously been cancelled or delivered for cancellation or held for reissuance but not reissued or, where relevant, the Note has previously been called for redemption in accordance with its terms or previously become due and payable at maturity or otherwise and the Issuer has previously satisfied its obligations to make all payments due in respect of the Note in accordance with its terms.

In advance of any meeting of Noteholders, or in connection with any Written Resolution or Electronic Consent, the Issuer shall provide to the Fiscal Agent a copy of the certificate prepared pursuant to Condition 18.5 (*Certificate*) which includes information on the total number of Notes which are for the time being held by or on behalf of the Issuer or by or on behalf of any person which is owned or controlled directly or indirectly by the Issuer or by any public sector instrumentality of the Issuer and, as such, such Notes shall be disregarded and deemed not to remain outstanding for the purposes of ascertaining the right to attend and vote at any meeting of Noteholders or the right to sign, or authorise the signature of, any Written Resolution or vote in respect of any Electronic Consent. The Fiscal Agent shall make any such certificate available for inspection during normal business hours at its Specified Office and, upon reasonable request, will allow copies of such certificate to be taken.

17.10 Publication

The Issuer shall publish all Extraordinary Resolutions, Written Resolutions and Electronic Consents which have been determined by the Aggregation Agent to have been duly passed in accordance with Condition 18.8 (*Manner of publication*).

17.11 Exchange and Conversion

Any Extraordinary Resolutions or Written Resolutions or Electronic Consents which have been duly passed and which modify any provision of, or action in respect of, the Terms and Conditions may be implemented at the Issuer's option by way of a mandatory exchange or conversion of the Notes and each other affected series of debt securities, as the case may be, into new debt securities containing the modified terms and conditions if the proposed mandatory exchange or conversion of the Notes is notified to Noteholders at the time notification is given to the Noteholders as to the proposed modification or action. Any such exchange or conversion shall be binding on all Noteholders.

17.12 Written Resolutions and Electronic Consents

A Written Resolution may be contained in one document or in several documents in like form, each signed by or on behalf of one or more of the Noteholders.

For so long as any Notes are in the form of a Global Note held on behalf of one or more of Euroclear, Clearstream, Luxembourg, DTC or any other clearing system (the "relevant clearing system(s)"), then the approval of a resolution proposed by the Issuer given by way of electronic consent communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures:

- (a) by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders; or
- (b) (where such holders have been given at least 21 days' notice of such resolution) by or on behalf of:
 - (i) in respect of a proposal pursuant to Condition 17.2 (*Modification of this Series of Notes only*), the persons holding at least 75 per cent. of the aggregate principal amount of the outstanding Notes in the case of a Reserved Matter or more than 50 per cent. of the aggregate principal amount of the outstanding Notes, in the case of a matter other than a Reserved Matter;
 - (ii) in respect of a proposal Condition 17.3 (*Multiple Series Aggregation — Single limb voting*), the persons holding at least 75 per cent. of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in aggregate); or
 - (iii) in respect of a proposal pursuant to Condition 17.4 (*Multiple Series Aggregation — Two limb voting*), (x) the persons holding at least 66⅔ per cent. of the aggregate principal amount of the

outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in aggregate); and (y) the persons holding more than 50 per cent. of the aggregate principal amount of the outstanding debt securities in each affected series of Debt Securities Capable of Aggregation (taken individually),

(in the case of (i), (ii) and (iii), each an “**Electronic Consent**”) shall, for all purposes (including Reserved Matters) take effect as (A) a Single Series Extraordinary Resolution (in the case of (i) above), (B) a Multiple Series Single Limb Extraordinary Resolution (in the case of (ii) above) or (C) a Multiple Series Two Limb Extraordinary Resolution (in the case of (iii) above), as applicable.

The notice given to Noteholders shall specify, in sufficient detail to enable Noteholders (in the case of a proposal pursuant to Condition 17.2 (*Modification of this Series of Notes only*) or holders of each affected Series of Debt Securities capable of Aggregation (in the case of a proposal pursuant to Condition 17.3 (*Multiple Series Aggregation — Single Limb Voting*) or Condition 17.4 (*Multiple Series Aggregation — Two Limb Voting*)) to give their consents in relation to the proposed resolution, the method by which their consents may be given (including, where applicable, blocking of their accounts in the relevant clearing system(s)) and the time and date (the “**Relevant Consent Date**”) by which they must be received in order for such consents to be validly given, in each case subject to and in accordance with the operating rules and procedures of the relevant clearing system(s).

If, on the Relevant Consent Date on which the consents in respect of an Electronic Consent are first counted, such consents do not represent the required proportion for approval, the resolution shall, if the party proposing such resolution (the “**Proposer**”) so determines, be deemed to be defeated. Alternatively, the Proposer may give a further notice to Noteholders (in the case of a proposal pursuant to Condition 17.2 (*Modification of this Series of Notes only*) or holders of each affected Series of Debt Securities capable of Aggregation (in the case of a proposal pursuant to Condition 17.3 (*Multiple Series Aggregation — Single Limb Voting*) or Condition 17.4 (*Multiple Series Aggregation — Two Limb Voting*)) that the resolution will be proposed again on such date and for such period as shall be agreed with the Issuer (unless the Issuer is the Proposer). Such notice must inform Noteholders (in the case of a proposal pursuant to Condition 17.2 (*Modification of this Series of Notes only*) or holders of each affected Series of Debt Securities capable of Aggregation (in the case of a proposal pursuant to Condition 17.3 (*Multiple Series Aggregation — Single Limb Voting*) or Condition 17.4 (*Multiple Series Aggregation — Two Limb Voting*)) that insufficient consents were received in relation to the original resolution and the information specified in the previous paragraph. For the purpose of such further notice, references to Relevant Consent Date shall be construed accordingly.

An Electronic Consent may only be used in relation to a resolution proposed by the Issuer which is not then the subject of a meeting that has been validly convened above, unless that meeting is or shall be cancelled or dissolved.

Where Electronic Consent has not been sought, for the purposes of determining whether a Written Resolution has been validly passed, the Issuer shall be entitled to rely on consent or instructions given in writing directly to the Issuer (a) by accountholders in the relevant clearing system(s) with entitlements to any Global Note and/or (b) where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person identified by that accountholder as the person for whom such entitlement is held. For the purpose of establishing the entitlement to give any such consent or instruction, the Issuer shall be entitled to rely on any certificate or other document issued by, in the case of (a) above, the relevant clearing system(s) and, in the case of (b) above, the relevant clearing system(s) and the accountholder identified by the relevant clearing system(s). Any such certificate or other document (i) shall be conclusive and binding for all purposes and (ii) may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear’s EUCLID or Clearstream, Luxembourg’s CreationOnline system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Notes is clearly identified together with the amount of such holding. The Issuer shall not be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

All information to be provided pursuant to paragraph (d) of Condition 17.1 (*Convening Meetings of Noteholders; Conduct of Meetings of Noteholders; Written Resolutions*) shall also be provided, mutatis mutandis, in respect of Written Resolutions and Electronic Consents.

A Written Resolution and/or Electronic Consent (i) shall take effect as an Extraordinary Resolution and (ii) will be binding on all Noteholders, whether or not they participated in such Written Resolution and/or Electronic Consent, even if the relevant consent or instruction proves to be defective.

18. Aggregation Agent; Aggregation Procedures

18.1 Appointment

The Issuer will appoint an Aggregation Agent to calculate whether a proposed modification or action has been approved by the required principal amount outstanding of Notes and, in the case of a multiple series aggregation, by the required principal amount of outstanding debt securities of each affected series of debt securities. In the case of a multiple series aggregation, the same person will be appointed as the Aggregation Agent for the proposed modification of any provision of, or any action in respect of, these Terms and Conditions or the Fiscal Agency Agreement in respect of the Notes and in respect of the terms and conditions or bond documentation in respect of each other affected series of debt securities. The Aggregation Agent shall be independent of the Issuer.

18.2 Extraordinary Resolutions

If an Extraordinary Resolution has been proposed at a duly convened meeting of Noteholders to modify any provision of, or action in respect of, these Terms and Conditions and other affected series of debt securities, as the case may be, the Aggregation Agent will, as soon as practicable after the time the vote is cast, calculate whether holders of a sufficient portion of the aggregate principal amount of the outstanding Notes and, where relevant, each other affected series of debt securities, have voted in favour of the Extraordinary Resolution such that the Extraordinary Resolution is passed. If so, the Aggregation Agent will determine that the Extraordinary Resolution has been duly passed.

18.3 Written Resolutions

If a Written Resolution has been proposed under the Terms and Conditions to modify any provision of, or action in respect of, these Terms and Conditions and the terms and conditions of other affected series of debt securities, as the case may be, the Aggregation Agent will, as soon as reasonably practicable after the relevant Written Resolution has been signed or confirmed in writing, calculate whether holders of a sufficient portion of the aggregate principal amount of the outstanding Notes and, where relevant, each other affected series of debt securities, have signed or confirmed in writing in favour of the Written Resolution such that the Written Resolution is passed. If so, the Aggregation Agent will determine that the Written Resolution has been duly passed.

18.4 Electronic Consents

If approval of a resolution proposed under the terms of these Terms and Conditions to modify any provision of, or action in respect of, these Terms and Conditions and the terms and conditions of other affected series of debt securities, as the case may be, is proposed to be given by way of Electronic Consent, the Aggregation Agent will, as soon as reasonably practicable after the relevant Electronic Consent has been given, calculate whether holders of a sufficient portion of the aggregate principal amount of the outstanding Notes and, where relevant, each other affected series of debt securities, have consented to the resolution by way of Electronic Consent such that the resolution is approved. If so, the Aggregation Agent will determine that the resolution has been duly approved.

18.5 Certificate

For the purposes of Condition 18.2 (*Extraordinary Resolutions*), Condition 18.3 (*Written Resolutions*) and Condition 18.4 (*Electronic Consents*), the Issuer will provide a certificate to the Aggregation Agent up to three days prior to, and in any case no later than, with respect to an Extraordinary Resolution, the date of the meeting referred to in Condition 17.2 (*Modification of this Series of Notes only*), Condition 17.3 (*Multiple Series Aggregation – Single limb voting*) or Condition 17.4 (*Multiple Series Aggregation – Two limb voting*), as applicable, and, with respect to a Written Resolution, the date arranged for the signing of the Written Resolution and, with respect to an Electronic Consent, the date arranged for voting on the Electronic Consent.

The certificate shall:

- (a) list the total principal amount of Notes and, in the case of a multiple series aggregation, the total principal amount of each other affected series of debt securities outstanding on the record date; and
- (b) clearly indicate the Notes and, in the case of a multiple series aggregation, debt securities of each other affected series of debt securities which shall be disregarded and deemed not to remain

outstanding as a consequence of Condition 17.9 (*Notes controlled by the Issuer*) on the record date identifying the holders of the Notes and, in the case of a multiple series aggregation, debt securities of each other affected series of debt securities.

The Aggregation Agent may rely upon the terms of any certificate, notice, communication or other document believed by it to be genuine.

18.6 Notification

The Aggregation Agent will cause each determination made by it for the purposes of this Condition 18 to be notified to the Fiscal Agent and the Issuer as soon as practicable after such determination. Notice thereof shall also promptly be given to the Noteholders.

18.7 Binding nature of determinations; no liability

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 18 by the Aggregation Agent and any appointed Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Fiscal Agent and the Noteholders and (subject as aforesaid) no liability to any such person will attach to the Aggregation Agent or the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

18.8 Manner of publication

The Issuer will publish all notices and other matters required to be published pursuant to the Fiscal Agency Agreement including any matters required to be published pursuant to Condition 17 (*Meetings of Noteholders; Written Resolutions and Electronic Consents*), this Condition 18 and Condition 13 (*Events of Default*):

- (a) through Euroclear, Clearstream Luxembourg and DTC and/or any other clearing system in which the Notes are held;
- (b) in such other places and in such other manner as may be required by Applicable Law; and
- (c) in such other places and in such other manner as may be customary.

19. Further Issues and Consolidation

The Issuer may from time to time, without notice to or the consent of the Noteholders and in accordance with the Fiscal Agency Agreement, create and issue further notes having the same terms and conditions as the Notes of a particular Series in all respects (or in all respects except for the issue price, issue date and first payment of interest) so as to form a single series with the Notes of the particular Series, provided that, unless such further notes are fungible with the original Notes for U.S. federal income tax purposes, such further notes will be issued with a separate CUSIP and ISIN. The Fiscal Agency Agreement contains provisions for convening a single meeting of the Noteholders of a particular Series and the holders of Notes of other Series.

The Issuer may, with the prior approval of the Fiscal Agent (which shall not be unreasonably withheld), from time to time on any Interest Payment Date occurring on or after the Redenomination Date (as defined in Condition 23 (*Redenomination*)) on giving not less than 30 days' prior notice to the Noteholders in accordance with Condition 20 (*Notices*), without the consent of the Noteholders, consolidate the Notes of one Series with the Notes of one or more other Series issued by it, whether or not originally issued in the same currency provided such other Notes have been redenominated into the Specified Currency (if not originally so denominated) and which otherwise have, in respect of all periods subsequent to such consolidation, the same terms and conditions as the Notes.

20. Notices

Notices required to be given to Noteholders pursuant to the Conditions will be valid if published in a manner which complies with the rules and regulations of the Stock Exchange or other relevant authority on which the Notes are for the time being listed and/or admitted to trading. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the first date on which publication is made. If publication as provided above is not practicable, notice will be given by publication in a newspaper of general circulation in London (which is expected to be the Financial Times).

21. Currency Indemnity

If any Noteholder receives or recovers any amount in a currency other than that in which the relevant payment is expressed to be due (the “**Contractual Currency**”) (whether as a result of, or of the enforcement of, an award, judgment or order of any court or other tribunal) in respect of any sum expressed to be due to it from the Issuer that amount will only discharge the Issuer to the extent of the Contractual Currency amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so).

If that Contractual Currency amount is less than the Contractual Currency amount expressed to be due to the relevant Noteholder under the Notes, the Issuer will indemnify such Noteholder against any loss sustained by it as a result on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent or any Paying Agent. In any event, the Issuer will indemnify the relevant Noteholder against the cost of making any such purchase.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

22. Rounding

For the purposes of any calculations referred to in these Terms and Conditions (unless otherwise specified in these Terms and Conditions), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred thousandth of a percentage point (with 0.000005 per cent, being rounded up to 0.00001 per cent), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up) and (c) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

23. Redenomination

23.1 Redenomination

This Condition 23 is applicable to the Notes only if it is specified in the relevant Final Terms as being applicable.

23.2 Redenomination Date

If the country of the Specified Currency becomes or, announces its intention to become, a Participating Member State, the Issuer may, without the consent of the Noteholders, on giving at least 30 days’ prior notice to the Fiscal Agent and the Noteholders, designate a date (the “**Redenomination Date**”), being an Interest Payment Date under the Notes falling on or after the date on which such country becomes a Participating Member State.

23.3 Calculation of Redenominated Notes

Notwithstanding the other provisions of these Terms and Conditions, with effect from the Redenomination Date:

- (a) the Notes shall be deemed to be redenominated into Euros in the denomination of Euros 0.01 with a principal amount for each Note equal to the principal amount of that Note in the Specified Currency, converted into Euros at the rate for conversion of such currency into Euros established by the Council of the European Union pursuant to the Treaty (including compliance with rules relating to rounding in accordance with European Community regulations); provided, however, that, if the Issuer determines, with the agreement of the Fiscal Agent that the then market practice in respect of the redenomination into Euros 0.01 of internationally offered securities is different from that specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, each listing authority, stock exchange or quotation system (if any) by which the Notes have then been admitted to listing, trading or quotation and the Fiscal Agent of such deemed amendments;
- (b) if Notes have been issued in definitive form:
 - (i) the payment obligations contained in all Notes denominated in the Specified Currency will become void on the Euro Exchange Date but all other obligations of the Issuer thereunder

(including the obligation to exchange such Notes in accordance with this Condition 23) shall remain in full force and effect; and

- (ii) new Notes denominated in Euros will be issued in exchange for Notes denominated in the Specified Currency in such manner as the Fiscal Agent may specify and as shall be notified to the Noteholders in the Euro Exchange Notice; and
- (c) all payments in respect of the Notes (other than, unless the Redenomination Date is on or after such date as the Specified Currency ceases to be a sub division of the Euros, payments of interest in respect of periods commencing before the Redenomination Date) will be made solely in Euros by cheque drawn on, or by credit or transfer to a Euros account (or any other account to which Euros may be credited or transferred) maintained by the payee with, a bank in the principal financial centre of any Member State of the European Communities.

23.4 Calculation of Interest on redenominated Definitive Note Certificates

Following redenomination of the Notes pursuant to this Condition 23, where Notes have been issued in definitive form, the amount of interest due in respect of the Notes will be calculated by reference to the aggregate principal amount of the Notes held by the relevant holder.

23.5 Change of Interest Determination Date

If the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable and Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, with effect from the Redenomination Date the Interest Determination Date shall be deemed to be the second TARGET Settlement Day before the first day of the relevant Interest Period.

24. Governing Law and Arbitration

24.1 Governing Law

The Notes and the arbitration agreement in Condition 24.2 (*Arbitration*) (including any non-contractual obligations arising out of or in connection with the Notes) are governed by, and shall be construed in accordance with, English law.

24.2 Arbitration

Any dispute, controversy or claim, be it contractual or non-contractual, arising out of or in connection with the Notes, including any question regarding their formation, existence, validity or termination (a “**Dispute**”) shall be referred to and finally resolved:

- 24.2.1 By arbitration administered by the London Court of International Arbitration (the “**LCIA Court**”) in accordance with its Rules (the “**Rules**”). The Rules are deemed to be incorporated by reference into this Condition 24.2.
- 24.2.2 The number of arbitrators shall be three, each party having the right to nominate one arbitrator. If one party fails to appoint an arbitrator within 30 days of receiving notice of the appointment of an arbitrator by the other party, then that arbitrator shall be appointed by the LCIA Court.
- 24.2.3 The third arbitrator, who shall act as chairman of the tribunal, shall be chosen by the two arbitrators chosen by or on behalf of the parties. If he is not chosen and appointed within 15 days of the date on which the later of the two-party appointed arbitrators is appointed, he shall be appointed by the LCIA.
- 24.2.4 The seat of arbitration shall be London, England where all hearings and meetings shall be held, unless the parties agree otherwise. The language to be used in the arbitral proceedings shall be English.
- 24.2.5 Sections 45 and 69 of the Arbitration Act 1996 shall not apply.
- 24.2.6 It is agreed that the arbitrators shall have no authority to award exemplary or punitive damages of any type under any circumstances whether or not such damages may be available under the relevant applicable law, the parties hereby waiving their right, if any, to recover such damages.
- 24.2.7 The parties agree that the arbitrators shall have power to award on a provisional basis any relief that they would have power to grant on a final award.

- 24.2.8 Without prejudice to the powers of the arbitrators provided by the Rules, statute or otherwise, the arbitrators shall have power at any time, on the basis of written evidence and the submissions of the parties alone, to make an award in favour of the claimant (or the respondent if a counterclaim) in respect of any claims (or counterclaims) to which there is no reasonably arguable defence, either at all or except as to the amount of any damages or other sum to be awarded.
- 24.2.9 Nothing in this Condition 24.2 shall be construed as preventing either party from seeking conservatory or similar interim relief in any court of competent jurisdiction nor shall anything in this Condition 24.2 prohibit a party from bringing an action to enforce a money judgment in any other jurisdiction.
- 24.2.10 The parties agree that the arbitration and any facts, documents, awards or other information related to the arbitration or the dispute, controversy or claim to which it relates shall be kept strictly confidential and shall not be disclosed to any third party without the express written consent of the other party, unless such disclosure is required to comply with any legal or regulatory requirement.

24.3 Service of Process

The Issuer agrees that the process by which any proceedings are commenced in the English courts in support of, or in connection with, an arbitration commenced pursuant to Condition 24.2 (*Arbitration*) may be served on it by being delivered to the Ambassador of the Republic of Uzbekistan to the Court of St. James's from time to time, at the Embassy of the Republic of Uzbekistan, currently located at 41 Holland Park, London, W11 3RP or, in his absence, his designate as its authorised agent for service of process in England. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer, the Issuer shall, on the written demand of a Noteholder appoint a further person in England to accept service of process on its behalf and, failing such appointment within 14 days, such Noteholder shall be entitled to appoint such a person by written notice to the Issuer. Nothing in this paragraph shall affect the right of the Noteholder to serve process in any other manner permitted by law.

24.4 Enforcement of Awards; Waiver of Immunity

Any award made pursuant to Condition 24.2 (*Arbitration*) in relation to a Dispute may be enforced in any tribunal or court of competent jurisdiction. To the extent that the Issuer may in any jurisdiction claim for itself or its assets, property or revenues (irrespective of their use or intended use) immunity from jurisdiction, suit, enforcement, execution, attachment (whether in aid of execution, before the making of a judgment or award or otherwise) or other legal process, including in relation to the enforcement of any arbitration award, and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Issuer or its assets, property or revenues, the Issuer agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction subject to the provisions of Condition 24.5 (*Waiver of Immunity – Exclusions*). The Issuer reserves the right to plead sovereign immunity under the U.S. Foreign Sovereign Immunities Act of 1976 with respect to actions brought against it in any court of, or in, the United States of America under any United States federal or state securities law.

24.5 Waiver of Immunity – Exclusions

Notwithstanding any of the provisions of Condition 24.4 (*Enforcement of Awards; Waiver of Immunity*), the Issuer does not waive any immunity in relation to: (a) property, including any bank account, used by a diplomatic or consular mission of the Issuer or its special missions or delegations to international organisations including their heads and other employees, (except to the extent they are appointed as process agent and it is required for any service of process pursuant to these Conditions); (b) property of military character and under the control of a military authority or defence agency of the Issuer; and (c) property located in Uzbekistan that is used for public or governmental purposes (as distinct from property dedicated to a commercial use).

24.6 Consolidation of Disputes

- 24.6.1 In this Condition 24.6:

“**Joinder Order**” means an order by a Tribunal that a Primary Dispute and a Linked Dispute be resolved in the same arbitral proceedings;

“Linked Dispute” means any Dispute and/or any dispute, claim, difference or controversy arising out of, relating to or having any connection with these Terms and Conditions and/or the Deed of Covenant, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with them, in which a Request for Arbitration (as defined in the Rules) is served after a Request for Arbitration has been served in respect of a Primary Dispute;

“Primary Dispute” means any Dispute and/or any dispute, claim, difference or controversy arising out of, relating to or having any connection with these Terms and Conditions and/or the Deed of Covenant, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with them, in which a Request for Arbitration has been served before a Request for Arbitration has been served in relation to any Linked Dispute; and

“Tribunal” means any arbitral tribunal appointed under these Terms and Conditions.

- 24.6.2 Any party to both a Primary Dispute and a Linked Dispute may apply to the Tribunal appointed in relation to the Primary Dispute for a Joinder Order in relation to any Linked Dispute.
- 24.6.3 The applicant for a Joinder Order must promptly notify all parties to the Primary Dispute and the Linked Dispute of any application under (i) above.
- 24.6.4 The Tribunal appointed in relation to the Primary Dispute may, if it considers it just, make a Joinder Order on hearing an application brought under (i) above. In determining whether to make a Joinder Order, the Tribunal must take account of:
- (i) the likelihood and consequences of inconsistent decisions if joinder is not ordered;
 - (ii) any failure on the part of the party seeking joinder to make a timely application; and
 - (iii) the likely consequences of joinder in terms of cost and time.
- 24.6.5 If the Tribunal makes a Joinder Order:
- (i) it will immediately, to the exclusion of any other Tribunal, have jurisdiction to resolve finally the Linked Dispute in addition to its jurisdiction in relation to the Primary Dispute;
 - (ii) it must order that notice of the Joinder Order and its effect be given immediately to any arbitrators already appointed in relation to the Linked Dispute and to all parties to the Linked Dispute and to all parties to the Primary Dispute;
 - (iii) any appointment of an arbitrator in relation to the Linked Dispute before the date of the Joinder Order will terminate immediately and that arbitrator will be deemed to be *functus officio* with effect from the date of the Joinder Order. Such termination is without prejudice to:
 - (A) the validity of any act done or order made by that arbitrator or by the court in support of that arbitration before his appointment is terminated;
 - (B) his entitlement to be paid his proper fees and disbursements; and
 - (C) the date when any claim or defence was raised for the purpose of applying any limitation bar or any similar rule or provision.
 - (iv) it may also give any other directions it considers appropriate to:
 - (A) give effect to the Joinder Order and make provisions for any costs which may result from it (including costs in any arbitration terminated as a result of the Joinder Order); and
 - (B) ensure the proper organisation of the arbitration proceedings and the proper formulation and resolution of the issues between the parties.
- 24.6.6 If a Tribunal appointed in respect of a Primary Dispute under these Terms and Conditions makes a Joinder Order which confers on that Tribunal jurisdiction to resolve a Linked Dispute arising under these Conditions, that Joinder Order and the award of that Tribunal will bind the parties to the Primary Dispute and the Linked Dispute being heard by that Tribunal.
- 24.6.7 For the avoidance of doubt, where a Tribunal is appointed under these Conditions, the whole of its award (including any part relating to a Linked Dispute) is deemed for the purposes of the New

York Convention on the Recognition and Enforcement of Arbitral Awards 1958 to be contemplated by these Conditions.

- 24.6.8 Each of the Issuer and the Noteholders waives any objection, on the basis of a Joinder Order, to the validity and/or enforcement of any arbitral award made by a Tribunal following any Joinder Order.

25. Rights of Third Parties

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

FORM OF FINAL TERMS

PROHIBITION OF SALES TO EEA RETAIL INVESTORS — The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“EEA”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded, the “**Insurance Mediation Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “**PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

MIFID II product governance / Professional investors and ECPs only target market — Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, “**MiFID II**”); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the manufacturer[’s/s’] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.

THE REPUBLIC OF UZBEKISTAN, REPRESENTED BY THE MINISTRY OF FINANCE OF THE REPUBLIC OF UZBEKISTAN ACTING UPON AUTHORISATION OF THE PRESIDENT OF THE REPUBLIC OF UZBEKISTAN AND THE CABINET OF MINISTERS OF THE REPUBLIC OF UZBEKISTAN

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes] under the Global Medium Term Note Issuance Programme

Part A

Contractual Terms

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the “**Conditions**”) set forth in the Base Prospectus dated 4 February 2019 [and the Base Prospectus Supplement dated [●]] which [together] constitute[s] a base prospectus for the purposes of Directive 2003/71/EC (as amended or superseded, the “**Prospectus Directive**”). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. The Base Prospectus [and the supplemental base prospectus] [has] [have] been published on the website of the [London Stock Exchange at www.londonstockexchange.com/exchange/news/market-news/market-news-home.html].

- | | | |
|----|--|--|
| 1 | Issuer: | The Republic of Uzbekistan, represented by the Ministry of Finance of the Republic of Uzbekistan acting upon authorisation of the President of the Republic of Uzbekistan and the Cabinet of Ministers of the Republic of Uzbekistan |
| 2 | [(i)] Series Number: | [●] |
| | [(ii)] Tranche Number: | [●] |
| 3 | Specified Currency or Currencies: | [●] |
| 4 | Aggregate Nominal Amount of Notes: | |
| | [(i)] Series: | [●] |
| | [(ii)] Tranche: | [●] |
| | [(iii)] Date on which the Notes become fungible: | [Not Applicable/The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the [insert description of the Series] on [insert date].] |
| 5 | Issue Price: | [●] per cent, of the Aggregate Nominal Amount [plus accrued interest from [●] (if applicable)] |
| 6 | (i) Specified Denomination(s): | [●] |
| | (ii) Calculation Amount: | [●] |
| 7 | [(i)] Issue Date: | [●] |
| | [(ii)] Interest Commencement Date: | [Specify/Issue Date/Not Applicable] |
| 8 | Maturity Date: | [[●]/Interest Payment Date falling on or nearest to [●]] |
| 9 | Interest Basis: | [[●] per cent Fixed Rate]
[●] +/- [●] per cent Floating Rate]
[Zero Coupon] |
| 10 | Payment Basis: | [Redemption at par] |
| | Redemption Amount: | [●] |
| 11 | Date approval for issuance of Notes obtained: | [●] |

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

- | | | |
|----|-----------------------------|--|
| 12 | Fixed Rate Note Provisions: | [Applicable/Not Applicable]
<i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i> |
|----|-----------------------------|--|

Rate(s) of Interest:	<input type="checkbox"/> per cent per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
Interest Payment Date(s):	<input type="checkbox"/> in each year [adjusted in accordance with <input type="checkbox"/> /not adjusted]
Fixed Coupon Amount(s):	<input type="checkbox"/> per Calculation Amount
Broken Amount(s):	<input type="checkbox"/> per Calculation Amount payable on the Interest Payment Date falling [in/on] <input type="checkbox"/>
Day Count Fraction:	[Actual/Actual (ICMA) / Actual/Actual (ISDA) / Actual/365 (Fixed) / Actual/360 / 30/360 / 30E/360 / Eurobond Basis / 30E/360 (ISDA)]
Interest Determination Date(s):	<input type="checkbox"/> in each year
13 Floating Rate Note Provisions:	[Applicable/Not Applicable]
Specified Interest Period(s):	<input type="checkbox"/>
Specified Interest Payment Dates:	<input type="checkbox"/>
First Interest Payment Date:	<input type="checkbox"/>
Business Day Convention:	[FRN Convention/Floating Rate Convention/Eurodollar Convention/Following Business Day Convention/Modified Following Business Day Convention/Modified Business Day Convention/Preceding Business Day Convention/Not Applicable]
Business Centre(s):	<input type="checkbox"/>
Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]
Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Calculation Agent):	<input type="checkbox"/>
Screen Rate Determination:	
• Reference Rate:	<input type="checkbox"/> month LIBOR/EURIBOR]
• Interest Determination Date(s):	<input type="checkbox"/>
• Relevant Screen Page:	<input type="checkbox"/>
• Reference Banks:	<input type="checkbox"/>
ISDA Determination:	
• Floating Rate Option:	<input type="checkbox"/>
• Designated Maturity:	<input type="checkbox"/>
• Reset Date:	<input type="checkbox"/>
Margin(s):	[+/-] <input type="checkbox"/> per cent per annum
Minimum Rate of Interest:	<input type="checkbox"/> per cent per annum
Maximum Rate of Interest:	<input type="checkbox"/> per cent per annum
Day Count Fraction:	[Actual/365 / Actual/Actual(ISDA) / Actual/365(Fixed) / Actual/360 / 360/360 / Bond Basis / 30E/360 / Eurobond Basis / Actual/Actual(ICMA)]
14 Zero Coupon Note Provisions:	[Applicable/Not Applicable]
[Amortisation Yield /Accrual Yield]:	<input type="checkbox"/> per cent per annum
Reference Price:	<input type="checkbox"/>

PROVISIONS RELATING TO REDEMPTION

- 15** Call Option: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Optional Redemption Date(s): [●]
- (b) Optional Redemption Amount(s) of each Note: [[●] per Calculation Amount][Make-whole Amount]
[(If Make-whole Amount is selected, include items (i) to (iii) below or relevant options as are set out in the Conditions)]
- (i) Reference Bond: [●]/[Not Applicable]
- (ii) Redemption Margin: [●] per cent.
- (iii) Quotation Time: [●]
- (c) If redeemable in part: [Not Applicable]
- (i) Minimum Redemption Amount: [●]
- (ii) Maximum Redemption Amount: [●]
- (iii) Notice periods: Minimum period: [●] days
Maximum period: [●] days

GENERAL PROVISIONS APPLICABLE TO THE NOTES

- 16** Financial Centre(s): [Not Applicable/[●]]
- Redenomination: [Applicable/Not Applicable]
- Calculation Agent: [●]

LISTING AND ADMISSION TO TRADING APPLICATION

Application has been made to the London Stock Exchange for the Notes to be admitted to the Official List and trading on its regulated market with effect from [●]. These Final Terms comprise the final terms required for issue and admission to trading on the London Stock Exchange of the Notes described herein pursuant to the Global Medium Term Note Programme of the Republic of Uzbekistan.

[THIRD PARTY INFORMATION]

[●] has been extracted from [●]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of the Issuer:

Dated: [●]

By:

Duly authorised

Part B

Other Information

1 LISTING

- (i) Listing and admission to trading: Application has been made by the Issuer (or on its behalf) for the Notes to be listed on the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange's Regulated Market with effect from [●].
- (Where documenting a fungible issue need to indicate that original Notes are already admitted to trading.)*
- (ii) Estimate of total expenses related to admission to trading: [●]

2 RATINGS

- Ratings: The Notes to be issued [have been/are expected to be] rated:
- [S & P: [●]]
- [Moody's: [●]]
- [Fitch: [●]]
- [Other: [●]]
- [Not Applicable]

3 INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.]

4 [Fixed Rate Notes only — YIELD

- Indication of yield: [●]
- The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

5 OPERATIONAL INFORMATION

- ISIN Code (Reg S Notes): [●]
- ISIN Code (Rule 144A Notes): [●]
- Common Code (Reg S Notes): [●]
- Common Code (Rule 144A Notes): [●]
- [CFI: [Not Applicable/[●]]
- [FISN: [Not Applicable/[●]]
- CUSIP (Rule 144A Notes): [●]
- [CINS: [●]]
- Any clearing system(s) other than [DTC, Euroclear Bank SA/NV and Clearstream Banking S.A. and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]

Delivery:	Delivery [against/free of] payment
Names and addresses of additional Paying Agent(s) (if any):	[●]

6. DISTRIBUTION

Method of distribution:	[Syndicated/Non-syndicated]
-------------------------	-----------------------------

If syndicated, names of Managers:	[Not Applicable/ <i>give names</i>]
-----------------------------------	--------------------------------------

Date of Subscription Agreement:	[●]
---------------------------------	-----

Stabilisation Manager(s) (if any):	[Not Applicable/ <i>give name</i>]
------------------------------------	-------------------------------------

If non-syndicated, name of relevant Dealer:	[Not Applicable/ <i>give name</i>]
---	-------------------------------------

Prohibition of Sales to EEA Retail Investors:	[Applicable/Not Applicable]
---	-----------------------------

(If the Notes clearly do not constitute “packaged” products, “Not Applicable” should be specified. If the Notes may constitute “packaged” products and no key information document will be prepared, “Applicable” should be specified.)

SUMMARY OF PROVISIONS RELATING TO NOTES IN GLOBAL FORM

The Global Notes

Each Series will be issued in registered form and evidenced on issue by a Global Note.

Notes offered and sold outside the United States in reliance on Regulation S will be represented by interests in an Unrestricted Global Note which will be deposited on issue with a Common Depositary for Euroclear and/or Clearstream, Luxembourg and registered in the name of a nominee for a Common Depositary in respect of interests held through Euroclear and Clearstream, Luxembourg.

Notes offered and sold in reliance on Rule 144A will be represented by interests in a Restricted Global Note which will be registered in the name of Cede & Co. as nominee for, and which will be deposited with the Custodian for DTC, in respect of interests held through DTC.

Beneficial interests in each Global Note will be subject to certain restrictions on transfer set forth therein and in the fiscal agency agreement dated 4 February 2019 relating to the Notes (as may be amended or supplemented from time to time, the “**Fiscal Agency Agreement**”) and, with respect to a Restricted Global Note, as set forth in Rule 144A and the Restricted Notes will bear the legends set forth thereon regarding such restrictions set forth under “*Transfer Restrictions*”.

Any beneficial interest in an Unrestricted Global Note that is transferred to a person who takes delivery in the form of an interest in a Restricted Global Note will, upon transfer, cease to be an interest in that Unrestricted Global Note and become an interest in the corresponding Restricted Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in that Restricted Global Note for as long as it remains such an interest. Any beneficial interest in a Restricted Global Note that is transferred to a person who takes delivery in the form of an interest in an Unrestricted Global Note will, upon transfer, cease to be an interest in that Restricted Global Note and become an interest in that Unrestricted Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in the Unrestricted Global Note for so long as it remains such an interest. No service charge will be made for any registration of transfer or exchange of Notes but the Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith. Except in the limited circumstances described below, owners of beneficial interests in Global Notes will not be entitled to receive physical delivery of certificated Notes in definitive form (the “**Definitive Note Certificates**”). The Notes are not issuable in bearer form.

Amendments to Conditions

Each Global Note contains provisions that apply to the Notes that they represent, some of which modify the effects of the Terms and Conditions of the Notes. The following is a summary of those provisions:

Payments

Payments of principal and interest in respect of Notes evidenced by a Global Note will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment (the “**Record Date**”), where “**Clearing System Business Day**” means Monday to Friday inclusive, except 25 December and 1 January.

Notices

So long as any Notes are evidenced by a Global Note and such Global Note is held by or on behalf of a clearing system, notices to Noteholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled account holders in substitution for delivery thereof as required by the Terms and Conditions of the Notes *provided however, that*, so long as the Notes are listed on a stock exchange and its rules so require, notices will also have to be filed in accordance with the rules of such stock exchange.

Meetings

The holder of each Global Note will be treated as being one person for the purposes of any quorum requirements of, or have the right to demand a poll at, a meeting of Noteholders and, at any such meeting, as having one vote in respect of each 1,000 units of the currency in which the relevant Notes are denominated as comprise the principal amount of Notes for which the relevant Global Note may be exchangeable.

Purchase and Cancellation

Cancellation of any Note required by the Terms and Conditions of the Notes to be cancelled following its purchase will be effected by reduction in the principal amount of the relevant Global Note.

Exchange for Definitive Note Certificates

Exchange

Notes initially represented by a Restricted Global Note are exchangeable in whole, but not in part, (free of charge to the Holder) for Restricted Definitive Note Certificates (i) if the Restricted Global Note is held by or on behalf of DTC and DTC notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to the Restricted Global Note or ceases to be a “clearing agency” registered under the Exchange Act or if at any time it is no longer eligible to act as such, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice or becoming aware of such ineligibility on the part of DTC, by the Holder giving notice to the Registrar or a Paying and Transfer Agent, (ii) if the Issuer would suffer a material disadvantage in respect of the Notes as a result of a change in the laws or regulations (taxation or otherwise) of any jurisdiction referred to in Condition 12 (*Taxation*) which would not be suffered were the Notes in definitive form or (iii) an Event of Default occurs. The Issuer shall notify the Noteholders of the occurrence of any of the events specified above as soon as practicable thereafter.

Notes initially represented by an Unrestricted Global Note are exchangeable in whole, but not in part, (free of charge to the Holder) for Unrestricted Definitive Note Certificates (i) if the Unrestricted Global Note is held by or on behalf of a clearing system and such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, by the Holder giving notice to the Registrar or a Paying and Transfer Agent, (ii) if the Issuer would suffer a material disadvantage in respect of the Notes as a result of a change in the laws or regulations (taxation or otherwise) of any jurisdiction referred to in Condition 12 (*Taxation*) which would not be suffered were the Notes in definitive form or (iii) an Event of Default occurs. The Issuer shall notify the Noteholders of the occurrence of any of the events specified above as soon as practicable thereafter.

On or after the Exchange Date, the holder of the relevant Global Note may surrender such Global Note to or to the order of the Registrar. In exchange for the relevant Global Note, as provided in the Fiscal Agency Agreement, the Registrar will deliver, or procure the delivery of, an equal aggregate amount of duly executed and authenticated Definitive Note Certificates in or substantially in the form set out in the relevant schedule to the Fiscal Agency Agreement.

The Registrar will not register the transfer of, or exchange of interests in, a Global Note for Definitive Note Certificates for a period of 15 calendar days ending on the date for any payment of principal or interest or on the date of optional redemption in respect of the Notes.

“**Exchange Date**” means a day falling not later than 90 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Registrar or a Paying and Transfer Agent is located.

Delivery of Definitive Note Certificates

In such circumstances, the relevant Global Note shall be exchanged in full for Definitive Note Certificates and the Issuer will, at the cost of the Issuer (but against such indemnity and/or security as the Registrar may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange), cause sufficient Definitive Note Certificates to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant Noteholders. A person having an interest in a Global Note must provide the Registrar with a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such Notes and, in the case of a Restricted Global Note only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange or, in the case of simultaneous sale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A. Definitive Note Certificates issued in exchange for a beneficial interest in a Restricted Global Note shall bear the legend applicable to transfers pursuant to Rule 144A, as set out under “*Transfer Restrictions*”.

Legends

The holder of a Definitive Note Certificate may transfer the Notes evidenced thereby in whole or in part in the applicable minimum denomination by surrendering it at the specified office of the Registrar or any Paying and Transfer Agent, together with the completed form of transfer thereon. Upon the transfer, exchange or replacement of a Restricted Definitive Note Certificate bearing the legend referred to under “*Transfer Restrictions*”, or upon specific request for removal of the legend on a Restricted Definitive Note Certificate, the Issuer will deliver only Restricted Definitive Note Certificates that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer and the Registrar such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer and the Registrar that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

USE OF PROCEEDS

The net proceeds of the issue of the Notes will be used by the Issuer for general budgetary purposes, including infrastructure projects.

OVERVIEW OF THE REPUBLIC OF UZBEKISTAN

Location and Population

Uzbekistan (officially the Republic of Uzbekistan (*O'zbekiston Respublikasi*)) is located in Central Asia and borders Kazakhstan to the north and north-east, Kyrgyzstan and Tajikistan to the east and south-east, Turkmenistan to the west and Afghanistan to the south.

The area of the territory of Uzbekistan is 448.97 thousand square kilometres. The length of the state border is 6,221 kilometres and at its widest points, Uzbekistan stretches for 930 kilometres from north to south and for 1,425 kilometres from west to east. The terrain of Uzbekistan is predominantly flat-to-rolling sandy desert with dunes.



Uzbekistan is a sovereign democratic republic. The effective Constitution of the Republic of Uzbekistan was adopted in 1992. However, national referenda and the Supreme Assembly have amended the Constitution multiple times throughout the country's history.

Administratively, Uzbekistan is divided into 12 regions (*viloyatlar*) (Andijan, Bukhara, Fergana, Jizzakh, Khorezm, Namangan, Navoiy, Kashkadarya, Samarkand, Syrdarya, Surkhandarya and Tashkent), one republic (Karakalpakstan) and the city of Tashkent (the capital of Uzbekistan).

According to preliminary data of the State Committee for Statistics of the Republic of Uzbekistan, as of 1 January 2019, the population of Uzbekistan was estimated at 33.2 million with 50.6% of the population (16.8 million) living in urban areas and 49.4% of the population (16.4 million) living in rural areas. As of 1 January 2019, the city of Tashkent had an estimated population of 2.9 million, which was approximately 8.7% of the total population. As of 1 January 2019, the population density of Uzbekistan was estimated at 74.1 persons per square kilometre. According to the 2017 census data, ethnic Uzbeks constitute more than 80% of Uzbekistan's total population. Other ethnic groups include Karakalpaks, Tajiks, Kazakhs, Russians, Kyrgyz, Tatars, Turkmens, Koreans and Ukrainians, among others. The national language of Uzbekistan is Uzbek, while Russian is used extensively and is the most widely taught second language.

The following table sets forth a breakdown of Uzbekistan's population by age and gender as at 1 January 2018.

Age	Percentage of Population	Gender		Total Population (Male and Female)
		Male	Female	
0-14	28.61	4,830,500	4,513,600	9,344,100
15-24	17.43	2,910,800	2,780,100	5,690,900
25-54	42.08	6,854,500	6,887,600	13,742,100
55-64	7.44	1,162,400	1,267,700	2,430,100
65 and over	4.44	639,700	809,800	1,449,500
Total	100.00	16,397,900	16,258,800	32,656,700

Source: State Committee for Statistics

Uzbekistan is a secular country and its Constitution stipulates the right to religious freedom. The principal religion in the country is Islam. Muslims constitute approximately 93% of the population, while approximately 3% of the population follows Russian Orthodox Christianity and approximately 4% of the population follows other religions or are non-religious. A majority of Uzbeks are non-denominational Muslims.

History

Uzbekistan formed the nation as it is known today around 1000 B.C. However, the term "Uzbek" was introduced in the 15th and 16th centuries, during the period of Shaybani Khan's rule. Uzbekistan is located along the "Silk Road", a historical network of trade routes between Europe, India, China, and many other Afro-Eurasian countries that began during the Han Dynasty (206 B.C. - 220 A.D.).

Art, cultural life and science in Uzbekistan developed between the 9th and 12th centuries. Great scientists such as Al-Khorezmi, Ahmad Al-Fargani, Al-Farabi, Abu Rayhan Biruni, Abu Ali ibn Sina (Avicenna) and al-Zamakhshari were born in what is present-day Uzbekistan and the notable Islamic scholars Imam al-Bukhari, al-Tirmidhi, Nazhmuddin Kubra and Bahavuddin Naqshband were also from what is present-day Uzbekistan.

At the beginning of the 13th century, the Mongol military, led by Genghis Khan, upon defeating the state of Khorezm, conquered much of modern Central Asia, including the territory of modern Uzbekistan.

Amir Timur (also known as Tamerlane), was one of the main influences behind statehood in this region. Capitalising on the disintegration of the states of Genghis Khan's heirs in Central Asia in the second half of the 14th century, Amir Timur united the states of Genghis Khan's heirs and founded a powerful state with a capital in Samarkand. In 1380, Amir Timur invaded other regions, conquering Iran, the Caucasus, Iraq, Syria, Turkey and Northern India, and established a centralised state, called Movaroun-Nahr in Central Asia. The elimination of political fractures allowed for the subsequent development of the economy, which Mongol rule had previously exhausted.

After the fall of the Timurid dynasty, Central Asia was divided into city-states under Muslim rulers known as "khans". The Khanate of Khiva, the Bukhara Khanate and the Khanate of Kokhand were considered the most powerful in what is now Uzbekistan. These khans ruled the region during the 18th and 19th centuries.

The Russians occupied Tashkent in 1865 and ruled all of Central Asia by 1920. On 27 October 1924, the Uzbek Soviet Socialist Republic ("UzSSR") was created, and in May 1925 it became part of the USSR. During World War II, the relocation of factories from the war zone to Tashkent helped to enlarge Uzbekistan's industrial base.

On 29 August 1991, ten days after the collapse of the anti-Gorbachev coup in Moscow, an extraordinary session of the Supreme Council voted to declare the Republic independent and changed its name to the Republic of Uzbekistan. On 31 August 1991, the Republic of Uzbekistan declared its independence from the USSR. A referendum was held in December 1991, in which 98% of participants endorsed Uzbekistan's independence. However, after obtaining independence, Uzbekistan faced difficult political and socio-economic conditions. Over 130 years of rule by colonial regimes significantly hindered the development of Uzbekistan as an independent Republic.

The first presidential elections were held on 29 December 1991 and were won by Mr. Islam Karimov with a reported 86% of the vote. Islam Karimov won a subsequent referendum in 1995, allowing him to stay in office until 2000. He was further re-elected in the January 2000 presidential election. Following the extension of the presidential term in office from five to seven years, Islam Karimov was again re-elected in December 2007 for a seven-year term. In December 2011, the Senate of the Republic approved the law “On introduction of amendments to article 90 of the Constitution of Uzbekistan”, which led to the duration of the presidential term reverting back to five years.

Islam Karimov led Uzbekistan for 25 years until his death in September 2016. Following Islam Karimov’s death, Mr. Shavkat Mirziyoyev served as acting president and subsequently won the presidential election in December 2016. A number of parties were represented in the 2016 presidential election, including the Liberal Democratic Party, the People’s Democratic Party, the Justice Social Democratic Party “Adolat”, and the National Revival Democratic Party “Milliy Tiklanish”. Shavkat Mirziyoyev was the nominee for the Liberal Democratic Party of Uzbekistan and was elected as President by 88.6% of the votes. He will serve his first term until the next presidential elections, scheduled to be held in December 2021.

Government

The Constitution and the President

Uzbekistan is a sovereign democratic republic, governed by the President of the Republic of Uzbekistan (the “**President**”), the Cabinet of Ministers and the Supreme Assembly (*Oliy Majlis*) (each as defined below). Uzbekistan’s current constitution (the “**Constitution**”) was adopted in 1992 and has been subject to various amendments adopted by a national referendum, held on 24 April 2003, and by the Supreme Assembly, most recently on 15 October 2018. The Constitution is the basis for the development of Uzbekistan’s legislation.

The latest constitutional reforms, carried out in 2017, were mainly aimed at improving the legislative framework of public administration system, including:

- reforming and developing the efficiency of the judicial system, including to ensure the judiciary independence in the Republic of Uzbekistan;
- reforming the system of public administration in the fields of ecology and environmental protection;
- strengthening the independence of the Constitutional Court of the Republic of Uzbekistan; and
- further strengthening the democratic foundations of state power, the role of representative bodies in the implementation of socio-economic and socio-political reforms, as well as unifying local electoral legislation.

The Constitution and the Uzbek law entitled “On guarantees for the activities of the President of the Republic of Uzbekistan” determine the legal status, duties and powers of the President. The Constitution and such law provide that the President is the head of state and ensures the proper functioning and interaction of state authority bodies. It also states that the people of Uzbekistan elect the President to office for a term of five years, and that the President cannot serve for more than two consecutive terms.

The President represents Uzbekistan domestically and in international relations. The President has a wide range of powers, including appointing the Prime Minister (subject to confirmation by the Supreme Assembly), appointing and dismissing the Procurator-General of Uzbekistan and the Chairman of the Accounting Chamber (subject to confirmation by the Senate of the Republic), making appointments to local executive and administrative bodies and exercising other constitutional and lawfully stipulated powers. The President also has the power to sign and promulgate laws, issue binding decrees, resolutions and ordinances, grant pardons to convicted citizens and confer state awards, ranks and titles. The President is also the Commander-in-Chief of the Armed Forces of Uzbekistan.

In accordance with the Constitution, the President has the right to direct the Supreme Assembly on the most important issues of domestic and foreign policy implementation.

The Executive Power

The Government, represented by the Cabinet of Ministers, exercises executive power in Uzbekistan. The Cabinet of Ministers is comprised of the Prime Minister, his deputies, ministers and chairmen of the state committees, as

well as the Head of the Government of the Republic of Karakalpakstan. The Cabinet of Ministers is accountable to the President, who appoints its members and receives a report on the work done by the Cabinet of Ministers. Under the Constitution, the Cabinet of Ministers is also responsible to the Supreme Assembly.

The President appoints the Prime Minister with the consent of the Supreme Assembly. In the event the Supreme Assembly fails to appoint a Prime Minister twice consecutively, the President has the right to appoint an acting Prime Minister, dissolve the Supreme Assembly and call a new election. The Cabinet of Ministers normally acts for the duration of the President's term of office and relinquishes its responsibility when a new President is elected.

The Legislature and Main Political Parties

The representative and legislative body of Uzbekistan is the supreme assembly of the Republic of Uzbekistan (the “**Supreme Assembly**”). It comprises two chambers: the legislative chamber (the “**Legislative Chamber**”) and the senate of the republic (the “**Senate of the Republic**”).

The Legislative Chamber consists of 150 deputies, of which 135 deputies are directly elected by the people of Uzbekistan and 15 deputies are elected by the Ecological Movement of Uzbekistan (a non-governmental association) for five-year terms. The election of 135 deputies is carried out on the basis of universal, free, equal and direct voting by secret ballot.

The Senate of the Republic is made up of territorial representatives and consists of 100 members. Six members are elected from each of the 12 regions, the Republic of Karakalpakstan and the capital city of Tashkent, making up 84 members in total. This is done by secret ballot at relevant joint sittings of deputies of Zhokarghy Kenes of the Republic of Karakalpakstan (the highest state representative body in the Republic of Karakalpakstan), representative bodies of state authority of regions, districts, cities and towns among these deputies. The remaining 16 members of the Senate of the Republic are appointed by the President among citizens with extensive practical experience and special merits in the spheres of science, art, literature, manufacturing and other areas of state and public activity. The same person may not simultaneously be a deputy of the Legislative Chamber and a member of the Senate of the Republic.

Sittings of the Legislative Chamber are convened from the first working day of September until the last working day of June of the next year. Sittings of the Senate of the Republic are called as required, but no less than three times a year. Sittings of the chambers of the Supreme Assembly are considered to be quorate provided at least half of the total number of all deputies and senators participate in the session.

The exclusive powers of the Legislative Chamber include:

- the election of the Speaker of the Legislative Chamber, his deputies and chairmen of committees and their deputies;
- ruling on matters of deprivation of immunity of a deputy of the Legislative Chamber submitted by the Procurator-General;
- the adoption of decisions on matters relating to the organisation of the Legislative Chamber's activity and its internal schedule; and
- the adoption of resolutions on those or other matters in the spheres of political, social and economic life, as well as matters of domestic and foreign policies of the state.

The exclusive powers of the Senate of the Republic include:

- the election of the Chairman of the Senate, his deputies and chairmen of committees and their deputies;
- the election, following the nomination of the President, of the Constitutional Court and the Supreme Court;
- the appointment of the Chairman of the Supreme Judicial Council following the nomination of the President;
- the ratification of decrees of the President on appointment and relief of the Procurator-General, the Chairman of the Accounting Chamber and the Chairman of the State Security Service of their posts;
- the appointment and dismissal of diplomatic and other representatives of the Republic of Uzbekistan to foreign states and the Chairman of the Board of the Central Bank following the nomination of the President;

- the adoption of acts of amnesty following the nomination of the President;
- ruling on matters of deprivation of immunity of a member of the Senate of the Republic following the nomination of the Procurator-General;
- hearing reports of the Procurator-General and the Chairman of the Board of the Central Bank;
- the adoption of decisions on matters relating to the organisation of the Senate of the Republic's activity and its internal schedule;
- the adoption of resolutions on matters in the spheres of political, social and economic life, as well as matters of domestic and foreign policies of the state.

The central electoral commission is the state body responsible for the preparation and running of the state elections for the office of the President, the Supreme Assembly, and the running of national referenda (the “**Central Electoral Commission**”). Based on the recommendation of the Zhokarghy Kenes of the Republic of Karakalpakstan and the deputies of the regions of Uzbekistan and Tashkent city, the Legislative Chamber and the Senate of the Republic shall elect Members of the Central Election Commission. The Chairman of the Central Election Commission shall be elected by its members following the nomination of the President at the meeting of the Commission.

The last elections to the Legislative Chamber were held in December 2014, with a second round on January 2015. The Legislative Chamber currently comprises 52 deputies from the Liberal Democratic Party, 36 deputies from the National Revival Democratic Party, 27 deputies from the People's Democratic Party, 20 deputies from the Justice Social Democratic Party and 15 deputies from the Ecological Movement.

The latest elections to the Senate of the Republic were held in January 2015. The current composition of the Senate of the Republic does not have a dominant political party.

Uzbekistan has four registered political parties: the Liberal Democratic Party; the National Revival Democratic Party “Milliy Tiklanish”; the People's Democratic Party; and the Justice Social Democratic Party “Adolat”.

The next elections to the Legislative Chamber and the Senate of the Republic are scheduled to be held in 2019–2020.

Judicial System

The judicial system in Uzbekistan consists of: the Constitutional Court; the Supreme Court; the Supreme Judicial Counsel; the Martial Court; interdistrict, district, city and regional economic courts; interdistrict, district, city and regional courts on civil cases; district, city and regional courts on criminal cases; district, city and regional administrative courts; territorial martial courts; the Economic Court of the Republic of Karakalpakstan; the Administrative Court of the Republic of Karakalpakstan; the Court of the Republic of Karakalpakstan on civil cases; and the Court of the Republic of Karakalpakstan on criminal cases.

The Constitutional Court of the Republic of Uzbekistan examines cases on the constitutionality of legislative and executive acts, while the Supreme Court of the Republic of Uzbekistan is the highest judicial authority in the fields of civil, criminal, economic and administrative proceedings.

The Constitutional Court is responsible for ensuring the compliance with the Constitution of presidential edicts and orders and legislation of the Supreme Assembly, as well as any other exercise of constitutional power. The Constitutional Court consists of seven judges who cannot be older than 70 years of age. The Constitutional Court is elected by the Senate of the Republic, following the nominations of the Supreme Judicial Counsel, from political and legal scholars. It consists of the Chairman, Deputy Chairman and judges of the Constitutional Court, including a representative from the Republic of Karakalpakstan. Judges of the Constitutional Court are appointed for five years. The Chairman and his deputy are elected by the judges of the Constitutional Court.

The Supreme Judicial Counsel was formed in Uzbekistan in 2017. The Supreme Judicial Council is the body of the judicial community and assists in ensuring the independence of the judiciary in the Republic of Uzbekistan and compliance with the Constitution. The Supreme Judicial Counsel has the authority to appoint judges and consist of 11 judges.

Local Government

The representative bodies of authority in the regions, districts, cities and towns (except towns subordinate to district centres) of Uzbekistan are the Kenghashes of people's deputies (in the Republic of Karakalpakstan) and khokims. The khokim of a region, district, city and town serves as the head of the representative and executive authorities of the relevant territory. The khokim of Tashkent city and region is appointed and dismissed by the President, following the nomination of the respective Kenghash of people's deputies.

The Kenghashes of people's deputies and khokims are responsible for social and economic development in the regions, cities and districts, the implementation of laws and decisions of the chambers of the Oliy Majlis, legal acts adopted by the President and the Cabinet of Ministers and decisions of higher Kenghashes of people's deputies and khokims, communication between state authorities and citizens' self-government bodies and the involvement of the people in the management of the relevant region, city or district.

The joint responsibilities of the local bodies of authority include:

- the guarantee of legality, legal order and security of the relevant territory's citizens;
- matters of economic, social and cultural development within their territories;
- the formation and implementation of the local budget, determination of local taxes and fees, and the formation of non-budget funds;
- the direction of the municipal economy;
- protection of the environment;
- the registration of civil status acts; and
- the adoption of normative acts and the exercise of other powers which are not contrary to the Constitution and legislation of Uzbekistan.

The term of office of the Kenghashes of people's deputies and khokims is five years.

Self-governing bodies in settlements, kishlaks and auls, as well as in makhallas (which are constituent parts of settlements) of cities, towns, settlements, kishlaks and auls, are assemblies of citizens electing a Chairman (aksakal) and his advisers for a term of two and a half years. The law regulates the procedures for the elections, organisation of the work and the powers of self-governing bodies.

Legal Framework

The legal system of Uzbekistan is based on civil law, founded on statutory legislation and sub-legislation, which provide for a strict hierarchy of legal acts.

The central piece of legislation in the area of business and commercial relations in Uzbekistan is the Civil Code, which became effective from 1 March 1997.

The Civil Code outlines various aspects of laws ranging from property rights, different types of contracts, regulation of intellectual property and inheritance. It sets default rules and regulates the legal relationships between business parties involving sale-and-purchase, lease, loans, and security transactions. While the Civil Code lays down general principles, specific rules for business conduct are further elaborated in other laws that are subordinated to the Civil Code.

The status of foreign investors in the Republic of Uzbekistan is governed by the law "On foreign investments" dated 30 April 1998, as amended. The law defines the forms of foreign investments, the rights and obligations of foreign investors as well as the obligations of Uzbekistan towards foreign investors, such as the implementation of a non-discrimination regime and a grandfather clause. Pursuant to the law "On guarantees and measures for protection of the rights of foreign investors" dated 30 April 1998, as amended, and the law "On Guarantees of the Freedoms of Entrepreneurial Activity" dated 2 May 2012, as amended, foreign investors in Uzbekistan enjoy, *inter alia*, a guaranteed right to (i) discontinue investment activity in Uzbekistan at any time and at their own discretion; (ii) repatriate their assets from the country, and (iii) freely manage dividends received from investment activity in Uzbekistan.

Antitrust regulation is outlined in the law "On Competition" dated 6 January 2012, as amended, which governs, *inter alia*, merger control in the commodity and financial markets and restricts monopolistic behaviour. The law

expressly prohibits certain practices such as (i) abuse by entities in dominant positions; (ii) concerted actions and transactions that limit competition and (iii) unfair competition. The law also regulates auctions (tenders) and prohibits certain actions that may limit competition, such as creating advantageous circumstances (including access to information) for some participants in the auction, indicating the exact manufacturer of the goods and the unlawful disqualification of a participant. All forms of merger and consolidation of legal entities, including associations of legal entities that fulfil the criteria and thresholds required by the law, are also subject to anti-monopoly pre-approval by the State Committee of the Republic of Uzbekistan for assistance to privatised enterprises and development of competition.

Uzbekistan has acceded to Article VIII of the IMF to ensure the convertibility of national currency into foreign currency without restrictions for “current international transactions”, i.e. export-import, distribution or franchise, etc. Pursuant to the law “On Currency Regulation” dated 11 December 2003 with No556-II, all business entities can purchase foreign currency in commercial banks without restrictions for current international transactions, including import of goods, works and services, repatriation of profits and repayment of loans. Restrictions on foreign currency operations may be imposed to prevent money laundering, terrorism financing and any other potential economic threats. All payments in foreign currency within the country are generally prohibited.

The conduct of business in special economic zones is regulated differently. A free economic zone (“FEZ”) regime has been established in the territories of eleven regions including the Navoi Namangan, Tashkent, Jizzakh, Samarkand, Bukhara, Khorezm, Fergana Surkhandarya and Syrdarya regions. Businesses in such territories benefit from: some special customs, currency, and tax regimes; a simplified procedure for entering, staying, and leaving the FEZ; and provisions by which non-residents can receive labour licences. These benefits are effective for the duration of activity of the FEZ. The specific exemptions and privileges with respect to each region are summarised in the respective resolutions of the President of Uzbekistan.

Security and Defence

Security Service

In 2018, in accordance with the Presidential Decree No, 5379 dated 14 March 2018, the National Security Service was reorganised into the State Security Service (“SSS”). The SSS is a special authorised body that carries out intelligence and counter-intelligence activities aimed at preventing, detecting and suppressing encroachments on the constitutional order, sovereignty and territorial integrity of Uzbekistan.

The SSS is also responsible for the following:

- the protection of the state borders of Uzbekistan;
- the implementation of strategic initiatives to strengthen the country’s defence capabilities;
- the fight against terrorism, extremism, organised crime, illegal circulation of weapons, narcotic drugs and psychotropic substances; and
- the prevention, detection and suppression of destructive activities aimed at propaganda of national, ethnic and religious enmity.

The SSS provides for the economic, scientific, technical, social and information security of Uzbekistan and is under the supervision of the President.

Military Defence

On 9 January 2018, the Government adopted a new military doctrine for the Republic of Uzbekistan (approved by the law No458) to ensure the transparency of the country’s defence policies. This doctrine outlines the main directions and approaches to the development of Uzbekistan’s military and the armed forces, as well as creates administrative and legal conditions for effective military-political relations and cooperation with other foreign states in the field of security and defence.

The doctrine is based on the legislative acts of the Republic and the norms of international law, and determines the priorities of the state’s defence policy, the basic principles and directions of training, construction and the use of the armed forces based on the national interests of Uzbekistan, the global and regional military and political situation and the nature of modern military conflicts.

The priority directions of the state’s military security operations are specified by the President, the Supreme Commander-in-Chief of the Armed Forces.

Uzbekistan's policy is based on principals of openness in its foreign relations and prioritises developing constructive relations with its immediate neighbours, transparency of the country's defence policy and effective military-political interaction in the spheres of security and defence with foreign states.

Anti-terrorism Measures

In accordance with its strategy to combat international terrorism, Uzbekistan cooperates with the UN Security Council Counter-Terrorism Committee, CIS anti-terrorism centre and the Shanghai Cooperation Organisation (the "SCO"), and actively facilitates the efforts of the International Coalition Forces Against Terrorism. Uzbekistan is also a party to all existing conventions and UN protocols on counter-terrorism.

The main priorities of Uzbekistan's cooperation with the UN include combating contemporary threats and security challenges, the stabilisation and reconstruction of Afghanistan and the non-proliferation of weapons of mass destruction.

International Relations

Uzbekistan has established diplomatic relations with over 134 countries and is a member of over 20 international organisations, including the UN, the Euro-Atlantic Partnership Council, the Partnership for Peace and the Organisation for Security and Cooperation in Europe ("OSCE"). Uzbekistan belongs to the Organisation of Islamic Cooperation (the "OIC") and the Economic Cooperation Organisation, which is comprised of the five Central Asian countries, Azerbaijan, Turkey, Iran, Afghanistan, and Pakistan. Uzbekistan also cooperates with the IMF, the World Bank, the European Bank for Reconstruction and Development (the "EBRD") and the Asian Development Bank (the "ADB") in connection with many social and investment projects.

Uzbekistan maintains peaceful relations with countries of the global community and has no outstanding disputes relating to state borders.

In addition, the new decree "On additional measures to accelerate the development of tourism in the Republic of Uzbekistan" signed by the President of the Republic of Uzbekistan introduces a visa-free regime for citizens of 45 countries for a period of 30 days commencing 1 February 2019. New categories of non-electronic visas have been introduced for certain groups of foreign citizens. These categories include: the "Vatandosh" (a two-year visa issued for persons originally from Uzbekistan); the "Student visa", the "Academic visa" (issued for academic and research purposes in Uzbekistan for periods ranging from three months to two-years); the "Medical visa" (issued for a period of up to three months) and the "Pilgrim visa" (issued for up to two months to foreign citizens that are visiting Uzbekistan for the purposes of learning the cultural, historical and religious heritage and traditions of Uzbekistan).

International Organisations

World Trade Organisation ("WTO")

Uzbekistan applied for membership to the WTO in 1994. To date, there have been four meetings of a working group consisting of members of the organisation to discuss the country's potential membership. During an official visit to South Korea in 2017, President Mirziyoyev announced plans to resume work to join the organisation. Later in 2017, Uzbekistan and South Korea executed a road map for South Korea to advise Uzbekistan on assessing the consequences of joining the WTO, and examining national legislation in accordance with the requirements of the WTO agreements. The United States has also agreed to provide the necessary technical assistance in the accession process through documentation review and holding seminars and conferences. The last meeting with the WTO working group took place in 2018. Uzbekistan is currently participating in the organisation as an observer state.

In May 2018, the Chairman of the Chamber of Commerce and Industry of Uzbekistan announced that Uzbekistan is planning to join the WTO within a four to five-year period. However, the Government acknowledges that the process of negotiation and the implementation of required structural and legislative reforms may take longer. In order to facilitate the process, Uzbekistan has created two special divisions within the Government responsible for matters connected to the accession and has introduced the post of Deputy Minister of Foreign Trade of Uzbekistan responsible for WTO accession issues, including customs and tariff regulation of foreign trade, optimisation of imports and developing transport routes.

Commonwealth of Independent States

Uzbekistan is one of the founding members of the CIS, which was established in December 1991 to promote the resolution of key issues for the development of its members, including economic, security, political and human cooperation issues, as well as migration and development of contacts between citizens of the member states. Currently, the CIS consists of eleven states. An agreement on the CIS Free Trade Area was signed in October 2011. The development of cooperation in other fields including security, culture, education, sport and other matters is in progress.

Organisation for Security and Cooperation in Europe

Uzbekistan has been one of the members of the OSCE since 26 February 1992. In July 2006, the Government of the Republic of Uzbekistan and the OSCE signed a Memorandum of Understanding, pledging to establish the post of OSCE Project Coordinator in Uzbekistan. Through this cooperation, the OSCE has concentrated on project implementation, which is a priority for Uzbekistan, as well as strengthening the cooperation between Uzbekistan and the OSCE. Within the framework of the signed Memorandum, together with the ministries and agencies of Uzbekistan, numerous projects have been implemented since 2007. Currently, more than 20 projects are taking place in Uzbekistan.

The main focus of Uzbekistan's cooperation with the OSCE is to implement principles and accepted responsibilities within the framework of the OSCE, as well as consider new challenges, threats to security, international agenda issues and Uzbekistan's national interests.

North Atlantic Treaty Organisation ("NATO")

Uzbekistan, while not a member of NATO, is an active participant in the NATO Partnership for Peace programme, which it joined in 1995. NATO and Uzbekistan are developing practical cooperation in a number of areas through the country's Individual Partnership and Cooperation Programme (IPCP), which has been agreed for a two-year period in 2019 and 2020. Uzbekistan also works with NATO and other partner countries on a wide range of other areas through the Partnership for Peace programme and the Euro-Atlantic Partnership Council. In 2010, Uzbekistan signed an agreement with NATO regarding the railway transportation of non-lethal cargo to Afghanistan.

Organisation of Islamic Cooperation

In October 1995, Uzbekistan became a member of the OIC, an inter-governmental organisation that has 57 member states spread over four continents. Since joining the OIC, Uzbekistan has taken an active part in significant OIC events, including summits, conferences of foreign ministers and annual coordination meetings of foreign ministers as part of the UN General Assembly. Uzbekistan places importance on cooperation with the economic bodies of the OIC, including the Islamic Development Bank (the "IDB"). For information on cooperation with the IDB, see "*Public Debt — International Financial Organisations — Islamic Development Bank*".

Shanghai Cooperation Organisation ("SCO")

Uzbekistan has been a member of the SCO since 2001. Uzbekistan is one of the founders of the SCO and, together with other Member States, established the strategy of cooperation within the SCO framework. The main priorities for Uzbekistan within the SCO include maintaining regional stability and developing economic and investment cooperation.

Between 2013 and 2018, three SCO summits took place. The parties reached agreements on cooperation in the areas of agriculture, transport, humanitarian cooperation, crime prevention and international security. In July 2015, during the summit held in Ufa in Russia, SCO Heads of States signed the Ufa Declaration, approving the development strategy of the SCO towards 2025 and the programme of cooperation of the SCO Member States in the fight against terrorism, separatism and extremism for 2016-2018.

The future development of the SCO framework envisages the creation of the SCO Development Bank and Development Fund, as well as accession of new member states to the organisation.

Uzbekistan, as a chairman-state, intends to adhere to the principles of continuity and consistent strengthening of mutually beneficial development, meeting the interests of the SCO Member States and the continued growth of the prestige of the organisation in the international arena.

Other Organisations

The Republic is also a member of several other international organisations, such as the Eurasian Economic Community (“**EurAsEC**”), the Central Asian Cooperation Organisation (“**CACO**”), the Organisation for Economic Cooperation (“**OEC**”), the Central Asian Regional Economic Cooperation (“**CAREC**”), the United Nations Fund for Population Activities (“**UNFPA**”), the United Nations Children’s Fund (“**UNICEF**”), the World Health Organisation (“**WHO**”) and the Intellectual Property Organisation (“**WIPO**”).

International Financial Organisations

For information on Uzbekistan’s relations with the EBRD, the IMF, the World Bank and other financial organisations, see “*Public Debt — Relations with International Financial Organisations*”.

Foreign States

Russia

Uzbekistan has maintained significant political and economic relations with Russia since the dissolution of the USSR. After the dissolution of the USSR, Uzbekistan concluded an agreement with Russia which provided for Russia’s acceptance of responsibility for virtually all external debt liabilities of the former USSR in return for Uzbekistan waiving all claims on former USSR assets located outside the territory of Uzbekistan.

The Russian Federation recognised the independence of the Republic of Uzbekistan on 20 March 1992 and, on the same day, diplomatic relations between the two countries were officially established. Cooperation between the two countries is developing on the basis of the Treaty on Strategic Partnership (2004) and the Treaty on Allied Relations (2005).

Bilateral trade and economic relations with the Russian Federation are developing dynamically. Russia is the main foreign trade partner of Uzbekistan. In 2018, the trade turnover between the two countries amounted to U.S.\$5.7 billion (representing 16.9% of Uzbekistan’s total trade turnover). Uzbekistan’s trade turnover with Russia increased in 2018, despite the effects of imposed sanctions on the Russian economy. See “*Risk Factors — Risks Relating to Uzbekistan — Sanctions imposed on Russia could have an indirect adverse impact on Uzbekistan’s economy*”, and “*Balance of Payments and Foreign Trade — Foreign Trade*”.

Uzbekistan is not a party to the current conflict in Ukraine or the dispute over the alleged role of Russia in events in Ukraine and Crimea.

Other CIS States

In addition to Uzbekistan and Russia, the CIS comprises Kazakhstan, Kyrgyzstan, Turkmenistan, Tajikistan, Azerbaijan, Ukraine, Belarus, Armenia and Moldova.

Uzbek-Kazakh relations have been actively developing in recent years. Kazakhstan is one of Uzbekistan’s most important trade partners and a significant part of Uzbekistan’s foreign trade with Central Asian countries is with Kazakhstan. In 2018, trade turnover between the two countries amounted to U.S.\$3.0 billion (representing 8.9% of Uzbekistan’s total trade turnover). Uzbekistan believes that its close bilateral interaction with Kazakhstan promotes stability in Central Asia and helps to resolve outstanding problems of regional security.

Uzbekistan and Kyrgyzstan’s bilateral relationship is based on the intergovernmental commission on bilateral cooperation, which has functioned between Uzbekistan and Kyrgyzstan since 1996. Eight meetings have been held so far. In 2018, trade turnover between the two countries amounted to U.S.\$481.0 million (representing 1.4% of Uzbekistan’s total trade turnover).

The scale of economic cooperation between Uzbekistan and Turkmenistan has been improving steadily in recent years, leading to an increase in trade turnover between the two countries, which in 2018 amounted to U.S.\$302.3 million (representing 0.9% of Uzbekistan’s total trade turnover). The interaction of the two countries in the hydrocarbon industry has been dynamically advancing in recent years. The implementation of the project on establishing the transnational Turkmenistan-Uzbekistan-Kazakhstan-China pipeline serves to diversify transportation routes of important strategic resources. Transport and communications constitute another vital dimension of economic cooperation between the two countries. The implementation of the project on establishing the Uzbekistan-Turkmenistan-Iran-Oman transport corridor is expected to allow for opportunities in further bolstering trade and economic relationships and to increase volumes of international transit cargo.

Uzbekistan is in the process of developing its relationship with Tajikistan in the trade, economic and humanitarian spheres, as well as on combatting threats to regional security and stability. The countries established the Intergovernmental Commission on Trade and Economic Cooperation, which so far has had five meetings. Maintaining constructive and open dialogue between Uzbekistan and Tajikistan is an important condition for ensuring regional security and development. In 2018, trade turnover between the two countries amounted to U.S.\$389.4 million.

Ukraine is another trade partner of Uzbekistan. Bilateral relations between the two countries encompass various spheres. In 2018, trade turnover between the two countries amounted to U.S.\$430.3 million (representing 1.3% of Uzbekistan's total trade turnover).

Uzbekistan aims to strengthen cooperation with Belarus. Currently bilateral cooperation has focused on fighting crime, preventing emergencies and mitigating their consequences. In 2018, trade turnover between the two countries amounted to U.S.\$419.9 million (representing 1.2% of Uzbekistan's total trade turnover).

Bilateral cooperation of Uzbekistan with Armenia and Moldova is developing within the CIS and other regional and international organisations.

China

Diplomatic relations with China were established on 2 January 1992. The leaders of the two countries regularly exchange high level visits and meetings. Between 2004 and 2017, Uzbekistan and China held 15 rounds of political consultations at the level of the Ministries of Foreign Affairs, discussing the issues of bilateral cooperation and interaction within the SCO. In 2018, trade turnover between the two countries amounted to U.S.\$6.4 billion (representing 19.0% of Uzbekistan's total trade turnover), including exports of U.S.\$2.8 billion and imports of U.S.\$3.5 billion. Uzbekistan supports the implementation of projects for the construction of the "Uzbekistan-China" pipeline and the "China-Kyrgyzstan-Uzbekistan" railway. The two countries are also developing cooperation in the financial sector, in particular through the China Development Bank and Export-Import Bank of China.

Uzbekistan also supports the "One Belt, One Road" project, as well as other initiatives in transport, trade, investment, energy and high-tech sectors. On 14 May 2018, Tashkent hosted an international conference "Uzbekistan and China: prospects for joint implementation of the "One Belt, One Road" initiative". The conference was aimed at the discussion and receipt of practical recommendations on the further development of trade, economic, investment, transport-logistical and cultural-humanitarian cooperation, as well as a mutually beneficial partnership within the framework of the "One Belt, One Road" project.

South Korea

Since the establishment of diplomatic relations in 1992, Uzbekistan-South Korean cooperation has been steadily developing. There have been fifteen summit meetings between the two heads of state in the past 26 years, resulting in a strategic partnership that has greatly contributed to furthering and strengthening multifaceted bilateral relations. The Government of Uzbekistan is strongly committed to working closely with South Korea in advancing this strategic partnership and widening the horizons of comprehensive cooperation. In maintaining such collaboration, regular dialogue between the leaders of the two countries has become one of the hallmarks of Uzbek-South Korean bilateral relations.

In 2014, the two countries signed the "Joint Declaration between the Republic of Uzbekistan and the Republic of Korea on the further development and deepening of the strategic partnership," which defines perspectives of cooperation in political, trade, economic, investment, cultural-humanitarian areas as well as collaboration in the framework of international organisations.

The two countries highly value the bilateral inter-parliamentary relations, including those functioning through existing associations in legislative bodies. The Parliamentary Association of Friendship "South Korea-Uzbekistan" in the National Assembly and a similar group of cooperation with South Korea in the Legislative Chamber of the Oliy Majlis of the Republic of Uzbekistan play an important role in furthering inter-parliamentary collaboration and supporting the overall process of strengthening bilateral relations. The key component of bilateral relations is cooperation in the economy, trade, investment and financial spheres. There are vast opportunities for cooperation in a wide range of industries, including mechanical engineering, electrical engineering, information and communication technology, textiles, pharmaceuticals, building materials and many others.

The trade turnover in 2018 amounted to U.S.\$2.1 billion (representing 6.3% of Uzbekistan's total trade turnover), and Uzbekistan is currently the largest trading partner of the Republic of Korea in Central Asia.

In November 2017, on the eve of the state visit of Uzbekistan's President to the Republic of Korea, the Uzbek-South Korean Business Forum was convened in Seoul and an unprecedented package of documents, totalling 60 agreements and contracts with a total value of approximately U.S.\$10 billion, were executed. Fifty-five of the concluded agreements were in the field of trade and economic, investment, financial and technical cooperation.

South Korea is one of Uzbekistan's most important investment partners. Over the past 10 years, the total volume of announced South Korean investments into Uzbekistan exceeded U.S.\$6 billion and South Korea and Uzbekistan have cooperated in implementing a number of large scale investment projects to deepen cooperation in the trade, economic, investment and energy sectors, including the construction of the Ustyurt gas-chemical complex. This project, worth U.S.\$4 billion, was carried out jointly with KOGAS, Lotte Chemical and STX Corporations.

At present, more than 35 South Korean companies are involved in manufacturing Uzbek cars. There are more than 400 enterprises with South Korean businesses in mining, oil and gas, petrochemical, construction, automobile-manufacturing, textile industries, agriculture sector and in the field of energy saving technologies. Logistics are another area of cooperation.

Active bilateral cooperation in the field of education has been underway for many years due to the technical assistance of the Government of the Republic of Korea through the Korea International Cooperation Agency ("KOICA"). To date, more than 1,400 specialists of different ministries and agencies of Uzbekistan have undergone training in South Korea through KOICA's programmes.

European Union

Uzbekistan, from the first years of its independence, has identified its cooperation with Europe as one of its foreign policy priorities. Uzbekistan's relations with European states has developed both on a bilateral level as well as within the framework of the Partnership Cooperation Agreement between the Republic of Uzbekistan and European Communities and their Member States, which it entered into in July 1999.

Five joint governing bodies were created and function successfully: the Cooperation Council; the Cooperation Committee; the Subcommittee on Economy, Trade and Investments; the Parliamentary Cooperation Committee; and the Subcommittee on Justice, Home Affairs, Human Rights and related issues.

The Delegation of the EU to Uzbekistan was officially accredited to the Republic of Uzbekistan on 31 May 2011. At present, the head of the Delegation is Eduards Stiprais. In July 2017, the Minister of Foreign Affairs headed the delegation of Uzbekistan for a visit to Brussels to participate in a meeting of the Cooperation Council.

In 2017, trade turnover with European countries amounted to U.S.\$11.5 billion (representing 42.7% of total trade turnover).

United States of America

Cooperation with the United States of America is one of Uzbekistan's foreign policy priorities, which is reflected in "The Concept of Foreign Policy of the Republic of Uzbekistan". Current Uzbek-American relations are long-term and multidimensional, based on universally recognised principles of international law, mutual respect and consideration of each other's interests. Both countries are aligned on a number of international and regional problems, and cooperate on strengthening peace and stability in Central Asia and Afghanistan and confronting global security challenges, such as illicit drug trafficking, weapon of mass destruction proliferation and terrorist extremism, among others.

The Declaration between the Republic of Uzbekistan and the United States of America on strategic partnership and the principles of cooperation, signed in 2002, plays a decisive role in bilateral relations between the two countries. In order to make the interaction systematic, as well as implement the relevant agreements, Uzbekistan is implementing a comprehensive roadmap to develop cooperation with the United States in all areas of mutual interest. Inter-parliamentary ties are developing between the two states. During 15 to 17 May 2018, the President of Uzbekistan, Shavkat Mirziyoyev, paid an official visit to the United States of America. During the visit, the Ministry for Foreign Trade of the Republic of Uzbekistan signed five documents aimed at strengthening trade relations with the United States and developing the foreign trade potential of the country as a whole.

Uzbekistan and the United States are actively developing trade, economic and investment cooperation, which is a priority area in Uzbek-American relations. The U.S.-Uzbek Chamber of Commerce plays an important role in supporting and promoting business contacts between the countries. The implementation of the Trade and Investment Framework Agreement, signed between the United States and Central Asian states, contributes to the development of trade cooperation with the United States.

Uzbekistan and the United States are also working to further develop interaction and bilateral ties in cultural, humanitarian, educational and scientific fields, establishing new contacts and practical implementation of the agreements reached

In 2018, trade turnover with the United States amounted to U.S.\$408.5 million (representing 1.2% of Uzbekistan's total trade turnover).

Japan

Diplomatic relations with Japan were established on 26 January 1992. The main legal documents that regulate bilateral relations are the Joint Statement of the Republic of Uzbekistan and Japan, the Joint Statement on Friendship, the Strategic Partnership and Cooperation between the Republic of Uzbekistan and Japan and the Joint Statement on Deepening and Expanding of the Strategic Partnership between the Republic of Uzbekistan and Japan. In 2018, bilateral trade amounted to U.S.\$700.4 million (representing 2.1% of Uzbekistan's total trade turnover).

Latin America

Uzbekistan seeks to maintain active contacts with Latin American countries and has done so thus far with Brazil, Cuba, Chile and Argentina. The countries regularly exchange messages and mutual delegation visits. In particular, in February 2017, an Uzbek delegation visited Brazil to study best practices in relation to soybean growing and processing.

The Ministry of Foreign Affairs of Uzbekistan regularly holds bilateral meetings with representatives of Latin American delegations arriving in the country to discuss issues of cooperation in the political, trade, economic, cultural-humanitarian, and scientific spheres and develop cooperation in the field of tourism and international organisations.

Afghanistan

Afghanistan is a southern neighbouring country of Uzbekistan. Trade turnover between the two amounted to U.S.\$600.7 million in 2018 (representing 1.8% of Uzbekistan's total trade turnover), a decrease of 2.8% compared to 2017. Uzbekistan is actively participating in the development of Afghan infrastructure, for example the construction of the "Khayraton — Mazari-Sharif" railroad in the northern provinces of Afghanistan by "Uzbekistan railways" JSC. There are plans for extension of the railroad from Mazari-Sharif to Herat. However, recent active military actions in Syria forced many terrorists into Afghanistan, which may increase the risk profile of the region in terms of the business and infrastructure development projects.

Education

Education in Uzbekistan includes pre-school, primary, secondary and tertiary education systems. As at the date of this Base Prospectus, the literacy rate among the Uzbek population older than eight years old is almost 100%.

During the USSR, the entire education cycle, starting from pre-school education and ending with higher education, was built on the basis of German educational standards adapted in the USSR. Following the independence of Uzbekistan, the state did not abolish the existing education system, but gradually carried out reforms in order to bring the quality and accessibility of education in line with international standards. Article 41 of the Constitution of the Republic of Uzbekistan stipulates that "everyone has the right to education" and the state itself guarantees free general education.

Education in Uzbekistan is funded by state and local budgets. In 2017, 15,979.6 billion soums were allocated for education expenditures, compared to 13,831.7 billion soums in 2016.

Pre-Primary Education

Pre-primary education is the primary link in the system of continuing education. Children in Uzbekistan undergo pre-school education up until the ages of 6 or 7 in state and non-state kindergartens and in the family.

Protecting the life and health of children in pre-school educational institutions is carried out by full-time medical workers of a pre-school educational institution, as well as medical workers of a health authority assigned to a pre-school educational institution. Public and charitable organisations and international funds are actively involved in the implementation of the goals and objectives of pre-school education.

In recent years, the country has paid special attention to the development of pre-school education. In order to better regulate and coordinate the activities of public and private kindergartens, the Ministry of Pre-School Education was established by presidential decree on 30 September 2018. As of 1 January 2019, there were 6,909 pre-school educational institutions in the country, which covered only 35.4% of all children of pre-school age. As part of its strategy for the development of pre-school education, the Government plans to increase the coverage of children of pre-school age to more than 75% by 2025.

Pre-school education in Uzbekistan is carried out in Uzbek as well as in Karakalpak, Russian, Tajik, Kyrgyz and Kazakh.

Primary and Secondary Education

As of 30 September 2018, there were 9,691 secondary schools in Uzbekistan (which covered the 11 years of secondary education for 5,821,861 pupils), of which 91 were specialised schools. The following table sets out the number of schools, pupils, graduates and teachers in Uzbekistan's education system as at 30 September 2018.

	<u>Total</u>	<u>Male</u>	<u>Female</u>
Number of schools (total):	9,691		
Only primary school	16		
Secondary schools (incl. primary)	9,584		
Schools under the Ministry of People's Education	6		
Special school	91		
Number of pupils:	5,821,861	2,981,695	2,840,166
1-4 grades	2,505,953	1,293,158	1,212,795
5-10 grades	3,315,908	1,688,537	1,627,371
Including enrolled to the 1st grade	613,950	303,615	310,335
Number of Graduates:	279,329	131,082	148,247
Number of Teachers	442,881	131,321	311,560
<i>Including with:</i>			
High education	371,392		
Incomplete high education	6,856		
Secondary special education	68,633		

Source: Ministry of Public Education of the Republic of Uzbekistan

In Uzbekistan, there is compulsory free general education for an 11-year period, which is subdivided into primary (year one through four) and secondary (year five through 11) education (or alternatively, pupils can study at a college or lyceum after finishing nine years of education).

Primary education in Uzbekistan is mandatory, free and universal. This means that all children who have reached school age attend general or special (for disabled children and children with developmental delays) primary school.

General secondary education is a continuation of primary education, but has a qualitatively different content and teaching methodology, including mandatory and additional components. The mandatory component is determined by state educational standards and establishes an adequate, minimally necessary level of student training. This component is established on the basis of the social order of the state and society, as well as the interests and needs of the individual. The additional component is determined on the basis of the needs and abilities of the student, the material, technical and personnel provision of the school and the requirements of the socio-economic development of the territories. The volume of additional study is determined according to the standards established by the Ministry of Public Education. The educational work of the schools is carried out on the basis of the Basic curriculum and educational programmes of general secondary education, approved by the Ministry of Public Education.

General secondary education is implemented in full-time programmes and completes the final certification of graduates. Graduates are awarded a state certificate, and those who have achieved particular success are awarded a certificate with distinction.

Secondary Special Education

Secondary specialised education, one of the forms of optional education, is aimed at preparing qualified employees, such as technical specialists, agronomists, elementary school teachers, service workers, medical assistants and dentists. For a number of sectors, secondary special education is the highest level of professional training (for example art, the circus and some artistic specialties).

Prior to 2017, secondary special education, as part of the compulsory 11 year education system, was provided only at a full-time basis in two types of educational institutions, academic lyceums and vocational colleges, with a three-year study term for all specialties. Only after graduation from a secondary education institution did graduates have the right to further higher education or to engage in labour activity in acquired specialties and professions.

Since 2017, the system of secondary specialised education has been changed to be more flexible, labour-oriented and to account for the complexity of the profession. The system provides for restored compulsory 11-year general secondary education in schools and optional secondary specialised education, with professional programmes from six months to two years, depending on the complexity of the specialty and profession. Therefore, a graduate of an 11-year secondary school has the equal right to choose the type of further education: either secondary optional education or higher education.

Higher Education

In accordance with the Law of the Republic of Uzbekistan “On Education”, higher education has two levels: a bachelor’s degree and a master’s degree. Until 2017, higher education was carried out only following completion of secondary specialised education. Since 2017, it has been carried out following completion of an 11-year secondary school education.

Higher education encompasses fundamental knowledge in one of the areas of higher education with an average period of study of four years, although in some areas the period of study may be only three years, while in others, such as medicine, it may take up to six years. The master’s degree includes a higher education in a specific specialty with a two-year course of study and is carried out on the basis of a bachelor’s degree. Higher education may be provided on a full-time or part-time basis or by the provision of evening courses.

As at the date of this Base Prospectus, 91 higher educational institutions are functioning in the Republic’s education system, including 23 universities, 33 institutes, 2 academies and 22 others. There are also 11 branches of foreign universities in Uzbekistan, including the Management Development Institute of Singapore in Tashkent (Singapore), the Polytechnic University of Turin (Italy), Inha University (Korea), Moscow State University, University of Oil and Gas named after I.Gubkin (Russia), Westminster International University in Tashkent (United Kingdom) and others.

In addition to higher education, a postgraduate education is available and is aimed at meeting the needs of society in the scientific and scientific-pedagogical staff of the highest qualification of the degree of PhD and DSc. Postgraduate education can be obtained in higher educational institutions and research institutions.

Healthcare

Healthcare in Uzbekistan is provided on general availability and free of charge. The Ministry of Health is the body for the administration of the complete healthcare process, supervising technical units of care, epidemiology care centres, professionals training etc. Services are financed by public revenue, with the budget allocation defined centrally.

The main sources of the healthcare budget are tax revenues and public financing. In 2017, public expenditure on healthcare amounted to approximately 7.3 trillion soums, or 14.8% of the state budget expenditures without targeted funds, and the Government plans to maintain healthcare expenditures at the same ratio going forward. In 2017, 9.6 billion soums were allocated for the provision of emergency medical care with drugs as compared to 4 billion soums in 2016. Some of the healthcare expenditures are covered by direct consumer payment (about 7% of overall healthcare budget). Since 1993, with waves of privatisation, some services are provided in the private sector, which is believed to be better equipped.

The current Uzbek healthcare system can be divided into rural and urban healthcare provisioning. Prior to 2017, it had too many different layers of care, such as feldsher-midwifery posts, polyclinics, community hospitals, district hospitals and regional hospitals as the highest level of health care provisioning. The Government plans to restructure healthcare by (i) reducing the count of health provisioning access points (feldsher-midwifery posts, rural medical centres, central district hospitals, polyclinics and regional hospitals) and (ii) transferring part of the healthcare system to the private sector. The Presidential Decree No.5590 dated 7 December 2018 provides for healthcare system expenditure in the Republic of Uzbekistan for 2019 to 2025 to amount to 15.4% of total Government expenditures.

Currently, primary healthcare medical provisioning is typically aggregated into polyclinics and medical centres as a first point of entry. More specialised health care is provisioned in rural medical centres, district and regional hospitals. Moving the first point of care towards patients is very important in terms of providing better and more cost efficient healthcare.

The creation of a developed system of high-quality health care in the country, ensuring the preservation and improvement of the health of the population, the creation of conditions for the upbringing of a healthy generation is a priority of state policy in the social sphere. As a result of the measures taken in the country, the efficiency, quality and accessibility of medical services being provided to the population have been improved.

Since independence, the country has made significant achievements in the field of healthcare. The life expectancy of the population increased by 6.5 years — from 67.2 years in 1990 to 73.7 years in 2017. In 2017, males' and females' life expectancies were 71.3 and 76.1 years, respectively. In 2017, the primary causes of mortality in Uzbekistan were circulatory diseases (59.9%), accidents, poisonings and injuries (5.2%), cancer (9.3%), respiratory diseases (4.8%), diseases of the digestive system (5.7%), infectious and parasitic diseases (1.7%), and other diseases (12.1%).

Furthermore, as part of the implementation of the Presidential Decree “On measures to improve the organisation of primary health care institutions of the Republic of Uzbekistan” dated 29 March 2017, about 800 family polyclinics and over 1,000 emergency medical substations were established in 2017 as rural medical stations.

Uzbekistan was also able to obtain certificates from the World Health Organisation for the elimination of various diseases, such as wild poliomyelitis (2002), measles and rubella (2017).

Environment

Uzbekistan inherited many ecological challenges from the USSR. In the 1980s, the Government created a new state entity — the State Committee of the Republic of Uzbekistan on Ecology and Environment (“SCEEP”) and several ministries and agencies transferred part of their subdivisions responsible for the protection of nature to the SCEEP. State management of the system of environmental protection and rational use of natural resources is carried out by the SCEEP through the coordination of the activities of authorised ministries and organisations.

In December 1992, the Law “On Protection of Nature” was passed and it became one of the first laws adopted in independent Uzbekistan. With the cooperation of the SCEEP, more than 30 laws and normative acts were adopted which directly or indirectly concern environmental protection. In 1993, in order to find scientific solutions to ecological problems, the Technological Institute of Atmosphere and Unitary Research Enterprise and the Ecology of Water Administration were established.

Since its independence, Uzbekistan has been actively involved in, and cooperates with programmes and agencies of, the United Nations, and Uzbekistan is a member of the UN Commission on Sustainable Development and has ratified over 150 international conventions and protocols.

The Republic of Uzbekistan is a member of the EurAsEC, the CACO and the SCO. In the context of coordinating the use of water resources in the region, Uzbekistan has become a member of the largest regional organisations, such as the OEC and the CAREC.

The Republic of Uzbekistan is a member of almost all programmes of the World Meteorological Organisation, including programmes in the field of hydrology, meteorology, climate, information, especially dangerous hydrometeorological phenomena, drought management, training and the International Decade for Hydrometeorological Safety, as well as serving as a member of the UNESCO International Hydrological Programme and Scientific programmes of the Interstate Council on Hydrometeorology of the CIS.

Uzbekistan cooperates with central Asian states, including as part of the International Fund for saving the Aral Sea (“**IFAS**”), whose other members are the central Asian countries Kazakhstan, Kyrgyzstan, Tajikistan and Turkmenistan. The main task of the IFAS is to coordinate solutions to problems arising out of the socio-economic development of the population, preserve the environment and improve the ecological status of the region in order to achieve sustainable development in Central Asia.

The IFAS’s activities are conducted under the leadership of the President of the IFAS, currently the President of the Republic of Kazakhstan, and the headquarters of the IFAS’s Executive Committee are located in Almaty in the Republic of Kazakhstan.

In addition, Uzbekistan is currently in compliance with the Montreal Protocol, showing annual decreases in the consumption of ozone-depleting substances (“**ODSs**”). According to the National Program for the Substitution of Ozone-Depleting Substances, the consumption of ODSs within Uzbekistan has been reduced by 99.95% since 1986.

Most of the environmental problems in Uzbekistan are cross-border problems that require the joint efforts of neighbouring states to solve. These include acute water scarcity, large volumes of industrial waste, land degradation, and a reduction in biodiversity. In this respect, the role of the international conventions of the United Nations Economic Commission for Europe (UNECE) is important.

Uzbekistan actively cooperates with the UNECE in respect of the potential accession of the Republic to a number of UNECE conventions. The development of continuous cooperation among UNECE countries is one of the most important goals for the UNECE.

Uzbekistan has signed a number of other international conventions, such as the convention on Biological Diversity (ratified by the Parliament in 1995), the Vienna Convention for the Protection of the Ozone Layer (which Uzbekistan joined in 1993), the UN Framework Convention on Climate Change (ratified by the Parliament in 1999), the Basel Convention for the Control of Transboundary movements of Hazardous wastes and their Disposal (which Uzbekistan joined in 1995) and the Convention on Wetlands of International Importance (which Uzbekistan joined in 2001), among others.

The Ecological Movement of Uzbekistan

The Ecological Movement of Uzbekistan (the “**EMU**”) was established on 2 August 2008 and registered by the Ministry of Justice of the Republic of Uzbekistan on 20 September 2008. The EMU has 10% of the seats (15 seats) in the Legislative Chamber of the Supreme Assembly, which was provided for by law in 2009 to assist the EMU in combating the Aral Sea drought through legislative measures, although this quota is expected to be abolished in 2019.

The governing bodies of the EMU are the Republican Conference, the Central Kenghash, its Executive committee and the Central control-revision commission. Regional offices of EMU are located in the Republic of Karakalpakstan and Tashkent city.

The EMU aims to bring about continued ecological reforms in Uzbekistan to preserve a favourable environment for present and future generations of Uzbek citizens, improve the population’s health and protect the country’s natural resources. The main slogan of the EMU is “healthy environment — healthy person”.

Litigation

The Government is a party to a number of arbitral proceedings relating to investment disputes. The Government does not consider that any of these proceedings, either individually or collectively, will ultimately result in a level of liability which may have significant effects on the fiscal position of the Republic of Uzbekistan.

THE ECONOMY OF THE REPUBLIC OF UZBEKISTAN

Introduction

Uzbekistan has experienced economic transformation since it gained independence in 1991. By 1996, the Government had implemented an independent development model, which allowed the country to emerge from economic recession, strengthen macroeconomic stability and begin the implementation of economic structural transformation reforms. These measures allowed Uzbekistan to avoid a sharp recession and economic turmoil which many post-Soviet countries faced in the 1990s.

Between 2010 and 2018, as a result of deepening economic reforms aimed at creating a favourable business environment, and for the modernisation and technological upgrades of production assets, the GDP of Uzbekistan increased by between 5.1% and 8.5% per year. Economic growth over the last decade was primarily due to growth in agriculture, forestry and fishing (with average annual growth between 2010 and 2018 of 5.6%), industry (with average annual growth between 2010 and 2018 of 8.6%) and services (with average annual growth between 2010 and 2018 of 13.9%). The creation of a favourable business environment and enhancing investment led not only to improved economic growth but also to major qualitative changes in the structure of the economy.

As a result of these economic reforms, Uzbekistan's economy has diversified. Due to diversification and technical and technological reforms in the industrial sector, the share of industry as a percentage of the gross value added of industries amounted to 26.3% in 2018, while the share of the service sector as a percentage of the gross value added of industries amounted to 35.6% in 2018.

The share of the private sector as a percentage of Uzbekistan's total GDP compared to the public sector has also increased, with the private sector's share of total GDP amounting to 84.9% in 2018, as compared to 58.4% of total GDP in 1995, according to the State Statistics Committee's methodology. Small business has been an important factor of the economic development of the Republic for the period 2000 to 2018. Measures taken to create a favourable business environment and to stimulate small business development and private entrepreneurship contributed to an increase in the share of small business to total GDP to 59.4% of total GDP in 2018, as compared to 31.0% of total GDP in 2000.

Economic Reforms 2017-2018

In 2017, the President of Uzbekistan introduced reforms to develop and liberalise the national economy. The reforms include reforms of state-owned companies, including simplifying the privatisation process, support for the conversion of inefficient enterprises and production facilities, improvement of the business climate in Uzbekistan, the promotion of the export of Uzbek enterprises, the abolition of the monopoly on the export of certain types of products such as fruit and vegetables and the reform of the automobile industry. In addition, structural economic reforms implemented in 2017 and 2018, including, *inter alia*, currency liberalisation, trade and prices liberalisation and decreases in export and import tariffs are aimed at the reduction of the size of informal sector, the further development of foreign trade and integration of Uzbekistan's economy into the global trading market, all of which are aimed at encouraging further growth of GDP, improving the business environment in Uzbekistan and development of the main industrial sectors specified above.

The reforms also envisage a reduction in the tax burden and a simplification of the tax system, as well as the development of international cooperation.

Recent Economic Trends

In recent years, the main elements of Uzbekistan's GDP have shown consistent, stable growth in real terms.

Fixed capital formation has attracted and absorbed domestic and foreign investments, which are reflected in the main indicators of development of investment activity in the country. The rate of fixed capital formation in 2017 amounted to 26.1% of total GDP.

During the period between 2000 and 2016, gross fixed capital formation grew by more than 5.2 times, with an average annual increase of 10.5%, exceeding the average annual growth rate of total GDP (7.0%) for the period.

However, economic growth slowed in Uzbekistan in 2017 and 2018, mainly due to structural reforms including the currency liberalisation reforms, which affected the price of imports and led to decreased net exports.

Uzbekistan's Development Strategy for 2017-2021

In 2017, the President of the Republic of Uzbekistan approved the strategy for the further development of Uzbekistan for 2017–2021 (the “**Development Strategy**”). The Development Strategy focuses on five priority areas and is intended to increase the efficiency of governmental reforms, ensure the comprehensive, accelerated development of the state and society, and set the priority areas for the country's modernisation and liberalisation. The Development Strategy provides for the timely and effective implementation of the reforms as a top priority for all state authorities and officials. Thus, the Government established the National Commission for the implementation of the Development Strategy, headed by the President, as well as commissions for the execution of each of the strategy's five priority areas.

The Development Strategy's five priority areas are:

- **improving state and public institutions:** strengthening further the role of parliament and political parties in deepening democratic reforms and modernising the country, reforming the public administration system, improving organisational and legal anti-corruption mechanisms and increasing the effectiveness of anti-corruption measures, adopting anti-corruption laws, providing for human rights priorities, developing the administrative and legal framework of public services, improving the e-government system, improving the quality and efficiency of public services, the practical implementation of public control mechanisms, establishing the Ministry of Innovation and strengthening the role of civil society institutions and mass media;
- **ensuring the rule of law and further reforming the judicial and legal system:** strengthening the independence of the judiciary and ensuring the rights and freedoms of citizens, increasing the transparency of and public involvement in the formation of regulation, improving administrative, criminal, civil and economic legislation, increasing the economic effectiveness of the system of combatting and preventing crime, full implementation of the principle of competition in the judicial process, improving the system of legal aid and legal services, and improving the role of local deputies;
- **economic development and liberalisation:** further strengthening macroeconomic and price stability and maintaining high economic growth rates, continued trade liberalisation, increasing Uzbekistan's competitiveness, implementing tax reforms, providing transparency of economic data, modernising and intensively developing agriculture, encouraging surplus agricultural labour to move into industrial employment, continuing institutional and structural reforms to reduce the state's presence in the economy, strengthening further the protection of rights and the priority role of private property, stimulating the development of small business and private entrepreneurship, encouraging the social-economic development of the regions, districts and cities of Uzbekistan, attracting foreign investment in Uzbekistan by improving the investment climate, and supporting labour migration and remittances;
- **the development of the social sphere:** consistently increasing employment rates and real incomes of the population, improving the system of social protections, healthcare and the education system, extending the presence of private and international institutions in academia, increasing the socio-political activity of women, implementing target programmes for construction and social infrastructure, extending the coverage and targeting of social protection services, developing education, culture, science, literature, art and sports, and improving the state's youth policy; and
- **ensuring security, ethnic harmony and religious tolerance:** implementing a balanced, mutually beneficial and constructive foreign policy aimed at strengthening the sovereignty and territorial security of the state, inter-ethnic concord, Uzbekistan's international defence capabilities and its cyber-security systems, creating a belt of security, stability and good neighbourliness and improving Uzbekistan's international image.

According to the Development Strategy, large-scale institutional and structural reforms aimed at reducing the state's presence in the economy are being implemented, including measures to strengthen further the protection of private property rights, and to stimulate the development of small business and private entrepreneurship. A commission has been established under the President of the Republic of Uzbekistan to protect the rights and legal interests of business entities and a ban has been imposed on the use of criminal punishment in the form of deprivation of the right to engage in entrepreneurial activity. In addition, the Chamber of Commerce and Industry of the Republic of Uzbekistan was reformed to effectively support a new system for the protection of the rights and legitimate interests of business entities. Measures have been taken to improve the management of state property and increase the efficiency of previously privatised enterprises, and to support the private sector in the post-privatisation process by assisting the development of investment projects to restore inactive enterprises. The foreign exchange market has also been liberalised and economic entities have gained free access to national currency conversion. A market-based mechanism of foreign exchange rates was also formed, and exchange restrictions were eliminated.

According to the results of the inventory in 2017, more than 47,700 inactive and active enterprises with zero revenue were identified, and “road maps” were developed for each of them. Within the framework of approximately 8,400 developed projects, 4.4 trillion soums was invested with the aim of creating more than 61 thousand jobs.

The Development Strategy also envisages further foreign exchange market liberalisation, the transition to inflation targeting, the adoption of a cluster system in the agricultural sector, including intensive gardening and resource saving technologies, improving the transparency of economic data and public sector salary indexation to the CPI level.

A number of programmes were adopted by Presidential Decree as part of the Development Strategy. In general, these programmes are aimed at reforming the social and economic sectors of Uzbekistan over a five-year period. These programmes provide for, *inter alia*, structural reforms, modernisation, diversification of production, and the continuation of the policy of stimulating localisation of finished products, components and materials. The acceleration of renovation of physically worn and obsolete equipment, as well as the reduction of industrial production costs, is also envisaged by these programmes. The reforms also cover the energy sector, including measures to further develop renewable energy, improve energy efficiency in the economy, and modernise and upgrade low-voltage electric networks.

Industrial programmes include the development of the non-ferrous and rare metals processing sectors and the construction and automotive industries over the period to 2020 and 2021.

The Government is also focused on the development and modernisation of infrastructure within Uzbekistan. A number of infrastructure development and modernisation programmes have been adopted in recent years, specifically in engineering communications and road transport, which are expected to be completed in 2019. See “— *Transport*”.

In addition, on 14 January 2019 the President of the Republic of Uzbekistan adopted the Decree No.UP5630 “On Measures to Fundamentally Improve the State Asset Management System, Antitrust Regulation and Capital Markets”. The decree provides for, *inter alia*, the creation of (i) the State Asset Management Agency of the Republic of Uzbekistan to effectively govern state-owned assets and SOEs, their activities and development, (ii) the Antitrust Committee of the Republic of Uzbekistan to control market competition, natural monopolies and develop antitrust regulations and (iii) the Capital Markets Development Agency of the Republic of Uzbekistan to control the activity and development of the securities market in the Republic of Uzbekistan. The decree also provides the initial development goals for each respective newly created agency in their respective fields, all of which are aimed at the fundamental analysis of existing pitfalls and barriers for the development of their respective sectors of the economy and their elimination.

The Government also takes measures to ensure a stable water supply and a programme for the integrated development and modernisation of the drinking water supply and sewage systems for 2017-2021 has consequently been adopted. Additionally, the Clean Drinking Water Foundation has been established, funded from contributions from the State budget, preferential loans from international financial organisations, grants from international donors, funds from philanthropists and other revenues.

Based on the progress achieved by the Government, the World Bank named Uzbekistan one of the top 10 global improvers in 2017. In particular, in the World Bank’s Ease of Doing Business Survey 2019, Uzbekistan ranked 76 out of 190 countries for ease of doing business, compared to a ranking of 166 out of 190 countries in 2012. The most significant improvements were identified in the “Starting a Business”, “Getting Electricity”, “Getting a Credit”, “Paying Taxes” and “Registering Property” sections of the report.

Uzbekistan’s Innovation Strategy

In September 2018, the Decree of the President of the Republic of Uzbekistan “On Approval of the Strategy of Innovative Development of the Republic of Uzbekistan for 2019-2021” was adopted. The Innovation Strategy ascertains the main existing barriers to innovation in the Republic and provides for strategic goals aimed at boosting the country’s innovation potential.

The main tasks of the Innovation Strategy are:

- enhancing the quality and coverage of education at all levels, developing a system of lifelong education, and ensuring the flexibility of education based on the needs of the economy;
- boosting the scientific potential and effectiveness of research and development (R&D), and creating effective mechanisms for integrating science, education and business for the large-scale implementation of the results of R&D;
- increasing public and private financing of innovation and R&D, and implementing modern methods of financing innovation;
- increasing the role and effectiveness of the Government, and introducing modern methods and tools of public administration;
- ensuring the protection of property rights, creating competition and equal business conditions, and developing public-private partnerships; and
- creating efficient infrastructure, increasing the share of renewable energy sector in the economy, and providing access to affordable high-speed internet.

One of the main goals of the Innovation Strategy is for Uzbekistan to rank in the top 50 in the Global Innovation Index by 2030.

The Implementation of Key Performance Indicators and Public Service Reform in Uzbekistan

As part of the implementation of the Development Strategy, the draft law “On Public Service” is being developed, taking into account the practices of Europe, Japan, Singapore, the Republic of Korea and other CIS countries. The law introduces the concept of meritocracy, which is expected to benefit objectively gifted and hardworking people by allowing them to achieve their potential in a freely competitive job market.

In addition, the draft law provides for the use of Key Performance Indicators (“KPI”) in evaluating the activities of state employees. The successful implementation of the state’s Development Strategy depends on increasing the efficiency of management at all levels of Government. In this regard, the Government believes that it is important to create a system of balanced performance indicators for ministries and departments as a whole, as well as specific officials (personal success criteria).

The use of KPIs is expected to establish four basic categories of posts and at least six classes for civil servants, and to determine bonuses in addition to official salaries for Government employees. It is also expected that the use of KPIs will not only qualitatively renew human resources, but also create a healthy competitive environment, as well as significantly increase the openness and accountability of government activities. Also, an authorised body of state service under the President of the Republic of Uzbekistan is to be created. Pursuant to the draft law concerning this body, the new body will be responsible for the formation of the institute of public service, the requirements for officials, their training, and the selection of candidates for vacant positions.

Gross Domestic Product

Between 2013 and 2018, the average annual increase of Uzbekistan’s GDP in real terms was approximately 6.7%.

In 2018, the GDP of the Republic of Uzbekistan in current prices amounted to 407,514.5 billion soums, a growth in real terms of 5.1% compared with 2017. The index-deflator of GDP, in comparison with the prices in 2017, was 128.1%. GDP per capita amounted to 12,365.6 thousand soums (preliminary data) in 2018, representing a 3.3% increase as compared to 2017.

The following table sets out information on Uzbekistan's GDP in nominal terms and in real terms for each of the periods indicated:

	Year ended 31 December					
	2013 ⁽¹⁾	2014 ⁽¹⁾	2015 ⁽¹⁾	2016 ⁽¹⁾	2017 ⁽¹⁾	2018 ⁽²⁾
Nominal GDP, total						
At current prices, <i>soums billion</i>	120,861.5	145,846.4	171,808.3	199,993.4	302,536.8	407,514.5
At current prices, <i>U.S.\$ billion</i>	57.6	63.0	66.8	67.4	58.9	50.5
Real GDP growth, total (%)	8.0	8.0	7.9	6.2	4.5	5.1
GDP, per capita						
At current prices, <i>soums thousand</i>	3,996.3	4,741.8	5,489.3	6,279.6	9,340.8	12,365.6
At current prices, <i>U.S.\$ thousand</i>	1.9	2.0	2.1	2.1	1.8	1.5
GDP per capita (PPP basis, <i>U.S.\$</i>) ⁽⁴⁾	5,244.0	5,657.9	6,070.0	6,512.7	6,865.0	— ⁽³⁾
Real GDP growth per capita based on PPP, %	6.3	6.0	6.1	5.9	3.5	— ⁽³⁾

Source: The State Committee of the Republic of Uzbekistan on Statistics. Based on average exchange table, see "Exchange Rates" above

- (1) The GDP data for 2017 has been reviewed recently by The State Committee of the Republic of Uzbekistan on Statistics due to the enhancement of GDP calculation methodology. Currently, the data for 2013-2016 is being reviewed under the new methodology and is subject to change.
- (2) Preliminary estimates.
- (3) The data for real GDP per capita based on PPP for 2018 is not available due to the fact that the PPP-adjusted GDP figures are calculated by the World Bank and as at the date of this Base Prospectus this data was not available.
- (4) At the current international dollar basis

There was a sharp decline in nominal GDP (in U.S. dollar terms) in 2017 and 2018, mainly due to the devaluation of the official exchange rate of the soum to the then prevailing market levels, which occurred as a result of currency liberalisation reforms. In 2015, the average annual exchange rate was 2,573.5 soums per U.S. dollar, and was 2,968.9 soums per U.S. dollar in 2016, before rising sharply to an annual average rate of 5,140.30 soums U.S. dollar in 2017 and an average rate of 8,069.05 soums in 2018. As a result, nominal GDP in U.S. dollar terms declined from U.S.\$67.4 billion in 2016 to U.S.\$58.9 billion in 2017, and to U.S.\$50.5 billion in 2018.

Economic growth during the periods under review was mainly driven by growth across Uzbekistan's main industries. In 2018, the gross value added produced by all sectors of the national economy represented 88.8% of total GDP and grew by 5.1%, and net taxes on products amounted to 11.2% as a percentage of total GDP and increased by 5.5% compared to 2017.

Real GDP growth (in soum terms) was 5.1% in 2018, primarily due to growth in the construction (by 9.9%), trade, accommodation and food services (by 4.4%), and transportation and storage, information and communication (by 6.3%) sectors of the economy.

The following table sets out the breakdown of the public sector and private sector contributions to Uzbekistan's GDP, as percentages of the total GDP for the periods indicated:

	Year ended 31 December					
	2013 ⁽¹⁾	2014 ⁽¹⁾	2015 ⁽¹⁾	2016 ⁽¹⁾	2017 ⁽¹⁾	2018 ⁽²⁾
	(%)					
Public sector	19.5	19.7	19.5	19.2	15.1	16.0
Private sector	80.5	80.3	80.5	80.8	84.9	84.0
Total GDP	100.0	100.0	100.0	100.0	100.0	100.0

Source: The State Committee of the Republic of Uzbekistan on Statistics

- (1) The GDP data for 2017 has been reviewed recently by The State Committee of the Republic of Uzbekistan on Statistics due to the enhancement of GDP calculation methodology. Currently, the data for 2013-2016 is being reviewed under the new methodology and is subject to change.
- (2) Preliminary estimates

In 2018, the public sector contributed 16.0% to total GDP, as compared to 15.1% in 2017. The main reason for this increase was the devaluation of the soum, which increased the export values in soum terms. In addition, an increase in salaries of public sector employees and the creation of new ministries helped to increase the share of the public sector in total GDP, as labour remuneration expenditures increased.

The devaluation of the soum also lead to an increase in net taxes, from 34,792.0 billion soums in 2017 to 45,563.4 billion soums in 2018, on the back of increased export revenues of large corporates, which are the main taxpayers of indirect taxes.

The following table sets out the breakdown of real GDP by sector for each of the periods indicated:

	Year ended 31 December								Nine months ended 30 September	
	2013		2014		2015		2016		2017	
	(sums billion)	(%)	(sums billion)	(%)	(sums billion)	(%)	(sums billion)	(%)	(sums billion)	(%)
Real GDP, total	105,789.2	100.0	130,539.5	100.0	157,327.1	100.0	182,469.8	100.0	210,344.5	100.0
<i>of which:</i>										
Gross Value Added of Industries	97,062.9	91.8	119,850.2	91.8	144,062.3	91.6	166,588.9	91.3	186,591.8	88.7
<i>of which:</i>										
Agriculture, forestry and fisheries	18,419.1	19.0	22,489.9	18.8	26,915.7	18.7	30,609.6	18.4	32,926.4	17.6
Industry	25,165.0	25.9	30,291.1	25.3	36,254.2	25.2	42,327.9	25.4	47,471.3	25.4
Construction	6,631.3	6.8	8,538.9	7.1	10,808.7	7.5	12,205.2	7.3	13,890.3	7.4
Services	46,847.5	48.3	58,530.3	48.8	70,083.7	48.6	81,446.1	48.9	92,303.7	49.5
<i>of which:</i>										
trade, accommodation and food services	10,193.4	10.5	12,393.5	10.3	15,398.3	10.7	17,641.5	10.6	19,331.6	10.4
transportation and storage, information and communication	12,310.3	12.7	15,610.3	13.0	18,036.5	12.5	20,211.8	12.1	22,998.8	12.3
other type of services	24,343.8	25.1	30,526.5	25.5	36,648.9	25.4	43,592.8	26.2	49,973.3	26.8
Net taxes on products	8,726.2	8.2	10,689.3	8.2	13,264.8	8.4	15,881.0	8.7	23,752.7	11.3
									24,280.2	13.1

Source: The State Committee of the Republic of Uzbekistan on Statistics

(1) Preliminary estimates.

Principal Sectors of the Economy

Agriculture, forestry and fisheries

In 2017, 3,671.3 thousand people, or 27.2% of the employed population were engaged in the agriculture, forestry and fisheries sectors.

Since its independence from the USSR in 1991, the Republic of Uzbekistan has introduced market principles and changed the forms of ownership in the agricultural sector, which has resulted in the appearance of new farming methods and the development of the agrarian economy.

The main principles of the strategy for the development of agriculture included the shift from cotton monoculture to self-sufficiency in food products, primarily grains. Within this framework, the Government has implemented measures to diversify production, improve conditions for land reclamation, introduce modern, highly-effective agricultural technologies and strengthen the material and technical basis of farms. In 2018, the total value of agriculture, forestry and fishing products (services) amounted to 199,537.4 billion soums, of which the value of farming and livestock breeding, hunting and services in these areas was 193,703.3 billion soums, the value of forestry was 4,757.5 billion soums and the value of fish farming was 1,076.6 billion soums.

In 2010-2018, the volume of agricultural production steadily increased, growing by an average of 5.6% annually.

According to preliminary estimates, the share of farm enterprises in the total volume of gross agricultural output increased to 27.3% in 2018, compared to 5.5% in 2000 and the share of organisations engaged in agricultural activities decreased to 2.7% in 2018, compared to 27.8% in 2000. In 2018, the share of private farms in agricultural production increased to 70.0%, as dekhkan farms played a significant role in providing food security for the Republic.

The table below shows distribution of agricultural production by type of farm in the periods indicated:

	Year ended 31 December					
	2013	2014	2015	2016	2017 ⁽¹⁾	2018 ⁽¹⁾
	(%)					
Dekhkan (private) farms ⁽²⁾	62.8	63.0	62.6	62.3	63.6	70.0
Farm enterprises ⁽³⁾	35.2	35.0	35.5	35.8	34.7	27.3
Organisations engaged in agricultural activities ⁽⁴⁾	2.0	2.0	1.9	1.9	1.7	2.7

Source: The State Committee of the Republic of Uzbekistan on Statistics

(1) Preliminary estimates.

(2) Dekhkan farms — family small-scale farms, carrying out production and sale of agricultural products based on personal labour of family members on the plot of land provided by the head of the family in lifetime inheritable possession. Dekhkan farms are created on agricultural lands and forest lands not covered by forest plantations, as well as on reserve lands.

(3) Farm enterprises — independent economic entities leading commodity agricultural production by using land plots leased.

(4) Organisations engaged in agricultural activities — legal entities which own land and other property, and which carries out crop and livestock production, maintenance of agricultural production

As a result of further implementation of systematic measures to increase the production of food crops in order to meet the population's needs for food products in 2018, farms of all types produced 6.4 million tonnes of grains (an increase of 56.1% as compared to 2000), 2,750.1 thousand tonnes of potatoes (an increase of 285% as compared to 2000), 9,635.1 thousand tonnes of vegetables (an increase of 269.2% as compared to 2000), 1,904.9 thousand tonnes of gourds (an increase of 375.0% as compared to 2000) and 2,589.7 thousand tonnes of fruit and grapes (an increase of 225.0% as compared to 2000). Production of raw cotton decreased from 3.0 million tonnes in 2000 to 2.3 million tonnes in 2018.

The table below shows the values of agricultural output at farms of all categories for the periods indicated:

	Year ended 31 December					
	2013 ⁽¹⁾	2014 ⁽¹⁾	2015 ⁽¹⁾	2016 ⁽¹⁾	2017 ⁽¹⁾	2018 ⁽²⁾⁽³⁾
	(billion soums)					
Total value of agriculture, forestry and fishing	34,768.0	40,429.1	46,116.6	51,991.2	69,504.2	199,537.4
<i>Of which:</i>						
Crop production and livestock, hunting and provision of services in these areas	34,612.7	40,215.9	45,836.5	51,539.9	68,906.7	193,703.3
<i>Of which:</i>						
Agricultural products	34,201.4	39,737.3	45,176.4	50,834.4	67,967.0	192,663.2
<i>Of which:</i>						
crop production	21,211.8	25,156.2	28,918.3	33,577.2	46,890.6	102,459.1
livestock production	12,989.6	14,581.1	16,258.1	17,257.2	21,076.4	90,204.1
Forestry	50.0	62.7	73.4	86.9	117.9	4,757.5
Fishing and aquaculture	105.2	150.4	206.7	364.4	479.6	1,076.6
Total harvest of grain crops, thousand tonnes	7,807.8	8,050.5	8,173.5	8,261.3	7,288.5	6,375.4

Source: The State Committee of the Republic of Uzbekistan on Statistics

- (1) The data for 2013 to 2017 is subject to change following review according to the new methodology of the State Committee of the Republic of Uzbekistan on Statistics for the value of the calculation of agricultural output.
- (2) Preliminary estimates.
- (3) For 2018, the State Committee of the Republic of Uzbekistan on Statistics adopted new methodology for the calculation of the value of agricultural output and, accordingly, the data for 2018 is not directly comparable to that for 2013 to 2017.

According to preliminary estimates, in 2018 the value added of agriculture, forestry and fisheries accounted for 32.4% of gross value added of industries.

The increase in the value of gross agriculture product in nominal terms since 2016, including crop production in 2017 and 2018, is largely due to the devaluation of the soum, which made imported chemical products used in agricultural production, and therefore the agricultural products produced, more expensive. Overall, approximately 30% of all chemical products in the agricultural sector are imported.

Cotton Industry

The cotton industry occupies a central place in the economy of the Republic of Uzbekistan. Income from international market sales is an important source of foreign currency for the state budget of the Republic of Uzbekistan. Due to the large volumes of cotton fibre production, Uzbekistan is a leading participant in the global cotton industry as its cotton fibre is globally competitive. According to the National Cotton Council of America, Uzbekistan ranked seventh in production and ninth in exports globally in 2018. However, the diversification of the export commodity structure in line with the Development Strategy and economic reforms has reduced Uzbekistan's dependence on the export of cotton fibres.

In 2018, all categories of farms in Uzbekistan harvested 2.3 million tonnes of raw cotton, an increase of 80.3% compared to 2017.

The key components of the economic shift in the cotton industry were the transition from the planning system to market management mechanisms and the transformation of inefficient producers into farms. The personal interest of land owners and farmers, as well as agro-technical measures carried out at the state level have affected the increase of cotton yields and the profitability of its production.

Industry

The industrial sector of Uzbekistan includes the manufacturing industry, mining and quarrying, the supply of electric power, gas, steam and air conditioning, water supply, sewerage, waste management and remediation activities. The manufacturing industry accounted for over 76.6% of the industrial sector in 2018.

The table below shows the value of industrial production in each sector and percentage changes in the rates of industrial production for the periods indicated.

	Year ended 31 December																	
	2013			2014			2015			2016			2017			2018 ⁽¹⁾		
	Billion soms	(% of Total Industry)	Change against 2012	Billion soms	(% of Total Industry)	Change against 2013	Billion soms	(% of Total Industry)	Change against 2014	Billion soms	(% of Total Industry)	Change against 2015	Billion soms	(% of Total Industry)	Change against 2016	Billion soms	(% of Total Industry)	Change against 2017
Total Industry	70,634.8	100.0	7.0	84,011.6	100.0	5.5	97,598.2	100.0	5.4	111,869.4	100.0	5.1	148,816.0	100.0	5.2	228,866.2	100.0	10.6
<i>of which:</i>																		
Manufacturing	55,332.8	78.3	10.7	67,097.5	77.9	8.5	77,088.2	79.0	6.0	89,793.3	80.3	6.3	117,736.0	79.1	4.2	175,357.0	76.6	6.4
food	11,373.7	16.1	11.3	14,387.2	17.1	10.7	18,511.6	19.0	13.2	22,400.5	20.0	9.8	23,217.7	15.6	(9.7)	23,842.9	10.4	(7.7)
beverages	1,787.9	2.5	6.7	2,082.9	2.5	(1.2)	2,538.1	2.6	16.1	3,364.7	3.0	1.9	3,793.9	2.5	(2.1)	4,946.9	2.2	11.0
tobacco	538.9	0.8	7.5	707.1	0.8	11.8	840.0	0.9	(4.2)	1,017.1	0.9	(0.8)	1,183.1	0.8	(2.7)	1,473.8	0.6	9.4
textiles	8,898.3	12.6	13.2	10,839.5	12.9	7.2	13,241.7	13.6	10.5	13,335.3	11.9	9.0	16,763.3	11.3	0.5	22,645.7	9.9	11.9
wearing apparel	1,165.8	1.7	6.1	1,308.7	1.6	13.1	1,585.3	1.6	11.5	4,318.5	3.9	8.9	6,108.2	4.1	10.5	7,123.5	3.1	3.1
articles of leather and related products	348.4	0.5	62.0	527.2	0.6	10.4	757.9	0.8	17.0	981.4	0.9	16.8	1,414.6	1.0	11.2	1,493.2	0.7	(2.1)
repair, installation of machinery and equipment	765.0	1.1	3.8	986.9	1.2	15.0	1,065.6	1.1	2.5	1,044.0	0.9	(11.9)	1,181.1	0.8	3.3	1,234.7	0.5	(2.5)
motor vehicles, trailers and semi- trailers	7,753.4	11.0	26.2	8,997.7	10.7	13.0	7,826.3	8.0	(20.1)	4,112.3	3.7	(44.3)	10,509.6	7.1	66.7	26,357.7	11.5	66.9
fabricated metal products, except machinery and equipment	1,183.6	1.7	49.9	1,402.0	1.7	16.4	1,936.8	2.0	20.3	2,245.3	2.0	8.5	3,650.3	2.5	45.3	5,217.3	2.3	(8.9)
wood and products of wood and cork, except furniture, manufacture of articles of straw and plaiting materials	392.3	0.6	7.9	584.1	0.7	12.2	745.3	0.8	15.0	573.3	0.5	13.3	776.0	0.5	4.1	964.1	0.4	5.9
printing and reproduction of recorded media	407.2	0.6	8.4	473.3	0.6	7.5	573.2	0.6	15.2	939.9	0.8	34.4	1,129.7	0.8	6.3	1,357.8	0.6	1.8
coke and refined petroleum products	2,470.3	3.5	3.9	3,062.7	3.6	(0.7)	3,102.7	3.2	(8.8)	2,886.7	2.6	(9.5)	3,681.9	2.5	(7.2)	5,539.1	2.4	3.6
chemical products	3,350.1	4.7	3.7	4,130.1	4.9	4.8	4,993.7	5.1	7.5	7,378.9	6.6	32.7	9,893.8	6.6	(6.0)	15,023.6	6.6	(2.8)
rubber and plastics products	1,406.8	2.0	23.7	1,646.1	2.0	(5.9)	1,891.7	1.9	(2.0)	2,594.7	2.3	13.2	3,235.8	2.2	18.0	3,944.3	1.7	11.7
pharmaceuticals	434.6	0.6	18.3	516.6	0.6	15.3	750.6	0.8	23.0	1,220.9	1.1	27.4	1,403.1	0.9	9.4	1,705.7	0.7	9.9
Other non-metallic mineral products	4,285.8	6.1	15.5	4,771.4	5.7	6.0	4,889.5	5.0	4.0	6,338.3	5.7	11.0	7,528.2	5.1	10.6	10,731.7	4.7	4.6
Metallurgy	5,239.8	7.4	2.1	6,397.4	7.6	8.0	7,088.8	7.3	2.0	8,040.1	7.2	(1.8)	12,498.8	8.4	7.8	25,570.1	11.2	3.5
Mining and quarrying	8,963.9	12.7	(2.1)	9,257.9	11.0	(4.5)	10,870.8	11.1	2.9	10,721.2	9.6	0.7	18,234.7	12.3	15.9	36,370.9	16.1	28.2
Electricity, gas, steam and air conditioning supply	5,967.1	8.4	1.0	7,117.7	8.5	4.1	8,993.3	9.2	5.1	10,522.6	9.4	3.6	11,656.0	7.8	(4.5)	14,525.1	6.3	3.9
Water supply; sewerage, waste management and remediation activities	371.0	0.5	7.5	538.6	0.6	12.0	645.8	0.7	6.8	832.3	0.7	10.0	1,189.3	0.8	8.0	2,113.1	0.9	11.9

Source: The State Committee of the Republic of Uzbekistan on Statistics

(1) Preliminary estimates.

The value added of industry accounted for 25.9%, 25.8%, 25.7%, 25.6%, 22.2% and 26.2% of gross value added of industries in 2013, 2014, 2015, 2016, 2017 and 2018, respectively.

The main factors that contributed to the growth of the total industrial output in 2018 as compared to 2017 were the increases in the production of the manufacturing industry by 13.2%, mining and quarrying by 25.4%, electricity, gas, steam and air conditioning supply by 4.1% and water supply, sewerage, waste management and remediation activities by 22.6%.

In 2018, the value of production for the manufacture, repair and installation of machinery and equipment and manufacture of motor vehicles, trailers and semi-trailers showed an increase of 51.5%, the value of production for the manufacture of textile, apparel and leather products increased by 10.0%, the value of production for the metallurgy industry increased by 6.1% and the value of production for the manufacture of chemical products, rubber and plastic goods increased by 2.1%, in each case compared to 2017.

The Government plans to develop the industrial sector to meet its strategic priority of diversifying the economy away from agriculture through programmes such as the Localisation Programme and programmes for small business development. Local enterprise (i.e., excluding enterprises with a predominant share of the state) significantly contributes to the development of the industrial potential of the Republic. In the first nine months of 2018, local enterprises produced goods that amounted to 11,011.6 billion soums, as compared to 5,781.1 billion soums in the same period of 2017.

The implementation of the Localisation Programme for the production of finished products, components and materials is a key factor contributing to the increase in the volume of industrial production as it reduces the import of goods necessary for the production activities of enterprises.

In 2017, the Localisation Programme framework included 799 projects, which produced 9,860.6 billion soums worth of goods and exported localised products in the amount of U.S.\$512.4 million, creating 3,018 new jobs. The volume of localised products in 2017 increased by more than 60% and the number of newly created jobs was almost two times higher compared to 2016.

The table below shows the main indicators for the Localisation Programme in the periods indicated:

	Year ended 31 December			Nine months ended 30 September
	2015	2016	2017	2018 ⁽¹⁾
Number of projects	696	695	799	691
Number of enterprises	318	318	343	291
Output, billion soums	4,007.5	6,145.8	9,860.6	11,011.6
Exported localised products, U.S.\$ million	86.0	425.7	512.3	359.6
Created new jobs	1,836.0	1,510.0	3,018.0	771.0

Source: The Ministry of Economy

(1) Preliminary estimates.

Small business growth also affects industrial development in Uzbekistan. Dynamic development of industrial activity of small business entities accounted for 10.2% of the growth of industrial production in 2018 as compared to 2017. In the industry sector, the share of small business was 34.7% in 2018.

In recent years, the number of small businesses has increased in the main industries, in particular, in the food industry, light industry, construction materials industry, mechanical engineering and metal processing, chemical and petrochemical and pharmaceutical industries. This is one of the main factors contributing to sustainable growth in the share of small businesses and private entrepreneurship in industry, as well as high growth rates of their manufactured goods.

The Decree of the President of the Republic of Uzbekistan of 7 April 2014 UP-4609 “On additional measures to further improve the investment climate and business environment in the Republic of Uzbekistan” increased the maximum average annual number of employees for small businesses to 200 people in labour-intensive industries such as the food industry, light industry and construction materials industry, which facilitates an increase the number of small businesses that operate in these industries.

In addition, the Government is in the process of implementing trade liberalisation reforms, which, among other things, provide for the development of an important state-owned enterprise (“SOE”), JSC “Uzkimyosanoat” (a holding company for the chemical industry), which unites 14 large industrial enterprises, which sell chemical products to the agricultural sector, design and scientific-research institutions, and a transport-forwarding company. The chemical industry development programme for 2017–2021 envisages the implementation of 43 investment projects totalling U.S.\$3.1 billion, increasing industrial production by 2.4 times, their export by 2.7 times, bringing the share of localised products to 42.5% and mastering the release of 43 new types of products. The ongoing reforms aim to have a positive effect on the chemical industry. In this regard, in 2018, Uzbekistan began the supply of mineral fertilisers to consumers through commodity exchange trading.

Mining and quarrying

Non-ferrous metallurgy

Non-ferrous metallurgy is one of the key export-oriented sectors of Uzbekistan. According to the State Committee of Uzbekistan for Geology and Mineral Resources, in 2017 Uzbekistan was ranked the world’s 3rd country by gold reserves and the 9th country in gold production (2nd among the CIS states), as well as 19th largest copper producer in the world (3rd among the CIS states) and 12th in copper reserves.

In 2017, metallurgy, including the mining of ores and the production of precious and non-ferrous metals, accounted for 9.0% of total industrial production, while mining of ores accounted for 13.9% of total industrial production. Production of precious metals makes up 92.6% of the total volume of production of basic precious and non-ferrous metals, while the share of copper and aluminium made up 6.3% and 1.0% of the total volume of production of basic precious and non-ferrous metals, respectively. Uzbekistan’s competitive advantage in non-ferrous metallurgy is a developed raw material base for the main non-ferrous (copper, zinc, molybdenum, tungsten metals of the platinum group) and precious metals (gold, silver), which allows the country to minimise risks associated with the supply of raw materials. The main producers of non-ferrous metals are:

- Almalyk MMC JSC — one of the largest producers of non-ferrous metals in the Central Asian region with a raw material base in the Kalmakir and Uchkulach ore fields, and in Handiz for the production of refined copper and zinc, precious metals;
- State Enterprise Navoi Mining and Metallurgical Combinat — a producer of precious metals, uranium concentrate, holding reserves of 59 deposits of precious metals, uranium and non-metallic raw materials with total reserves of 2,913.2 million tonnes located in the territories of Navoi, Samarkand, Djizak, Bukhara regions and the Republic of Karakalpakstan;
- Uzvtortsvetmet JSC — a procurer of scrap and waste of non-ferrous metals, as well as alloyed steels, which are processed by the enterprise into products or semi-finished products.

Construction

The value added of construction sector accounted for 6.5%, 6.8%, 7.3%, 7.4%, 5.7% and 5.7% of the gross value added of industries in 2013, 2014, 2015, 2016, 2017 and 2018, respectively. In 2018, the total value of construction-assembly works fulfilled was 47,260.7 billion soums, representing a 9.9% increase as compared to 2017. The construction industry has been among the major drivers of Uzbekistan’s economic growth over the past ten years. Over the last decade, the country’s construction output surged in real terms. Strong growth in the construction industry in Uzbekistan has provided decisive support for domestic production of building materials, particularly in terms of cement.

The growth of large construction organisations has facilitated the construction of major investment projects, including, but not limited to:

- the construction of a gas processing plant complex and the arrangement of the Kandym group of deposits, the development of the Khauzak and Shady fields, as well as the expansion of the Kuvachi-At deposits;
- the reconstruction of highways;
- the construction of an automobile plant in Djizak;
- the large-scale exploration drilling for oil production and gas by regions;
- the construction of a plant for the production of urea and ammonia; and
- the construction of a plant for the production of synthetic fuel.

The share of small enterprises in the total volume of construction works was 39.2% in 2018 (preliminary estimates). Small enterprises are involved mainly in the construction of residential housing, in the construction, reconstruction and repair of highways, and in the construction of social facilities (schools, pre-schools, etc.).

Uzbekistan's authorities are determined to continue to provide financial, infrastructure and legal incentives to investors willing to set up new plants to produce materials previously not manufactured in the country. In recent years, new production units capable of supplying over 30 new building materials not previously manufactured in Uzbekistan have been activated across the country, including dry-building mixtures, plasterboard, bitumen membrane and ceramic sanitary ware.

Services

The value added of services sector accounted for 48.6%, 48.5%, 48.7%, 48.9%, 38.1% and 35.6% of total gross value added of industries in 2013, 2014, 2015, 2016, 2017 and 2018, respectively. The total value of market services in 2018 amounted to 146,836.3 billion soums, representing an increase of 8.4% as compared to 2017. According to preliminary data, in 2018, 213.0 thousand enterprises and organisations were involved in the services sector, an increase of 11.4% as compared to 2017. The creation of new enterprises and organisations, as well as the use of innovative technologies and the expansion of the range of services provided by existing enterprises and organisations, has contributed to the increase of jobs and the improvement of the well-being of the population.

The table below sets out the production of market services by types of economic activity in the periods indicated:

	Year ended 31 December					
	2013	2014	2015	2016	2017	2018 ⁽¹⁾
	<i>(billion soums)</i>					
Services — total	53,650.2	65,880.4	75,356.8	92,536.0	118,811.0	146,836.3
<i>Of which:</i>						
Communication and information	3,749.8	4,541.3	5,181.5	6,306.8	8,196.7	9,744.1
Financial services	5,546.5	6,728.2	8,206.7	9,898.4	15,023.8	21,192.6
Transport services	18,339.4	21,629.3	23,643.7	26,103.7	36,217.2	43,329.2
Accommodation and food service services	590.1	732.3	890.6	3,038.7	3,649.6	4,420.5
Trade services	14,807.9	18,976.0	21,366.9	27,368.2	32,066.9	39,445.3
Real estate services	1,755.3	2,235.9	2,757.3	3,405.1	4,026.5	4,689.2
Education services	1,793.0	2,154.4	2,681.4	3,263.0	4,402.0	5,422.5
Public health services	671.9	868.1	1,100.4	1,416.3	1,701.5	2,053.0
Renting and leasing services	1,177.2	1,494.6	1,801.6	2,270.1	2,589.2	3,129.9
Computer and household goods repair services	1,122.8	1,388.4	1,724.5	2,187.9	2,329.2	2,628.0
Personal services	1,558.0	2,049.2	2,366.5	2,915.5	3,134.4	3,743.6
Architectural and engineering activities, technical testing and analysis	661.1	748.7	841.0	1,132.6	1,611.7	2,306.4
Other service activities	1,877.2	2,334.0	2,794.7	3,229.7	3,922.3	4,732.0

Source: The State Committee of the Republic of Uzbekistan on Statistics

(1) Preliminary estimates.

In 2018, as compared to 2017, the highest growth rates were achieved for financial services (25.8%), communication and information services (15.6%), education services (10.7%) and services in the fields of architecture, engineering surveys, technical testing and analysis (28.9%).

As a proportion of the total services sector in 2018, the largest shares are those of transport services (29.5%), trade services (26.9%), financial services (14.4%) and communication and information services (6.6%). New construction, reconstruction of buildings and structures, the creation of industrial zones, expansion of the trading network and development of tourism activities contribute to an increase in demand for services for the transportation of goods and passengers and the development of logistics infrastructure.

In 2017, the service sector covered 49.8% of those employed in the economy. Structural analysis of employment in the service sector showed that socially important sectors, such as trade, education, transportation and storage and health care, occupy the largest shares.

Transport

Currently, the Republic of Uzbekistan utilises all modern modes of transport except for seaborne transport. The Republic has a network of railways and highways and a complex of international airports, and air routes that cross the territory of the state as well as meeting the country's needs in international and in transit traffic. Uzbekistan's modern transport system is an important factor for the development of foreign economic relations and integration with other states.

The Government plans to build and reconstruct 1,227.8 kilometres of roads, as well as bridges, overpasses and road junctions, as part of the Uzbek National Highway system, during the period of 2018-2020. In particular, the following reconstruction projects are planned: the reconstruction of the "Guzar-Bukhara-Nukus-Beyneu" road (with total budgeted capital expenditures of 435.0 billion soums); the reconstruction of the "Samarkand-Bukhara-Turkmenbashi" highway (with total budgeted capital expenditures of 139.8 billion soums); and the transfer of the four-lane highway at the "Guzar-Bukhara-Nukus-Beyneu" road project (with total budgeted capital expenditures of 74.5 billion soums).

In addition, 1,172.5 kilometres of roads and bridges, overpasses and interchanges will be constructed and reconstructed with financing provided by international financial organisations.

The Government has planned the following projects for the period of 2015-2030, to develop the region's road and transport infrastructure to improve both the domestic transport network and international transport corridors:

- the construction and reconstruction of approximately 8 thousand kilometres of public roads of international importance, including highways as part of international transport corridors;
- the construction and reconstruction of the "Navoi-Kukdala-Guzar" route, as an alternative direction to the existing route "Navoi-Bukhara-Karshi-Guzar";
- the phased creation of a number of new international and interregional road routes, including: Navoi-Zarafshan-Uchkuduk-Kyzylorda, Djizak-Nurata-Tuprakkala and to Urgench and Nukus;
- the overhaul of about 28 thousand kilometres of state roads of local significance with the transfer from black to asphalt concrete pavement;
- the construction of about 2 thousand kilometres of toll roads and express roads.

Special attention will be paid to the further development of regional and local roads in order to increase the transit flow of vehicles.

In 2017, 1,146.2 million tonnes of freight was transported through Uzbekistan's transport system, an increase of 1.2% as compared to 2016. For the same period, the freight turnover amounted to 66.9 billion tonnes-kilometres, an increase of 2.5% over the level of 2016.

The table below shows freight and cargo turnover by type of transport in the periods indicated:

	Year ended 31 December					Nine months ended 30 September
	2013	2014	2015	2016	2017	2018 ⁽¹⁾
Transported by freight	1,387.1	1,458.9	1,527.0	1,132.5	1,146.2	894.1
Railway, <i>million tonnes</i>	63.7	65.7	67.2	67.6	67.9	50.8
Automotive, <i>million tonnes</i>	1,258.3	1,327.4	1,399.8	1,002.8	1,013.1	790.0
Pipeline, <i>million tonnes</i>	65.0	65.8	60.0	62.2	65.1	53.3
Air, <i>thousand tonnes</i>	22.0	23.0	24.6	26.5	26.4	10.9
Freight turnover of transport	83.7	85.7	86.9	65.3	66.9	52.5
Railway, <i>billion tonnes/km</i>	22.9	22.9	22.9	22.9	22.9	17.3
Automotive, <i>billion tonnes/km</i>	29.2	31.5	33.9	13.3	13.6	10.2
Pipeline, <i>billion tonnes/km</i>	31.5	31.2	30.0	28.9	30.2	24.8
Air, <i>thousand tonnes/km</i>	116.3	125.1	131.1	132.2	156.9	89.7

Source: The State Committee of the Republic of Uzbekistan on Statistics

(1) Preliminary estimates.

In 2017, 88.3% of cargo transportation was carried by road transport, while transportation by other modes of transport was 11.7%. In the beginning of 2016, Uzbekistan completed the 123 kilometres-long Angren-Pap railway line, which will enable Uzbekistan to better connect its Fergana Valley region to the rest of the country without relying on transit routes through neighbouring countries.

Communication

The volume of communication and information services in 2018 amounted to 9,744.1 billion soums (in actual prices), an increase of 15.6% compared to 2017. In 2018, telecommunication services (wired and mobile communication services, internet network, satellite communication services and others) consisted 84.5% of the total volume of communication and information services.

In 2018, 97.5% of all mobile communication subscribers were individuals, while 2.5% were legal entities.

As of 1 October 2018, 21,724.9 thousand subscribers were provided with mobile communication, of which 21,138.9 thousand were individuals. The provision of the population with mobile communication was 64 per 100 people. As of 1 October 2018, 571 economic entities were licensed to provide internet access services, with 373 collective access points.

Fuel and Energy

Energy is one of the main sectors of Uzbekistan's economy. According to the State Committee of Uzbekistan for Geology and Mineral Resources, in 2017, Uzbekistan was ranked the 15th and 5th country in the world in the production of natural gas and uranium, respectively (3rd and 2nd, respectively, among the CIS countries), and 16th and 11th largest country in natural gas and uranium reserves, respectively.

The reduction in oil production due to depleting oil reserves means that natural gas is currently Uzbekistan's main source of primary energy, constituting nearly 91.0% of the total amount of energy produced by Uzbekistan.

In addition to natural gas, Uzbekistan's energy mix includes oil (4.0% of total energy production in 2017), coal (3.0%), and electricity (2.0%), including hydropower (13.0% of total electricity production).

Uzbekistan has favourable climatic conditions for the use of renewable energy. As of 2017, the Republic's potential hydropower capacity was 1,839.0 MW and potential output was 27.4 billion KW/h, while wind energy capacity was 0.85 MW and output was 1 trillion KW/h in 2017. According to Uzbekenergo, estimated potential capacity of the wind power industry is more than 520,000 MW. Solar power is another source of energy in Uzbekistan, with more than 2,650 sunlight hours in a year, capacity of 4MW and potential output of over 525 billion KW/h. As of year-end 2018, the Government and investors had announced greenfield and brownfield hydro-, solar- and wind-power investments of at least U.S.\$2.0 billion, U.S.\$1.5 billion and U.S.\$100 million, respectively, by 2025.

The table below sets out the production of primary fuel-energy resources in the periods indicated:

	Year ended 31 December					Nine months ended 30 September
	2013	2014	2015	2016	2017	2018 ⁽¹⁾
	<i>(thousands of tonnes)</i>					
Oil, including natural gas condensate	3,167.2	2,867.1	2,728.1	2,615.4	2,766.6	2,145.9
Natural gas, <i>billion m³</i>	58.3	54.2	54.6	56.1	56.6	44.4
Coal	4,090.0	4,396.8	3,488.0	3,867.3	4,038.6	2,908.3
Hydropower, <i>billion KW/h</i>	5.7	6.1	6.8	6.9	7.9	4.3

Source: The State Committee of the Republic of Uzbekistan on Statistics

(1) The data is given only for large enterprises as monthly information does not include small enterprises.

Uzbekistan also serves as a natural gas transit territory, with pipelines transporting gas from Turkmenistan to China. To facilitate natural gas export from Uzbekistan through the pipeline, the Government has invested in the development of the internal gas pipeline framework, including the Gazli-Kagan and Gazli-Nukus pipelines, connecting distant regions of the country.

Uzbekistan's total national electricity capacity is 12.5 GW (as of June 2018), of which 88.5% is provided by 12 thermal power plants and 11.5% by 31 hydropower plants. In 2017, the electricity production capacity volume

was 60.8 billion kWh. The electricity is transmitted through a 243,000 kilometre network of transmission lines, with a voltage range of 0.4 kV to 500 kV. The national electrification rate is 100%, but electrical supply to consumers is unreliable. There are often blackouts, prompting renovation of the power transmission networks as one of the energy sector priorities. A National Energy Efficiency Strategy has been in place since 2001. Besides international initiatives, a campaign was launched to install natural gas and hot water meters for consumers. As a result, energy intensity of GDP decreased from 1.02 tonnes of oil equivalent /U.S.\$ in 2000 to 0.18 tonnes of oil equivalent /U.S.\$ in 2017.

The table below shows the electric energy, production, consumption and exports for the indicated periods:

	Year ended 31 December					Nine months ended
	2013	2014	2015	2016	2017	30 September 2018 ⁽¹⁾⁽²⁾
	<i>(billion kW/h, besides the percentage)</i>					
Domestic production	54.6	55.8	57.7	59.1	60.8	45.1
Domestic consumption	53.7	55.0	56.4	57.6	60.2	—
% of total production	98.3	98.5	97.7	97.4	99.0	—
Exports from Uzbekistan (including transit)	8.1	7.2	6.8	6.8	7.6	—

Source: The State Committee of the Republic of Uzbekistan on Statistics

(1) Preliminary estimates.

(2) The data is not calculated on a monthly basis.

According to the State Committee of the Republic of Uzbekistan on Statistics' survey, the alternative energy sources market is steadily developing in the country. As of April 2018, 3.9% of Uzbekistan's legal entities use alternative energy sources, including 2.7% which use biogas plants.

Nuclear Power

On 7 September 2018, following the meeting of Intergovernmental Commission for Economic Cooperation in Moscow, the Prime Ministers of Uzbekistan and Russia signed an agreement on the construction of a nuclear power plant in Uzbekistan, which entered into force on 19 October 2018. The agreement envisages cooperation in designing, constructing, commissioning, operating and decommissioning a nuclear power plant in the territory of Uzbekistan. The plant consists of two power units, each with a power capacity unit up to 1.2 GW, based on a water-cooled power reactor. Uzbekistan and Russia have also agreed to cooperate in improving Uzbekistan's infrastructure necessary for the construction and operation of the nuclear power plant's power unit.

The construction of the nuclear power plant will be implemented by the Agency for the Development of Nuclear Energy under the Cabinet of Ministers of the Republic of Uzbekistan and the State Inspection for Supervision of Geological Survey of the Subsoil, the Safe Conduct of Work in the Industry, Mining and Municipal Sector under the Cabinet of Ministers of the Republic of Uzbekistan, together with the Russian State Atomic Energy Corporation "Rosatom" and the Russian Federal Service for Environmental, Technological and Nuclear Supervision.

Any civil liability for nuclear damage that may arise in connection with the implementation of cooperation will be governed by Uzbekistan and Russia in accordance with the Vienna Convention on Civil Liability for Nuclear Damage of 21 May 1963. The capital expenditures required for the construction of the nuclear power plant have not been approved as of the date of this Base Prospectus.

Reforms and Projects in the Energy and Fuel Sector

Radical reforms of the electric power industry began with the adoption of the decree of the President of the Republic of Uzbekistan "On measures to accelerate development and ensure the financial sustainability of the electric power industry" dated 23 October 2018. The decree sets out the following priorities:

- the approval of a roadmap that is aimed at increasing generating capacity, modernising electrical networks, improving accounting and controlling electric energy consumption in 2018-2020;
- the implementation of seven investment projects for the modernisation of existing and commissioning of new generating facilities with a total capacity of 1,984 megawatt and capital expenditures of U.S.\$2.6 billion;

- annual reconstruction of existing and construction of new electric networks with a total length of 7.1 thousand kilometres, installation and modernisation of 2,500 transformer points;
- connecting seven million consumers to the Automated Control and Accounting System for Electricity (ACAS), bringing the share of ACAS to 100% of the total number of subscribers by the end of 2021; and
- the implementation of projects with total capital expenditures of U.S.\$1.8 billion financed by the World Bank, ADB and EBRD.

In addition, the Commission for the Reform of the Electric Power Industry was formed, headed by the Prime Minister and in partnership with the ADB, the EBRD and the World Bank Group. The Commission was tasked to develop a modern scheme for organising the production, transportation, distribution and sale of electric energy by 1 March 2019 and to involve private firms, including foreign direct investment, in enterprises, while maintaining full state control over electricity transportation. The Commission was further entrusted with the gradual formation of a modern wholesale electricity market, which will make it possible to purchase electricity on a competitive basis directly from generating companies. Moreover, the decree provided for the preparation and approval by 1 April 2019 of a methodology for calculating tariffs for electricity based on covering current and capital expenditures, stimulating the involvement of the private sector in the electricity industry, while creating an inter-agency tariff commission under the Cabinet of Ministers of the Republic of Uzbekistan.

Energy Investment Projects

Uzbekistan is currently undertaking a number of investment projects for processing natural gas and the production of petrochemical products, for example, the production of synthetic liquid fuels based on purified methane from Shurtan gas-chemical complex.

The following table gives information about the major on-going fuel and energy projects in Uzbekistan.

<u>Company in charge of a project</u>	<u>Sector</u>	<u>Periods</u>	<u>Investment volume (U.S.\$ million)</u>	<u>Project outline</u>
“Uzbekneftegaz” JSC	fuel and energy	2004-2046	6,250.0	Development of deposits of the Kandym group, deposits of Khauzak and Shady, as well as geological exploration in the Kungrad section
“Uzbekneftegaz” JSC	fuel and energy	2007-2042	1,795.0	Field development and hydrocarbon production in the territories of the Gissar Investment Block and the Ustyurt Region
“Uzbekneftegaz” JSC	fuel and energy	2017-2025	16,444.9	Field development and hydrocarbon production

Employment, Wages, Pensions and Social Security

Employment

According to preliminary data, labour resources in Uzbekistan amounted to 18,835.6 thousand people, or 56.6% of the total population, as at 31 December 2018. The economically active population was 14,641.7 thousand people, equating to 77.7% of the total labour force.

The following table sets employment statistics as at the dates indicated:

	Year ended 31 December					
	2013	2014	2015	2016	2017	2018 ⁽¹⁾
Average annual number of permanent population, <i>thousand people</i>	30,243.2	30,757.7	31,298.9	31,847.9	32,388.6	33,254.1
Labour resources, <i>thousand people</i>	17,814.1	18,048.0	18,276.1	18,488.9	18,666.3	18,835.6
Economically active population, <i>thousand people</i>	13,163.0	13,505.4	13,767.7	14,022.4	14,357.3	14,641.7
Employed, <i>thousand people</i>	12,523.3	12,818.4	13,058.3	13,298.4	13,520.3	13,273.1
Unemployment rate, %	4.9	5.1	5.2	5.2	5.8	9.3

Source: The State Committee of the Republic of Uzbekistan on Statistics and Ministry of Labour of the Republic of Uzbekistan

(1) Preliminary estimates.

As at 31 December 2018, the number of employed people in the economy amounted to 13,273.1 thousand people, a decrease of 1.8% as compared to 31 December 2017. The private sector accounted for 82.7% of the total employed population as at 31 December 2017, as compared to 82.5% as at 31 December 2016. As at 30 June 2018, the agriculture, forestry and fisheries sector (representing 26.9% of the total employed population), the industrial sector (13.4%), the trade sector (10.5%), the construction sector (8.9%), and the education sector (8.5%) contributed the most to total employment.

The following table sets out the distribution of employment by economic activity as at the dates indicated:

	Year ended 31 December					Six months ended 30 June
	2013	2014	2015	2016	2017	2018 ⁽¹⁾
	<i>(percentages)</i>					
Agriculture, forestry and fisheries	27.2	27.5	27.6	27.4	27.2	26.9
Industry	13.6	13.6	13.6	13.6	13.5	13.4
Construction	9.1	9.2	9.3	9.5	9.5	8.9
Trade	10.7	10.8	10.8	10.9	11.0	10.5
Transportation and storage	4.6	4.6	4.7	4.8	4.8	4.8
Accommodation and food services	2.2	2.2	2.3	2.3	2.3	2.2
Information and communication	0.5	0.5	0.5	0.5	0.5	0.5
Finance and insurance activities	0.6	0.5	0.5	0.5	0.5	0.5
Education	8.8	8.6	8.5	8.3	8.2	8.5
Health and social services	4.8	4.7	4.6	4.5	4.5	4.6
Art and recreation	0.5	0.5	0.5	0.5	0.5	0.5
Mortgage operations	0.5	0.5	0.5	0.5	0.5	0.5
Professional, scientific and technical activities	1.1	1.0	1.0	1.0	1.0	1.0
Management activities and assistance services	0.5	0.5	0.5	0.6	0.5	0.8
State management and defence; obligatory social provision	4.7	4.7	4.6	4.5	4.3	4.8
Membership organisations' activity, computers, materials for personal use, repair of household goods and other personal services	10.6	10.6	10.5	10.6	11.1	11.6

Source: The State Committee of the Republic of Uzbekistan on Statistics

(1) Preliminary estimates.

Unemployment

Unemployment benefits are limited in the Republic of Uzbekistan. The law "On Employment of Population" dated 1 May 1998 regulates the arrangements and financing of unemployment payments and benefits, and sets out the criteria for such entitlements. In 2017, unemployment benefits amounted to 2.8 billion soums, paid to 10,428 unemployed people.

At the end of 2017, 14.4 thousand people were registered as jobseekers through labour agencies, which is 2.9 times more than at the end of 2016 (5,000 people). This sharp increase in 2017 is mainly explained by the

increase in the number of new graduates, which exceeded the number of jobs being created, as well as changes in methodology for ascertaining the labour migrants.

Reforms and Improvements in Labour Practices in Uzbekistan

In 2017, Uzbekistan introduced a number of measures to eliminate violations in the field of labour rights, including limiting the abuse of at-risk groups such as students, education and healthcare workers. The Government also increased wages to cotton pickers in accordance with the recommendations of the International Labour Organisation (“ILO”).

In February 2018, the ILO published its report on child labour and forced labour during the 2017 cotton harvest in Uzbekistan. The report was based on an analysis of more than 3,000 interviews with cotton pickers among 2.6 million workers across the country. The results of the study suggested that a number of significant changes had been observed in the cotton industry, which were aimed at protecting fundamental labour rights. In addition, the report showed that the majority of the 2.6 million cotton pickers had worked voluntarily. The document also confirmed that the systematic use of child labour in cotton harvesting was no longer observed, but the ILO noted that the situation must be controlled so that children continue to go to school.

In November 2018, the ILO announced its preliminary results of monitoring the cotton harvest in 2018. It found that 93% of the cotton pickers worked in cotton fields voluntarily. The Government of Uzbekistan has increased the punishment of officials for forced labour. During the cotton harvest, 169 local officials were dismissed, demoted or fined for violations related to forced labour.

Wages

The average monthly wage in Uzbekistan has grown significantly in recent years.

The following table sets out data on wage levels during the periods indicated:

	Year ended 31 December					
	2013	2014	2015	2016	2017	2018 ⁽¹⁾
Nominal growth of average annual nominal wage rate, %	17.1	16.4	16.2	10.4	12.7	25.0
Average monthly nominal wage, <i>thousand soums</i>	866.0	1,007.9	1,171.7	1,293.8	1,457.8	1,822.2
Average monthly nominal wage, <i>U.S.\$</i>	412.9	435.4	455.3	435.8	283.6	225.8

Source: Ministry of Labour of the Republic of Uzbekistan

(1) Preliminary estimates.

In 2018, the average monthly nominal accrued wage was 1,822.2 thousand soums, an increase of 25.0% as compared with 2017. The following table sets out the average monthly nominal accrued wages of employees by types of economic activity for the periods indicated:

	Year ended 31 December					
	2013	2014	2015	2016	2017	2018 ⁽¹⁾
	<i>thousands of soums</i>					
Average in the Republic	866.0	1,007.9	1,171.7	1,293.8	1,457.8	1,822.2
Industry	1,262.1	1,472.5	1,704.5	1,863.8	2,090.7	2,731.1
Construction	1,283.5	1,362.3	1,528.4	1,619.1	1,777.9	2,297.3
Trade	1,133.5	1,255.1	1,362.3	1,500.5	1,676.5	1,990.3
Transportation and storage	1,211.0	1,391.9	1,564.1	1,763.9	2,028.6	2,507.4
Accommodation and food services	624.0	728.4	826.7	913.4	1,037.9	1,260.4
Information and communication	1,287.2	1,480.8	1,759.7	2,042.2	2,502.2	3,347.5
Finance and insurance	1,187.0	1,436.5	1,812.7	2,140.1	2,694.7	3,500.5
Education	688.8	807.5	933.7	1,038.9	1,160.2	1,396.4
Healthcare and Social Services	608.4	693.8	812.1	887.8	979.4	1,173.1
Art, entertainment and rest	708.3	923.0	1,141.0	1,272.1	1,381.9	1,652.4
Other activities	664.4	808.9	995.6	1,109.7	1,261.8	1,711.2

Source: The State Committee of the Republic of Uzbekistan on Statistics

(1) Preliminary estimates.

In 2018, the average monthly nominal wage of employees in the following sectors were above the total average wage in the country: finance and insurance — 3,500.5 thousand soums (92.1% higher than the average salary in the Republic), information and communication — 3,347.5 thousand soums (83.7% higher), industry — 2,731.1 thousand soums (49.9% higher), transportation and storage — 2,507.4 thousand soums (37.6% higher), construction — 2,297.3 thousand soums (26.0% higher) and trade — 1,990.3 thousand soums (9.2% higher).

Tariff System

The wage system in Uzbekistan is based on the tariff system. The tariff applied is dependent on the complexity of a job, working conditions, the natural and climatic conditions and the intensity of labour. The main elements which form the tariff include: tariff rates and grids, tariff coefficients, tariff qualification directories and surcharges.

From 1 January 2012, wages in all organisations in the Republic may not be lower than the 1st category in the Unified Tariff Schedule (“UTS”) for labour remuneration. Starting from 1 November 2018, based on a tariff coefficient of 2.476 for the 1st category of UTS and the minimum wage equalling 202,730.0 soums, minimum labour payments cannot be lower than 501,959.5 soums. In general, tariff coefficients are changed once or twice a year by Presidential decree.

The use of the UTS system for labour remuneration is mandatory for all institutions and organisations financed by the budget. Other enterprises, organisations and institutions (including foreign companies and multinational corporations) are recommended to establish the tariff-qualifying category of workers based on the UTS. Moreover, private enterprises and organisations that use the UTS as a basis for labour remuneration are entitled to set increased UTS tariff coefficients depending on their financial capabilities and business results. When applying a tariff-free system, the size of the employee’s salary always depends on the final results of the unit or enterprise as a whole, according to which the total salary fund is determined, including the fund on the tariff-free system.

Social Assistance

The main objectives of social policy in Uzbekistan are to increase the level and quality of life of the population, create conditions for better satisfaction of material and spiritual needs for all social groups through stimulating the labour and economic activity of citizens, strengthening social justice, improving the mechanism of social guarantees and social protection. The main directions of state social policy of Uzbekistan in the period of economic transition to market relations are:

- the regulation of household income;
- social protection of the population and provision of social guarantees;
- solving employment problems;
- the elimination of environmentally hazardous industries;
- the reorganisation of financing of health care, education and culture; and
- the improvement of the demographic situation in the Republic, including life expectancy and population growth.

The main strategic goals of the state in the social field are aimed primarily at:

- improving the quality of life of the population and the well-being of the family of each individual person;
- creating the necessary conditions for the self-expression of each person and the fulfilment of his/her capabilities and talents;
- strengthening the social protection of families in need of state support;
- ensuring reliable sources of protection of motherhood and childhood, the harmonious development of the younger generation; and
- increased care for the older generation and retirees.

Pension system and pension reforms

In recent years, fundamental reforms have been carried out in the pension system of Uzbekistan. In 2005, a funded pension system was introduced to create conditions for improving the well-being of the retired population.

The Law “On State Pension Benefits of Citizens” dated 3 September 1993 determines the manner in which citizens in Uzbekistan are entitled to a state pension provision. From 1 January 2010, the assignment, recalculation, financing, accounting and monitoring of the payment of pensions and benefits is carried out by the Pension Fund under the Ministry of Finance of the Republic of Uzbekistan.

Pension security for citizens of Uzbekistan living outside its borders is made on the basis of interstate agreements (contracts). Foreign citizens and stateless people permanently residing in the Republic of Uzbekistan have an equal right to pensions as citizens of the Republic of Uzbekistan, unless otherwise provided by interstate agreements (treaties). Citizens who do not have work experience and their families are not entitled to state pensions under this Law. The order of their social security is determined by the Cabinet of Ministers of the Republic of Uzbekistan.

In order to improve the pension system of citizens, increase the level of provision for pensioners, as well as achieve a balanced pension system, the Pension Fund under the Ministry of Finance of the Republic of Uzbekistan has developed draft reforms to the state pension system. As of 1 October 2018, the pension system covered more than 3.4 million citizens, about 10.5% of the country’s population. 2.6 million people receive pensions on retirement age, while 846.5 thousand people receive disability payments, compensation for loss of the breadwinner and social benefits.

There is a risk of imbalance in the income and expenses of the Pension Fund, which naturally affects the financing of payments. In 2019, the Pension Fund is expected to start recording a deficit, as a result of on-going tax and general market reforms, and is expected to be subsidised from the state budget.

The average retirement age in Uzbekistan is 57.5 years (55 for women and 60 for men), while the global average retirement age is 62 years. Uzbekistan has the lowest retirement age in the CIS and in the world. The Government has therefore proposed to raise the retirement age each year by six months, starting in 2022, to reach 58 years for women and 63 years for men.

Currently, a person who has been in employment for at least seven years and who has made a minimum contribution to the Pension Fund system is granted a pension. The average level for CIS countries as a whole is 10-15 years of employment. The Government is therefore proposing to increase the required minimum number of years of employment to 10 years before someone is granted a pension, increasing by a year each year, starting in 2019.

Poverty Assessment

There is no legal concept of poverty in Uzbekistan. Instead, the term “low-income families” is used for those with a monthly income of less than 1.5 times of minimum wage per family member. This method does not objectively show the poverty rate in the country.

The World Bank has recommended that the Government of Uzbekistan adopt the calorie method as a poverty line, which is 2,100 calories per person according to the standards of the Food and Agriculture Organisation (the “FAO”) of the United Nations. Several ministries, including the Ministry of Economy, the Ministry of Finance and the State Committee for Statistics are working on the possible implementation of the FAO’s method in Uzbekistan. However, the poverty assessment based on the calorie criteria has its limitations, which may distort the poverty rates seen in the country. For example, a person usually starts to take care of their health after their revenue increases. They consume high calorie and healthier products, which might be cheaper than the ones they used to consume. At the same time, low-income families may also consume less expensive but high calorie foods.

Foreign Investment

Foreign investment into Uzbekistan can be made in various forms, including:

- equity participations in statutory funds and other property of commercial companies and partnerships, banks, insurance organisations and other enterprises established together with legal entities and/or individuals of the Republic of Uzbekistan;
- the creation and development of economic societies and partnerships, banks, insurance organisations and other enterprises fully owned by foreign investors;

- the acquisition of property, shares and other securities, including debt instruments issued by residents of the Republic of Uzbekistan;
- investments in intellectual property rights, including copyrights, patents, trademarks, utility models, industrial designs, trade names and know-how, as well as business reputation (goodwill);
- the acquisition of concessions, including concessions for the exploration, development, extraction or use of natural resources;
- the acquisition of the objects of trade and services, land and any fixtures on the property and the use of land (including on the basis of rent) and natural resources.

There are no restrictions on the form of investment in Uzbekistan. Foreign investors can create enterprises in the territory of the Republic in any legal form permitted by law. Potential foreign investors may make investments in a variety of forms, such as the creation of a joint venture and an enterprise with 100% foreign capital, or the acquisition of part or full package of shares of privatised enterprises.

In addition, the Government is further developing the legislative base for foreign investment. On 6 December 2018, the Government published the draft law “On investments and investment activities” for public discussion (as at the date of this Base Prospectus, the discussion of the law has ended but the law has not yet been approved). The law was developed in order to improve the current fragmented investment legislation and will enter the legislative system of Uzbekistan as a single unified act that is expected to ensure the unity of the investment space, equality of the legal regime of domestic and foreign investors, freedom of economic activity of investment entities in Uzbekistan and the creation of conditions for the effective functioning of the investment market of Uzbekistan. The law is expected to be approved in 2019.

The following table sets out the amount of foreign investment into Uzbekistan for the dates indicated:

	Year ended 31 December					Nine months ended 30 September
	2013	2014	2015	2016	2017	2018 ⁽¹⁾
	<i>(U.S.\$ million)</i>					
Total amount of foreign investment and loans . . .	2,670.6	3,025.4	3,123.0	3,696.1	3,367.8	3,812.4

Source: The Central Bank and State Investment Committee of the Republic of Uzbekistan

(1) Preliminary estimates.

For the first nine months of 2018, the volume of foreign investments and loans to fixed assets amounted to 15,873.0 billion soums, a decrease of 30.5% as compared to the same period of 2017. For the first nine months of 2018, foreign investments and loans to fixed assets accounted for 41.3% of the total volume of disbursed investments, and 6.5% of GDP (an increase of 1.7% compared to the same period in 2017). The total volume of disbursed foreign investments and loans in dollar terms amounted to U.S.\$3,812.4 million, of which U.S.\$2,085.8 million was direct foreign investment and U.S.\$1,726.6 was other foreign investment and loans.

Crude oil and natural gas activity accounted for 40.1% of the total volume of foreign investments and credits, while transportation and storage accounted for 3.4% and information and communication accounted for 1.2%.

The following table gives information about foreign investments and loans for the first nine months of 2018.

	Nine months ended 31 September 2018	Change against the same period of 2017 (%)
	<i>(billion soums)</i>	
Foreign investments and loans to fixed assets	15,873.0	130.5
<i>including credits:</i>	10,298.4	428.8
The share of foreign investment and loans in fixed assets in the total volume of disbursed investments	41.3	10.6
The share of foreign investments and loans in fixed assets in GDP	6.5	1.7
Total volume of foreign investments and loans in US dollar term	3,812.4	160.5
<i>including:</i>		
Direct investments	2,085.8	109.4
Other foreign investments and loans	1,726.6	368.1

Source: State Investment Committee of the Republic of Uzbekistan.

The following major investment projects were funded by direct and other foreign investments and loans:

- development of the Kandym group of fields with the construction of a modern gas processing plant, development of the Khauzak and Shady fields, as well as geological exploration at the Kunrad site under the agreement with LUKOIL, which is expected to be implemented in 2004-2046. The total capital expenditures for the project are estimated at U.S.\$6.3 billion;
- field development and hydrocarbon production in the territories of the Gissar investments block and Ustyurt region with LUKOIL, which is expected to be implemented in 2007-2042. The total capital expenditures for the project are estimated at U.S.\$1.8 billion;
- exploration at the Sechankul, Akjar and Chimbay investment blocks, as well as development of the Urga, Akchalak and Chandyr group fields with Gazprom, which is expected to be implemented in 2016-2048. The total capital expenditures for the project are estimated at U.S.\$748.5 million;
- expansion, technical and technological development of the cellular communication system; and
- creation of a network of a national mobile operator.

Obod Qishloq and Obod Makhalla

The ‘Obod qishloq’, or ‘Prosperous Village’ programme, was adopted in accordance with the Presidential decree UP-3630 dated 29 March 2018. The purpose of the programme is to radically renew and alter the appearance of rural settlements in villages, develop the village sights and road transportation infrastructure, build public facilities and enhance engineering communications. In 2018, construction and landscaping activities were completed in 386 villages and in 159 districts within the framework of the programme. There are further plans to repair 142,000 individual houses within the villages. Additional plans include the construction of 3,000 kilometres of roads, the laying and restoration of 2,500 kilometres of electric networks, the installation of 2,000 kilometres of water pipes, and the construction of 2,400 markets and several other infrastructure facilities. Additionally, the building and renovation of 388 secondary schools, 313 kindergartens, 168 medical institutions, 38 makhallas and 55 other social facilities are being planned. Within the programme, the quality and timely implementation of planned works, as well as the prevention of increases in construction related costs, is also being contemplated.

Special attention is being paid to improving the supply of drinking water. The acceleration of the construction and repair of water supply systems, as well as the repair of roads, power lines and gas pipelines are of the utmost importance. Activities relating to the construction of educational and medical institutions, points of trade and consumer services and the creation of small shops in rural areas are also determined within the scope of the programme.

The ‘Obod Makhalla’, or ‘Prosperous Neighborhood’ programme was adopted in accordance with the Presidential Decree UP-5467 dated 27 June 2018. The programme’s primary aim is to enhance the living conditions of people by conducting construction and landscaping activities within villages, building roads and developing existing road infrastructure, enhancing engineering communications and constructing public facilities. According to the programme, the appearance of at least two makhallas in each city will be radically changed and at least three makhallas will be reformed annually until 2022. Activities relating to the construction and repair of water pipes, electric networks, gas pipes and sewerage systems will be carried out. The repair of

5,607 kilometres of internal roads, 369 objects of social sphere, the creation of 969 objects of market infrastructure and service points has also been envisaged. “Obod Makhalla” funds will be formed at local khokimiyats for this purpose.

In accordance with the State budget programme, 2,043.9 billion soums was spent, of which 1,636.5 billion soums was spent on “Obod Qishloq” and 407.4 billion soums was spent on “Obod Makhalla” in 2018. The budgeted expenditures for these programmes in 2019 is 3,448.4 billion soums, of which 2,796.6 billion soums are budgeted to be spent on “Obod Qishloq” and 651.8 billion soums on “Obod Makhalla”.

Privatisation

Following independence from the USSR, Uzbekistan has transitioned from a fully state-owned economy to an economy where the private sector generated 84.0% of GDP in 2018. According to the methodology of the State Committee of the Republic of Uzbekistan on Statistics, goods and services produced by enterprises with a state share of less than 100% are considered to be goods and services produced by the private sector.

The main goal of privatisation in Uzbekistan is to attract private sector investment for the modernisation, technical and technological re-equipment of privatised enterprises, the production of import-substituting and export-oriented products, and the creation of new jobs.

Privatisation in Uzbekistan is based on the following principles:

- all state assets are sold exclusively through open bidding and on a competitive basis;
- the privatisation process is as transparent and simplified as possible;
- all investors, regardless of their jurisdiction, have equal rights and access to information on the realizable objects; and,
- the safety of investments made is guaranteed by legislation.

Privatisation of a state facility is carried out in accordance with privatisation programmes, which are formed at the request of (i) state or economic management agencies, (ii) non-state legal entities, or (iii) individuals, and are approved by decisions of the President of Uzbekistan, the Cabinet of Ministers of the Republic of Uzbekistan or the Chairman Council of Ministers of the Republic of Karakalpakstan and regional hokims, as applicable

In the process of privatisation, the state’s share is planned to be preserved for natural monopolies and enterprises producing excisable goods. As a result, the restructuring of unprofitable, low-profitable and low-powered enterprises of the Republic has been carried out every year since 2014. On 28 April 2015, the President approved the programme to increase the share of the private sector in the economy, which provides for the transfer of 1,247 enterprises and objects to private ownership.

In response to IMF recommendations, the Government plans to implement measures to provide for structural changes in the management of state-owned enterprises, namely the identification of assets subject to privatisation, as well as assets left under state control. The Republic plans to reform state-owned enterprises in the following sectors:

- civil aviation, railway and automobile transport with the creation of a single authorised body in the field of transport;
- fuel and energy complex with the creation of a single authorised body in the field of energy; and,
- other state-owned enterprises.

In accordance with the Decree of the President of the Republic of Uzbekistan dated 16 June 2017 “On measures to further improve the procedures for the implementation of state-owned objects”, a single list of strategic state-owned objects from 61 state-owned enterprises not subject to privatisation was approved. According to the decree, airports, special communication centres, state television radio receiving and radio broadcasting enterprises, directorates of free economic zones and other state facilities are not subject to privatisation.

The following table sets out privatisation results for the periods indicated:

	Year ended 31 December					Nine months ended 30 September
	2013	2014	2015	2016	2017	2018 ⁽¹⁾
Number of privatised entities, <i>units</i>	94	288	848	609	542	541
Collected funds, <i>billion soums</i>	34.8	64.6	166.9	178.0	185.3	55.3
Contractual investment and social commitments collected, <i>billion soums</i>	3.6	250.1	1,121.1	670.3	1,050.3	1,897.1
including assets sold at zero value, <i>billion soums</i>	—	—	1,092.1	669.9	896.4	1,888.7

Source: The State Committee of the Republic of Uzbekistan for Assistance to Privatized Enterprises and Development of Competition

(1) Preliminary estimates.

As of 1 October 2018, the following state agencies have participated in the privatisation process: local authorities (79.6% of the total number of facilities privatised in the Republic), the Ministry of Health (9.9%), the Ministry of Public Education (3.3%), the Ministry of Higher Education and Secondary Specialised Education (0.7%), the Ministry of Agriculture and Water Resources (1.3%) and State Enterprise “NMMC” (1.8%).

Tax Break Privilege

The Presidential Decree “On additional measures for attracting foreign investors in shareholders society” dated 21 December 2015 determines that joint stock companies in which the share of a foreign investment ranges from 15 to 33% of the authorised capital, are entitled to reductions in the rates of corporate profit tax, property tax, single tax payment, and are exempt from mandatory contributions to the Republic Road Fund. According to the decree, income of foreign investors in the form of dividends on shares owned by them in joint-stock companies is exempted from taxation until 1 January 2020. In addition, joint-stock companies with foreign investment are also exempt from payments of state fees when applying to courts for violation of their rights and legitimate interests.

Public-Private Partnership (“PPP”)

The Government is in the process of adopting a number of regulatory legal acts on the organisation of entrepreneurial activity on the terms of a public-private partnership. In particular, in accordance with the Presidential Decree “On additional measures to simplify the implementation of state-owned objects and land rights to business entities” dated 11 October 2018, the state-owned enterprises in the education, healthcare and sports, cultural and social sectors are to be transferred to business entities solely on the basis of public-private partnership.

In addition, the Decree of the President No. PP-3980 dated 20 October 2018 established the Agency for the Development of Public-Private Partnerships under the Ministry of Finance of the Republic of Uzbekistan. The agency’s main duties are participating in the development of sectoral programmes and specific PPP projects, developing methods for evaluating the effectiveness, implementation and monitoring of PPP projects, ensuring interagency coordination in the implementation of PPP projects, the publication of information about PPP projects, interaction with investors, international financial and donor organisations, and the scientific and expert community and others on the development of PPP market participants, as well as providing comprehensive assistance in protecting the rights and legitimate interests of participants in PPP projects.

As of the date of this Base Prospectus, the Ministry of Finance of the Republic of Uzbekistan is developing a draft law “On public-private partnership”. In addition, the relevant ministries and departments are developing drafts of the relevant regulatory acts providing for approval of the procedure for the implementation of public-private partnership in the fields of agriculture, science, culture and art.

Third Party Management

The transfers of state-owned shares (stakes) to trust management is regulated by resolutions of the Cabinet of Ministers “On Measures for Improving Corporate Governance by Privatized Enterprises” dated 19 April 2003, “On Measures to Ensure Effective Management of Enterprises with State Share in the Authorized Fund and Proper Accounting of State Property” dated 16 October 2006 and other legislative acts. State-owned shares may be transferred to third-party trust management on the basis of a decision of the Government. Following the decision, the management company enters into a contract with the Government, specifying right and obligations of the parties.

Under Uzbek law, management companies do not enjoy any preferences should the enterprise under their management be included in the privatisation programme.

BALANCE OF PAYMENTS AND FOREIGN TRADE

Balance of Payments

For the first nine months of 2018, Uzbekistan's overall balance of payments amounted to a deficit of U.S.\$1.1 billion. This represents a decrease from a deficit of U.S.\$0.32 billion for the year 2017 and a surplus of U.S.\$0.64 billion in 2016.

Since 2018, the balance of payments statistics for Uzbekistan have been collected and presented by the CBU in accordance with the sixth edition of the IMF Balance of Payments and International Investment Position Manual. Prior to 2018, the balance of payment data was prepared by the Ministry of the Economy of the Republic of Uzbekistan based on its own methodology. Accordingly, the data for the first nine months of 2018 is not directly comparable to prior periods.

The following tables set out Uzbekistan's balance of payments for each of the periods indicated:

		For the year ended 31 December					For the nine months ended 30 September
		2013	2014	2015	2016	2017	2017
		<i>(U.S.\$ million)</i>					
I.	CURRENT ACCOUNT	1,718.5	1,081.4	469.8	384.2	1,712.9	1,552.9
1.1.	Trade balance	79.3	(588.3)	(796.8)	(1,040.8)	(315.8)	(161.5)
	Exports of goods (as amended)	12,499.6	11,526.1	9,997.2	9,460.5	11,007.2	8,230.2
	Export of goods	11,379.9	10,515.3	9,446.3	8,974.0	10,391.6	7,781.8
	Cotton fibre	1,163.0	1,047.7	736.1	637.3	477.1	273.9
	Foodstuffs	1,479.7	1,675.6	1,316.4	694.5	875.9	590.3
	Chemical products	604.9	643.5	613.0	841.1	883.7	650.8
	Energy and oil products	3,435.3	3,110.2	2,685.2	1,713.8	1,920.0	1,392.3
	Ferrous and non-ferrous metals	952.4	978.3	824.2	772.8	914.8	644.1
	Cars and equipment	823.1	546.3	159.3	220.7	354.8	252.0
	Other	2,921.5	2,513.7	3,112.1	4,093.8	4,965.3	1,978.4
	Other without special export	1,233.6	1,273.5	1,191.5	1,286.2	1,498.4	1,104.5
	Amendments to the export of goods	1,119.7	1,010.8	550.9	486.5	615.6	448.4
	Goods (individuals)	1,398.7	1,293.6	776.2	745.5	952.1	701.7
	Goods for processing (export)	(27.6)	(34.4)	(26.8)	(34.6)	(21.8)	(15.3)
	Processing products (export)	(251.4)	(248.4)	(198.5)	(224.4)	(314.8)	(238.1)
	Other export adjustments	0.0	0.0	0.0	0.0	0.0	0.0
	Imports of goods (as amended)	(12,420.3)	(12,114.4)	(10,794.0)	(10,501.3)	(11,323.0)	(8,391.7)
	Import of goods	(12,997.3)	(12,864.1)	(11,462.5)	(11,328.4)	(12,035.2)	(8,890.5)
	Foodstuffs	(1,335.6)	(1,509.9)	(1,585.3)	(1,439.7)	(1,273.9)	(979.1)
	Chemical products	(1,968.6)	(2,229.6)	(2,108.2)	(2,119.6)	(2,148.4)	(1,644.9)
	Energy and oil products	(999.3)	(865.5)	(725.0)	(589.0)	(742.1)	(495.9)
	Ferrous and non-ferrous metals	(1,090.3)	(1,113.6)	(919.4)	(920.5)	(1,275.0)	(948.8)
	cars and equipment	(6,095.4)	(5,521.5)	(5,026.7)	(5,018.0)	(5,057.7)	(3,713.0)
	Other	(1,508.1)	(1,624.0)	(1,097.9)	(1,241.6)	(1,538.1)	(1,108.8)
	Amendments to the import of goods	577.0	749.7	668.5	827.2	712.2	498.8
	Goods (individuals)	(857.3)	(738.1)	(541.0)	(465.1)	(553.6)	(427.6)
	Goods in temporary storage mode	63.4	113.4	21.1	(17.7)	(155.9)	(138.6)
	Goods for processing (import)	149.3	148.0	111.0	220.3	259.2	204.3
	Processing products (import)	21.8	26.5	3.7	15.6	33.1	21.1
	Transport and insurance services	1,199.8	1,199.9	1,073.8	1,073.9	1,129.3	839.5

		(U.S.\$ million)
I.	Current account (excludes reserves and related items)	(3,197.7)
	Goods, credit (exports)	7,283.6
	Goods, debit (imports)	12,736.4
	Balance on goods	(5,452.8)
	Services, credit (exports)	1,930.5
	Services, debit (imports)	3,809.2
	Balance on goods and services	(7,331.5)
	Primary income, credit	2,386.2
	Primary income, debit	1,294.6
	Balance on goods, services, and primary income	(6,239.9)
	Secondary income, credit	3,497.3
	Secondary income, debit	455.2
II.	Capital account (excludes reserves and related items)	103.0
	Capital account, credit	105.7
	Capital account, debit	2.6
	Balance on current and capital account	(3,094.6)
III.	Financial account (excludes reserves and related items)	(1,965.9)
	Direct investment, assets	1.3
	Equity and investment fund shares	0.2
	Debt instruments	1.1
	Direct investment, liabilities	472.5
	Equity and investment fund shares	490.7
	Debt instruments	(18.2)
	Portfolio investment, assets	0.0
	Equity and investment fund shares	0.0
	Debt instruments	0.0
	Portfolio investment, liabilities	9.6
	Equity and investment fund shares	9.6
	Debt instruments	0.0
	Financial derivatives (other than reserves) and employee stock options	0.0
	Fin. derivatives and employee stock options, assets	0.0
	Fin. derivatives and employee stock options, liabilities	0.0
	Other investment, assets	1,526.4
	Other equity	0.00
	Debt instruments	1,526.4
	Other investment, liabilities	3,011.5
	Other equity	0.0
	Debt instruments	3,011.5
	Balance on current, capital, and financial account	(1,128.6)
	Reserves and related items	(1,571.6)
	Reserve assets	(1,571.6)
	Net credit and loans from the IMF (excluding reserve position)	0.0
	Exceptional financing	0.0
IV.	Net errors and omissions	(442.9)

Source: Central Bank of the Republic of Uzbekistan

Current Account

In the first nine months of 2018, the current account deficit amounted to U.S.\$3.2 billion. The deficit in the current account was the result of higher imports compared to exports. The growth of receipts in the form of primary and secondary income was not sufficient to compensate for the deficit in the trade balance.

In the first nine months of 2018, foreign trade in goods (including the export of gold and adjustments¹) amounted to U.S.\$20.0 billion. Exports and imports amounted to U.S.\$7.3 billion and U.S.\$12.7 billion, respectively, resulting in a trade balance deficit of U.S.\$5.4 billion. Exports and imports of services amounted to U.S.\$1.9 billion and U.S.\$3.8 billion respectively. Transport services and tourism related services accounted for 87% and 90% of the total volume of services exports and imports, respectively.

The primary income account balance had a surplus in the amount of U.S.\$1.1 billion in the first nine months of 2018 due to remittances.

In the first nine months of 2018, the balance of secondary income reached a U.S.\$3.0 billion surplus due to transfers to private individuals from abroad. The total amount of transfers to private individuals from abroad for the first nine months of 2018 amounted to U.S.\$3.8 billion. According to the CBU, money transfers to the Republic of Uzbekistan amounted to U.S.\$7.6 billion, U.S.\$6.6 billion, U.S.\$3.9 billion, U.S.\$3.8 billion, U.S.\$4.9 billion and U.S.\$3.8 billion in 2013, 2014, 2015, 2016, 2017 and the first nine months of 2018, respectively. Transfers to Uzbekistan have reduced by 35.2% over the last five years.

During the first nine months of 2018, Uzbekistan was a net receiver of cross-border money transfers by private individuals from Russia, Kazakhstan, USA, Turkey, South Korea, Israel, Sweden, UAE, amongst other countries and was a net payer of money transfers to China, Ukraine, Lithuania, Azerbaijan and Poland.

In 2017, a favourable external environment positively affected the current account (the current account surplus amounted to 2.9% of GDP), leading to an increase in the current account of 345.8% compared to 2016. Exports of food products increased by 26%, energy and oil products by 12%, ferrous and non-ferrous metal by 18% and cars and equipment by 60%, compared to 2016. An increase in imports was attributable to imports of oil and energy products, which increased by 25.1% due to price changes. The export of services increased by 7.9% and the import of services increased by 9.5% in 2017. Major improvements in primary and secondary income occurred in 2017 with an 89.5% increase in external assets, a 27.7% increase in salary earned by migrant workers, a 92.6% increase in humanitarian aid and an 88.6% increase in net money transfer. One of the main reasons for these changes was the liberalisation of the national currency.

From 2013 to 2016, Uzbekistan's current account surplus was driven by a negative trade balance offset by a high level of remittances. The current account as a percentage of GDP was 3% in 2013, 1.7% in 2014, 0.5% in 2015, 0.7% in 2016 and 2.9% in 2017, respectively. These current account surpluses were mainly due to the declining trade balance deficits and declining net primary and secondary income, namely the drops in remittances. The reduction in remittances for the period 2013 to 2017 was due to a tightening between 2013 and 2014 of Russian immigration rules applicable to labour migrants. The sharp decline of the trade balance in goods in 2015 was mainly due to a decline in exports of 7.7%, exceeding the corresponding decrease in imports of 2.4% in 2013 as compared to 2014. Prior to 2018, the current account had been in surplus for 13 consecutive years.

Capital Account

From 2013 to 2017, Uzbekistan's capital account amounted to zero due to the high interest rates paid on deposits by banks in Uzbekistan. During this period, the average soum denominated deposit rate was 15.65% and the average foreign currency denominated deposit rate was 5.3%.

¹ Imports and exports of merchandise are reflected based on the principle of transfer of ownership between residents and non-residents according to the data on exports and imports of goods to/from the Uzbekistan. In addition, the cost of imported goods is adjusted to reflect the cost of transportation and insurance services, and goods are estimated at FOB-values. Thus, the calculation methodology of export and import indicators used for the balance of payments differs from the methodology used by the State Committee on Statistics.

However, in the first nine months of 2018, the balance of capital account increased to represent a surplus of U.S.\$103.3 million of which U.S.\$29.6 million was derived from the redemption of principal debt and interest on private foreign borrowings received from predominantly foreign parent companies. The remaining U.S.\$6.0 million was derived from capital transfers for construction. Additionally, a large one-off transfer for a total of U.S.\$70.1 million was received in the third quarter of 2018.

Financial Account and International Investment Position

During the first nine months of 2018, Uzbekistan's financial account had a deficit of U.S.\$1.9 billion, compared to a deficit of U.S.\$2.0 billion in 2017. The financial account had a surplus of U.S.\$259.9 million in 2016, a deficit of U.S.\$111.2 million in 2015, a deficit of U.S.\$1.4 billion in 2014 and a deficit of U.S.\$856.8 million in 2013.

The below table sets out the international net investment position for the dates indicated according to the Ministry of Economy based on their methodology of recording:

	As at 31 December				
	2013	2014	2015	2016	2017
	<i>(U.S.\$ million)</i>				
Net investment position	20,708.8	18,338.0	16,487.7	16,395.6	17,318.6
Assets	36,262.2	38,060.6	37,858.6	40,467.1	42,870.3
Reserve assets	22,481.4	24,139.7	24,306.8	26,428.8	28,076.9
Currency and deposits	13,482.9	13,257.9	13,013.6	13,522.8	14,276.5
Other investments	297.9	663.0	538.2	515.5	516.9
Liabilities	15,553.4	19,722.6	21,370.9	24,071.5	25,551.7
Loans and credits	7,601.0	10,681.1	12,034.3	13,626.4	14,471.5
Direct investments	2,280.3	2,937.0	3,793.7	4,355.1	5,314.0
Other investments	5,672.1	6,104.5	5,542.9	6,090.0	5,766.2

Source: Ministry of Economy

The below table sets out the international net investment position for the dates indicated according to the CBU based on IMF methodology:

	1 January 2018	1 October 2018
	<i>(U.S.\$ million)</i>	
Net investment position	14,162.5	10,789.0
Assets	44,401.3	44,248.9
Direct investments	185.9	187.8
Portfolio investments	1.2	1.1
Other investments	16,137.4	17,652.6
of which currency and deposits	13,158.5	14,624.3
Reserve assets	28,076.9	26,407.3
Liabilities	30,238.9	33,459.8
Direct investments	8,922.4	9,119.8
Portfolio investments	9.0	89.5
Other investments	21,307.4	24,250.5
of which loans and credits	14,471.5	15,270.4

Source: Central Bank of Uzbekistan

The net investment position of the Republic reduced by 16.4% from 2013 to 2017, due to an increase in liabilities of 64.3%, which was partially offset by an increase in assets of 18.2%, over the same period. In 2017, assets amounted to U.S.\$ 42.9 billion, of which 65.5% were reserve assets, 33.3% were in currency and deposits, and 1.2% were in other investments, while liabilities amounted to U.S.\$25.5 billion, of which 56.6% were in loans and credits, 20.8% were in direct investment and 22.7% were in other investments.

As at 1 October 2018, the net investment position decreased to U.S.\$10.8 compared to 1 January 2018, of which assets amounted to U.S.\$44.2 billion and liabilities amounted to U.S.\$33.4 billion. In the first nine months of 2018, assets almost remain relatively stable but cash and deposits increased by 11.1%. Liabilities increased by 10.7% during the first nine months of 2018, particularly portfolio investments which increased almost 10 times since the beginning of the year.

An analysis of Uzbekistan's international investment position by economic sectors in the first nine months of 2018 shows that the general government and banking sectors have retained "net creditor" status while the other sectors are "net debtors", as illustrated by the table below.

	Net investment position		
	1 January 2018	1 October 2018	Change
	(U.S.\$ million)		
General government	20,480.9	17,680.6	(2,800.4)
Assets	28,080.9	26,411.0	(1,669.9)
Monetary gold	14,034.1	13,953.0	(81.1)
Special drawing rights	378.9	371.3	(7.7)
Reserve position in IMF	0.0	0.0	0.0
Currency and deposits	13,663.9	12,083.1	(1,580.8)
Other assets	4.1	3.7	(0.4)
Liabilities	7,600.0	8,730.5	1,130.5
Loans and credits	7,600.0	8,730.5	1,130.5
Banking	2,066.7	1,429.9	(636.7)
Assets	2,948.1	2,476.3	(471.8)
Direct investments	13.0	12.7	(0.3)
Portfolio investments	1.2	1.1	0.0
Currency and deposits	2,934.0	2,462.5	(471.5)
Liabilities	881.4	1,046.4	164.9
Direct investments	187.1	190.8	3.7
Portfolio investments	2.9	1.9	(1.0)
Currency and deposits	110.7	78.3	(32.5)
Loans and credits	580.7	775.3	194.7
Others	(8,385.1)	(8,321.5)	63.7
Assets	13,372.3	15,361.6	1,989.2
Direct investments	173.0	175.1	2.1
Currency and deposits	10,224.5	12,161.8	1,937.3
Of which foreign currency savings of population	9,840.1	11,642.5	1,792.4
Loans and credits	1.1	1.1	0.0
Trade credits and advances	2,973.7	3,023.5	49.8
Liabilities	21,757.4	23,683.0	1,925.6
Direct investments	8,735.3	8,929.0	193.7
Portfolio investments	6.1	87.6	81.5
Loans and credits	6,290.8	5,764.5	(526.2)
Trade credits and advances	6,213.2	8,321.2	2,107.9
Other accounts payable	511.9	580.7	68.7

Source: Central Bank of Uzbekistan

The assets of general government decreased by U.S.\$1.7 billion in the first nine months of 2018. This reduction was due to a revaluation of monetary gold, interventions of the CBU in the domestic foreign exchange market and the use of funds to finance government targeted programmes and projects. In the first nine months of 2018, liabilities to non-residents increased by U.S.\$1.1 billion, mainly due to new borrowings.

Commercial banks' assets decreased from U.S.\$2.9 billion to U.S.\$2.5 billion in the first nine months of 2018. This reduction was caused by the decrease in currency and deposits in cash due to the growth in the volume of payments for imports. The liabilities of the banking sector to non-residents increased by U.S.\$117.5 million in the first nine months of 2018. This reduction in assets is explained by the presentation of a capital grant of one-time nature, as well as the withdrawal of non-resident term deposits. Thus, during the first nine months of 2018, the liabilities of the banking sector in the form of deposits of non-residents decreased by U.S.\$28 million. At the same time, the increase in banks' liabilities on loans from foreign financial institutions amounted to U.S.\$195 million. As a result, as of 1 October 2018, a third of banking sector liabilities to non-residents accounted for loans from foreign financial institutions.

Assets of other sectors increased by U.S.\$2.0 billion and liabilities by U.S.\$1.9 billion in the first nine months of 2018. In other economic sectors, the growth of assets exceeded the growth of liabilities, evidencing the improvement of the net investment position. Currency and deposits accounted for a 97% share in total assets in

the first of nine months of 2018, increasing by U.S.\$1.9 billion due to remitted cash. In addition, trade credits and advances granted to non-residents increased by U.S.\$50 million. Moreover, direct investments to the Republic of Uzbekistan amounted to inflows equal to U.S.\$548 million in the first nine months of 2018, while compensation payments to foreign investors amounted to U.S.\$842 million. As a result, net investment in enterprises decreased by U.S.\$294 billion.

For non-financial enterprises, with the exception of PSA enterprises, the net growth in equity investments amounted to U.S.\$190.0 million, and the reinvestment of revenues amounted to U.S.\$591.2 million. At the same time, investments in the form of debt instruments from parent companies decreased by U.S.\$18.2 million. The growth of investments in non-financial enterprises, with the exception of PSA enterprises, amounted to U.S.\$763.0 million. For non-bank financial institutions, the net growth in equity investments was U.S.\$1.1 million, and reinvested earnings declined by U.S.\$0.1 million. As a result, during the first nine months of 2018, direct investment increased by U.S.\$ 470 million. The increase in portfolio investment was achieved by reclassification of investments from direct to portfolio. The external debt of the private sector decreased owing to the maturity and repayment of loans.

In 2017, both the general balance and the financial account declined from a surplus of U.S.\$644.2 million and U.S.\$259.9 million respectively in 2016, to a deficit of U.S.\$320.7 million and U.S.\$2.0 billion respectively in 2017. In 2017, net direct investment in Uzbekistan decreased by 59.7% from approximately U.S.\$1 billion in 2016 to U.S.\$413.8 million in 2017. Additionally, the deficit for net other investments increased from U.S.\$766.5 million in 2016 to U.S.\$2.4 billion in 2017. Between 2016 and 2017, cash and deposits declined by 109.9% due to a U.S.\$1.5 billion decline in assets. The above factors all contributed to the decrease in the general balance that occurred between 2016 and 2017.

In 2016, Uzbekistan's financial account improved from a deficit of U.S.\$111.2 million in 2015 to a surplus of U.S.\$259.9 million in 2016. Similarly, Uzbekistan's general balance increased from U.S.\$358.6 million in 2015 to U.S.\$644.2 million in 2016. Significant improvements occurred in net loans, with a 64.4% increase, due to an increase in funds received for the period, although this was partially offset by sharp declines in cash and deposits resulting from a decline in assets.

In 2015, the deficit in Uzbekistan's financial account decreased from U.S.\$1.4 billion in 2014 to U.S.\$111.2 million in 2015. This decrease was due to a 4.5% increase in direct investment in Uzbekistan and a U.S.\$1.2 billion increase in net other investment as compared to the previous year. Between 2014 to 2015, net loans declined by 30% due to a loan redemption of U.S.\$889.6 million. Cash and deposits sharply increased in 2015 compared to 2014 due to an increase in assets. Overall, the general balance increased from a deficit of U.S.\$315.8 million in 2014 to a surplus of U.S.\$358.6 million in 2015.

In 2014, Uzbekistan's financial account deficit amounted to U.S.\$1.4 billion. Total foreign investment and loans increased to U.S.\$3.0 billion in 2014, an increase of 13.3% as compared to 2013. Net direct investment increased by 19.9% to U.S.\$728.6 million in 2014 compared to 2013, due to an increase in direct investment in Uzbekistan as compared to the previous year. During the same period, net loans also increased by 22.9% due to a U.S.\$1.6 billion increase in the funds received. Uzbekistan's cash and deposits figure witnessed a slight improvement between 2013 and 2014. However, when combined with the decrease in the current account which occurred from 2013 to 2014, the general balance figure declined from a surplus of U.S.\$861.7 million in 2013 to a deficit of U.S.\$315.8 million in 2014.

In 2013, the financial account deficit figure stood at U.S.\$856.8 million. Total foreign investment and loans amounted to U.S.\$2.7 billion. Net direct investment amounted to U.S.\$607.6 million in 2013, including U.S.\$1.4 billion of direct investment in Uzbekistan and repayments on foreign direct investment share totalling U.S.\$785.7 million. However, net other investment in 2013 recorded a deficit of U.S.\$1.5 billion, comprising of a positive U.S.\$824.4 million in net loans and a deficit of U.S.\$1.1 billion in cash and deposits. Moreover in 2013, the other assets and liabilities figure saw a deficit of U.S.\$1.0 billion. Uzbekistan's general balance of payments recorded a surplus of U.S.\$861.7 million in 2013, comprising of a U.S.\$1.7 billion surplus in its current account and negative U.S.\$856.8 million in the financial account.

Foreign Trade

The Republic of Uzbekistan is an active participant in international trade. In 2017, Uzbekistan carried out foreign trade operations with 149 countries, of which it experienced a trade surplus with 62 countries. The Republic of Uzbekistan currently has trade agreements providing for the most favoured nation regimes with 47 countries.

In 2018, in order to improve trade with other countries as well as to support the Government's policy on price stability, import duties on raw materials used in local production were reduced in Uzbekistan. However, during this period, import duties on products produced locally were increased in order to promote export oriented small and medium sized businesses. Moreover, as part of the Government's trade liberalisation reforms, export duties were significantly reduced in 2018 in an effort to increase the number of exporters. For instance, prior to the trade liberalisation reforms, local exporters were required to receive a 100% advance payment from overseas customers, whereas after the reforms, exporters are no longer required to receive advance payment in certain sectors of the economy. In addition, the licensing of the export of goods (works, services) was abolished with the exception of specific products, such as weapons and military equipment, precious metals, alloys, ores, concentrates, precious natural stones, uranium and other radioactive substances. Moreover, restrictions on the export of certain types of goods have been abolished starting from 1 January 2019. Such goods include, *inter alia*, meat, pork, vegetable oils, sugar, bakery products, tungsten ores and concentrates and silk waste.

In 2017, Uzbekistan's foreign trade turnover amounted to U.S.\$26.6 billion, a 9.6% increase as compared to U.S.\$24.2 billion for 2016. The volume of exports amounted to U.S.\$12.5 billion and that of imports to U.S.\$14.0 billion in 2017, resulting in a balance of foreign trade of a deficit of U.S.\$1.5 billion

According to preliminary data for 2018, Uzbekistan's foreign trade turnover amounted to U.S.\$33.8 billion, an increase of 27.3% compared to 2017, of which exports amounted to U.S.\$14.3 billion, an increase of 13.6% compared to 2017, and imports amounted to U.S.\$19.5 billion, an increase of 39.6% compared to 2017. The balance of trade deficit for 2018 amounted to U.S.\$5.3 billion.

The table below sets out a breakdown in external trade turnover for the periods indicated:

	Year ended 31 December					
	2013	2014	2015	2016	2017	2018 ⁽¹⁾
	(U.S.\$ million)					
Foreign trade turnover of goods and services	28,269.60	27,530.0	24,924.2	24,232.2	26,566.1	33,815.3
Exports of Goods and Services, commodity-wise	14,322.7	13,545.7	12,507.6	12,094.6	12,533.4	14,257.9
Imports of Goods and Services	13,946.9	13,984.3	12,416.6	12,137.6	14,012.4	19,557.4
Balance of Foreign Trade in Goods and Services	375.8	(438.6)	191.0	(43.0)	(1,458.6)	(5,301.3)
Balance of Foreign Trade in Goods	(1,617.4)	(2,348.6)	(2,016.2)	(2,354.4)	(1,956.0)	(6,088.3)
Balance of Foreign Trade in Services	1,993.2	1,910.0	2,107.2	2,311.4	497.4	787.0

Source: The State Committee of the Republic of Uzbekistan on Statistics

(1) Preliminary data

Composition of Trade

The table below sets out a breakdown of exports by industry sector for the periods indicated:

	Year ended 31 December											
	2013		2014		2015		2016		2017		2018 ⁽¹⁾	
	U.S.\$ million	(% of Total)	U.S.\$ million	(% of Total)	U.S.\$ million	(% of Total)	U.S.\$ million	(% of Total)	U.S.\$ million	(% of Total)	U.S.\$ million	(% of Total)
Exports of Goods and Services, commodity-wise	14,322.7	100	13,545.7	100	12,507.6	100	12,094.6	100	12,553.7	100	14,257.9	100
Export of Goods (in FOB Prices)	11,379.9		10,515.5		9,446.3		8,974.0		10,079.2		11,224.0	
Cotton	1,163.0	8.1	1,047.7	7.7	736.1	5.9	637.3	5.3	477.1	3.8	222.1	1.8
Chemical Products and articles thereof	604.9	4.2	643.7	4.8	613.0	4.9	841.1	7.0	883.7	7.0	904.6	6.3
Ferrous Metals	221.4	1.5	194.1	1.4	167.9	1.3	155.3	1.3	152.8	1.2	315.7	2.2
Non-ferrous Metals	731.0	5.1	784.1	5.8	656.2	5.2	553.3	4.6	761.9	6.1	851.4	6.0
Energy and Oil products	3,435.3	24.0	3,110.2	23.0	2,685.2	21.5	1,713.8	14.2	1,607.6	12.8	2,664.8	18.7
Machines and equipment	823.1	5.7	546.3	4.0	159.3	1.3	220.7	1.8	354.8	2.8	219.1	1.5
Gold	1,648.2	11.5	1,240.2	9.2	1,920.6	15.4	2,807.6	23.2	3,260.0	26.0	2,909.5	20.4
Food products	1,479.7	10.3	1,675.6	12.4	1,316.4	10.5	694.5	5.7	875.9	7.0	1,097.8	7.7
Export of Services	2,942.8	20.5	3,030.2	22.4	3,061.3	24.5	3,120.6	25.8	2,474.5	19.7	3,029.9	21.3
Other	1,273.3	8.9	1,273.5	9.4	1,191.5	9.5	1,350.4	11.2	1,705.3	13.6	2,043.0	14.2

Source: The State Committee of the Republic of Uzbekistan on Statistics (the enhanced General Data Dissemination System)

(1) Preliminary data

(2) Of which 78.5% were textile products

Due to the diversification of the industrial sector in recent years, the structure of exports has shifted and there has been an increase in exports of almost all groups of goods and services. It is intended to increase the share of finalised goods in the share of exports. In particular, in the structure of exports, the contribution of cotton fibre to total exports decreased from 8.1% in 2013 to 3.8% in 2017 and decreased further to 1.8% in 2018.

Exports of machinery and equipment increased in 2017 as compared with 2016 by 60.8% due to an increase in the export of transformers and batteries by approximately 54.8%, cable-conductor products by approximately 33.3%, and boilers, equipment and mechanical devices and their parts by approximately 24.0%. The volume of exports of food products increased by 26.1% due to increased exports of alcoholic beverages and non-alcoholic beverages by approximately 61.1%, wheat by approximately 32.2% and fruit and vegetable products and processed products by approximately 15.6%. The increase in exports of ferrous and non-ferrous metals of 29.1% was due to the increase of exports of zinc and its products by approximately 45.4%, aluminium and its products by approximately 80.0% and copper and its products by approximately 34.7%. According to the State Committee of the Republic of Uzbekistan for Geology and Mineral Resources, Uzbekistan is ranked third for global reserves, ninth for global gold production and second in the CIS for the production of gold. Gold is one of Uzbekistan's main export trading commodities. The share of gold exports in total exports amounted to 23.2% and 26.0% in 2016 and 2017, respectively, with an increase of 16.1% between 2016 and 2017. The export of gold on average grew by 23.1% per annum between 2013 to 2017 and amounted to approximately U.S.\$3.3 billion in 2017. The share of services in total exports was 19.7%, of which transport services accounted for 64.7%, travel services accounted for 22.1%, and construction for 1.5% in 2017.

In 2018, exports of energy and oil products amounted to U.S.\$2.6 billion, an increase of 65.8%, exports of food products amounted to U.S.\$1.1 billion, an increase of 25.3%, and export of services amounted to U.S.\$3 billion, an increase of 22.4%, in each case compared to 2017. Exports of other goods (of which 78.5% were textile products) amounted to U.S.\$1.6 billion in 2018, an increase of 41.4% compared to 2017.

The table below sets out a breakdown of imports by industry sector for the periods indicated:

	Year ended 31 December											
	2013		2014		2015		2016		2017		2018 ⁽¹⁾	
	U.S.\$ million	(% of Total)	U.S.\$ million	(% of Total)	U.S.\$ million	(% of Total)	U.S.\$ million	(% of Total)	U.S.\$ million	(% of Total)	U.S.\$ million	(% of Total)
Imports of Goods and Services	13,946.9	100.0	13,984.3	100.0	12,416.6	100.0	12,137.6	100.0	14,012.4	100.0	19,557.4	100.0
Imports of Goods (in CIF prices)	12,997.3		12,864.1		11,462.5		11,328.4		12,035.2		13,312.3	
Chemical Products and articles thereof	1,968.6	14.1	2,229.6	15.9	2,108.2	15.1	2,119.6	17.5	2,187.0	15.6	2,555.2	13.1
Ferrous Metals	956.3	6.9	973.1	7.0	790.0	5.6	813.8	6.7	1,135.7	8.1	1,580.7	8.1
Non-ferrous Metals	134.0	1.0	140.5	1.0	129.4	0.9	106.7	0.9	139.3	1.0	193.5	1.0
Energy and Oil Products	999.3	7.2	865.5	6.2	725.0	5.2	589.0	4.9	742.1	5.3	879.5	4.5
Machines and Equipment ...	6,095.4	43.7	5,521.5	39.5	5,026.7	35.9	5,018.0	41.3	4,997.0	35.7	8,323.6	42.5
Food Products	1,335.6	9.6	1,509.9	10.8	1,585.3	11.3	1,439.7	11.9	1,273.9	9.1	1,582.3	8.1
Import of Services	949.6	6.8	1,120.2	8.0	954.1	6.8	809.2	6.7	1,977.2	14.1	2,242.9	11.5
Other	1,508.1	10.8	1,624.0	11.6	1,097.9	7.9	1,241.6	10.2	1,560.2	11.1	2,199.7	11.2

Source: The State Committee of the Republic of Uzbekistan on Statistics

(1) Preliminary data

Machinery and equipment constituted the main component of total imports in 2017, accounting for 35.7% of total imports, while chemical products accounted for 15.6% of total imports in 2017. Uzbekistan predominantly imports machinery and equipment from China, while lumber and construction products are mainly imported from the Russian Federation. From 2013 to 2017, imports of food products declined by 4.6% due to an increase in Uzbekistan's production capacity, since local demand for food was partially met by local producers. Other goods accounted for a 11.1% share of total imports.

In 2018, goods and services from 159 countries were imported into Uzbekistan and the major partner countries were the Russian Federation, China, the Republic of Korea, Kazakhstan and Turkey, who together accounted for 61.1% (or U.S.\$11.9 billion) of total imports. Imports in 2018 of machinery and equipment amounted to U.S.\$8.3 billion (42.5% of total imports), imports of chemical products and articles thereof amounted to U.S.\$2.6 billion (13.1% of total imports), and imports of ferrous and non-ferrous metals together amounted to U.S.\$1.8 billion (9.1% of total imports).

Direction of Trade

Among the CIS countries, the main export partners of Uzbekistan are the Russian Federation, Kazakhstan, Kyrgyzstan and Tajikistan, which collectively accounted for 27.4% of Uzbekistan's total exports in 2017. Collectively China, Turkey, Afghanistan, Iran, France and Switzerland accounted for 31.4% of Uzbekistan's total exports in 2017.

In 2018, exports to the Russian Federation amounted to U.S.\$2.2 billion, an increase of 8.6% compared to 2017, and exports to Kazakhstan amounted to U.S.\$ 1.5 billion, an increase of 37.8% compared to 2017.

In 2018, exports to Iran decreased by 35.4%, exports to Afghanistan decreased by 2.8%, exports to Turkey increased by 6.7% and exports to China increased by 41.6%, in each case compared to 2017.

Among the CIS countries, the main import partners of Uzbekistan are the Russian Federation, Kazakhstan, Belarus and Tajikistan, which collectively accounted for 27.9% of Uzbekistan's total imports in 2017. Collectively China, The Republic of Korea, Turkey, Germany and Latvia accounted for 38.9% of Uzbekistan's total exports in 2017.

In 2018, imports from China amounted to U.S.\$3.5 billion, an increase of 30.4% compared to 2017, imports from the Republic of Korea amounted to U.S.\$2.0 billion, an increase of 64.4% compared to 2017, imports from Turkey amounted to U.S.\$1.2 billion, an increase of 83.1% compared to 2017, imports from Germany amounted to U.S.\$725.0 million, an increase of 23.4% compared to 2017, and imports from Latvia amounted to U.S.\$388.7 million, an increase of 82.7% compared to 2017.

The tables below provide a geographical breakdown for foreign trade for the periods indicated:

	Year ended 31 December											
	2013		2014		2015		2016		2017		2018 ⁽¹⁾	
	U.S.\$ million	(% of Total)	U.S.\$ million	(% of Total)	U.S.\$ million	(% of Total)	U.S.\$ million	(% of Total)	U.S.\$ million	(% of Total)	U.S.\$ million	(% of Total)
Total Export	14,322.7	100	13,545.7	100	12,507.6	100	12,094.6	100	12,553.7	100	14,257.9	100
CIS countries	6,644.7	46.4	6,772.5	50	5,230.3	41.8	4,338.3	35.9	4,080.1	32.5	5,292.9	40
<i>Of which:</i>												
Russian Federation	3,442.7	24	2,545.8	18.8	1,821.1	14.6	1,794.9	14.8	2,019.2	16.1	2,193.1	16.4
Kazakhstan	2,083.4	14.5	2,487.7	18.4	1,849.4	14.8	945	7.8	1,057.6	8.4	1,457.8	11.8
Kyrgyzstan	159.2	1.1	164.1	1.2	99.9	0.8	121.5	1	178.3	1.4	348.2	2
Tajikistan	145.2	1	153.4	1.1	160.3	1.3	164.8	1.4	186.1	1.5	236.1	1.8
Non-CIS countries	7,678.0	53.6	6,773.2	50	7,277.3	58.2	7,756.3	64.1	8,473.6	67.5	8,965.0	60
<i>Of which:</i>												
China	2,055.4	14.4	2,123.6	15.7	2,472.2	19.8	1,999.3	16.5	2,025.5	16.1	2,869.0	20.5
Turkey	896.8	6.3	966.3	7.1	790.1	6.3	686.2	5.7	877.8	7	936.2	6.5
Afghanistan	669.3	4.7	601	4.4	444.5	3.6	517.3	4.3	615.6	4.9	598.6	5
Iran	209.9	1.5	318.3	2.3	318.1	2.5	350.4	2.9	267.2	2.1	172.6	1.4
France	133.5	0.9	140.8	1	151.1	1.2	120.2	1	148.9	1.2	189.9	1.4
Switzerland ⁽¹⁾	28.9	0.2	16.8	0.1	16.1	0.1	19.6	0.2	10.7	0.1	8.8	0.1
Total Import	13,946.9	100	13,984.3	100	12,416.6	100	12,137.6	100	14,012.4	100	19,557.4	100
CIS countries	5,276.8	37.8	5,320.1	38	4,318.6	34.8	4,049.8	33.4	5,004.5	35.7	7,140.2	38.1
<i>Of which:</i>												
Russian Federation	3,180.7	22.8	3,312.7	23.7	2,634.7	21.2	2,397.8	19.8	2,709.5	19.3	3,537.6	19.3
Kazakhstan	1,061.5	7.6	1,008.7	7.2	847.7	6.8	953.9	7.9	998.2	7.1	1,564.7	8
Belarus	173.6	1.2	153	1.1	89	0.7	94.4	0.8	155	1.1	376.8	1.8
Tajikistan	6.5	0	6.8	0	7	0.1	32.2	0.3	51.8	0.4	51.8	0.9
Non-CIS countries	8,670.1	62.2	8,664.2	62	8,098.0	65.2	8,087.8	66.6	9,007.9	64.3	12,417.4	61.9
<i>Of which:</i>												
China	2,455.1	17.6	2,396.8	17.1	2,258.1	18.2	2,254.3	18.6	2,728.7	19.5	3,558.9	18.2
The Republic of Korea ..	2,035.1	14.6	1,876.1	13.4	1,563.2	12.6	868.7	7.2	1,244.3	8.9	2,045.5	10.5
Turkey	450.9	3.2	539.5	3.9	412.6	3.3	485.5	4	674.7	4.8	1,235.6	6.3
Germany	545.4	3.9	621.8	4.4	488.8	3.9	492.2	4.1	587.5	4.2	725.0	3.7
Latvia	189.3	1.4	136.9	1	136.7	1.1	241.9	2	212.7	1.5	388.7	2.0

Source: The State Committee of the Republic of Uzbekistan on Statistics, Ministry of Finance of the Republic of Uzbekistan

(1) Preliminary data

The main types of exports with CIS countries include energy and oil products, food products, ferrous and non-ferrous metals, chemical products and products from it. Uzbekistan also exports such products as cars and equipment, cotton fibre and energy to its trade partners outside the CIS.

Imports to Uzbekistan mainly include services, chemical products and cars from CIS countries and ferrous and non-ferrous metals and food products from other foreign trade partners.

MONETARY AND FINANCIAL SYSTEM

The Central Bank of the Republic of Uzbekistan

The CBU heads the banking system for the Republic of Uzbekistan under Article 124 of the Constitution. The Constitution of the Republic of Uzbekistan, the Law of the Republic of Uzbekistan's "On the Central Bank of the Republic of Uzbekistan" dated 21 December 1995, and other legislative acts, determine the legal status, powers, principles of organisation and activities of the CBU.

The CBU is a legal entity and is the exclusive property of the state, but carries out financial activities and makes decisions within its authority independently. The CBU issues banknotes in circulation, acts as a bank, advisor as well as a fiscal agent of the Government of the Republic of Uzbekistan, and stores and manages official foreign exchange reserves for the Republic. The CBU is responsible for most of the supervisory and regulatory functions in Uzbekistan's financial sector. As a result, the CBU licenses, regulates, and supervises bank activities, microcredit organisations and pawn shops. Additionally, the CBU can buy and sell government securities on the open market, as well as debt obligations issued by the CBU itself.

The primary goals of the CBU are to ensure price stability and the development of the banking and payment systems. To accomplish these goals, the CBU: (i) implements monetary policy by managing liquidity in the interbank money market through interventions in the foreign currency market, short-term refinancing loans, foreign currency swaps, open market operations and setting reserve requirements; (ii) conducts intermarket communication policy; (iii) ensures the stability and development of the banking and payment systems; and (iv) sets foreign currency regulation.

Providing financial assistance and carrying out commercial activities are prohibited activities for the CBU.

Monetary and Exchange Rate Policy

The CBU is responsible for implementing monetary policy. The CBU's focus is on ensuring macroeconomic stability and reducing monetary factors influencing inflation. In line with the President's Decree "On Measures to Drastically Improve Activities of the Central Bank of the Republic of Uzbekistan" dated 9 January 2018, the CBU's mandate was expanded to include the medium-term goal of transitioning to inflation targeting as well as ensuring the stability and development of the banking and payment system.

Starting in 2018, the CBU started focusing its monetary policy on the stability of prices in the economy. Over the first quarter of 2018, the nominal exchange rate of the soum against the U.S. dollar strengthened for several consecutive months, which had a positive impact on import prices. According to the CBU, the appreciation of the soum against the U.S. dollar was driven by a seasonal increase in foreign currency inflow to the internal market due to larger volumes of incoming remittances and exports proceeds (mainly from fruit and vegetables). In addition, a rapid expansion of lending in foreign currencies contributed to the supply of foreign currency in the market.

In addition, certain currency restrictions were abolished and/or waived, such as, *inter alia*, (i) any limitations on foreign currency purchase and sale were abolished for residents and cash withdrawals from debit cards in both national and foreign currencies for individuals were made available; (ii) distortion of cash and non-cash operations; (iii) the obligation to sell 50% of export hard currency revenues to commercial banks at CBU's exchange rate; (iv) commercial banks were made independent in setting their own tariffs and fees based on market forces as well as positive and negative externalities on foreign exchange deals.

In the second half of 2017, the CBU began active reforms in the monetary sector. The CBU tightened monetary conditions by raising the refinancing rate, the rate at which banks have to pay when they borrow money from the CBU, from 9% as of June 2017 to 16% as of September 2018. This rate was raised in order to reduce inflationary pressure.

The CBU also recently created and used a new platform for interbank monetary operations that connects all commercial banks into a single trading system and ensures transactional transparency. It also established a system of inflation forecasting using econometric models, among other improvements.

The CBU has prioritised raising the efficiency of monetary policy in 2018 through minimizing the impact of monetary factors on inflation, ensuring price stability, and subjecting liquidity and broad money to monetary instruments to reduce inflationary pressure.

The CBU is also focused on implementing several measures to ensure the financial stability of the banking system of the country, including through increasing the banks' resilience to risk, improving assessment of banks' risks in line with international practices and introducing modern regulation mechanisms for commercial banks including the stress-testing of the banking system based on a "top-down" model. The CBU is planning to implement risk-based oversight of the banking industry as well as stress-testing methods directly with banks.

In 2018, the CBU expanded its range of mechanisms to regulate liquidity in the banking system and to mitigate inflation pressure and price growth. The CBU is also considering issuing bonds and introduced deposit operations. The CBU also intends to trade in government securities with commercial banks to activate operations and to improve monetary policy mechanisms. Moreover, the CBU plans to introduce an interest rate corridor in order to either provide liquidity or to absorb excess liquidity in the market. The CBU announced that it held deposit auctions on 12 December 2018, as a result of which, funds amounting to 449 billion soums were deposited by seven local commercial banks, 346 billion soums of which were deposited at a rate of interest of 16% per annum for two weeks and 103 billion soums were deposited at a rate of interest of 17% per annum for a month. The decision was intended to manage aggregate liquidity and to temporarily absorb excessive funds from credit institutions. Moreover, from 26 to 28 December 2018, the Ministry of Finance of Uzbekistan and the CBU announced the primary placement of Treasury notes on the Stock Exchange of the Republic of Uzbekistan. The notes were intended to be issued with a face value of one million soums per security with maturities of 6 months, 1 year and 3 years.

Furthermore, starting from June 2018, the CBU made alterations to the policy of mandatory reserve requirements for depositary institutions in order to retrench the dollarisation levels in the banking sector as well as to increase the attractiveness of the deposits placed in the national currency. Accordingly, the formation of mandatory reserves has been carried out in the national currency regardless of the placement currency, reserve requirements are reduced for deposits in the national currency and relatively high norms are set in terms of deposits placed in foreign currencies.

Exchange Rate

	For the year ended 31 December					
	2013	2014	2015	2016	2017	2018
Soum per U.S. Dollar, End of Period	2,202.20	2,422.40	2,809.98	3,231.48	8,120.07	8,339.55
Soum per U.S. Dollar, Period Average	2,095.47	2,311.49	2,568.71	2,965.66	5,121.14	8,068.05

Source: Central Bank of Uzbekistan

In 2014-2015, there has been a strengthening of the real effective exchange rate of the soum against the currencies of the major trading partners of Uzbekistan. As a result, the CBU accelerated the devaluation of the exchange rate of the soum by 67% from 2,810 soum per U.S. Dollar as of 1 January 2016 to 4,210 soum per U.S. Dollar as of 29 August 2017 to preserve the competitiveness of domestic products in domestic and international markets.

In September 2017, the CBU liberalised the foreign currency market and allowed market forces to determine the exchange rate. As a result, the exchange rate of the soum was devalued to 8,100 soums per U.S. Dollar as of 5 September 2018. The devaluation allowed market mechanisms to determine the exchange rate rather than being administratively set. As at 31 December 2018, the nominal exchange rate was 8,339.55 soums per U.S. Dollar.

In the first eight months, of 2018, the soum exchange rate was continuously strengthened and in May 2018, soum-denominated notes by the International Financial Corporation were listed on the London Stock Exchange.

To ensure the stability of the exchange rate, the CBU intends to revise its intervention strategy. The CBU intends to maintain appropriate levels of liquidity in the banking system in order to affect foreign currency demand.

Liquidity and Money Supply

Actively expanding government programmes in Uzbekistan and growing lending to the economy has accelerated the growth of money supply in 2018. During this period, there was a 14.4% increase in money supply. This was due to an increase in loans to the economy.

Average monthly growth rate of loan balances and money supply in the national currency increased from 2.7% and 0.7% in 2017 to 4.7% and 1.7%, respectively, in 2018. At the same time, in 2018, there was an increase in lending in foreign currency as compared to 2017.

Accelerated growth in lending and cash circulated led to a decrease in the liquidity in many banks and the banking system in the start of 2018 as a whole as compared to the start of 2017. In turn, a decrease in the global gold prices and appreciation of national currency influenced net foreign assets.

The intensification of CBU operations to provide short-term loans to commercial banks against foreign exchange and the conduct of swap operations has enabled the CBU to timely meet the demand for short-term liquidity on the part of the banking system and support the stable operations of the payment system.

The following table sets forth certain information regarding Uzbekistan's money supply as at each of the dates indicated:

	As of 31 December					
	2013	2014	2015	2016	2017	2018
	<i>(billion soums)</i>					
Net foreign assets ⁽¹⁾	51,088	58,314	66,435	83,658	222,633	211,123
Net domestic assets	(21,690)	(24,536)	(24,144)	(31,432)	(149,410)	(127,389)
Domestic credit	(10,062)	(11,389)	(9,977)	(5,862)	(14,204)	26,320
Net claims on central Government	(37,306)	(45,453)	(51,814)	(59,504)	(123,833)	(138,477)
Credit to the economy	27,244	34,064	41,836	53,643	109,629	164,797
Other items, net	(11,628)	(13,146)	(14,167)	(25,570)	(135,206)	(153,709)
Broad money (M2)	29,397	33,778	42,291	52,226	73,223	83,734
Currency in circulation (M0)	7,424	9,058	10,655	13,209	19,449	22,164
Total deposits ⁽²⁾	21,974	24,720	31,636	39,017	53,775	61,569
Domestic currency deposits	16,192	19,130	25,569	30,260	28,076	36,300
Foreign currency deposits	5,782	5,590	6,067	8,758	25,699	25,269
Monetary base	11,992	14,246	19,599	23,646	31,924	31,663
Money multiplier	2.5	2.4	2.2	2.2	2.3	2.6
Velocity of M2	4.5	4.6	4.5	4.2	4.8 ⁽³⁾	5.2 ⁽³⁾

Source: Central Bank of Uzbekistan

⁽¹⁾ Data on net foreign assets included in depository corporations survey differ from that of respective sectors in international investment position due to differences in accounting for government sector liabilities which are accrued in state owned commercial banks' balance sheets. Therefore, in international investment position part of state banks liabilities is attributed to government sector. Net foreign assets of financial sector accounts for assets and liabilities of Central bank and commercial banks. Net international investment position accounts for assets and liabilities of financial institutions, non-financial institutions and government.

⁽²⁾ Deposits included in broad money.

⁽³⁾ Calculations made on the basis of the GDP volumes compounded for 2017 (UZS 302.5 trillion) and 2018 (UZS 407.5 trillion) according to preliminary estimates published by the State Committee of Republic of Uzbekistan on Statistics in January 2019.

Interest Rates

The current interest rate policy aims to ensure positive real interest rates and contributes to reducing dollarisation observed in the banking system. As of 31 December 2018, the refinancing rate was 16.0% as compared to 9.0% as of 1 January 2017. Factors such as a decrease in liquidity in banks and reduction in the volume of transactions between commercial banks in the interbank money market affected interest rate changes.

The volume of term deposits in the national currency in 2018 increased by 72%, from 5.6 trillion soums as of 1 January 2018 to 9.6 trillion soums as of 1 January 2019, as compared to a decrease of 7% in 2017. The volume of term deposits in foreign currencies increased by 84%, from 4.5 trillion soums as of 1 January 2018 to 8.2 trillion soums as of 1 January 2019.

Following the increase in the refinancing rate, the average interest rate on the interbank money market grew from 13.1% in 2017 to 14.9% in 2018. At the same time, due to the improvement of liquidity in commercial banks, the weighted average interest rate on soum-denominated time deposits with a term of up to one year fell to 14.0% as of 1 January 2019, from 16.2% as of 1 January 2018. The weighted average interest rate on soum-denominated time deposits with a term of over one-year increased to 16.1% as of 1 January 2019 from 13.0% as of 1 January 2018.

In turn, there was an increase in the interest rates of commercial banks. In particular, the weighted average interest rate on soum-denominated bank loans allocated in 2018 (excluding concessional loans) increased from an average of 18.5% as of 1 January 2018 to 21.8% as of 1 January 2019.

To transition to inflation targeting as a medium-term monetary policy strategy, the CBU plans to introduce a key rate, an interest rate corridor, and other monetary mechanisms. The CBU also intends to regulate and manage the liquidity of commercial banks; introduce new liquidity instruments; and expand operations to deposit the idle cash of commercial banks to help improve interest rate instruments of monetary policy.

The table below shows the average refinancing rate, the average interbank market annual rate and the average rate on new deposits as a rate per annum for each of the periods indicated.

	Average of last month (December) of the year					
	2013	2014	2015	2016	2017	2018
	(% per annum)					
Index						
Refinancing rate (end of period)	12.0	10.0	9.0	9.0	14.0	16.0
Average interbank market rate	10.3	12.1	9.6	8.9	13.1	14.9
Average rate for new term deposits:						
in national currency						
time deposits up to one year	15.0	18.7	14.4	15.3	16.2	14.0
time deposits over one year	13.6	12.9	7.2	7.2	13.0	16.1
in foreign currency						
time deposits up to one year	3.9	8.1	5.8	6.8	3.8	3.9
time deposits over one year	5.6	5.8	6.1	4.3	3.0	4.6

Source: Central Bank of Uzbekistan

Inflation

A consumer price index (“CPI”) is one of the most important indicators of inflation in Uzbekistan. The State Committee of the Republic of Uzbekistan on Statistics collects and calculates CPI statistics on a monthly basis, which are published on its website every month. In late December 2017, the State Committee of the Republic of Uzbekistan on Statistics adjusted its method of monitoring consumer prices and CPI calculations, providing for improved sampling mechanism and harmonising methods for calculating CPI for seasonal food products (such as fruit and vegetables). In addition, the weighting of the CPI basket has been changed — prior to 2018 it was variable weights and starting from 2018 it is fixed weights.

The CPI for 2017 compared to 2016 increased to 114.4%, including for food products — 115.9%, non-food products — 116.1% and services — 108.6%. High inflation in 2017 is explained by increased rates of lending to the economy, devaluation of the soum, traditional seasonal and supply factors, monetary factors and rising food prices. In December 2018, prices for goods and services in the consumer market of Uzbekistan on average increased by 2.1% and inflation in the consumer sector was 14.3%.

The following table sets out past inflation rates for the periods indicated across specific sectors:

	As at 31 December, year-on-year change					
	2013	2014	2015	2016	2017	2018
Consumer Price Inflation, %	6.8	6.1	5.6	5.7	14.4	14.3
Consumer goods	3.9	3.7	1.3	0.3	15.9	14.9
Non-consumer goods	7.4	7.0	8.8	10.0	16.1	12.5
Services	13.8	11.3	10.7	10.4	8.6	15.8
Industrial producer price inflation, %	12.7	14.8	13.8	13.1	31.1	39.6

Source: The State Committee of the Republic of Uzbekistan on Statistics

In December 2018, the average monthly price for goods went up by 2.3%, from the beginning of the year their prices rose by 14.3%, which is slightly lower than the total annual inflation rate in the consumer sector (14.3%). In 2018, the prices of goods rose most strongly in January (3.0%) and December (2.3%). In June and July of 2018, the average price level of goods, on the contrary, decreased (by 0.6% and 0.5% per month), which was largely influenced by the seasonal decline in prices for fruit and vegetables. The annual inflation shows that services in 2018 became more expensive by 15.8%, foodstuffs by 14.9% and non-food products by 12.5%.

Banking Sector

As of 1 January 2019, the banking sector of the Republic of Uzbekistan consisted of 29 active banks, comprising four wholly state-owned banks, 13 partly state-owned joint stock commercial banks, five banks with foreign capital and seven private banks. As of 1 January 2019, there was a high level of concentration in the banking sector, with the wholly and partly state-owned banks holding 84% of all of the banking sector's total assets, 89% of the banking sector's total loans, 81% of the banking sector's total share capital and 68% of the banking sector's total deposits, whereas the banks without state ownership held 16% of all of the banking sector's total assets, 11% of the banking sector's total loans, 19% of the banking sector's total share capital and 32% of the banking sector's total deposits. Moreover, the CBU has approved the issuance of licenses for a new bank, "Poytaxt Bank", the equity of which was formed from the funds of Khomiyat (the local Tashkent authority) on 29 December 2018. As of 1 January 2019, the banking sector's capitalisation was valued at U.S.\$3.89 billion and the value of total bank assets within the whole country were equivalent to U.S.\$25.71 billion.

Uzbekistan's banking system's low exposure to global financial markets largely shielded the sector from the effects of the global financial crisis of 2008-2009 due to limited financial liberalisation, a partly integrated economic structure into the world trading system and large financial subsidies for key sectors.

The following table sets out certain data relating to the banking sector in Uzbekistan as at the dates indicated:

	As of 31 December					
	2013	2014	2015	2016	2017	2018
	<i>(soums billion)</i>					
Total number of banks	29	28	26	27	28	29
Total equity of banks	4,938.8	6,015.9	7,345.3	8,981.3	20,676.1	26,578.9
<i>of which:</i>						
in national currency	3,551.9	4,326.6	5,376.4	6,697.6	14,488.1	26,312.1
in foreign currency	1,386.9	1,689.3	1,968.9	2,283.6	6,188.0	266.9
Total assets of banks	43,970.2	51,612.0	65,293.3	84,075.0	166,631.8	214,319.6
<i>of which:</i>						
in national currency	17,771.1	30,752.4	39,941.6	47,877.5	59,968.2	95,490.9
in foreign currency	26,199.1	20,859.6	25,351.7	36,197.5	106,664.6	118,828.7
Total loans to customers	25,562.5	32,160.9	39,718.3	52,610.5	110,572.1	167,390.6
<i>of which:</i>						
in national currency	15,047.0	19,605.9	23,591.5	30,104.4	41,733.9	73,863.6
in foreign currency	10,515.5	12,555.0	16,126.8	22,506.1	68,838.2	93,527.0
Total provisions for impairment	483.9	517.6	510.8	565.4	493.9	2,720.6
Total deposits	21,178.7	23,670.7	30,057.5	37,183.2	59,578.7	70,001.4
<i>of which:</i>						
in national currency	14,670.3	17,327.5	22,905.3	27,176.4	30,753.4	43,323.5
in foreign currency	6,508.5	6,343.2	7,152.2	10,006.7	28,825.3	26,677.9
Capital adequacy ratio ⁽¹⁾ , %	18.3	17.5	14.7	14.7	18.8	15.6

Source: Central Bank of Uzbekistan

(1) Total regulatory capital to risk weighted assets.

The total equity of Uzbekistan's banking sector increased on average by 85% per annum from 2014 until 2018, along with a single year increase of 130% in 2017 which occurred due to recapitalisation of the banking sector by the Government. Also, the total assets of banks in Uzbekistan increased by 26.8% in 2018 without considering fluctuations in the exchange rates. Total loans to customers increased by 25.8%, 23.5%, 32.5% and 110.2% (of which 30.3%, 20.3%, 27.6% and 38.6% were denominated in soums and 19.4%, 28.4%, 39.6% and 205.9% were denominated in foreign currencies) in 2014, 2015, 2016 and 2017 respectively. In 2018, the total loan portfolio of banks increased by 49.2% compared to 2017, which was primarily due to an increase in loans denominated in soums of 77% (excluding exchange rate fluctuations). Moreover, total deposits also increased by 17.5% over the same period whereas deposits in soums increased by 40.9% by the year.

The following table sets out information regarding deposits in the Uzbek banking sector by the type of customer as at the dates indicated:

	As of 31 December					
	2013	2014	2015	2016	2017	2018
	<i>(soums billion)</i>					
Deposits by public sector	3,217.2	2,088.2	2,135.0	2,487.6	5,221.0	6,934.7
Deposits by private sector	7,726.0	8,531.2	11,912.9	15,005.5	18,757.4	19,922.2
Deposits by individuals	4,463.6	6,907.7	8,612.0	10,524.0	14,533.6	14,704.5
Deposits by non-banking credit and finance institutions	102	160	208	218	418	612
Total deposits	21,178.7	23,670.7	30,057.5	37,183.2	59,578.7	70 001.4

Source: Central Bank of Uzbekistan

The deposits of the public sector declined by 35% in 2014 compared to 2013 but increased by 2%, 17% and 110% in 2015, 2016 and 2017, respectively. The deposits of the private sector increased by 10% and 40%, 25% and 25% in 2014, 2015, 2016 and 2017, respectively. In 2018, the deposits of the public sector comprised 6,934.7 billion soums while private sector deposits accounted for 19,922.2 billion soums. Accordingly, savings of individuals made up 14,704.5 billion soums of the total deposit portfolio.

The following table sets out certain data relating to the Uzbek banking sector as at the dates indicated:

	As of Period End											
	2013				2014				2015			
	First quarter	Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter	Third quarter	Fourth quarter
Return on total assets, %	1.94	2.07	1.95	1.76	2.13	2.01	2.01	1.88	2.16	2.28	2.20	2.00
Return on total equity, %	17.02	18.17	17.14	15.49	18.96	18.07	18.19	16.82	18.21	19.57	19.07	17.47
Net Profit before tax	710.7	782.7	760.5	703.0	952.3	926.5	951.7	906.4	1,122.7	1,230.0	1,225.6	1,155.0
Net interest margin, % ⁽¹⁾	37.03	35.60	36.68	37.29	37.42	38.33	39.51	40.28	42.13	40.67	40.79	39.90
	As of Period End											
	2016				2017				2018			
	First quarter	Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter	Third quarter	Fourth quarter
Return on total assets, %	2.28	2.16	2.04	2.00	2.35	2.33	2.56	1.87	2.01	1.78	1.56	2.05
Return on total equity, %	20.00	19.13	18.10	17.95	21.91	22.16	24.80	17.13	15.57	13.86	12.29	16.20
Net Profit before tax	1,527.5	1,494.0	1,440.4	1,465.2	2,055.8	2,160.6	2,812.7	2,263.0	3,420.0	3,117.1	2,841.5	3,858.4
Net interest margin, % ⁽¹⁾	38.95	39.18	40.04	39.45	36.45	38.93	31.11	32.55	41.95	45.52	49.78	48.42

Source: Central Bank of Uzbekistan

1) Net interest margin as calculated as a ratio of interest rate margin to gross revenue.

Return on assets increased from 1.76% in 2013 to 2.0% in 2016 but in 2017 it declined to 1.87%. As at the end of 2018, however, return on assets increased again to 2.05%. Similarly, net revenue and net interest margin increased while return on equity decreased to 16.2%.

The following table sets out certain data regarding the loan portfolio of the Uzbek banking sector and NPL ratio as at the dates indicated:

	As of Period End							
	2013				2014			
	First quarter	Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter	Third quarter	Fourth quarter
Total loan portfolio	20,230.7	22,422.9	24,682.1	25,562.5	26,886.1	29,918.9	31,613.2	32,160.9
<i>of which:</i>								
NPLs	569.8	656.9	693.5	720.0	711.1	739.3	690.2	674.4
NPLs as a percentage of total loans, %	2.82	2.93	2.81	2.82	2.64	2.47	2.18	2.10

Source: Central Bank of Uzbekistan

	As of Period End							
	2016				2017			
	First quarter	Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter	Third quarter	Fourth quarter
Total loan portfolio	41,813.1	45,333.4	48,073.7	52,610.5	59,847.6	69,918.9	104,908.8	110,572.1
<i>of which:</i>								
NPLs	598.0	577.6	536.6	391.5	516.7	555.7	1,169.4	1,324.4
NPLs as a percentage of total loans, %	1.43	1.27	1.12	0.74	0.86	0.79	1.11	1.20

Source: Central Bank of Uzbekistan

The following table sets out certain data regarding the loan portfolio of the Uzbek banking sector by the type of borrower as at the dates indicated:

	As of 31 December					
	2013	2014	2015	2016	2017	2018
	<i>(soms billion)</i>					
Total loan portfolio	25,562.5	32,160.9	39,718.3	52,610.5	110,572.1	167,390.6
loans to public sector	12,251.9	14,220.1	17,134.9	22,448.7	56,794.8	67,395.2
loans to private sector	8,839.6	11,639.5	13,660.0	17,927.7	33,089.2	66,047.1
loans to natural persons	3,830.3	5,593.0	7,463.8	10,171.9	14,437.7	24,426.8
loans to non-banking credit and finance institutions	29.3	50.4	54.2	40.4	72.3	273.3

Source: Central Bank of Uzbekistan

Due to increased lending by the banking sector to finance the economy, the loan portfolio growth of the banking sector amounted to 24%, 33% and 31.4% in 2015, 2016, and 2017, respectively. As of 1 January 2019, this indicator amounted to 51.4%, where the main driver behind this growth was support from the UFRD. The UFRD provides loans for state-owned entities through commercial banks on concessional terms. Additionally, the introduction of new products by the commercial banks for meeting the demand of individuals as well as entrepreneurs contributed to the growth (see “*Public Finance — UFRD*”).

As of 1 January 2019, deposits in national and foreign currencies constituted 62% and 38% of total deposits, respectively, as compared to 52% and 48% of total deposits as at 1 January 2018. Furthermore, the introduction of amendments to the mandatory reserve requirements by the CBU increased the number of national currency denominated deposits, decreased dollarisation levels in the economy and contributed to the efficiency of market mechanisms in liquidity regulation of the banking system.

Financial Performance of the Banking Sector

Banking system soundness in terms of asset quality is characterised by the weighted average of NPLs. NPLs accounted for 1.28% of total loans in the banking sector as of 1 January 2019 compared to 1.2% as of 1 January 2018. Loan portfolios of banks constituted 167,390.6 billion soms as of 1 January 2019. Regulatory Tier 1 capital constituted 24,231.2 billion soms as at 1 January 2019, compared to 19,993.8 billion soms as at 1 January 2018. Capital adequacy ratios for the banking sector were 18.8% and 15.6% as of 1 January 2018 and 2019, respectively.

As of 1 January 2019, the volume of loans with over 90 days overdue equalled 156 billion soms (legal entities — 136.1 billion soms, individuals — 19.9 billion soms) and the sum of restructured loans was 2.16 trillion soms, which constituted 1.3% of the total banking sector loan portfolio. Approximately 40% of the total loan portfolio was comprised of loans to the manufacturing industry, 12.5% to the transportation and communication sectors, 5.6% to the agricultural industry, 6.4% to trade and public services, 3.5% to construction, 1.1% to communal services and 31% to other sectors.

As of 1 January 2019, none of the banks were designated as a ‘problem bank’ and in general, the assets classified as problem loans (90 days overdue, loans on lawsuit, and restructured loans) accounted for 1.5% of the total loan portfolio.

An agreement on IFRS 9 implementation in the banking sector was made between external audit companies as of 30 September 2018. As these standards pose stringent requirements on asset quality measurement, the CBU anticipates an increase in the loan reserve amount as a result of such implementation. In the meantime, taking into account the low levels of NPLs, the growth of non-performing assets is not anticipated to be above materiality and critical levels.

	As of 31 December					
	2013	2014	2015	2016	2017	2018
	<i>(soums billion)</i>					
Interest Income	2,822.5	3,656.9	4,397.3	5,293.1	7,960.4	14,517.8
Interest Expense	1,650.2	2,111.2	2,500.5	3,075.4	4,623.1	8,354.9
Net profit margin	1,172.3	1,545.6	1,896.7	2,217.7	3,337.3	6,162.9
Fee and commission income	1,971.3	2,292.0	2,856.6	3,403.8	6,916.8	6,564.1
Fee and commission expense	353.0	410.5	569.3	629.3	1,942.7	1,343.6
Operating expense	1,709.0	2,118.5	2,561.6	3,014.4	4,137.7	5,582.9
Non-interest gain (loss)	(90.7)	(237.1)	(274.3)	(239.9)	836.5	(362.5)
Provision for impairment of loans and leases to customers	325.2	338.6	414.6	438.9	1,631.7	1,746.3
Provision for losses other than loans	53.4	63.6	52.8	73.7	279.0	196.6
Profit before tax	703.0	906.4	1,155.0	1,465.2	2,263.0	3,858.4
Income tax expense	132.2	182.6	240.5	311.3	379.7	658.9
Return adjustments	0.0	0.0	0.0	1.1	2.3	0.0
Net profit	570.8	723.8	914.6	1,152.8	1,881.0	3,199.5

Source: Central Bank of Uzbekistan

Liabilities

The following table sets forth a breakdown of the banking system's liabilities by currency for the periods indicated:

	As of 31 December					
	2013	2014	2015	2016	2017	2018
Total liability of the banking system, <i>soums million</i>	39,031.4	45,596.1	57,937.9	75,093.7	145,955.7	187,741.0
of which:						
in soums	21,550.6	26,306.4	34,446.0	41,179.9	45,480.1	69,178.8
in foreign currency	17,480.7	19,289.7	23,491.9	33,913.9	100,475.6	118,561.9

Source: Central Bank of Uzbekistan

As of 1 January 2019, 55.6% of all liabilities of banks were comprised of loans and 37.3% were comprised of deposits, while the remaining 7.1% was accounted for by other liabilities. A high concentration of loans is more prevalent in state-owned banks due to the fact that UFRD resources were provided to these banks in order to assist in financing the key strategic sectors of the economy.

Development of remote banking services

The CBU created a retail operation clearing system through which tax and utility services payments, mobile operator fees and others can be maintained by individuals in the national currency. It allows financial institutions to serve the clients remotely on a real time basis through the Uzkart system which facilitates non-cash peer-to-peer settlements.

	As of 31 December					
	2013	2014	2015	2016	2017	2018
Remote banking users, <i>thousand people</i> ⁽¹⁾	264	535	1,061	2,042	4,454	7,959
Transactions ⁽²⁾ , <i>billion soums</i>	891,526	748,018	673,017	838,628	640,835	845,622
Number of cards issued, <i>units</i>	11,068	15,215	16,316	19,523	19,226	17,686

Source: Central Bank of Uzbekistan

(1) Including both legal and natural persons

(2) Includes interbank payment system

The following table sets out certain banking system stability indicators of the Republic of Uzbekistan as at the dates indicated:

124

As of Period End

	2016				2017				2018			
	First quarter	Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter	Third quarter	Fourth quarter
Regulatory capital to risk-weighted assets	15.97%	15.89%	15.27%	14.73%	14.89%	13.80%	15.51%	18.77%	19.55%	16.39%	15.79%	15.64%
Total regulatory capital	7,805.4	7,888.9	8,086.1	8,460.1	9,525.0	10,125.8	15,370.1	19,992.8	22,541.7	21,426.3	22,796.0	24,231.1
Risk weighted assets	48,885.3	49,657.0	52,969.0	57,443.8	63,956.7	73,367.6	99,127.4	106,510.9	115,291.4	130,705.1	144,384.8	154,965.5
Regulatory Tier 1 capital to risk-weighted assets	14.26%	13.86%	13.10%	12.50%	13.21%	11.97%	13.30%	16.55%	17.89%	15.41%	14.74%	14.29%
Regulatory tier I capital	6,969.3	6,883.8	6,939.1	7,179.4	8,451.5	8,784.5	13,183.4	17,627.1	20,620.0	20,148.0	21,289.2	22,146.3
Risk weighted assets	48,885.3	49,657.0	52,969.0	57,443.8	63,956.7	73,367.6	99,127.4	106,510.9	115,291.4	130,705.1	144,384.8	154,965.5
Nonperforming loans net of provisions to capital	4.27%	4.04%	3.33%	2.17%	2.95%	3.14%	4.07%	2.95%	2.89%	4.21%	4.62%	4.29%
Nonperforming loans net of provisions	338.6	329.0	280.0	194.8	288.5	328.8	655.3	609.6	672.7	990.0	1,158.7	1,140.4
Capital at the end of the period	7,933.1	8,144.3	8,411.6	8,981.3	9,787.9	10,481.1	16,116.2	20,676.1	23,247.8	23,523.8	25,054.0	26,578.9
Nonperforming loans to total gross loans	1.43%	1.27%	1.12%	0.74%	0.86%	0.79%	1.11%	1.20%	1.17%	1.32%	1.33%	1.28%
Nonperforming loans	598.0	577.6	536.6	391.5	516.7	555.7	1,169.4	1,324.4	1,413.7	1,772.7	2,005.4	2,140.5
Total gross loans	41,813.1	45,333.4	48,073.7	52,610.5	59,847.6	69,918.9	104,908.8	110,572.1	121,040.1	134,615.9	151,312.7	167,390.6
Return on assets (ROA)	2.28%	2.16%	2.04%	2.00%	2.35%	2.33%	2.56%	1.87%	2.01%	1.78%	1.56%	2.05%
Net income (before tax)	1,527.5	1,494.0	1,440.4	1,465.2	2,055.8	2,160.6	2,812.7	2,263.0	3,420.0	3,117.1	2,841.5	3,858.4
Total assets (average for the period)	67,005.2	69,038.6	70,778.1	73,437.5	87,399.9	92,716.6	109,838.8	121,197.4	170,502.8	175,367.0	182,102.6	188,546.0
Return on equity (ROE)	20.00%	19.13%	18.10%	17.95%	21.91%	22.16%	24.80%	17.13%	15.57%	13.86%	12.29%	16.20%
Net profit before taxes	1,527.5	1,494.0	1,440.4	1,465.2	2,055.8	2,160.6	2,812.7	2,263.0	3,420.0	3,117.1	2,841.5	3,858.4
Aggregate capital (average for the period)	7,639.2	7,807.6	7,958.6	8,163.1	9,384.6	9,750.1	11,341.6	13,208.5	21,962.0	22,482.6	23,125.4	23,816.1
Interest margin to gross income	38.95%	39.18%	40.04%	39.45%	36.45%	38.93%	31.11%	32.55%	41.95%	45.52%	49.78%	48.42%
Interest margin	495.7	1,026.7	1,590.2	2,217.7	657.5	1,458.6	2,354.0	3,337.3	1,182.3	2,581.9	4,213.4	6,161.9
Gross income	1,272.6	2,620.3	3,971.3	5,621.5	1,803.8	3,747.1	7,566.3	10,254.1	2,818.4	5,672.3	8,464.1	12,726.0
Noninterest expenses to gross income	59.32%	61.33%	62.90%	64.82%	57.19%	59.49%	57.73%	59.30%	48.49%	54.44%	56.93%	54.42%
Noninterest expenses	754.8	1,607.0	2,498.0	3,643.7	1,031.6	2,229.1	4,367.8	6,080.4	1,366.7	3,088.2	4,818.7	6,925.6
Gross income	1,272.6	2,620.3	3,971.3	5,621.5	1,803.8	3,747.1	7,566.3	10,254.1	2,818.4	5,672.3	8,464.1	12,726.0
Liquid assets to total assets	24.76%	24.52%	23.43%	25.36%	21.89%	21.23%	25.67%	23.63%	21.72%	18.57%	15.99%	13.65%
Liquid assets	17,015.1	17,922.5	17,807.6	21,324.9	19,861.4	21,945.5	41,386.2	39,374.9	37,866.1	34,368.0	32,350.2	29,252.6
Total assets	68,727.2	73,105.4	75,996.5	84,075.0	90,724.8	103,349.9	161,205.6	166,631.8	174,373.7	185,095.5	202,309.4	214,319.6
Liquid assets to short-term liabilities	45.44%	45.01%	43.77%	48.36%	41.52%	40.58%	55.39%	55.65%	53.18%	46.92%	40.56%	41.17%
Liquid assets	17,015.1	17,922.5	17,807.6	21,324.9	19,861.4	21,945.5	41,386.2	39,374.9	37,866.1	34,368.0	32,350.2	29,252.6
Short-term liabilities	37,447.0	39,820.0	40,685.2	44,100.6	47,836.0	54,081.6	74,718.0	70,748.6	71,200.9	73,254.5	79,755.5	71,050.6
Capital to total assets	11.54%	11.14%	11.07%	10.68%	10.79%	10.14%	10.00%	12.41%	13.33%	12.71%	12.38%	12.40%
Capital at the end of period	7,933.1	8,144.3	8,411.6	8,981.3	9,787.9	10,481.1	16,116.2	20,676.1	23,247.8	23,523.8	25,054.0	26,578.9
Total assets	68,727.2	73,105.4	75,996.5	84,075.0	90,724.8	103,349.9	161,205.6	166,631.8	174,373.7	185,095.5	202,309.4	214,319.6

Source: Central Bank of Uzbekistan

Effects of the 2008-2009 Global Financial Crisis and Anti-Crisis Measures

In comparison to its neighbours and many other countries in the world, Uzbekistan was not as adversely impacted by the financial crisis. The decrease in revenues from exports of copper, cotton and chemicals was partly offset by relatively stable prices for gold and natural gas. This coupled with a large fiscal reserve to some extent shielded Uzbekistan from the impact of the crisis.

The Anti-Crisis Programme was established to mitigate the effects of the crisis and is backed by funding from the Government budget and the UFRD.

The Programme envisions the implementation of a set of measures aimed at supporting the real sector of economy, stimulating the internal demand and investment activity, introducing the system of energy saving, supporting the small business and employment generation. The elements of the Programme indicated in No UP-4058 have been completed in due course and the Programme includes:

- Upgrading production, speeding up technical and technological modernisation of enterprises in the priority sectors. Export-oriented enterprises and companies specialising in producing import-substituting domestic goods will get special attention;
- Undertaking specific measures to support export-oriented businesses and providing additional stimulus to exports;
- Carrying a strict regime of saving, boosting competitiveness of enterprises by encouraging cuts in production costs;
- Capping an increase in prices for fuel and public utilities by 6-8% a year; and
- Supporting domestic producers by stimulating demand in the domestic market in the circumstances of falling demand in the international markets.

Furthermore, a Presidential Decree was passed on 26 November 2010, No UP-1438 “On priority directions of further reforms and enhancement in financial-banking system of the Republic in 2011-2015 years and attaining high international rating” aimed at mitigating the effects of the global financial crisis on the banking system of Uzbekistan and further enhance its soundness. Accordingly, the following measures were undertaken:

- Strengthening financial soundness of the banking system through tightening the regulation on capital adequacy of the banks and liquidity requirements as well as creation of equalisation provision in capital structure of banks which provides the tolerance against crisis in line with Basel Committee on Banking Supervision recommendations;
- Reviewing and improving the evaluation system and analysis of banking operation and whole banking system on basis of international norms, criteria, and evaluation indicators;
- Improving regulatory base of the banking sector supervision based on international standards requirement including Basel Committee requirements; and
- Implementing additional economic norms for non-bank credit organisations.

Foreign Participation in the Banking Sector

The participation of foreign capital in the banking sector is regulated by the Laws of the Republic of Uzbekistan on “Central Bank of Uzbekistan”, “Banks and banking activities”, “Securities market” as well as regulation of the Cabinet of Ministers No 56 dated 10 March 2014 on the process of passing the licensing procedures in the sphere of banking activities and Regulation No 2014 dated 8 October 2009 on registration and licensing procedures for banking activities.

Priority to open subsidiaries of foreign banks in Uzbekistan is given to banks who are assigned a rating not lower than A1 (or A+) in the classification of short-term liabilities from Fitch Ratings, Moody’s and S&P. The amount of shareholders’ equity of non-resident banks who intend to open banking subsidiaries and buy shares in the territory of Uzbekistan must be not less than EUR500 million. However, opening branches of non-resident banks in the territory of Uzbekistan is prohibited by law.

Cooperation with International Financial Institutions in the Banking Sector

The CBU cooperates with a number of foreign financial institutions and central banks to assist with the transition to inflation targeting mode as well as the development of the Uzbek banking-financial system. In 2018, the CBU

held seven joint projects with IMF technical assistance missions regarding enhancement of monetary policy instruments, stress-testing models for commercial banks, financial statistics enhancement and balance of payments maintenance.

The CBU closely collaborates with the World Bank as it provides technical assistance on issues regarding stress-testing methodology of the banking sector and framework of rules and regulations prudential supervision. The CBU is projected to cooperate in digital banking and financial education with the World Bank. Moreover, the EBRD and CBU reached a memorandum of understanding in capital market development and financing in the national currency.

The ADB provided technical assistance and support in the implementation of risk based approach in the bank supervision. The National Bank of Switzerland cooperates in the implementation of inflation analysis and forecasting models.

Banking Sector Supervision

Uzbekistan has a two-tier banking system with the CBU comprising the first tier and the commercial banks comprising the second tier. Generally, the CBU licenses and regulates any banking activity in Uzbekistan. The state closely monitors and controls the banking system in Uzbekistan. The government channels or directs most loans to develop particular industry sectors and a majority of banking assets remain in state-owned or controlled banks.

In 1992, the CBU issued the instruction “Rules to Regulate the Activity of Commercial Banks,” which determined the order of formation, planning and use of credit resources to better assist commercial banks in managing liquidity and regulate risks.

In 1997, the CBU adopted a regulatory framework, which included procedures for the reorganisation of commercial banks; requirements for reporting to the CBU; procedures for registration and licensing the liquidation of banks; and penalties for violating banking regulations.

The CBU adopted a regulatory framework on capital adequacy requirements of commercial banks and classification of asset quality and reserve formation for expected asset losses in 2015. New more stringent requirements on capital adequacy and liquidity were implemented in 2018 in accordance with Basel III:

- minimum capital adequacy requirements increased from 10% to 12.5%. Starting from 1 January 2019 it is to be set at 13%;
- minimum Tier 1 capital adequacy requirements are set at 9.5%. Starting from 1 January 2019 it is to be set at 10%;
- from 1 January 2018 new liquidity coverage requirements reached 100%; and
- from 1 January 2018 implemented net stable funding ratio accounting to 100%.

Gold and Foreign Exchange Reserves

The following table sets out the official international reserves of Uzbekistan and the foreign currency reserves assets of the CBU as at the dates indicated:

Official Reserve Assets

	As of 31 December					
	2013	2014	2015	2016	2017	2018
	<i>(million U.S.\$)</i>					
I. Official reserve assets and other foreign currency assets						
A. Official reserve assets	22,481.4	24,139.7	24,306.8	26,428.8	28,076.9	27,081.4
Foreign currency reserves (in convertible foreign currencies)	13,672.7	13,161.3	13,297.4	13,814.6	13,663.9	12,070.6
Of which:						
other national central banks, BIS and IMF	36.3	27.6	22.2	18.9	14.5	64.2
banks headquartered outside the reporting country	13,636.4	13,133.7	13,275.3	13,795.6	13,649.4	12,006.3
IMF reserve position	0.01	0.01	0.01	0.01	0.01	0.01
SDRs	409.8	385.5	368.7	357.7	378.9	370.1
Gold	8,398.9	10,592.9	10,640.7	12,256.6	14,034.1	14,640.7
Of which, volume in millions of fine troy ounces	7.0	8.8	10.0	10.6	10.8	11.4
B. Other foreign currency assets	7.0	11.1	5.1	83.8	68.7	68.1
Of which:						
deposits not included in official reserve assets	4.6	8.7	3.0	81.5	66.1	65.4
gold not included in official reserve assets	2.4	2.4	2.1	2.3	2.5	2.7

Source: Central Bank of the Republic of Uzbekistan

The calculation of international reserves is conducted in compliance with the standards of the IMF. International reserves of Uzbekistan consist of foreign currency reserves and monetary gold. In order to manage the international reserves efficiently, the CBU separately calculates and keeps the record of both gross and net international reserves. The net international reserves do not include the foreign currency of commercial banks and government entities (except the Ministry of Finance and the UFRD) at their accounts with the CBU, which are considered as obligations of the CBU to these entities.) Total net foreign currency reserves and monetary gold reserves as at 31 December 2018 were U.S.\$26,394.1 million.

As of 31 December 2018, Uzbekistan's total official international reserves, including gold and the CBU's foreign currency reserves, amounted to U.S.\$27,081.4 million, a decrease of 3.54% as compared to 31 December 2017, of which U.S.\$12,440.7 million were foreign currency assets and U.S.\$14,640.7 million was in gold. A decline in international reserves in 2018 resulted partly from a decrease in gold price during the period from U.S.\$1,296.50 per ounce to U.S.\$1,281.65 per ounce.

As at 31 December 2017, Uzbekistan's total international reserves, including gold and the CBU's foreign currency reserves, were U.S.\$28,076.87 million (of which foreign currency assets amounted to U.S.\$14,042.82 million and U.S.\$14,034.06 million was in gold), representing an increase of 6.24% as compared to 31 December 2016. Official international reserves represented 26 months of import coverage.

As at 31 December 2016, Uzbekistan's total official international reserves, including gold and foreign currency reserves, were U.S.\$26,428.82 million (of which foreign currency assets amounted to U.S.\$14,172.24 million and U.S.\$12,256.58 million was in gold), representing an increase of 8.73% as compared to 31 December 2015. Official international reserves represented 26 months of import coverage.

As at 31 December 2015, Uzbekistan's total official international reserves, including gold and the CBU's foreign currency reserves, were U.S.\$24,306.8 million (of which foreign currency assets amounted to U.S.\$13,666.13 million and U.S.\$10,640.67 million was in gold), representing an increase of 0.69% as compared to 31 December 2014. Official international reserves represented 23 months of import coverage.

As at 31 December 2014, Uzbekistan's total official international reserves, including gold and the CBU's foreign currency reserves, increased by U.S.\$24,139.65 million (of which foreign currency assets amounted to U.S.\$13,546.80 million and U.S.\$10 592.85 million was in gold), representing an increase of 7.38% as compared to 31 December 2013. Official international reserves represented 21 months of import coverage.

Anti-Money Laundering Legislation and Measures

The Republic of Uzbekistan ratified the International Convention for the Suppression of the Financing of Terrorism in 2001 and the UN Convention against Transnational Organised Crime in 2003 to ensure it complies with international standards on anti-money laundering practices.

The Republic of Uzbekistan became a member of the Eurasian Group (EAG) on Combatting Money Laundering and Financing of Terrorism in 2005. The assessment of the implementation of anti-money laundering and counter-terrorist financing (AML/CFT) measures in Uzbekistan was conducted by the EAG. The EAG mutual evaluation mission of Uzbekistan took place in 2009. The 22nd EAG Plenary meeting was held in Uzbekistan in May 2015.

According to clause 51 of the EAG Mutual Evaluation Procedures and taking into consideration the aforementioned factors, the EAG Plenary decided to remove Uzbekistan from the follow-up process from 2016. The evaluation process for Uzbekistan was started by EAG and the assessment is going to be held by 2020.

Uzbekistan's core anti-money laundering (AML) legislation comprises the law on "On Counteracting Legalisation of Proceeds from Crime and Financing of Terrorism", which establishes comprehensive Know Your Customer and Suspicious Transaction Reports rules. Taking effect in January 2006, the law established that the key government body responsible for AML enforcement is the Department on Combating Fiscal and Foreign Currency Crimes and Money Laundering (which was renamed in 2018 as the Department for Combatting Economic Crimes), under the General Prosecutor's Office of the Republic of Uzbekistan, control exercised by the specially designated government agency. The measures aimed at combatting money laundering and financing of terrorism include, *inter alia*, specially designated government agency control over economy, internal control measures, customer identification and other due diligence measures.

In 2016, there was an amendment to this law, which allows for asset freezes and the suspension of transactions if any transaction party appears on a list of individuals and/or legal entities involved or suspected of involvement in the proliferation of weapons of mass destruction. The Department for Combatting Economic Crime maintains this list.

In 2017, the Department issued internal control procedures for commercial banks and credit institutions governing the suspension of transactions and freezing of funds or other assets.

By the Decree of the President of the Republic of Uzbekistan dated 20 September 2018, the Interdepartmental Commission on Counteracting the Legalisation of Proceeds from Crime, Financing of Terrorism and Financing the Spread of Weapons of Mass Destruction was formed as part of the law enforcement agencies, ministries and departments of the Republic involved in this field.

The main tasks of the commission are:

- organisation of effective work on the risk assessment of the legalisation of income derived from criminal activities and financing of terrorism, as well as developing proposals on its basis and taking measures to further develop and strengthen the national system of countering the legalisation of income derived from criminal activities and the financing of terrorism;
- development of proposals for improving the state policy in the field of countering the legalisation of income derived from criminal activities and the financing of terrorism;
- ensuring the implementation of the requirements of the Recommendations of the Financial Action Task Force on Money Laundering (FATF) and international legal instruments in the sphere of combating money laundering from criminal activities, terrorist financing and the proliferation of weapons of mass destruction into the legislation of the Republic of Uzbekistan;
- analysis of law enforcement practice, identifying the causes and conditions conducive to offences in the sphere of countering the legalisation of income derived from criminal activities and the financing of terrorism, the preparation of proposals for their elimination.

The commission's activities are aimed at creating an effective mechanism for interaction between state bodies, self-regulating organisations and the private sector in countering the legalisation of income derived from criminal activities, the financing of terrorism and the financing of the proliferation of weapons of mass destruction.

On a regular basis, all government bodies conduct meetings, conferences and other explanatory work within the scope of issues of reducing risks in the sphere of combating money laundering and financing of terrorism, making recommendations for regulating electronic payment systems in order to prevent their use for money laundering and financing of terrorism, expanding the interaction of financial intelligence units with branch bodies of the CIS and other international organisations.

Anti-Corruption Legislation and Measures

Uzbekistan has introduced legislation which, in conjunction with the country's Criminal Code, prohibits corruption in Uzbekistan. The Prosecutor General's Office, the Ministry of Internal Affairs, the State Security Service and the Ministry of Justice of the Republic of Uzbekistan are the main arms of the Government specifically tasked with fighting corruption.

The Republic of Uzbekistan ratified the UN Convention against Corruption in 2008 and became a signatory to the Istanbul Anti-Corruption Action Plan in 2010 and additionally adopted a series of anti-corruption laws that aim to improve foreign investment climate.

In 2015, the government issued two new resolutions: "Approving the Procedure of Public Electronic Procurement of Essential Goods and Services from Businesses through the Uzbek National Commodity Exchange," and "Measures to Ensure Reliable Protection of Private Property, Small Business and Private Entrepreneurship." The first resolution aims to ensure direct and equal access of small private business to public procurements and improve transparency in this segment. The second created a range of procedural rules in order to eliminate rent seeking and bribery temptations.

The Ministry of Justice approved the methodology for conducting anti-corruption expertise of draft regulatory legal acts (dated 25 December 2015, No. 2745). In accordance with this methodology and procedure for the examination of draft regulations, it is mandatory to pass an anti-corruption examination before adoption.

In order to attract more foreign investment, the government has recently introduced a number of anti-corruption reforms. On 3 January 2017, President Mirziyoyev approved the law "On Combatting Corruption," which aims to raise the efficiency of anti-corruption measures through consolidating the efforts of government bodies and civil society. In accordance with this Law, the Republican Inter-departmental Anti-Corruption Commission has been established to coordinate the activities of bodies and organisations that carry out and participate in anti-corruption activities. The new law provides clear definitions on conflicts of interest and attempted corruption and prescribes a range of measures to prevent corruption, including introducing transparent rules for public-private partnerships.

Further, on 2 February 2017 the President adopted the State Programme "On Combatting Corruption" for 2017-2018, which stipulates the implementation of 51 anti-corruption measures by various state bodies and authorities. Notably, the Government, in the context of this programme, adopted the Law "On Dissemination of Legal Information and Access", the Law "On public control", the Law "On Administrative Procedures" and the Law "On Public Procurement".

The State Programme on Combating Corruption for 2017-2018 provides for the implementation of 51 anti-corruption measures on further improving the legislation in the field of combating corruption, raising awareness of the laws amongst the population, forming zero tolerance in society towards corruption, measures to prevent corruption in all spheres of the state and society, timely detecting and suppressing corruption offences, eliminating their consequences, causes and conditions conducive to them and organisational measures, research and international cooperation in the field of combating corruption. The State Programme also provides for enhanced cooperation with international and regional organisations in the field of combating corruption.

The government plans to adopt the law "On Public-Private Partnership" to further improve anti-corruption legislation, to reduce administrative barriers in public-private interactions and ensure transparency in accessing public resource. See *"Economy of the Republic of Uzbekistan — Privatisation"*.

The Republican Interdepartmental Commission on Combating Corruption is working on the preparation of the draft State Programme on Combating Corruption for 2019-2021 aimed at the effective implementation of a set of measures to eliminate the causes and conditions conducive to corruption in all spheres of the life of the state and society.

The draft state programme is formed in the following areas, including:

- further improvement of legislation in the field of anti-corruption;
- increasing the legal capacity of citizens, the formation of an intolerant attitude towards corruption in society;
- measures to prevent corruption in the field of education, health care, social welfare and other spheres of the life of the state and society;
- timely detection and suppression of corruption offences, elimination of their consequences, causes and conditions that contribute to them;
- organisational measures, research, international cooperation in the field of combating corruption.

Domestic Capital Markets

Uzbekistan has its own stock market, which has been traded via the Republican Stock Exchange “Tashkent” (**RSE “Tashkent”**) and other non-exchange organised platforms (Elsis Savdo). Elsis Savdo is a closed joint stock company that engages electronic off-exchange security trading. The company was founded in 2000.

The RSE “Tashkent” is the country’s main securities trading platform and the only corporate securities exchange. It was founded on 8 April 1994. It mainly hosts equity and secondary market transactions involving shares of state-owned enterprises, including ensuring free circulation of securities and disclosure of information, as well as market-based pricing. There are more than 100 broker offices in all regions of the Republic.

In September 1995, the RSE “Tashkent” joined the Federation of Eurasian Stock Exchanges (“**FEAS**”) (based in Istanbul). Over the years of development, RSE “Tashkent” has entered into cooperation and information exchange agreements with the Istanbul, Frankfurt, London, Moscow and other stock exchanges globally. Most recently, on 6 April 2018, a Memorandum of Mutual Cooperation was signed between the RSE “Tashkent” and the Korean Stock Exchange.

The Multilateral Memorandum of Understanding with the International Organisation of Securities Commissions (“**IOSCO**”) signed in 2002, contributes to development of Uzbekistan’s capital markets by establishing an international framework for cross-border cooperation, namely, providing for the procedural terms for consultations, cooperation and information exchange and joint fight against cross-border fraud and financial crimes, such as market manipulation and insider trading.

For 2018, the total turnover of the stock and corporate bonds market in Uzbekistan amounted to 10.7 trillion soums, of which 4,457 transactions worth 9.0 trillion soums were traded in the primary market and 15,331 transactions worth 1.7 trillion soums in the secondary market. In 2018, 13,751 share and corporate bond transactions worth 687.8 billion soums were traded on the RSE “Tashkent” and 294 transactions worth 127.2 billion soums were traded on the Elsis-Savdo. During 2018, 10.0 billion securities of 117 joint-stock companies were sold.

The economic reforms of 2017 and 2018 have positively affected the capital markets. In 2018, the number of companies active on the securities market increased by 18.1% to 117, as compared to 99 companies for the same period of 2017, while the number of transactions more than doubled for the same period. As a result, in the end of 2018, the securities turnover of the RSE “Tashkent” amounted to 687.9 billion soums, as compared to 298.6 billion soums for the corresponding period of 2017.

The Central Securities Depository provides unified accounting of securities in the depository system of the Republic of Uzbekistan. In 2018, on the over-the-counter market, the Central Securities Depository and investment intermediaries registered 5,743 over-the-counter transactions of corporate bonds and shares worth 9.89 trillion soums. The transaction turnover for 2018 amounted to 8,678.9 billion soums (768 transactions) in the primary market and 1,216.4 billion soums (4,975 transactions) in the secondary market.

Government Securities

As of 1996, the government began selling three-month treasury bills, primarily to state-owned banks, state companies and certain financial institutions.

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Placement, %	12.9	53.0	95.8	107.0	77.1	59.6	65.4	50.0	49.3	42.9	43.8	41.6	22.3	29.4	23.6	29.4	0.0
Redemption, %	8.8	38.0	86.1	95.8	105.8	73.1	66.2	53.5	52.2	37.8	45.2	40.5	25.5	32.7	26.6	29.4	53.0
Carry-over debt, %	5.4	25.1	42.8	64.3	43.0	35.8	42.4	45.3	45.5	49.4	48.9	53.1	53.07	53.01	53.01	53.01	0.00

From 1996 to 2011, Republic issued government securities in the total amount of 803.1 billion soums, with an average issue volume of 50 billion soums annually. The interest rates of government securities for the last years of release (2009-2012) averaged 5.8%, with the refinancing rates of CBU of 12-14%. As the state budget recorded a surplus annually starting from 2005, state medium-term treasury obligations were redeemed in full ahead of their maturity in 2012 without any new issuance taking place, as a result of low investor demand due to negative real returns on such securities.

Pursuant to the Decree of the President of the Republic of Uzbekistan dated 29 December 2017 No. PP-3454 “On the Forecast of Main Macroeconomic Indicators and Parameters of the State Budget of the Republic of Uzbekistan for 2018” and the Decree of the Cabinet of Ministers on measure of organising the issuance of government treasury bills and bonds of the Republic of Uzbekistan dated 14 December 2018 No. PKM-1016, the Ministry of Finance of the Republic of Uzbekistan placed government treasury bonds in the amount of 592.1 million soums in December 2018. The proceeds from the placement of government securities are to be directed to the implementation of measures aimed at the socio-economic development of the country, as well as major investment projects determined by the decisions of the President and to cover the state budget deficit.

The presence of government securities in circulation is expected to also contribute to the strengthening of market mechanisms for macroeconomic regulation.

Taking into account the long absence of government securities in circulation, as well as the need to ensure liquidity and attractiveness of this market, at the initial stage it is planned to issue these securities with a period of six months to three years, with interest rates determined on the basis of supply and demand for market, and the volume of output will be from about 500.0 billion soums to 1 trillion soums.

The CBU will determine the types and volumes of transactions in the open money market. The Government plans to resume issuance of government treasury bills and bonds.

Corporate Securities

In 1999, corporate securities were introduced in Uzbekistan. In 2001, International Issue Syndicate (“IIS”), a volunteer operation union, was established among 22 Uzbek commercial banks, insurance, investment and consulting companies. IIS facilitated corporate bond issuance and underwriting.

2004 marked the peak of market activity when 23 companies issued corporate bonds. Since then, however, the market has significantly decreased, partially due to the defaults of several limited liability companies and a lower refinancing rate, which impacted coupon rates on corporate bonds. In order to allow for stable market development, the Government adopted new regulations for the corporate bond market, limiting market access to open joint stock companies complying with specific financial performance ratios over the preceding three years and limiting the maximum placement amount by such companies’ total capital amount. Between 2013 and 2018, seven companies issued corporate bonds in a total amount of 103 billion soums. The largest issue of corporate bonds was carried out by JSC “Uzavtosanoat” on 30 May 2017 with a total amount of 50 billion soums. There were no new issuances of corporate and infrastructure bonds in Uzbekistan in the first nine months of 2018 and as of 30 September 2018, there were 18 issues of corporate bonds in circulation in Uzbekistan cumulatively amounting to 211.8 billion soums

In addition, the Central Securities Depository recorded 495.6 thousand corporate bonds in circulation in 2018 in the total amount of 198.1 billion soums, of which three commercial banks accounted for 445.6 thousand bonds worth 148.06 billion soums.

Equities Market

In 2018, the total equity securities turnover amounted to 687.9 billion soums (representing 2.3 times as much compared to 2017).

In 2018, shares of 603 joint-stock companies were traded on the securities market with a total nominal value of 59.4 trillion soums, representing a 10.7 trillion soums increase as compared to 2017. The volume of shares transactions in the secondary market with individuals amounted to 734.7 billion soums in 2018, which was 45.8% of the total exchange turnover in the secondary market.

Regulation of the securities market

The Centre for Coordination and Development of the Securities Market under the State Committee of the Republic of Uzbekistan for Assistance to Privatised Enterprises and Development of Competition regulate the securities market. The CBU and the Ministry of Finance of the Republic of Uzbekistan control the issuance of government securities. The RSE “Tashkent” with 12 regional branches, Electron Electronic Over the Counter Trading System Elsis-Savdo, the Central Depository and second-tier depositories, clearing-settlement agency ElsisKliring, consulting companies, investment funds, management and investment companies, brokerage companies, among others, are participants of the securities market in Uzbekistan.

The government has adopted a range of laws, including the law “On Securities Market”, the law “On Joint Stock Companies and Protection of Shareholders,” the law “On Exchanges and Exchange Activities,” the law “On Foreign Investments,” and the law “On Protection of Investors’ Rights in the Securities Market,” to further regulate the current securities market.

In 2015, the Government adopted a new version of the law “On Securities Market”, which unified and improved related legislative acts. The law covers issues of information disclosure requirements by securities market participants, eliminating duplicate records of securities’ ownership and removing restrictions on combining different types of activities in the market. In addition, to further develop international integration of the RSE “Tashkent”, the president adopted Resolution “On measures for the further development of the stock market” dated 19 March 2012.

Insurance Market

As of the first nine months of 2018, 27 insurers operate in the insurance market of the Republic of Uzbekistan. For the first nine months of 2018, the total volume of insurance premiums on the market amounted to 1,185.4 billion soums, which is 190% higher than the same period in 2017. Of these, the volume of insurance premiums on voluntary types of insurance amounted to 984.4 billion soums.

As of the first nine months of 2018, the aggregate amount of authorised capital of all insurers of the country amounted to 500.9 billion soums and the total volume of investments of insurers of the country exceeded 1,874.8 billion soums, which is 129% more than in 2017.

Based on the structure of insurance premiums and insurance payments as of the first nine months of 2018, voluntary insurance (984.4 billion) make up the main parts of the collected insurance premiums and insurance premiums generated by the market.

As of 31 December 2017, the total volume of insurance liabilities of insurers under insurance contracts amounted to 560,400.4 billion soums. For the end of 2017, the total volume of insurance payments made by insurers amounted to 269.9 billion soums, including voluntary type of insurance — 202.4 billion soums and mandatory types of insurance — 67.5 billion soums.

PUBLIC FINANCE

Overview

The State Budget of Uzbekistan (the “**State Budget**”) is comprised of the republican budget of Uzbekistan, the budget of the Republic of Karakalpakstan, as well as the local budgets of the regions of Uzbekistan and the city of Tashkent.

The Consolidated Budget of Uzbekistan (the “**Consolidated Budget**”) includes the State Budget and the budgets of state special-purpose funds, as well as the funds of the UFRD, after elimination of inter-budgetary transfers. Extra-budgetary funds of budgetary organisations are not included in the Consolidated Budget.

The following table sets forth certain summary information regarding Uzbekistan’s State Budget for each of the periods indicated:

	Year ended 31 December					
	2013	2014	2015	2016	2017	2018 ⁽¹⁾
	<i>(in billion soums)</i>					
REVENUES						
Direct taxes	6,353.7	7,433.1	8,798.4	9,853.5	11,539.4	15,656.2
<i>of which:</i>						
Corporate profit tax	1,038.8	1,120.2	1,180.5	1,215.1	1,475.5	3,502.2
Contributions from the unified tax payment for trade and catering sector enterprises . . .	832.6	954.4	1,207.8	1,516.1	1,707.5	2,108.5
Contributions from the unified tax payment, including microfirms and small businesses	755.0	967.9	1,191.7	1,440.8	1,751.7	2,597.9
Personal income tax	2,717.3	3,261.7	3,800.7	4,137.4	4,876.4	6,422.7
Fixed tax for certain types of entrepreneurial activity	415.6	553.1	681.5	822.3	1,042.8	1,024.8
Tax for improvement and development of social infrastructure	594.4	575.7	736.2	721.9	685.5	— ⁽⁵⁾
Indirect taxes	13,479.9	16,948.8	19,320.2	21,414.9	26,133.3	41,280.4
<i>of which:</i>						
VAT	7,552.5	9,476.1	10,851.0	11,891.6	14,685.8	27,876.5
Excise tax	4,168.3	4,941.1	5,618.4	6,258.2	7,449.2	9,702.2
Customs duty	1,007.4	1,350.0	1,481.5	1,449.5	1,707.4	1,826.4
Tax for consumption of gasoline, diesel and gas for means of transportation	670.5	1,085.1	1,242.9	1,531.3	1,784.5	1,543.9
Payment for use of telephone line number . . .	81.3	96.5	126.4	284.3	506.4	331.3
Payments for use of resources and property tax	3,888.2	4,311.6	4,816.2	5,306.2	6,867.4	12,663.4
<i>of which:</i>						
Property tax	1,011.6	1,273.8	1,393.1	1,659.2	2,129.7	2,606.1
Land tax	583.4	647.5	750.1	966.7	1,091.8	1,504.2
Tax on use of subsoil resources	2,190.9	2,275.6	2,514.6	2,517.7	3,474.1	8,424.7
Tax on use of water resources	102.4	114.7	158.4	162.6	171.8	128.4
Excess profit tax	589.5	660.0	652.5	1,401.9	1,415.2	1,528.0
Other revenues	1,911.7	2,377.2	2,905.3	3,066.8	3,725.8	7,971.1
Total revenues	26,223.0	31,730.6	36,492.7	41,043.4	49,681.0	79,099.1

	Year ended 31 December					
	2013	2014	2015	2016	2017	2018 ⁽¹⁾
	(in billion soums)					
EXPENDITURES (functional classification)						
Social expenditures	15,147.0	18,493.8	21,316.9	24,101.6	27,223.3	42,658.9
<i>of which:</i>						
Expenditures for social services and social protection	14,772.3	17,787.1	20,447.1	22,766.0	27,009.3	39,026.9
<i>including:</i>						
Education	8,803.2	10,673.5	12,162.2	13,831.7	15,979.6	20,631.9
Healthcare	3,709.9	4,507.2	5,218.5	5,811.6	7,330.0	9,585.8
Culture and sports	287.4	361.5	387.5	460.6	750.2	1,345.5
Science	164.7	186.99	216.7	238.2	275.5	441.1
Social benefits, welfare, financial assistance and compensatory payments	1,611.3	1,805.0	2,102.6	2,043.6	2,238.4	3,026.2
Other social expenditures	195.8	253.0	359.6	380.7	435.5	3,996.4
Credit lines for co-financing programmes of accommodation construction in rural areas	374.7	706.7	869.8	1,335.5	214.0	3,632.0
Funds and grants for development of NGOs and civil society institutions	7.0	8.2	10.0	11.0	12.0	17.8
Expenditures for economy⁽²⁾	2,749.8	3,363.3	3,821.3	4,319.5	5,280.7	7,637.8
Expenditures for centralised investments	1,439.6	1,616.5	1,838.7	2,089.1	3,234.7	5,400.4
Expenditures for maintaining governmental authorities administration, courts and self-governing bodies⁽³⁾	1,149.8	1,414.2	1,605.9	1,822.6	2,429.7	3,879.0
Reserve Funds	63.9	80.6	101.7	101.8	312.2	604.2
Other expenditures⁽⁴⁾	5,268.8	6,448.8	7,562.8	8,465.7	10,851.1	19,538.2
Total expenditures (without targeted funds)	25,825.9	31,425.5	36,257.3	40,911.2	49,343.7	79,736.1
Surplus balance (deficit)	397.1	305.1	235.4	132.2	337.3	(637.1)
% of GDP	0.3%	0.2%	0.1%	0.1%	0.1%	(0.2%)

Source: Ministry of Finance of the Republic of Uzbekistan

(1) Preliminary estimates.

(2) Expenditures for economy include water management; veterinary, plant protection service; improvement of cities, districts and other settlements; geodesy, cadastral works; nature protection and other economic activities.

(3) Expenditures for maintaining governmental authorities, administration, courts and self-governing bodies include the cost of maintaining the courts, prosecutors and other institutions of justice; expenditures for maintaining government departments; maintenance costs of citizens' self-governing bodies; expenses for elections and referendums.

(4) Including national security expenses.

(5) Starting in 2018, the tax for improvement and development of social infrastructure was cancelled.

The following table gives information about Consolidated Budget of the Republic of Uzbekistan for each of the periods indicated:

	Year ended 31 December					
	2013	2014	2015	2016	2017	2018 ⁽¹⁾
	<i>(in billion soums)</i>					
Revenues of Consolidated Budget⁽¹⁾	37,948.4	46,679.7	52,817.3	59,283.2	71,761.0	108,933.3
<i>of which:</i>						
State budget revenues	26,223.0	31,730.6	36,492.7	41,043.4	49,681.0	79,099.1
Revenues of state target funds	12,264.3	15,619.3	16,791.1	19,158.3	23,603.4	32,216.8
Expenses of Consolidated Budget⁽¹⁾	37,203.4	45,221.0	52,950.7	58,977.8	69,627.8	106,797.1
<i>of which:</i>						
State budget expenses	25,825.9	31,425.5	36,257.3	40,911.2	49,343.7	79,736.1
Expenses of state target funds	11,916.4	14,465.7	17,159.9	18,985.1	21,807.5	29,443.6
Fiscal balance of the consolidated budget	745.0	1,458.8	(133.5)	305.4	2,133.3	2,136.2
Percentage of GDP	0.6	1.0	(0.1)	0.2	0.7	0.5

Source: Ministry of Finance of Uzbekistan

(1) Revenues and expenditures of the consolidated budget do not include transfer payments. For example, revenues of the state budget can be transferred to target funds and these revenues are considered as revenues of both the state budget and target funds.

State Budget Revenues

According to preliminary estimates, in 2018, the State Budget revenue totalled 79,099.1 billion soums, representing a nominal increase of 59.2% when compared to 2017.

Taxation consistently represents the predominant source of budgetary revenue for Uzbekistan and accounted for 89.9% of the total State Budget revenues for 2018, as compared to 92.5% for 2017.

In 2017, the State Budget revenues amounted to 49,681.0 billion soums, a nominal increase of 21.0% as compared to 2016. Taxation accounted for 92.5% of the total State Budget revenues in 2017.

In 2016, the State Budget revenues amounted to 41,043.4 billion soums, with a nominal increase of 12.5% as compared to 2015. Taxation accounted for 88.4% of the total State Budget revenues in 2016, as compared to 89.9% in 2015.

Personal Income Tax

Uzbekistan's personal income tax system relies to a large degree on final withholding arrangements with a minimal number of exemptions and deductions.

Effective from 1 January 2019, the personal income tax rate has changed to a flat rate of 12%, whereas there was previously a progressive rate which ranged from 7.5% for income comprising 1 times to 5 times the minimum monthly wage ("MMW"), to 22.5% for income in excess of 10 times the MMW.

In 2018, personal income taxes generated 6,422.7 billion soums, equivalent to 1.6% of the GDP of Uzbekistan.

Effective from 1 January 2019, capital income, such as dividend and interest, is taxed at a flat rate of 5% for residents through final withholding, while non-residents are taxed at a rate of 10%. Rental income is taxed at the minimum personal income tax rate, currently set at 12%, collected either by withholding or on assessment.

A special tax on individual entrepreneurs is set as a fixed tax, depending on the type of business activity and location. The fixed taxes vary from 50,000 soums to 1,000,000 soums per month as of 1 January 2019.

Taxation of Business Income

As of 2019, business incomes are taxed under different fiscal regimes, depending on the annual revenue of legal entities. Legal entities with annual revenues exceeding 1 billion soums are subject to the standard tax regime. Entities with annual revenues not exceeding 1 billion soums are taxed under the simplified regime, consisting of

a unified tax payment (“UTP”). Companies producing excisable goods or engaged in subsoil extraction may not opt for the simplified regime. All businesses in the simplified regime can pay VAT on a voluntary basis in the presence of value-added taxable turnovers. Agricultural businesses are in a separate category and may pay a single tax in the amount of 0.95% of the land value (paid by the landowner) in lieu of all other taxes.

As a proportion of GDP in 2018, corporate profit tax generated 0.9% of GDP, while the UTP yielded 1.2% of GDP.

The standard regime consists of the corporate profit tax, property tax on the book value of immovable property, the unified social payment, the mandatory contribution to extra budgetary funds and a withholding tax on dividend distributions. Firms governed by the standard regime must be registered for VAT. In 2017, there were 9,592 enterprises in the standard regime, or 6.3% of the total number of legal entities.

Corporate profit tax is levied on the worldwide income of all legal entities resident in Uzbekistan and on the Uzbekistan-source income of non-residents operating through a permanent establishment. Taxable income is defined as the revenues from the sale of goods and services and other income sources, including dividends, interest, royalties, capital gains and rental income, less deductions for expenses incurred from business activities. Losses may be carried forward for up to five years, but the amount available for offset in a given year is limited to 50% of the taxable income.

Effective from 1 January 2019, the general statutory corporate profit tax rate has been reduced to 12% from 14%, while for commercial banks the rate has been reduced to 20% from 22%, and for companies producing cement (clinker) and polyethylene granules, the rate has increased to 20% from 14%.

Uzbekistan levies an excess profit tax for telecommunications companies and mining companies, based on the profit margin. Previously (as of 2018), the excess profit tax for telecommunications companies was levied in the amount of 50% of the portion of profit exceeding 20% of costs and 14% of the proportion of the profit not exceeding 20%. Effective from 1 January 2019, all telecommunications companies, regardless of the proportion of profit, pay excess profit tax at a rate of 20%. The excess profit tax for mining is based on the difference between the selling price and the statutory price determined by legislation, which represents an estimate of the unit cost of production.

Further, legal entities are required to pay a tax at the rate of 2% of the book value of immovable assets and overdue construction in progress. In addition, legal entities pay a land tax, levied per a hectare of land. In Tashkent, the rates per hectare vary from 31,482,113 soums per hectare to 157,410,563 million soums per hectare, depending on the zone where the respective legal entity is located. The property tax and land tax are imposed by municipalities and are deductible for corporate profit tax purposes.

Mandatory Contribution to State Funds

Companies pay a mandatory contribution equal to 3.2% of turnover. Prior to 1 January 2018, the percentage of turnover was separated into separate rates for the Road Fund, Pension Fund, and Educational and Medical Institutions Fund (see also “— *Tax Reforms*”). As part of the tax simplification process, these turnover taxes were combined into a single tax rate.

As of 1 January 2019, budget organisations and state-owned enterprises, legal entities with a state share in the authorized capital of 50% or more, legal entities in the authorized capital of which 50% or more belong to a legal entity with a state share of 50% or more, and their structural divisions pay social security contributions — the unified social tax — comprising 25% of the payroll cost. The remaining taxpayers pay the unified social tax at a rate of 12% of the payroll cost. The unified social tax covers insurance benefits for old age, disability and death, accidents, and unemployment

Simplified Tax Regime

The simplified tax regime has been designed for companies with annual revenues not exceeding 1 billion soums. Under the simplified regime, companies make a UTP in the general amount of 4% of turnover. The UTP rate varies for certain industries: wholesale trade (4%), retail trade (1%, 2%, or 4%), and public catering (8%). Payers of the UTP are exempt from the corporate profit tax, property tax, mandatory contributions, VAT and other local taxes and duties, but are subject to the unified social tax at the rate of 12%. In 2017, 141,965 companies (94% of the total number of legal entities) were subject to the simplified tax regime.

Value Added Tax (“VAT”)

In Uzbekistan, VAT is levied on a range of goods and services at the standard rate of 20%. Effective from 1 January 2019, for enterprises with a turnover of up to 3 billion soums, a simplified procedure for calculating and paying VAT was introduced. This procedure has been introduced to adapt small businesses to the payment of VAT and simplify the entire procedure of accounting for this tax. In addition, the procedure is a transitional measure, which is to be effective until 1 January 2021, which allows legal entities to form the basis for improving the quality of tax administration.

The order of calculation and payment is voluntary, i.e. companies can switch to the payment of standard VAT.

The VAT rate varies depending on the type of business. For example, the VAT rate for industrial companies is 7%, 6% for trade companies, 8% for construction companies, 10% for catering companies and hotels, 15% for legal entities which provide professional services (auditing services, tax consulting services, brokerage services, etc.), and 4% for legal entities engaged in the sale of agricultural products, with the exception of products of own production.

In addition, payers of UTP are exempt from VAT, regardless of the nature of goods or services and they can pay the VAT on a voluntary basis in the presence of value-added taxable turnovers.

Excises

Excises are levied on a wide range of imported goods, including fresh and processed foods, baked goods, carbonated drinks, furniture and appliances, jewellery, paper products and construction materials. Goods are classified according to a uniform system and rates are both specific and ad valorem (excluding excise tax and VAT). Ad valorem rates range from 3 to 26%.

In addition, excise is levied on vehicle imports (with a combination of ad valorem and specific taxes based on engine displacement), as well as tobacco and alcohol products. Imports of petroleum products are not subject to excise.

In 2018, excise revenue represented 2.4% of GDP.

The below tables summarises the tax rates in the Republic of Uzbekistan for 2017, 2018 and 2019:

State taxes allocated between republican and local budgets	2017	2018	2019
Corporate Income Tax	7.5%+8% (payment for social infrastructure development)	General rate — 14% For commercial banks — 22%	General rate — 12% For commercial banks — 20%
Single tax payment (general rate)	5%	5%	4%
Personal Income Tax	From 0% to 23%	From 0% to 22.5%	Single flat rate 12%
VAT (standard rate)	20%	20%	20%
Excise duties	Absolute amount	Absolute amount	Absolute amount
Subsoil use tax	From 2.6% to 30%	From 2.6% to 30%	From 2.6% to 30%
Water resource usage tax	Absolute amount	Absolute amount	Absolute amount
Fixed tax for certain commercial activities (% of minimum wage per unit of physical indicator)	For Tashkent: 1% For city centres of regions and Nukus City: 6% Other Cities: 5% Other Settlements: 4%	For Tashkent: 1% For city centres of regions and Nukus City: 6% Other Cities: 5% Other Settlements: 4%	Absolute amount

Local taxes – allocated to local budgets	2017	2018	2019
Fuel consumption tax	Absolute amount	Absolute amount	Changed to excise tax on the retail of gasoline, diesel and gas
Corporate property tax (houses and apartments, villas, other buildings, premises and facilities)	5.0%	5.0%	2.0%
Corporate land tax	Absolute amount	Absolute amount	Absolute amount
Single land tax	0.95%	0.95%	0.95% except for producers of fruit and vegetables for whom the absolute amount is used
Taxes allocated to non-budgetary funds	2017	2018	2019
Social payments to pension funds	8%	8%	Abolished
Corporate payments to other funds	1.6% + 1.4% + 0.5%	Single rate 3.2%	Abolished
Single social payment	25% (15% for small businesses)	25% (15% for small businesses)	For government enterprises — 25% For other enterprises — 12%

State Budget Expenditure

According to preliminary estimates, in 2018, the State Budget expenditure increased by 61.6% in nominal terms in comparison to 2017, and amounted to 79,736.1 billion soums, as compared to 49,343.7 billion soums for 2017.

The 2018 budget parameters are defined as the following main directions of improving the inter-budgetary relations:

- strengthening the responsibility of local authorities and financial and tax authorities to strengthen the revenue base of local budgets, the timely and targeted financing of proven parameters, their further development and the maintenance of social and infrastructure facilities;
- the delineation of the budget powers of the local authorities in the formulation of income of the relevant budgets;
- raising of the revenue base by increasing the revenues from certain types of taxes and the fees at the disposal of local authorities;
- the distribution of revenues from certain types of taxes on large taxpayers between the national budget and the budget of the Republic of Karakalpakstan, regional budgets of provinces, budgets of districts and the cities;
- the empowerment of local authorities to reduce or increase the rates on certain types of local taxes and to ensure the uniform development of districts and cities.

In 2017, the State Budget expenditure increased to 49,343.7 billion soums, representing a 20.6% increase in nominal terms, as compared to 40,911.2 billion soums in 2016, which in turn represented a 12.8% nominal increase from 36,257.3 billion soums in 2015.

According to preliminary estimates, in 2018, the Government's largest areas of spending were as follows:

- education (including, among others, expenses relating to the maintenance and capital renovation of pre-schools and kindergartens; expenses relating to the transition towards a mandatory 11-year school education; expenses relating to the printing and publication of books, textbooks and study materials; expenses relating to the enhancement of technology used in higher education institutions; expenses relating to the maintenance and renovation of higher education institutions), which accounted for 25.9% of the total State Budget expenditures in 2018;

- (ii) public healthcare (including, among others, expenses relating to the hospitalisation of patients into public medical institutions; expenses relating to the construction, reconstruction and capital renovation of medical institutions; the provision of necessary equipment and technology to urgent care divisions and screening centres; expenses relating to public maternal care; expenses relating to the purchase of pharmaceuticals and treatments for public medical institutions), which accounted for 12.0% of the total State Budget expenditures in 2018; and
- (iii) economic expenses (including, among others, expenses relating to water management and amelioration of lands; the support of farming enterprises growing cotton on low-yielding lands; geological exploration works; the renovation and provision of amenities to towns, districts and settlements; the environmental protection measures; housing and utility works; development of potable water supply systems), which accounted for 9.6% of the total State Budget expenditures in 2018.

State-Local Fiscal Relationship

As stated in the Budget Code of the Republic of Uzbekistan, the relationship between the state budget and the local/regional budgets in Uzbekistan is based on certain set rules of the inter-budgetary process. Inter-budgetary transfers are made in the form of subventions, transferred incomes, grants, budgetary loans of mutual settlement funds and targeted social transfers.

The following chart provides information on the subventions from the state budget to local budgets for the periods indicated:

	Year Ended 31 December				
	2014	2015	2016	2017	2018
	<i>(in billion soums)</i>				
Total expenditure of state budget	31,425.4	36,257.3	40,911.2	49,343.7	79,099.1
Of which:					
subventions and transfers	2,884.2	2,488.8	2,264.4	1,345.4	7,155.7
% of total expenditure	9.2%	6.9%	5.5%	2.7%	9.0%

Source: Ministry of Finance of the Republic of Uzbekistan

Generally, the compensation of income or expenses for budgets is compulsory through the allocation or withdrawal of funds for mutual settlements in the process of implementation of the State budget, therefore resulting in a decrease or an increase in the revenues and/or expenses of lower budgets.² Subventions to local budgets are allocated for the implementation of expenses which are determined during the approval of the forecast of the main macroeconomic indicators and the main parameters of the State budget. The size of subventions from the republican budget of the Republic of Uzbekistan to the local budgets is established when approving the forecast of basic macroeconomic indicators and basic parameters of the State budget. In addition, targeted social transfers are allocated from the higher budget to the lower budget to cover the costs of wages and a single social payment of educational and medical institutions. Unused targeted social transfers at the end of the current fiscal year are subject to return to the appropriate higher-level budget.

According to the Presidential Decree “On the forecast of the main macroeconomic indicators and parameters of the state budget of the Republic of Uzbekistan for 2018” dated 29 December 2017, local authorities are granted independence when making decisions on the approval of revenues and expenditures of their local budgets. Also, local authorities gained in full the right to dispose of their budget revenues.

² The lower budget is the budget of the lower administrative-territorial unit in relation to the budget of the higher administrative-territorial unit or the republican budget.

The following table sets out the volume of revenues and expenditures of the budget of the Republic of Karakalpakstan, local budgets of the regions of Uzbekistan and the city of Tashkent, and targeted social transfers allocated from the republican budget of the Republic of Uzbekistan for 2018.

<u>Region</u>	<u>Revenues left in the respective budgets</u>	<u>Expenses assigned to the respective budgets</u>	<u>Targeted social transfers⁽¹⁾</u>
	<i>(in billion soums)</i>		
The Republic of Karakalpakstan	2,241.1	2,681.6	303.0
Andijan region	1,708.9	2,925.0	871.9
Bukhara region	1,383.0	2,186.6	232.3
Jizzahk region	948.3	1,849.2	412.0
Kashkadarya region	2,341.1	2,994.8	313.5
Navoiy region	1,217.1	1,571.3	139.1
Namangan region	1,360.0	2,602.0	865.3
Samarkand region	1,970.7	3,500.2	992.3
Surkhandarya region	1,378.3	2,590.6	827.7
Syrdarya region	710.2	1,184.6	271.3
Tashkent region	1,949.3	3,023.2	374.3
Fergana region	1,833.1	3,319.9	1,033.2
Khorezm region	1,106.2	1,835.8	519.1
Tashkent	2,796.4	3,770.4	0.0
Total	22,944.3	36,035.7	7,155.7

- (1) Targeted social transfers from the republican budget of the Republic of Uzbekistan are allocated to pay wage expenses and a single social payment of medical institutions and partly on similar expenses of educational institutions funded from budgets of districts and cities. Target social transfers to the budgets of Bukhara, Kashkadarya, Navoiy and Tashkent regions are allocated from the republican budget of the Republic of Uzbekistan only for payment of expenses on wages and a single payment of health care institutions, financed from the budgets of districts and cities.

	2018
	<i>(in billion soums)</i>
State budget revenues, including:	79,099.1
The revenues of republican budget.	56,154.8
The revenues of local budgets.	22,944.3
State budget expenses, including:	79,736.1
The expenses of republican budget	43,700.4
The expenses of local budgets	36,035.7

Budget Process

The Budget Code of the Republic of Uzbekistan (dated 26 December 2013, as amended) (the “**Budget Code**”) sets out the procedures governing Uzbekistan’s budget system and regulates the preparation, adoption, execution and monitoring of the State Budget. Uzbekistan is aiming to conform to international best practice in its budgetary procedures. According to the Decree of the President of the Republic of Uzbekistan No.3917 dated 22 August 2018, “On measures for ensuring openness of budgetary data and active participation of citizens in the budgetary process” consistent work is being done to introduce new mechanisms to increase the availability of economic and financial statistics and to enhance the openness of the budget process within the framework of reforming economic sectors.

In order to further increase the openness and transparency of data transmission, strengthen parliamentary and public control over the formation and expenditure of budgetary funds, and in an attempt to act in accordance with the requirements of the Development Strategy for the five priority areas of development of Uzbekistan in 2017-2021, certain procedures were established for the formation and execution of the State budget:

- in 2019, a mechanism for the participation of citizens in the distribution of funds was introduced. This mechanism provides for the direction of at least 10% of additional sources of city budgets in order to finance events that are identified on the basis of public opinion;
- from 2020, the State budget and the budgets of state trust funds will be approved containing a detailed breakdown of information prepared in accordance with advanced technologies;

- projects State budgets and state trust funds, the main directions of tax and budget policy, together with reports on the implementation of the State budget and the budgets of state trust funds shall be subject to mandatory public discussion before they are submitted to the Legislative Chamber of the Oliy Majlis of the Republic of Uzbekistan;
- in parallel with the publication of draft State budgets, the budgets of state trust funds and the reports on their execution, the Ministry of Finance of the Republic of Uzbekistan shall produce an information publication titled “Budget for Citizens”, which will be published for public comment;
- the conclusion of the Accounts Chamber of the Republic of Uzbekistan on projects State budgets and trust funds, the main directions of tax and budget policy, as well as the results of an external audit and evaluations of the annual reports on the execution of the State budget and the budgets of state trust funds shall be subject to mandatory publication;
- the implementation of reforms focused on improving government finance statistics and ensuring budget transparency;
- ensuring the transparency of the budget process and budget data, as well as their accessibility for foreign investors and other stakeholders, allowing the involvement of citizens in the budget process, as well as publication of the publication Budget for Citizens;
- informational, methodological, technical support and administration of the Portal.

The draft of the State Budget and the budgets of state special-purpose funds are prepared based on priorities in socioeconomic development and the forecast of macroeconomic indicators for the following financial year. Additionally, the Cabinet of Ministers is entitled to bring a proposal to the chambers of the Supreme Assembly on the adoption of the State Budget and the budgets of state special-purpose funds for a period exceeding one year.

The preparation of the draft State Budget and the budgets of state special-purpose funds consists of the following stages: (i) the circulation of the procedure outline for the preparation of budgetary requests; (ii) the preparation and presentation of budgetary requests and forecasts of principal macroeconomic indicators; (iii) the review and compilation of budgetary requests; and (iv) the preparation of the Budget Message.

The bodies entrusted with the preparation of the draft State Budget include the Ministry of Finance, other ministries, state committees and bodies, local public authorities (in respect of preparing draft budgets, providing information and data requested by the Ministry of Finance). Budget holders of state special-purpose funds are responsible for preparing the draft budgets of such funds.

Each year, by no later than 15 April, the Ministry of Finance forwards the outline of the procedure for preparation of budgetary requests to the respective public bodies designated as budget holders (for the preparation of the budget of the Republic of Uzbekistan), to the Council of Ministers of the Republic of Karakalpakstan, the khokims of regions and the city of Tashkent (for preparation of the respective draft regional budgets).

All budget requests shall be furnished to the respective designated state, regional or local authorities by no later than 1 June in respect of local requests, or by 1 July in respect of requests furnished to the Ministry of Finance.

The draft budgets of the Republic of Karakalpakstan, local budgets (budgets of regions and the budget of the city of Tashkent) and budgets of state special-purpose funds are submitted to the respective designated regional public authorities no later than 25 June, and to the Ministry of Finance — no later than 1 July.

The Ministry of Finance prepares the draft State Budget on the basis of: a forecast of macroeconomic indicators; a forecast of State Budget revenues (broken down by source); budget holder submitted budget requests; by considering the forecasted volume of expenditures for specific projects to be implemented on the account of the republican budget of the Republic of Uzbekistan; and based on the draft budgets of the Republic of Karakalpakstan, regional budgets and the budget of the city of Tashkent. In the draft State Budget, expenditures are estimated based on the forecasted volume of revenues, taking into account the maximum threshold for State Budget deficit, with specification of sources of deficiency payments.

The Budget Message is a document outlining the key streams of socioeconomic development for Uzbekistan for the upcoming fiscal year. The Budget Message includes a summary of the results of socioeconomic development

for the past year and a forecast of such results for the current year, as well as a forecast of key macroeconomic indicators used for preparation of the draft State Budget and the budgets of state special-purpose funds. The Budget Message additionally includes forecasts of the execution of the State Budget and special-purpose funds' budgets for the current year, an outline of key streams of fiscal and budgetary policy, a draft of the State Budget and special-purpose funds' budgets, and information regarding Uzbekistan's public debt, with relevant clarifications.

The Ministry of Finance submits the Budget Message to the Cabinet of Ministers no later than 15 September; the Cabinet of Ministers then forwards the Budget Message to the Audit Chamber for preparation of an opinion by 20 September. Finally, the Cabinet of Ministers submits the Budget Message together with the Audit Chamber opinion to the chambers of the Supreme Assembly by no later than 15 October.

The Chambers of the Supreme Assembly adopt the State Budget and the budgets of state special-purpose funds. In furtherance of the resolutions of the Chambers of the Supreme Assembly, the President adopts a resolution specifying the forecast of key macroeconomic indicators, parameters of revenues and expenditures of the State Budget, maximum threshold of deficit and sources of deficiency payments, key parameters of the state special-purpose funds' budgets, as well as parameters relevant to regional budgets.

Following the approval of the key parameters of the State Budget and the budgets of state special-purpose funds, within three working days, the Ministry of Finance communicates the relevant financial information and parameters to the Council of Ministers of the Republic of Karakalpakstan, regional khokimiyats and the khokimiyat of the city of Tashkent, and within ten days — to holders of budgetary funds and bodies which are holders of funds of state special-purpose funds.

On a yearly basis, the Ministry of Finance prepares a report on the execution of the State Budget. Furthermore, the Ministry of Finance submits quarterly reports to the Cabinet of Ministers on the process of execution of the State Budget, as well as a yearly report on the execution of the State Budget prior to 1 April following the respective fiscal year. Prior to the 2018, the Government's State Budget was in surplus for 13 consecutive years.

2018 State Budget

According to the 2018 Budget Message and the Resolution of the President of the Republic of Uzbekistan "On the Forecast of Key Macroeconomic Indicators and Parameters of the State Budget of the Republic of Uzbekistan for 2018", the State Budget for 2018 has been prepared on the basis of an estimated surplus of 59.5 billion soums or 0.02% of GDP, with revenues accounting for 19.0% of GDP (25.3% nominal growth on a year-on-year basis) and the expenses — for 19.0% of GDP (26.0% nominal growth on a year-on-year basis).

The 2018 State Budget has been prepared in accordance with a conservative scenario of economic development, assuming the following macroeconomic indicators: (i) a consumer price index (inflation) of 12.4-13.4%; (ii) a GDP growth rate of 5.9%; (iii) an industrial production growth rate of 6.4%; (iv) an agricultural, forestry and fish production volume growth rate of 4.0%; (v) a capital contribution growth rate of 6.5%; and (vi) a retail turnover growth rate of 5.6%.

2018 Forecasted State Budget Revenues

In 2018, the State Budget revenues are projected to comprise 62,229.5 billion soums, or 19.0% of GDP. The Government expects to receive 12,805.4 billion soums from direct taxes (20.6% of State Budget revenues), including 2,510.9 billion soums (4.0% of State Budget revenues) for corporate profit tax, 1,907.6 billion soums (3.1% of State Budget revenues) for UTP for trade and catering sector enterprises, 2,110.5 billion soums (3.4% of State Budget revenues) for UTP for microfirms and small enterprises, 5,198.8 billion soums (8.4% of State Budget revenues) for personal income tax, and 1,077.6 billion soums for fixed tax (1.7% of State Budget revenues).

In turn, indirect taxes are expected to comprise 33,404.3 billion soums (53.7% of the State Budget revenues). In particular, VAT is expected to comprise 22,019.4 billion soums (35.4% of State Budget revenues), excise tax — 8,343.8 billion soums (13.4% of State Budget revenues), payment for use of telephone line number — 302.5 billion soums (0.5% of State Budget revenues), customs duty — 1,415.3 billion soums (2.3% of State Budget revenues), tax for consumption of gasoline, diesel and gas for means of transportation — 1,323.2 billion soums (2.1% of State Budget revenues).

As of 2018, oil products excise tax (0.7 trillion soums) shall remain at the disposal of JSC “Uzbekneftegaz”. Further, the mandatory ratio for allocation to the State Budget from payments for use of telephone line numbers was reduced from 85% to 29% (0.3 trillion soums), whereas the rate of the tax for consumption of gasoline, diesel and gas for means of transportation was reduced twofold.

Resource taxes and property taxes are expected to comprise 9,714.5 trillion soums, or 15.6% of State Budget revenues. The property tax is expected to bring 2,158.9 trillion soums (3.5% of State Budget revenues). In 2018, income from land tax is expected to comprise 1,266.6 trillion soums (2.0% of State Budget revenues).

Subsoil use tax is projected to comprise 6,203.1 trillion soums (10.0% of State Budget revenues). Water resources use tax is expected to bring 85.9 trillion soums in revenues to the State Budget (0.1% of State Budget revenues).

2018 Forecasted State Budget Expenditures

The 2018 State Budget expenditures are forecast to comprise 62,170.0 billion soums (19.0% of GDP), with 26.0% year-on-year growth in nominal terms.

Expenditures on social sphere and social welfare are expected to constitute 35,034.0 billion soums, or 56.4% of the total forecasted expenditures, contributing to a 28.7% year-on-year growth rate (in nominal terms).

Education expenditures are forecast to comprise 19,504.3 billion soums (31.4% of State Budget expenditures). Public healthcare expenditures are forecast at 9,562.0 billion soums (15.4% of State Budget expenditures), which would ensure the financing of all measures and projects aimed at the reforming of the public health system and the provision of high-quality medical services to the population.

Expenditures on payment of social benefits, financial assistance to low-income families and compensatory payments are planned to amount to 3,150.8 billion soums (5.1% of State Budget expenditures).

Expenditures on economy are forecast at the level of 6,957.8 billion soums (11.2% of State Budget expenditures), which would further contribute to the development of the national economy and growth in the budget revenue base.

The volume of centralised investments is forecasted as 3,047.6 billion soums (4.9% of State Budget expenditures or 0.9% of GDP).

Expenditures on the maintenance of state bodies, courts and public prosecution bodies are expected to comprise 2,189.8 billion soums, whereas expenditures on local self-governance bodies are expected to amount to 640.5 billion soums (3.5% and 1.0 % of State Budget expenditures, respectively).

In turn, in 2018, expenses of state budget on servicing of external public debt amounted to 974.7 billion soums, or 0.3% of GDP.

The following table compares the forecasted and actual revenues and expenditures of state budget for 2018.

	2018 (Forecast)	2018 (Actual)
	<i>(billion soums)</i>	
REVENUES		
Direct taxes	12,805.4	15,656.2
<i>Of which:</i>		
Corporate profit tax	2,510.9	3,502.2
Unified tax payment	4,018.1	4,706.4
Personal income tax	5,198.8	6,422.7
Fixed tax for certain types of entrepreneurial activity	1,077.6	1,024.8
Indirect taxes	33,404.3	41,280.4
<i>Of which:</i>		
VAT	22,019.4	27,876.5
Excise tax	8,343.8	9,702.2
Customs duty	1,415.3	1,826.4
Tax for consumption of gasoline, diesel and gas for means of transportation	1,323.2	1,543.9
Payment for use of telephone line number	302.5	331.3
Payments for use of resources and property tax, of which	9,714.5	12,663.4
<i>Of which:</i>		
Property tax	2,158.9	2,606.1
Land tax	1,266.6	1,504.2
Tax on use of subsoil resources	6,203.1	8,424.7
Tax on use of water resources	85.9	128.4
Excess profit tax	1,367.7	1,528.0
Other revenues	4,937.6	7,971.1
Total revenues	62,229.5	79,099.1
EXPENDITURES		
Social expenditures	35,034.0	42,658.9
<i>Of which:</i>		
Education	19,504.3	20,631.9
Healthcare	9,562.0	9,585.8
Culture and sports	1,165.4	1,345.5
Science	389.3	441.1
Social benefits, welfare, financial assistance and compensatory payments	3,150.8	3,026.2
Organisation of public works	714.0	— ⁽¹⁾
Other social expenditures	548.2	3,996.4
Credit lines for co-financing programmes of accommodation construction in rural areas	370.0	3,632.0
Funds and grants for development of NGOs and civil society institutions	15.0	17.8
Expenditures for economy	6,957.8	7,637.8
Expenditures for centralised investments	3,047.6	5,400.4
Expenditures for maintaining governmental authorities administration, courts and self-governing bodies	3,050.0	3,879.0
Other expenditures	13,545.4	19,538.2
Reserve funds	520.2	604.2
Total expenditures	62,170.0	79,736.1
Surplus/(deficit) of the State Budget	59.5	(637.1)

Source: Ministry of Finance of the Republic of Uzbekistan

(1) Data not available as at the date of this Base Prospectus.

UFRD

The UFRD is a financial institution under the authority of the Cabinet of Ministers, designed to ensure the implementation of projects for the modernisation and technical re-equipment of leading sectors of the economy, the achievement of a dynamic, sustainable and balanced socio-economic development of the country, as well as the implementation of an effective structural and investment policy.

The UFRD was established in 2006 to finance and co-finance projects of the state investment program. The UFRD grants loans to banks to refinance projects approved by the state. The funds of the UFRD can also be used for the procurement of modern and advanced technology from foreign companies. The UFRD's loans are granted for a period of between 7 and 15 years, including a grace period of 3 to 5 years, at a minimum rate of 2.25%. In particular, for the first nine months of 2018, the UFRD allocated funds for the implementation of projects in such

sectors as oil and gas (28%), mining (28%), power and electricity generation (15%) and aviation, railroad and other infrastructure development projects (23%).

As of 30 September 2018, the UFRD's capital was U.S.\$18.5 billion (on the basis of an exchange rate of 8,079.28 soums per U.S. Dollar as at 30 September 2018). The UFRD's resources come from surplus tax revenues from the subsoil and export taxes, income from the sale of products under production sharing agreements with foreign partners and other revenue streams. In combination with aggregate surplus revenues, which as of 31 December 2018 totalled more than U.S.\$2 billion, the UFRD's resources are a fiscal buffer for the government if necessary.

The following table sets out the UFRD's assets for the periods indicated:

	Year Ended 31 December			Nine months ended 30 September
	2015	2016	2017	2018
	(U.S.\$ billion)			
Investment portfolio	0.2	0.2	1.0	1.18
Loans to investment projects	3.2	3.8	4.8	5.7
Reserves in foreign currencies	13.2	13.4	12.3	11.6

Source: Ministry of Finance of the Republic of Uzbekistan

The UFRD loan portfolio was equal to U.S.\$10.6 billion, of which U.S.\$7.4 billion was disbursed as of 30 September, 2018. During the years 2015 to 2017, the UFRD disbursed U.S.\$2.4 billion to finance import contracts under investment projects. Of these funds, 37% were distributed to the oil and gas sector, 19% to the petrochemical sector, 17% to the mining sector, 16% to the railroad, road and aviation sector, 7% to the power and electricity sector, 4% to infrastructure development sector.

In 2017, the UFRD injected approximately U.S.\$677.5 million into domestic banks as support. The UFRD provided additional capitalisation to Asakabank amounted U.S.\$170 million, Agrobank amounted U.S.\$140 million, Turonbank amounted U.S.\$22 million, Uzpromstroybank amounted U.S.\$71 million, National Bank for Foreign Economic Activity of the Republic of Uzbekistan amounted U.S.\$51 million and other banks amounted U.S.\$223.5 million. In 2018, the health of the banking sector had improved such that UFRD had only to inject U.S.\$60 million into Turonbank.

The following table sets forth the UFRD's loans to investment projects for the periods indicated:

	Year ended 31 December						Nine months ended 30 September	
	2015		2016		2017		2018	
	(projects)	(U.S.\$ millions)	(projects)	(U.S.\$ millions)	(projects)	(U.S.\$ millions)	(projects)	(U.S.\$ millions)
Uzbekneftegas	3	98.2	3	331.3	2	452.8	—	—
Uzbekenergo	3	64.8	1	68.9	1	36.4	1	63.1
Almalyk Mining and Metallurgical Combine	2	41.1	3	76.8	4	185.6	2	68.6
Uzbekistan Airways	2	24.9	1	70.9	1	56.7	4	248.9
Uzkimyo sanoat	4	202.5	2	258.1	1	0.8	1	10.0
Uzbekistan Railways	2	40.0	3	133.3	3	51.5	4	31.7
National television and radio broadcasting company	—	—	—	—	1	19.3	1	5.5
Uzbek Metallurgical Combinat ..	—	—	—	—	1	6.0	1	4.0
Navoi Mining and Metallurgical Combinat	—	—	—	—	3	110.8	2	73.5
Other	—	—	1	3.6	1	28.0	4	106.7
Total	16	471.5	14	942.8	18	947.8	20	612.0

Source: Ministry of Finance of the Republic of Uzbekistan

Tax Reforms

In recent years, the Government of Uzbekistan has designed and implemented a number of reforms aimed at modernising the country's tax system, increasing transparency and accountability, and promoting economic development by lessening the tax burden on individual entrepreneurs and small enterprises.

As of 1 January 2015, according to the Law of the Republic of Uzbekistan No. ZRU-E79, all persons and entities engaged in entrepreneurial activities shall submit their tax returns via telecommunication channels in the form of an electronic document.

The instruction of the President of Uzbekistan No. UP-4725 dated 15 May 2015 (“**Instruction No. UP-4725**”) established that routine (scheduled) tax inspections in respect of microfirms, small enterprises and farm enterprises shall be conducted no more than once in four years, and no more than once in three years in respect of other business entities. Routine (scheduled) inspections of financial and business activities of entrepreneurs and business entities may only extend to the period immediately following the previous routine (scheduled) tax inspection. Further, Instruction No. UP-4725 envisages that a person who committed a criminal act under Article 184 of the Criminal Code of Uzbekistan (penalising for evasion from payment of taxes and other mandatory contributions) shall be exempt from any criminal liability, and a criminal case shall not be opened against such person, if such person fully reimbursed the damage inflicted to the state, paid all late payment penalties and performed their obligations in relation to any other applicable financial sanctions within 30 days after the respective criminal action has been discovered.

Pursuant to Instruction No. UP-4848 of the President of Uzbekistan dated 5 October 2016 (“**Instruction No. UP-4848**”), all extraordinary inspections of persons and entities engaging in entrepreneurial activities were cancelled, with a view for further enhancing the legal guarantees of inalienability of private property, improving the investment climate and fostering a better business environment. The Instruction also introduced measures further liberalising the standard for criminal and administrative liability of individuals who have committed economic transgressions for the first time and who have in a timely manner reimbursed all damage ensuing therefrom to the State Budget. Instruction No. UP-4848 additionally imposed a moratorium on the application of criminal punishment in the form of termination of right to conduct entrepreneurial activities in respect of all individuals and entities engaged in entrepreneurial activities. Instruction No. UP-4848 also unified the tax and customs regime in effect on the territories of free economic zones, exempting the participants of such zones from payment of land tax, corporate profit tax, corporate property tax, single payment for microfirms and small enterprises, as well as a range of mandatory payments.

In 2017, further tax reforms were introduced in Uzbekistan. In particular, the Law of the Republic of Uzbekistan No. ZRU-454 dated 29 December 2017 envisages the adoption of the following measures, effective from 1 January 2018:

- consolidation of the corporate profit tax and maintenance and development of social infrastructure tax in a single payment — the corporate profit tax;
- consolidation of mandatory payments to the Road Fund, the Pension Fund, and Educational and Medical Institutions Fund in a single payment — mandatory payments to state special-purpose funds;
- exclusion of moveable property from the taxable base under the corporate property tax; and
- per the reforms, the land tax shall be levied at a threefold rate in case of the owner’s failure to plant agricultural crops or conduct maintenance of adjacent household plots.

In turn, the Law of the Republic of Uzbekistan No. ZRU-455 dated 30 December 2017 introduced the following measures:

- introduction of a system of tax monitoring, facilitating extended information exchange between tax bodies and good faith taxpayers, with full assistance in ongoing taxation-related matters;
- application of a “tax holidays” regime to legal entities and individual entrepreneurs which are good faith taxpayers and have faced financial difficulties;
- introduction of a bankruptcy procedure tailored to individual entrepreneurs who have lost the status of individual entrepreneur; and
- clarification of criteria applicable to including business entities into the category of major taxpayers.

In 2018, major reforms regarding tax simplification have been initiated, including the following:

- ongoing tax reform, the development of new tax code with assistance of World Banks experts;
- the replacement of corporate profit tax and tax for social infrastructure improvement and development with a single corporate profit tax;

- mandatory allocations to the Pension fund, the Republican Road Fund and the Education and Healthcare Institution Development Fund were replaced by a single mandatory allocation to state funds;
- fixed tax rates for individual entrepreneurs has been lowered on average by 30%;
- individual property tax was set to be based on cadastral value, with a limit on total tax charge to 120% of tax charge for 2017; and
- taxes dependent on municipal efficiency were put on local budget balances (individual property tax, individual land tax, retail fees for certain goods and services, fixed taxes for certain commercial activities, taxes from retail markets).

Further Fiscal Reforms

The 2018 Budget Message envisages the implementation of the following reforms and measures:

- further reduction of the tax burden on legal entities and on individual income, and the simplification of taxation by way of a reduction of the cumulative rate of corporate profit tax and mandatory payments to state special-purpose funds;
- exemptions from tax on moveable corporate property (such as cars, equipment, machinery, transmitting devices, transportation vehicles) with retention of the rate of such tax at 5% level. This measure is projected to leave at the disposal of taxpayers more than 230 billion soums, and is intended to propel the modernisation and technical development of business enterprises;
- leaving at the disposal of oil and gas companies the excise tax, together with the reduction of rates of gasoline and diesel consumption tax, which would allow for the increase of the resources of enterprises for the financing hydrocarbon feedstock imports and servicing investment loans; and
- reductions to the rate of fixed tax for individual entrepreneurs. This proposal is expected to propel the reduction of tax burden in the environment of accelerating wage growth and the legalisation of activities of individual entrepreneurs.

Extra-Budgetary Pension Fund

Uzbekistan's Extra-Budgetary Pension Fund (the “**Pension Fund**”) was established on 14 January 1991 as a republican branch of the Pension Fund of the USSR. On 4 August 1993, pursuant to a decision of the Cabinet of Ministers and the Federal Council of Trade Unions of Uzbekistan, the former Pension Fund was transformed into the Social Insurance Fund under the Cabinet of Ministers of the Republic of Uzbekistan, consolidating the assets of the Pension Fund and the assets of the Federal Council of Trade Unions in order to facilitate the payment of temporary disability benefits, maternity benefits and funeral allowances.

For the purposes of the further enhancing and developing the system of social protection of the population, increasing the accountability of social security bodies and ensuring the full receipt of obligatory payments for timely financing of expenses on payment of pensions and social insurance benefits, the Social Insurance Fund under the Cabinet of Ministers underwent reorganisation. This reorganisation resulted in the formation of the Pension Fund under the Ministry of Social Welfare of the Republic of Uzbekistan, with corresponding territorial branches and departments under the Ministry of Social Welfare of the Republic of Karakalpakstan and local social security authorities.

Pursuant to Decision No 444 of the Cabinet of Ministers of the Republic of Uzbekistan dated 15 November 2000, the Pension fund under the Ministry of Social Welfare of the Republic of Uzbekistan as of 1 January 2001 was transformed into the extra budgetary Pension Fund of the Republic of Uzbekistan. All functions relating to the operation of the Pension Fund were assigned to the Ministry of Labour and Social Protection of Population of the Republic of Uzbekistan. As of 1 January 2005, the Fund was brought under the purview of the Ministry of Finance.

As of 1 January 2010, the corresponding territorial divisions of the Pension Fund are responsible for the assignment, financing, accounting and monitoring of payment of pensions and social allowances, compensatory and other payments. Such territorial divisions were formed by virtue of transfer of functions of the respective divisions of the Ministry of Labour and Social Protection of Population, responsible for all matters relating to pensions and medical labour examination of citizens.

Pursuant to the Budget Code, the Pension Fund accumulates the funds received from mandatory payments, contributions and other sources. These funds are used for financing expenses relating to payment of public pension benefits to citizens, payment of social benefits, compensatory and other payments.

The following table shows certain financial information relating to the Pension Fund for each of the periods indicated:

	For the year ended 31 December					
	2013	2014	2015	2016	2017	2018
	<i>(in billions of soums)</i>					
Total revenues	10,527.5	13,255.0	15,104.1	16,785.1	20,018.1	24,075.7
Balance at the beginning of the period	785.7	1,472.4	2,564.4	2,113.1	2,310.6	3,396.1
Revenues	9,741.8	11,782.6	12,539.7	14,672.0	17,707.5	24,075.7
<i>including:</i>						
Contributions from unified social payment . . .	5,957.4	7,338.6	7,617.5	8,774.7	10,280.5	13,896.9
Mandatory insurance contributions of citizens	1,599.1	2,036.2	2,595.5	3,121.5	3,940.6	5,198.1
Mandatory deductions from the volume of turnover of goods and services	1,436.4	1,505.8	1,197.4	1,354.7	1,804.9	2,769.5
Other revenues	726.1	882.1	1,107.4	1,387.1	1,618.4	2,084.2
Non-tax revenues	22.8	20.0	21.9	33.9	63.0	127.0
Total expenditures	9,055.2	10,686.8	12,984.0	14,479.8	16,633.3	20,483.0
Payment of pensions to non-working pensioners	8,749.7	10,334.4	12,470.6	13,894.6	15,970.8	19,623.4
Payment of pensions to working pensioners	278.9	316.9	387.3	430.4	486.7	620.0
Social benefits to elderly and disabled persons, burial benefits and other payments	22.4	31.2	120.4	152.6	174.6	238.0
Other expenditures	4.2	4.3	5.6	2.2	1.2	1.6
Residue at the end of the period	1,472.4	2,568.3	2,120.1	2,305.2	3,396.1	6,988.8

Source: Ministry of Finance of the Republic of Uzbekistan

PUBLIC DEBT

Overview

The Ministry of Finance classifies public debt as “domestic” or “external” according to two criteria: place of issue and residency. According to the Budget Code of the Republic of Uzbekistan, if the Government, including State-owned entities, borrows debt either directly or by issue of debt, only debt held by residents of the Republic is considered to be domestic debt. The attraction of funds from foreign sources (including foreign states, international organisations, international financial and economic institutions, foreign government financial organisations and other non-residents of the Republic of Uzbekistan), on which obligations of the Republic of Uzbekistan arise as a borrower or guarantor of repayment of loans by resident borrowers, are classified as external debt. Based on a legal perspective, external debt is contracted with non-resident lenders, rather than debt denominated in a foreign currency.

Uzbek public companies and banks have access to borrowing in the international markets without explicit government guarantees. Fiscal risks from contingent liabilities associated with state-owned enterprises (“SOE”) debt are closely monitored by the Ministry of Finance’s main departments related with debt policy and management, and actions are taken quickly during the year to mitigate such risks. As a result, these risks are small, no SOEs are in arrears in the service of their debt payments and the Government has never paid for an SOE’s liabilities, whether explicit or implicit. The Government established policies and takes actions to assess and mitigate risks of contingent liabilities. Risk mitigating measures include the accounting and monthly monitoring requirements of all guarantees by both the CBU and Ministry of Finance, a selective approach to SOE investment projects under guarantees (e.g. SOEs need to have at least 50% of their shares owned by the state, be included in the annual state investment programme approved by the Cabinet of Ministers based on sectorial development programmes, stable financial performance over minimum three years, financial analysis of NPV, IRR, risk of non-payment by borrower, and an independent external audit). To help prevent the worsening of the financial accounts of the SOE borrower and the risk of non-payment, the Ministry of Finance takes timely actions to eliminate non-payments.

The Uzbekistan Government’s public and publicly guaranteed (“PPG”) debt policy over the past decade has led to a low rate of domestic and foreign debt compared to neighbouring and peer countries. The low level of debt is a result of high economic growth and large current account and fiscal surpluses during the past decade. The stock of nominal PPG external debt increased in 2017 to U.S.\$7.5 billion and in 2018 to U.S.\$10.0 billion, mainly due to receipt of funds for implementation of infrastructure projects under credit lines from the ADB, World Bank and IsDB and partner countries such as China and Japan.

The following table sets out information on Uzbekistan’s PPG debt broken down into external PPG debt and domestic public and publicly guaranteed debt as at the dates indicated.

	As at 31 December					
	2013	2014	2015	2016	2017	2018
	<i>(U.S.\$ million, except percentages)</i>					
External PPG debt						
Multilateral loans	2,022.8	2,432.2	3,077.9	3,426.1	4,025.1	5,696.3
ADB	1,234.7	1,579.4	2,064.8	2,162.2	2,531.7	3,091.8
World Bank	433.0	482.9	598.3	779.0	904.5	1,905.8
IDB	329.6	342.9	378.4	453.2	555.2	661.2
Other	25.5	26.9	36.4	31.8	33.7	37.5
Bilateral loans	2,406.7	2,259.6	2,501.0	3,048.8	3,513.3	4,306.3
China	999.2	1,055.9	1,250.5	1,547.0	1,676.8	2,092.5
Japan	552.2	504.2	607.4	811.9	1,090.4	1,484.0
Germany	302.0	274.6	362.0	386.0	415.9	334.0
Other	553.3	421.9	281.1	303.9	330.2	395.8
External PPG debt, total	4,429.5	4,688.7	5,578.9	6,474.9	7,544.1	10,002.6
As a percentage of GDP	7.7%	7.4%	8.4%	9.6%	12.8%	19.8%
As a percentage of foreign currency reserves ¹	32.4%	35.6%	42.0%	46.9%	55.2%	86.9%
As a percentage of official reserve assets	19.7%	19.4%	23.0%	24.5%	26.9%	36.9%
Domestic PPG debt, total	2,107.7	2,239.9	2,432.9	3,036.6	4,039.2	4,824.5
As a percentage of GDP	3.7%	3.6%	3.6%	4.5%	6.9%	9.63%
Total PPG debt	6,537.2	6,928.6	8,011.8	9,511.5	11,583.3	14,827.1
As a percentage of GDP	11.3%	11.0%	12.0%	14.1%	19.7%	29.4%

Source: Ministry of Finance of the Republic of Uzbekistan

(1) In convertible foreign currencies.

As at 1 January 2019, Uzbekistan had a total PPG debt of U.S.\$14,827.1 million, comprising of U.S.\$10,002.6 million in external PPG debt and U.S.\$4,824.5 million in domestic PPG debt. Most of the external PPG debt matures far beyond 10 years with the bulk of loans to be repaid in 20–40 years.

The following table provides information on the historical currency composition of Uzbekistan's public debt:

	As at 31 December					
	2013	2014	2015	2016	2017	2018
	(%)					
External PPG debt	100.0	100.0	100.0	100.0	100.0	100.0
U.S.\$	59.2	61.9	62.3	60.7	57.7	63.9
JPY	12.6	10.7	10.8	12.6	14.5	15.5
SDR	13.9	15.6	16.1	16.2	17.8	13.9
EUR	9.3	7.5	7.4	6.9	6.3	3.8
Korean won	1.9	1.7	1.3	1.1	1.5	1.2
Saudi Real	0.6	0.5	0.5	1.2	1.1	0.9
Kuwait Dinar	1.3	1.1	0.9	0.8	0.7	0.5
RMB	1.2	1.0	0.7	0.5	0.4	0.3
Other	—	—	—	—	—	—
Domestic publicly guaranteed debt	100.0	100.0	100.0	100.0	100.0	100.0
U.S.\$	80.0	84.7	88.3	91.6	93.1	91.2
EUR	19.8	15.1	11.5	8.2	6.6	6.5
Soums	0.2	0.2	0.2	0.2	0.3	2.3

Source: Ministry of Finance of the Republic of Uzbekistan

In 2018, the U.S. dollar was the primary currency of external PPG debt and reached 63.9% of the total external PPG debt as at 1 January 2019. Other currencies of external PPG debt were Japanese Yen (15.5%), Special Drawing Rights (13.9%), Euro (3.8%), South Korean won (1.2%), Saudi Riyal (0.9%), Kuwait Dinar (0.5%) and Chinese Renminbi (0.3%). The currency breakdown of domestic PPG debt is: U.S. dollar (91.2%), Euro (6.5%) and soums (2.3%, taking into account treasury bills and treasury bonds of the Republic of Uzbekistan). Domestic PPG debt is mainly comprised of sovereign guarantees provided to local commercial banks for investment and infrastructure projects that are funded from the UFRD (financial institution) and commercial banks' resources.

The following table provides information on the residual principal maturity profile of Uzbekistan's outstanding public debt:

	As at 31 December 2018				
	Up to 1 year (2019)	1-2 years (2020)	2-5 years (2021-2023)	Over 5 years (2024-...)	Total
	(U.S.\$ million)				
External PPG debt	398.8	473.1	1,844.4	7,685.0	10,002.5
Domestic PPG debt	118.6	343.4	1,266.3	3,214.8	4,824.5
Domestic debt denominated in foreign currency	117.5	294.2	1,237.5	3,199.4	4,731.1
Domestic debt denominated in soums	1.1	49.2	28.8	15.4	93.4
Total	517.4	816.5	3,110.7	10,899.8	14,827.0

Source: Ministry of Finance of the Republic of Uzbekistan

Debt Management

The Ministry of Finance on behalf of the Government aims to adopt best international practices in debt management in order to ensure the appropriate management of risk exposure, and to minimise debt-servicing costs while reaching the fund-raising targets. Uzbekistan's economy has been growing strongly since 2004. The diversification of the economy through industrial development, especially by the mobilisation of the private sector, has become a priority of the country. To meet the needs for physical infrastructure development and nonphysical institutional strengthening, Uzbekistan is significantly increasing borrowing in concessional terms from the ADB, WBG, IsDB and other international financial institutions. In addition, Uzbekistan is actively attracting in concessional conditions long term loans from partner (donor) countries such as China, France, Germany, Japan, Kuwait, Saudi Arabia and South Korea.

On the basis of the recent decree of the President No. PP-3877 dated 21 July 2018 “On additional measures of diversification external financing resources”, the Debt Management Office (“**DMO**”) was established within the Ministry of Finance to manage public debt as well as the external borrowing of state-owned enterprises with front, middle and back offices. The main department for cooperation with international financial institutions and interstate financial relations and the Treasury of the Ministry of Finance are key supplementary departments for debt (external and internal) policy and management in Uzbekistan.

The debt management function is assigned to the DMO in the Ministry of Finance. It systematically registers and monitors the stock, disbursements, principal and interest payments, interest and exchange rates on public debt and issuance of government guarantees. The DMO believes that its debt recording and monitoring systems are adequate. The DMO regularly generates various reports and calculates various debt ratios (e.g. public and private debt to GDP ratio, public and private debt service to budget revenue/exports/GDP ratio and public debt to budget revenue ratio) and sensitivities for the short and medium term debt to main economic indicators in accordance with recommendations of IMF and World Bank. The DMO conducts sensitivity or “stress test” analysis of external debt in relation to external factors (e.g. exchange and interest rates changes). The Ministry of Finance’s analytical capacity has significantly improved since 2018 by recruiting new specialists and by internal reforms.

As of the date of this Base Prospectus, the Ministry of Finance has been implementing a new Debt Management and Financial Analysis System (“**DMFAS**”) software. The DMO is currently in transition to modern “DMAFS 6.1.3.2” software developed by UNCTAD. The Ministry of Finance has signed a MOU with the ADB for technical assistance on improving debt management in the amount of U.S.\$0.45 million to implement DMFAS from UNCTAD with the objective of the Ministry of Finance recording all public debt data until 1 May 2019. After the completion of this data input, the DMO will be able to keep accounting and reporting of public and publicity guaranteed debt at international standards.

Adequate oversight of fiscal risks from contingent liabilities associated with SOE debt and actions taken during the year (in 2016-17) resulted in small risks and no SOEs are in arrears in the service of their debt payments. The DMO produces detailed and explicit analytical notes and reports for internal government use, including DSAs, quarterly analyses on public and private debt composition, risks and debt service by creditors/sectors/repayment periods/interest rates with the CBU. The DMO has direct online access and receives high-frequency information on all projects financed by key IFIs — the World Bank, ADB and IDB. To strengthen analytical capacity, the DMO staff regularly attended World Bank and IMF training on international standards of debt statistics, management, and sustainability analysis in 2016-18.

Information sharing and policy coordination between debt management and macro policies is adequate. On a quarterly basis, the Ministry of Finance exchanges the data with the CBU to analyse the current debt portfolio with various debt-stresses. The Ministry of Economy, Ministry of Finance and the CBU’s analytical departments conduct necessary exchanges of related information and have policy coordination at both working and high levels. All data on debt is produced on a monthly/ quarterly basis. Since February 2016, the total quarterly debt indicators are available to the public and are prepared in accordance with the standards of the IMF (GDDS).

The Government has also introduced a number of measures to strengthen the capacity of the Ministry of Finance by building a strategic and operational framework for debt management. The role of the public debt accounting and reporting division of the Ministry of Finance in accounting, auditing, and fund flow management has expanded, and its accountability as a service provider to line ministries is becoming more clearly defined.

The Ministry of Finance has launched a preparatory process to develop a medium term debt management strategy with the assistance of the IMF and WBG which is expected to be available to the public in the near future.

External Debt Service

The following table sets forth historical long-term external PPG debt service payments for the periods indicated:

	Year ended 31 December					
	2013	2014	2015	2016	2017	2018
	<i>(U.S.\$ million)</i>					
Principal repayments	229.6	255.2	287.1	321.3	343.1	398.8
Interest payments and charges	72.0	78.7	106.0	111.4	120.2	160.0
Total	301.6	333.9	393.1	432.7	463.3	558.8

Source: Ministry of Finance of the Republic of Uzbekistan

Uzbekistan has never defaulted on any payment of principal, premium or interest on, any external PPG debt. Uzbekistan is not currently in default on any of its external PPG debt. External PPG debt has been serviced fully and there are currently no external arrears.

The following table sets forth a projection of the Government's contractual external PPG debt service from 2019 to 2025, including principal and interest payable on all external debt outstanding as of 1 January 2019, based on the exchange rates and interest rates prevailing at that time. This table does not reflect the external debt service (i) on any borrowings by or on behalf of the Government since 1 October 2018, (ii) on any new draw downs on existing borrowings by or on behalf of the Government during the period covered by the table or (iii) on any Notes being offered.

As of 1 January 2019, the average contractual maturity of external PPG debt was approximately 25.25 years and the average contractual maturity of domestic publicly guaranteed debt was 11.04 years.

As of 1 January 2019, the average weighted interest rate on external public and publicly guaranteed debt was 2.29% and the average weighted maturity of external public and publicly guaranteed debt was 10.95 years. Moreover, the average weighted interest rate on domestic public and publicly guaranteed debt was 2.93% and the average weighted maturity of domestic publicly guaranteed debt was 6.1 years.

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<i>(U.S.\$ million)</i>						
Principal repayments	473.1	506.6	604.1	593.7	646.6	557.2	572.3
Interest payments and charges	240.9	221.9	183.4	168.3	156.9	136.8	115.9
Total	714.0	728.5	787.5	762.0	803.5	694.0	688.2

Source: Ministry of Finance of the Republic of Uzbekistan

Domestic Publicly Guaranteed Debt

Domestic public debt comprised only guaranteed loans which were financed from the UFRD and local, state-owned commercial banks. The total domestic publicly guaranteed debt amounted to U.S.\$4,546.3 million as of 30 September 2018 as a result of the realisation of strategic investment and infrastructure projects in the following areas of the economy: oil, gas, chemicals, electricity, railways, airways, gold and copper mining. As of 30 September 2018, the share of long-term loans was 100%, the share of short-term and medium term loans was 0%; the share of loans with fixed interest rate was 94.3%, the share of loans with floating interest rate was 5.7%. All such loans have a redemption period of over 10 years.

Domestic Public Debt

Domestic public debt to the private sector has been very small and was paid in full in 2012. Total public domestic debt, including transactions between the Government's accounts and monetary sector remains negative due to the accumulation of large fiscal savings at the CBU. In 2008 through 2011, the domestic debt has been constant at less than 1% of GDP and reduced to zero by September 2012. Given both the budget and current account surpluses and the growing international reserves, the Government did not issue domestic treasury bills or treasury bonds between 2012 and December 2018. However, in order to diversify financing sources the Government has launched programmes aimed at developing domestic capital markets. At the end of December 2018, the Government issued treasury bills and treasury bonds denominated in soums totalling 597.1 billion soums (equal to U.S.\$71.6 million at the rate of U.S.\$1 per 8339,55 soums) as a first step to developing the domestic debt capital markets.

Domestic publicly debt amounted to 3.6%, 3.5%, 3.6%, 4.7%, 6.9% and 9.6% of GDP for the years ended 31 December 2013, 2014, 2015, 2016, 2017 and 2018 respectively.

	<u>Year ended 31 December</u>					
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Domestic public debt (U.S.\$ million)	2,052.6	2,189.2	2,391.4	3,193.5	4,037.2	4,824.5
As a percentage of GDP	3.6%	3.5%	3.6%	4.7%	6.9%	9.6%

Source: Central Bank of the Republic of Uzbekistan

Total Private Sector External Debt

	Year ended 31 December					Nine months ended 30 September
	2013	2014	2015	2016	2017 ⁽¹⁾	2018 ⁽¹⁾
	(U.S.\$ million)					
Disbursements	381.1	446.3	211.1	697.4	668.2	237.7
Repayments	58.5	103.2	139.1	184.9	470.8	276.2
Interest Payments	25.9	50.4	80.7	96.7	120.8	49.3
Total Debt Service	84.4	153.6	219.8	281.6	591.6	325.5
Stock	5,481.0	6,864.1	7,314.5	8,148.7	8,176.5	7,710.2

Source: Central Bank of the Republic of Uzbekistan

(1) The calculated balance of private sector debt in 2017 and for the first nine months of 2018 does not include accrued but unpaid interest.

According to preliminary data of the CBU, the total stock of non-guaranteed external private debt as of 1 January 2019 amounted to U.S.\$7,034.2 million, of which U.S.\$5,312.7 million was attributable to the oil and energy sector, U.S.\$238.3 million was attributable to the telecommunications sector, U.S.\$ 935.3 million was attributable to the banking sector, U.S.\$116 million was attributable to the textiles sector and U.S.\$440.9 million was attributable to the other sectors of the economy.

Relations with International Financial Institutions

Borrowings from international financial institutions have played a role in fostering economic and structural reforms in Uzbekistan. Such borrowings have for instance provided long-term support for economic growth and for the stability of Uzbekistan's financial system. Uzbekistan's relationships with these organisations have factored into reforming certain economic areas, improving the country's investment environment and increasing the share of foreign investment in the economy.

International Bank for Reconstruction and Development (World Bank)

Uzbekistan joined the World Bank Group in 1992. The World Bank's funding is currently focused on infrastructure investments in the agriculture, water, energy, transport, health, and education sectors. As of October 2018, the World Bank had provided funding for 41 projects including 55 loans worth U.S.\$4,554 million, which the International Bank for Reconstruction and Development ("IBRD") and the International Development Association ("IDA") financed and has carried out over 50 technical assistance activities. In addition to the IBRD and IDA's projects, the World Bank provides its own grant funds for individual projects.

18 IBRD/IDA investment projects and a first-ever Development Policy Operation, spread across seven sectors and worth U.S.\$3,494 million, are currently being implemented. These projects contribute to the improvement of macroeconomic management, agriculture and water resources management, energy, transport, healthcare, education, urban development, water supply and sanitation services, which support the country's economic growth and higher living standards. The World Bank is also administering the Global Partnership for Education (GPE) grant-financed project worth U.S.\$49.9 million.

In October 2015, the World Bank began financing the Horticulture Development Project with U.S.\$150 million and recently approved another loan in the amount of U.S.\$500 million, resulting in a total of U.S.\$650 million. The project will contribute to poverty reduction in the country by assisting horticulture farmers, many of whom are small and comprise among the poorest members of society, to increase their farm productivity and incomes, thereby fostering more and better rural jobs. The project comprises three components: agricultural support services, access to credit, and project management.

In April 2017, the World Bank Group in Uzbekistan launched the Performance and Learning Review, a turning point in the implementation of the World Bank Group's programme in Uzbekistan, originally outlined in the Country Partnership Framework for the Fiscal Years 2016–2020. The Performance and Learning Review is designed to introduce changes to the World Bank Group's programme in response to significant changes in the country context, government priorities and lessons learned from the Country Partnership Framework implementation. The Performance and Learning Review will provide an opportunity to update focus areas, the choice and mix of instruments, and the modalities for engagement, as necessary. In 2018, the World Bank Group's programme for Uzbekistan was adjusted to better respond to the country's new priorities and development vision based on the Performance and Learning Review of the Country Partnership Framework for the Fiscal Years 2016–2020. The new focus areas are: a sustainable transformation to a market economy; the reform of state institutions; and citizen engagement and investments in people.

In June 2018, the World Bank approved of the financing for the Development Policy Operation ("DPO") programme in the amount of U.S.\$500 million, of which U.S.\$360 million is to be provided by the IDA. It is the

first DPO from the World Bank Group to the country since its independence and it supports Uzbekistan's first steps on its transformation towards a successful market economy. The project covers financial, industrial, trade and service sectors with social protection and public administration.

In August 2018, the World Bank signed its very first Reimbursable Advisory Services ("RAS") agreement with the Government to support the reform of the civil aviation sector in Uzbekistan. Different from lending products, RAS are programmes offered by the World Bank to its clients to deliver specific assistance requiring services that cannot be fully funded from the World Bank's country programme whilst providing technical advice, analytical services and implementation support. According to the RAS agreement with Uzbekistan, the World Bank will develop recommendations for establishing a civil aviation sector policy and improving several aspects of the sector's operations including institutional, financing, and organisational structure, as well as attracting private sector participation in airport infrastructure development and operations.

One of the infrastructure projects is the Regional Roads Development Project which aims at reducing road user costs on the project roads and developing a sustainable investment programme for regional road asset management. The World Bank had provided a loan totalling U.S.\$200.4 million.

The World Bank also supports the Government's efforts to enhance the investment climate and business environment by helping to improve the country's Doing Business indicators. At the same time, the Government's efforts to improve energy efficiency with a U.S.\$125 million project is supported by the Bank providing loans to local industrial enterprises to invest in energy-efficient technologies and equipment. This Project seeks the approval of the Executive Directors to provide additional financing in the amount of U.S.\$200 million through an IBRD loan.

Moreover, a U.S.\$260.79 million loan has been provided for the project of the South Karakalpakstan Water Resources Management Improvement which focuses on restoring irrigation and improving water management in the project area in a sustainable and financially efficient manner.

In December 2018, the World Bank approved of the Medium-Size Cities Integrated Urban Development Project which will be supported by a U.S.\$100 million loan from the IBRD. This is the first urban project aiming to improve infrastructure, public spaces, and municipal services in medium-size cities, starting with Chartak, Kagan, and Yangiyul, which have a combined population of 165,000 people. It will strengthen the institutional capacity of central and local governments to manage assets, service delivery, urban mobility, sustainable tourism, and partnership with the private sector.

Apart from 18 active projects of the World Bank with Uzbekistan mentioned above, 9 pipeline projects amounting U.S.\$1,525 million are being worked out. These projects are aimed at developing entrepreneurial activities in rural areas, improving energy efficiency, improving the delivery of public services to the population, expanding the coverage of drinking water supplies, strengthening social protection and development of the pre-school education system.

International Finance Corporation

Uzbekistan became a member of the International Finance Corporation ("IFC") in 1993. Since 1996, the IFC has invested over U.S.\$120 million to support 31 private sector projects in the financial, agriculture and food sectors. As of December 2018, the IFC managed a U.S.\$60.2 million current investment portfolio (of which U.S.\$2.64 million was in equities and U.S.\$57.53 million was in long term loans), including projects in the financial and textile sectors. The IFC's advisory services provided investments under six projects. They are designed to assist the country in privatising SOEs, transforming the cotton sector, developing and diversifying the financial market, and piloting public-private partnership transactions in renewables. Moreover, the IFC's advisory services programme is helping the country to develop its infrastructure, expand its access to finance, upgrade the credit information sharing system, promote food safety, and increase water and power efficiency.

Multilateral Investment Guarantee Agency

Uzbekistan has been a member of the Multilateral Investment Guarantee Agency ("MIGA") since 1992. The MIGA portfolio in Uzbekistan was comprised of guarantees for a project in the oil and gas sector. The MIGA had issued a political risk insurance guarantee for U.S.\$119.5 million to BNP Paribas (Suisse) SA to cover a non-shareholder loan to Lukoil Overseas Uzbekistan Ltd. for the Khauzak-Shady Block and Kandym Field Group projects. The guarantee was terminated in 2017 and no new guarantees have been issued since then.

The Asian Development Bank (“**ADB**”) has been a partner in Uzbekistan’s efforts to modernise the economy and forge ties with neighbours, providing approved loans, grants, and technical assistance.

Over the entire period of cooperation (from 1996 to 2018), the ADB allocated Uzbekistan U.S.\$7.44 billion in the framework of the implementation of 63 projects, including U.S.\$7.21 billion to finance 60 projects in the public sector and U.S.\$230 million to finance three projects in the private sector. The amount of grants allocated for technical assistance amounted to U.S.\$94.64 million. The ADB has directly supported private sector investments in petrochemicals and gas development, and an equity investment in a local commercial bank. Currently, the number of shares of the Republic of Uzbekistan in the ADB is 71,502 (0.676%).

The ADB’s six loans and 28 technical assistance projects during the 1996–2000 period assisted in improving governance, building institutional capacity, supporting policy and institutional reforms, and in rehabilitating basic social and physical infrastructure.

After the financial crisis of 2007–2008, the ADB and Uzbekistan turned their attention towards developing the country’s natural energy resources. A 420-kilometre transmission line between Uzbekistan and Afghanistan’s capital was constructed, which benefited four million people. The ADB also helped instal more efficient turbines in the Talimarjan power plant in southern Uzbekistan. This strengthened the country’s energy generation infrastructure, helping it meet domestic power supply demand and produce electricity for export.

In the transport sector, the ADB has financed road and railway projects along the Central Asian Regional Economic Cooperation (CAREC) Corridor 2 (Mediterranean–East Asia) and Corridor 6 (Europe–Middle East–South Asia). The programme was aimed at working together for promotion through co-operation leading to accelerated growth and poverty reduction, in the amount of U.S.\$1,210.3 million. It includes the CAREC Regional Road Project, CAREC Corridor 2 Road Investment Programme in three tranches and the Second CAREC Corridor 2 Road Investment Programme in three tranches with the CAREC Corridor 2 (Pap-Namangan-Andijan) and CAREC Corridor 6 (Marakand-Karshi) Railway Electrification Projects. As of 15 November 2018, 6 CAREC projects were approved and amounted to U.S.\$710 million and a second CAREC project was approved, amounting to U.S.\$500 million. In total, the projects amounted to U.S.\$1.21 billion.

In November 2013, the ADB approved a U.S.\$50 million loan and U.S.\$500,000 technical assistance grant for the Small Business and Entrepreneurship Development Project to improve the entrepreneurial capacities of rural small businesses, including women’s businesses. Loans from the project provided skills and employment to women in places where work opportunities were scarce. More than 30% of microfinance loans extended by Ipak Yuli Bank with ADB support in the region went to female entrepreneurs and more than 60% helped rural businesses. The project has also had other positive effects on women, particularly in the area of providing better social services. In the framework of this project, 5,952 new microfinance and small business loans have been issued by participating commercial banks (76% to rural clients, 33% to women) and 8,028 clients trained in business finance.

In June 2018, the ADB signed a loan agreement totalling U.S.\$450 million to help instal between 850 to 950 megawatts (MW) in additional generation capacity in the Talimarjan thermal power plant (“**TTPP**”) using combined cycle technology which will help improve power generation efficiency and energy security in Uzbekistan. The financing is a continuation of the ADB’s previous support to Uzbekistan’s energy sector, following the 900 MW CCGT expansion at TTPP commissioned in August 2017. The project will also boost efforts to realise the Government’s ambitious programme, called Vision 2030, to transition Uzbekistan to an industrialised and upper middle-income country by 2030. The ADB’s approval includes administration of a U.S.\$2 million technical assistance grant provided by the Japan Fund for Poverty Reduction to enhance financial sustainability of Uzbekenergo, the state-owned electricity utility, and strengthen power sector planning and tariff studies.

At the same time, the ADB has approved a U.S.\$300 million policy-based loan to help improve economic management in Uzbekistan, which will help support macroeconomic stability and sustain high growth in the country. The Economic Management Improvement Programme will support important government efforts to ensure fiscal sustainability as well as improve governance in state-owned enterprises, which dominate almost all the important sectors of Uzbekistan’s economy, to make their operations financially viable. The project will improve access to bank finance by strengthening bank supervision and intermediation to facilitate competitive financing of private sector operations, while also strengthening economic data collection, analysis, management, and dissemination systems to bolster economic decision making.

Apart from the loan, the ADB will also provide a U.S.\$1 million technical assistance grant to enhance the Government's capacity to implement reforms, particularly in budget frameworks; public-private partnership; internal audit; risk-based supervision and capital adequacy assessment; and gender sensitivity of public expenditure programmes, among others.

As of 1 September 2018, the implementation of 35 projects has been completed totalling U.S.\$2.69 billion, including 1 project in the private sector with an ADB financing share of U.S.\$100 million. At present, 25 projects totalling U.S.\$4.44 billion are currently being realised, including three approved projects worth U.S.\$643 million and two projects in the private sector. Moreover, the ADB's 2018-2020 country operations business plan for Uzbekistan includes operational support for transport, energy, municipal services, health and access to finance.

In November 2018, the ADB approved a U.S.\$197 million loan to expand its support to Uzbekistan's agriculture sector by establishing agro-logistic centres ("ALCs") in the regions of Andijan and Samarkand to improve processing, storage, quality assurance, shipping, and distribution of horticultural products. The Horticulture Value Chain Infrastructure Project will finance the establishment of two ALCs. The total cost of the project, which is expected to be completed by the end of 2023, is U.S.\$244.75 million, with the Government of Uzbekistan contributing U.S.\$47.75 million through exemptions of taxes and duties.

As of November 2018, six proposed projects totalling U.S.\$775.3 million with U.S.\$0.8 million of technical assistance are currently under development with the ADB. These projects are planned for implementation in the areas of improving the efficiency of railways, reconstructing water supply systems, increasing renewable energy and access to reliable energy and access to finance in the livestock sector.

In December 2018, the ADB published the Country Operations Business Plan ("COBP"), 2019–2021 for Uzbekistan. The COBP is built on the current Country Partnership Strategy (CPS) and is consistent with the recent government initiatives and the national development strategy. According to COBP, the cumulative lending programme for the three-year period amounts to approximately U.S.\$3.2 billion with technical assistance grants totalling U.S.\$15 million.

IMF

Uzbekistan joined the IMF on 21 September 1992. In accordance with Article IV of the IMF Agreement, representatives of the IMF regularly visit the Republic of Uzbekistan to hold consultations within the Government and the CBU.

In December 1995, the IMF granted Uzbekistan a stand-by arrangement in the amount of SDR124.70 million, out of which SDR65.45 million was drawn. In December 2005, Uzbekistan repaid its debt in full to the IMF. As of 31 October 2018, Uzbekistan has no outstanding borrowings from the IMF and Special Drawing Rights (SDR) holdings of the Republic consist of SDR266.1 million while quota comprises SDR551.2 million.

Recently, IMF representatives have visited Uzbekistan at least two times a year with their mission in technical cooperation. In 2017-2018, the IMF visited the CBU several times and held technical cooperation in methodology of balance of payments (BOP), monetary policy and its instruments, stress-testing of the banking system, joining e-GDDS and updating metadata by category. In this regard, a mission from the IMF Statistics Department (STA) was held in Tashkent from 20 November through 1 December 2017 on technical assistance of external sector statistics (ESS). The main objective of the mission was to assist the CBU to define scope of work, tasks, and priorities for establishing sound ESS compilation programme. Taking into account priority recommendations given by the IMF, Uzbekistan has started declassifying basic statistical data, initiated the production of ESS on the basis of BPM6, and started participation in the IMF's enhanced General Data Dissemination System (e-GDDS).

As a result, the State Committee of the Republic of Uzbekistan on Statistics, in conjunction with the Ministries of Economy, Finance, Employment and Labour Relations, the CBU, and RSE "Tashkent" carried out an inventory of the economic and financial indicators being developed, including the methodology and the timing of their formation, for compliance with IMF Standards. Since 1 May 2018, there is a National Summary page on the State Committee of the Republic of Uzbekistan on Statistics' website in accordance with the requirements of the IMF, which is interlinked with the Bulletin of Data Dissemination Standard.

According to the IMF's report on the tax system, Uzbekistan stands ready to shed the legacy of a planned economy, integrate into global value-chains, and adopt the necessary structural transformations to develop

market-based institutions. In the process of conducting reforms in tax and budget policies, the IMF cooperates with Uzbekistan closely and is giving its recommendations to achieve consistent outcomes. In response to a request from Uzbekistan, a technical assistance mission from the Fiscal Affairs Department of the IMF (“FAD”) visited Tashkent during 19-28 February 2018. The mission undertook a general review of Uzbekistan’s tax system, and in consultation with the authorities, established a plan for developing tax policy options to improve its efficiency and equity.

On 4 May 2018, the Executive Board of the IMF concluded the Article IV consultation with the Republic of Uzbekistan. The latest Article IV country report was published on 11 May 2018.

On 11-26 June 2018, FAD visited Uzbekistan again with their mission, mainly for discussions with the Ministry of Finance on recommendations regarding fiscal affairs and fiscal transparency evaluation. The IMF presented brief information about fiscal transparency and requirements for full compliance with fiscal transparency evaluation. Moreover, the IMF discussed the process of budget preparation, budget reforms, fiscal reporting and fiscal risks and gave corresponding recommendations. On 17-26 July 2018, IMF staff team visited Tashkent and the discussions focused on the economic outlook, tax reform, SOE restructuring and the fiscal strategy for 2019–2021.

In October-November 2018, the IMF visited Uzbekistan again to address the recommendations of its fiscal transparency evaluation conducted in June 2018. The main areas of discussion included improvement of the transparency of the budget system of the Republic, implemented and medium term tax policy reforms, the new Tax Code and SOE reforms. The experts of the IMF developed several recommendations to further strengthen the credibility and transparency of the public sector finances, in particular, to improve the quality of fiscal reports by better complying with economic and functional classifications, to improve risk management and disclosure of government finances, and analyse the legislative changes necessary for the Budget Code, including other legislation and supporting provisions necessary to facilitate the implementation of the planned reforms. Discussion also included the topics of the economic outlook, especially inflation, the 2019 budget, reduction of credit market segmentation, improvement of statistics and better coordination of the technical assistance. The IMF proposed its technical assistance in tax policy and tax administration in short and medium term perspectives.

EBRD

The Republic of Uzbekistan became a member of the EBRD in 1992. The Republic owns 4,200 shares of the EBRD for a total amount of €44.12 million.

As of 31 October 2018, the EBRD has invested €1.3 billion through 68 projects in the economy of Uzbekistan of which 27% comprises private sector investments. At present, there are 19 active portfolio projects in the amount of €465 million, of which 57% is intended for the development of infrastructure.

Between 1992 and 2010, the EBRD invested €894 million in Uzbekistan in 54 projects. Historically, almost 50% of the EBRD’s finance (€443 million) has been provided to SMEs via the local banking sector, including state-owned banks.

During 2005-2010, the EBRD committed €9.5 million of SME credit lines to Uzbekistan’s banking sector. As part of the Japan-Uzbekistan Small Business Programme, the EBRD, together with Hamkor Bank, extended more than 27,815 loans (worth U.S.\$15.6 million), 54% of which were to new clients, many from rural areas and often with no or limited access to finance. From 2005 to 2010, the EBRD carried out eight investment operations with Uzbek companies in the agribusiness, manufacturing and services sector.

The change in leadership within the country encouraged the EBRD to reengage earlier this year with the country, after almost a decade of absence. The EBRD signed a Memorandum of Understanding (MoU) with Uzbekistan’s authorities in March 2017. During this period, the EBRD allocated credit lines worth over U.S.\$190 million for financing projects to support entrepreneurship in the country. The credit lines and trade facilitation programme limits had been provided to the National Bank for Foreign Economic Activity of Uzbekistan, Ipoteka Bank and Hamkor Bank. In particular, a financing package of U.S.\$100 million had been given to the National Bank for Foreign Economic Activity of Uzbekistan to enable the bank to increase the availability of funding to private micro, small, and medium-sized enterprises and to support import and export operations via a trade facilitation programme. Moreover, there was a direct financing of competitive private companies, comprising loans to Agromir (a juice producer), Jurabek (pharmaceuticals) and Imkon (an ice cream manufacturer).

In August 2018, during the visit of the president of the EBRD to Uzbekistan, issues of further expansion of mutually beneficial cooperation, new programmes and projects, primarily in the spheres of supporting and development of reform strategies of key industries were discussed. Currently, there are prospective projects under consideration in the areas of development of rural infrastructure and housing construction, modernisation of energy facilities and communal services, business support and other areas worth over U.S.\$1 billion.

According to a recent EBRD article, the EBRD's Board of Directors has approved a new strategy for Uzbekistan which sets out the EBRD's priorities in the country for the next five years. The strategy reflects recent changes in the country's political and macroeconomic environment and is aimed at the creation of an open, integrated and export-driven economy. Following the adoption of a new country strategy for Uzbekistan, the EBRD is providing funds for the development of sustainable solutions for the municipal and power infrastructure sectors in the country. Under new agreements, the EBRD is extending long-term loans to six infrastructure projects, collectively worth €333 million, which will help improve water supply and district heating services in the capital city, Tashkent, and in the Khorezm and Namangan regions, as well as electricity transmission in the Navoi region. Those projects are for Tashkent water supply (€26.1 million), heat distribution (€43.5 million) and generation infrastructure (€87 million). Those projects in Khorezm and Namangan are for water supply and the rehabilitation of wastewater infrastructure projects (€52.2 million invested in each region). The UzbekEnegro Muruntau Substation project for improving the efficiency and reliability of the power transition system in the Navoi region is worth €71.7 million.

In addition, it is planned to approve projects worth up to U.S.\$600 million with the EBRD, which are aimed at the construction of apartment buildings and the financing of projects within the framework of the "Obod Qishloq" programme.

The EBRD's work in the country will focus in the short term on advice and finance for small and medium-sized enterprises, a trade finance program to support cross-border trade and cooperation and measures to improve the investment climate and competitiveness of the Uzbek economy, including through attracting foreign direct investment that will result in technology transfer.

Islamic Development Bank

Cooperation between Uzbekistan and the IDB began in 1991, when the IDB approved grants for the reconstruction of a number of historic buildings. On 2–4 September 2003, Uzbekistan became a full member of the IDB. Currently, the number of shares of the Republic of Uzbekistan in the IDB is 1,344. (0.03%). The key areas of IDB activity in Uzbekistan are the financing of major infrastructure and socially significant projects in strategic sectors of the economy.

As of 31 October 2018, 17 projects totalling U.S.\$925.5 million (of which U.S.\$664.8 million are loans) have been implemented jointly with the IDB and nine projects totalling U.S.\$1,115.7 million (of which U.S.\$839.2 million are loans) are currently being implemented. Also, during the years of cooperation with the IDB, grant funds were allocated to Uzbekistan for a total amount of U.S.\$2.9 million to finance 12 projects to strengthen the material and technical base and institutional development of state bodies, as well as to build and equip Islamic educational institutions in the Republic. At present, two pipeline projects worth U.S.\$197.7 million (U.S.\$125 million loan) in the areas of housing and communal services and health are being worked out with the IDB. In sum, the IDB actively cooperates with Uzbekistan, with approved funding (loans and technical assistance) amounting to U.S.\$1,506.85 million for the implementation of 38 projects in areas such as health, energy, agriculture, construction and equipment of schools and professional colleges, construction and repair of roads, open lines of financing for small and private businesses, and promotion of the reform of public financial management, among other areas.

The biggest investment has been done in a Rural Housing Construction project, which provided the population of rural regions with modern houses with funds amounting U.S.\$100 million in 2015-2017 while the funding has been extended with U.S.\$300 million as well for the 2017-2020 period.

Along with the Asian Development Bank, the World Bank and other investors, the IDB is participating in financing the first public-private partnership project of the Lukoil company for the commercial development of the Kandym natural gas field. To finance this project, IDB directly allocated U.S.\$100 million.

Moreover, the IDB Group, through its subsidiary, the Islamic Corporation for the Development of the Private Sector ("ICD"), actively supports the development of the financial and small business sector and private entrepreneurship, as well as the leasing services market in Uzbekistan. To date, the volume of investments and financial resources provided by the ICD to the Republic consists of U.S.\$277.8 million.

Also, the proposal of the IDB Group regarding the entry of the Republic of Uzbekistan into the Islamic Corporation of the Insurance of Investment and Export Credit (ICIEC) and International Islamic Trade Finance Corporation (ITFC) is being considered.

The IDB supports the most important initiatives of the socio-economic policy of the Republic of Uzbekistan. The Bank's management regularly participates in major international events organised in the Republic aimed at implementing priority state programmes, including in the fields of education, health care, small business, rural housing construction and the development of alternative energy.

The IDB also plays an important coordinating role in the development of cooperation between Uzbekistan and the Arab Funds of the Coordination Group (Saudi Fund for Development, Kuwait Fund for Arab Economic Development, The OPEC Fund for International Cooperation (OFID) and the Abu Dhabi Fund for Development).

In September 2018, the IDB Group unveiled a U.S.\$1.3 billion partnership strategy (2018-2021) for the Republic of Uzbekistan. The Member Country Partnership Strategy (MCPS), prepared in close consultation with the Government of Uzbekistan, aims to support sustainable socioeconomic development in the country over the next four years through a number of bilateral and regional initiatives. Focus areas in the MCPS include modernising the country's infrastructure, improving its agricultural efficiency and productivity, promoting private sector development, enhancing social development and supporting capacity development. The IDB Group's finance will directly support rural development and affordable housing, agriculture, reconstruction of water supply and sewerage facilities, health, education, transport and the energy sector. Specifically, the IDB Group is enabling Uzbekistan's Small and Medium Sized Enterprises to benefit from Islamic financing tools. Under the new strategy, IDB will also introduce innovative resource drives under the IDB President's Five-Year Program (P5P) such as crowd-funding platforms, new partners from the private sector, civil society, NGOs and philanthropic associations.

TAXATION

The following is a general description of certain tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes. Prospective purchasers of Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date.

United States Federal Income Taxation

The following is a summary of certain U.S. federal income tax consequences of the acquisition, ownership, disposition and retirement of Notes by a holder thereof. This summary does not address the U.S. federal income tax consequences of every type of Note which may be issued under the Programme (including Notes with a maturity of 30 years or longer) and only applies to Notes held as capital assets for U.S. federal income tax purposes (generally, held for investment). It does not address any aspects of U.S. federal income taxation that may be applicable to holders that are subject to special tax rules, such as financial institutions, insurance companies, real estate investment trusts, regulated investment companies, grantor trusts, tax exempt entities, retirement plans, former citizens or long-term residents of the United States, dealers or traders in securities or currencies or to holders that will hold a Note as part of a position in a straddle or as part of a hedging, conversion or integrated transaction for U.S. federal income tax purposes, U.S. citizens or lawful permanent residents living abroad or U.S. Holders (as defined below) that have a functional currency other than the U.S. dollar. Moreover, this summary does not address the U.S. state and local tax, federal estate and gift tax, Medicare contribution tax or alternative minimum tax consequences of the acquisition, ownership or retirement of Notes and does not address the U.S. federal income tax treatment of holders that do not acquire Notes as part of the initial distribution at their initial "issue price," as defined in "*— U.S. Holders — Original Issue Discount*" below.

This summary is based on the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), existing and proposed U.S. Treasury Regulations, administrative pronouncements and judicial decisions, each as at the date hereof. All of the foregoing are subject to change, possibly with retroactive effect, or differing interpretations, which could affect the tax consequences described herein. Any special U.S. federal income tax considerations relevant to a particular issue of the Notes will be provided in the relevant Pricing Supplement.

For purposes of this description, a U.S. Holder is a beneficial owner of the Notes who for U.S. federal income tax purposes is (i) an individual citizen or resident of the United States; (ii) a corporation (or entity treated as a corporation for U.S. federal income tax purposes) created or organised in or under the laws of the United States or any state thereof, including the District of Columbia; (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust (1) that has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a United States person for U.S. federal income tax purposes or (2)(a) the administration over which a U.S. court can exercise primary supervision and (b) all of the substantial decisions of which one or more United States persons have the authority to control.

If a partnership (or any other entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds Notes, the tax treatment of the partnership and a partner in such partnership generally will depend on the status of the partner and the activities of the partnership. Such partner or partnership should consult its own tax adviser as to the consequences of acquiring, owning or disposing of Notes.

A Non-U.S. Holder is a beneficial owner of the Notes other than a U.S. Holder or a partnership (or an entity or arrangement treated as a partnership for U.S. federal income tax purposes).

Prospective investors should consult their own tax advisers with respect to the U.S. federal, state, local and foreign tax consequences of acquiring, owning or disposing of Notes.

U.S. Holders

2017 Legislation

Under recently enacted legislation, for tax years beginning on or after 1 January 2018, U.S. Holders that use an accrual method of accounting for tax purposes may be required to accrue income no later than such income is reported on "applicable financial statements", which could be significantly earlier than would be the case under the general tax rules described below. U.S. Holders that use an accrual method of accounting should consult with their own tax advisers regarding the potential application of this legislation to their particular situation.

Interest

Except as set forth below, interest (including “qualified stated interest” as defined under “— Original Issue Discount” below) paid on a Note, whether payable in U.S. dollars or a currency, composite currency or basket of currencies other than U.S. dollars (a “foreign currency”), including any additional amounts, will be includible in a U.S. Holder’s gross income as ordinary interest income in accordance with the U.S. Holder’s usual method of tax accounting. In addition, interest on the Notes will generally be treated as foreign source income for U.S. federal income tax purposes. Prospective purchasers of Notes should consult their own tax advisers concerning the applicability of foreign tax credit and source of income rules attributable to the Notes.

Foreign Currency Denominated Stated Interest

Any interest paid in a foreign currency will be included in the gross income of a U.S. Holder in an amount equal to the U.S. dollar value of the foreign currency, including the amount of any applicable withholding tax thereon, regardless of whether the foreign currency is converted into U.S. dollars. Generally, a U.S. Holder that uses the cash method of tax accounting will determine such U.S. dollar value using the spot rate of exchange on the date of receipt. Generally, a U.S. Holder that uses the accrual method of tax accounting will determine the U.S. dollar value of accrued interest income using the average rate of exchange for the accrual period (or in the case of an accrual period that spans two taxable years of the U.S. Holder, the part of the period within each taxable year), or, at the accrual basis U.S. Holder’s election, at either the spot rate of exchange on the last day of the accrual period (or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within each taxable year) or the spot rate on the date of receipt, if that date is within five days of the last day of the accrual period. Any such selection will apply to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and will be irrevocable without the consent of the Internal Revenue Service. A U.S. Holder that uses the accrual method of accounting for tax purposes will recognise foreign currency gain or loss on the receipt of an interest payment if the exchange rate in effect on the date payment is received differs from the rate applicable to an accrual of that interest.

Original Issue Discount

U.S. Holders of Notes issued with original issue discount (“**OID**”) will be subject to special tax accounting rules, as described in greater detail below. U.S. Holders of Notes issued with OID (including cash basis taxpayers) should be aware that, as described in greater detail below, they generally must include OID in income for U.S. federal income tax purposes on an economic accrual basis, in advance of the receipt of cash attributable to that income. However, U.S. Holders of such Notes generally will not be required to include separately in income cash payments received on the Notes, even if denominated as interest, to the extent such payments do not constitute qualified stated interest (as defined below). Notes issued with OID will be referred to as “Original Issue Discount Notes.” Solely for the purposes of determining for U.S. federal income tax purposes whether a Note has OID and the yield and maturity of a Note, the Issuer may, under certain circumstances, be deemed to exercise any call option that has the effect of decreasing the yield on the Note and the U.S. Holder may, under certain circumstances, be deemed to exercise any put option that has the effect of increasing the yield on the Note. The relevant Final Terms will so state when the Issuer determines that a particular Note will be an Original Issue Discount Note.

The following discussion does not address the U.S. federal income tax consequences of an investment in contingent payment debt instruments. In the event the Issuer issues contingent payment debt instruments the relevant Final Terms or a supplement to this Base Prospectus will describe the material U.S. federal income tax consequences thereof.

Additional rules applicable to Original Issue Discount Notes that are denominated in or determined by reference to a currency other than the U.S. dollar are described in “— *Foreign Currency Discount Notes*” below.

For U.S. federal income tax purposes, a Note, other than a Note with a term of one year or less, will be treated as an Original Issue Discount Note if the excess of the Note’s “stated redemption price at maturity” over its “issue price” equals or exceeds a *de minimis* amount (i.e., 0.25 per cent of the Note’s stated redemption price at maturity multiplied by the number of complete years to its maturity (or, in the case of a Note that provides for payments other than qualified stated interest before maturity, its weighted average maturity)). The “stated redemption price at maturity” of a Note is the sum of all payments required to be made on such Note other than “qualified stated interest” payments. The “issue price” of each Note in a particular offering will be the first price

at which a substantial amount of that particular offering is sold (other than to an underwriter, broker, agent or wholesaler). The term “qualified stated interest” means stated interest that is unconditionally payable in cash or in property (other than debt instruments of the issuer) at least annually at a single fixed rate or, subject to certain conditions, based on one or more interest indices. Interest is payable at a single fixed rate only if the rate appropriately takes into account the length of the interval between payments. Notice will be given in the relevant Pricing Supplement when it is determined that a particular Note will bear interest that is not qualified stated interest.

In the case of a Note issued with *de minimis* OID, the U.S. Holder generally must include such *de minimis* OID in income as stated principal payments on the Notes made in proportion to the stated principal amount of the Note. Any amount of *de minimis* OID that has been included in income will be treated as capital gain.

U.S. Holders of Original Issue Discount Notes with a maturity upon issuance of more than one year must, in general, include OID in income on a constant yield method in advance of the receipt of some or all of the related cash payments. Under this method, the amount of OID includible in income by the initial U.S. Holder of an Original Issue Discount Note is the sum of the “daily portions” of OID with respect to the Note for each day during the taxable year or portion of the taxable year in which such U.S. Holder held such Note (“accrued OID”). The daily portion is determined by allocating to each day in any “accrual period” a pro rata portion of the OID allocable to that accrual period. The “accrual period” for an Original Issue Discount Note may be of any length and may vary in length over the term of the Note, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs on the first day or the final day of an accrual period. The amount of OID allocable to any accrual period is an amount equal to the excess, if any, of (a) the product of the Note’s adjusted issue price at the beginning of such accrual period and its yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (b) the sum of any qualified stated interest allocable to the accrual period. OID allocable to a final accrual period is the difference between the amount payable at maturity (other than a payment of qualified stated interest) and the adjusted issue price at the beginning of the final accrual period. Special rules will apply for calculating OID for an initial short accrual period. The “adjusted issue price” of a Note at the beginning of any accrual period is equal to its issue price increased by the accrued OID for each prior accrual period (determined without regard to the amortisation of any acquisition or bond premium, as described below) and reduced by any payments made on such Note (other than qualified stated interest) on or before the first day of the accrual period. Under these rules, a U.S. Holder will have to include in income increasingly greater amounts of OID in successive accrual periods.

In the case of an Original Issue Discount Note that is a Floating Rate Note, both the “yield to maturity” and “qualified stated interest” will be determined solely for purposes of calculating the accrual of OID as though the Note will bear interest in all periods at a fixed rate generally equal to the rate that would be applicable to interest payments on the Note on its date of issue or, in the case of certain Floating Rate Notes, the rate that reflects the yield to maturity that is reasonably expected for the Note. Additional rules may apply if interest on a Floating Rate Note is based on more than one interest index or if the principal amount of the Note is indexed in any manner. Persons considering the purchase of Floating Rate Notes should carefully examine the relevant Final Terms and should consult their own tax advisers regarding the U.S. federal income tax consequences of the holding and disposition of such Notes.

Certain of the Notes may be redeemed prior to their maturity. Original Issue Discount Notes containing such features may be subject to rules that differ from the general rules discussed herein. Persons considering the purchase of Original Issue Discount Notes with such features should carefully examine the relevant Final Terms and should consult their own tax advisers with respect to such features since the tax consequences with respect to OID will depend, in part, on the particular terms and features of the Notes.

Election to Treat All Interest as OID

U.S. Holders may elect to treat all interest on any Note as OID and calculate the amount includible in gross income under the constant yield method described above. For the purposes of this election, interest includes stated interest, OID, *de minimis* OID, market discount, *de minimis* market discount and unstated interest, as adjusted by any amortisable bond premium or acquisition premium. U.S. Holders should consult their own tax advisers about this election.

Short-Term Notes

In the case of Notes having a term of one year or less (“**Short-Term Notes**”), all payments (including all stated interest) will be included in the stated redemption price at maturity and, thus, U.S. Holders generally will be

taxable on the discount in lieu of any stated interest. The discount will be equal to the excess of the stated redemption price at maturity over the issue price of a Short-Term Note, unless the U.S. Holder elects to compute this discount using tax basis instead of issue price. In general, individuals and certain other cash method U.S. Holders of a Short-Term Note are not required to include accrued discount in their income currently unless they elect to do so (but will be required to include any stated interest in income as it is received). U.S. Holders that report income for U.S. federal income tax purposes on the accrual method and certain other U.S. Holders are required to accrue discount on such Short-Term Notes (as ordinary income) on a straight line basis, unless an election is made to accrue the discount according to a constant yield method based on daily compounding. In the case of a U.S. Holder that is not required, and does not elect, to include discount in income currently, any gain realised on the sale, exchange or retirement of the Short-Term Note will generally be ordinary income to the extent of the discount accrued through the date of sale, exchange or retirement. In addition, a U.S. Holder that does not elect to include currently accrued discount in income may be required to defer deductions for a portion of the U.S. Holder's interest expense with respect to any indebtedness incurred or continued to purchase or carry such Notes.

Notes Purchased at a Premium

A U.S. Holder that purchases a Note for an amount in excess of the sum of all amounts payable on the Note after the purchase date other than qualified stated interest will be considered to have purchased the Note at a "premium." A U.S. Holder generally may elect to amortise the premium over the remaining term of the Note on a constant yield method as an offset to interest when includible in income under the U.S. Holder's regular accounting method for U.S. federal income tax purposes. In the case of a Note that is denominated in, or determined by reference to, a foreign currency, bond premium will be computed in units of foreign currency and amortisable bond premium will reduce interest income in units of the foreign currency. At the time amortised bond premium offsets interest income, foreign currency gain or loss (taxable as ordinary income or loss) is measured by the difference between exchange rates at that time and at the time of the acquisition of the Notes. Any election to amortise bond premium shall apply to all bonds (other than bonds the interest on which is excludable from gross income) held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and is irrevocable without the consent of the Internal Revenue Service. Bond premium on a Note held by a U.S. Holder that does not make such an election will decrease the gain or increase the loss otherwise recognised on disposition of the Note.

Foreign Currency Discount Notes

OID for any accrual period on an Original Issue Discount Note that is denominated in, or determined by reference to, a foreign currency will be determined for any accrual period in the foreign currency and then translated into U.S. dollars in the same manner as stated interest accrued by an accrual basis U.S. Holder, as described under "*Foreign Currency Denominated Stated Interest*" above. Upon receipt of an amount attributable to OID (whether in connection with a payment of interest or the sale or retirement of a Note), a U.S. Holder will recognise foreign currency gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

Sale, Exchange or Retirement

A U.S. Holder's tax basis in a Note generally will be its U.S. dollar cost (as defined herein) increased by the amount of any OID included in the U.S. Holder's income with respect to the Note and reduced by (i) the amount of any payments on the Note that are not qualified stated interest and (ii) the amount of any amortisable bond premium applied to reduce interest on the Note. The U.S. dollar cost of a Note purchased with a foreign currency generally will be the U.S. dollar value of the purchase price on the date of purchase or, in the case of Notes traded on an established securities market, as defined in the applicable Treasury Regulations, that are purchased by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the purchase. A U.S. Holder generally will recognise gain or loss on the sale or retirement of a Note equal to the difference between the amount realised on the sale or retirement (less any accrued but unpaid stated interest, which will be taxable as ordinary interest income) and the U.S. Holder's adjusted tax basis of the Note. The amount realised on a sale or retirement for an amount in foreign currency will be the U.S. dollar value of such amount on the date of sale, exchange or retirement or, in the case of Notes traded on an established securities market, as defined in the applicable Treasury Regulations, sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the sale. Gain or loss recognised on the sale, exchange or retirement of a Note (other than gain or loss that is attributable to OID, or to changes in exchange rates, which

will be treated as ordinary income or loss) will be capital gain or loss and will be long term capital gain or loss if the Note was held for more than one year. The deductibility of capital losses is subject to limitations. Gain or loss recognised by a U.S. Holder on the sale, exchange or retirement of a Note that is attributable to changes in exchange rates will be treated as ordinary income or loss. A U.S. Holder will recognise foreign currency gain or loss on the principal amount of the Note equal to the difference between (i) the U.S. dollar value of the U.S. Holder's purchase price for such Note determined at the spot rate on the date of sale or other disposition and (ii) the U.S. dollar value of the U.S. Holder's purchase price for the Note determined at the spot rate on the date the U.S. Holder acquired the Note. However, foreign currency gain or loss is taken into account only to the extent of total gain or loss realised on the transaction. Gain or loss recognised by a U.S. Holder on the sale, exchange or retirement of a Note generally will be U.S.-source income or loss. Prospective investors should consult their tax advisers as to the foreign tax credit implications of such sale, exchange or retirement of Notes.

Sale or Other Disposition of Foreign Currency

Foreign currency received as interest on a Note or on the sale or retirement of a Note will have a tax basis equal to its U.S. dollar value at the time such interest is received or at the time of such sale or retirement. Foreign currency that is purchased generally will have a tax basis equal to the U.S. dollar value of the foreign currency on the date of purchase. Any gain or loss recognised on a sale or other disposition of a foreign currency (including its use to purchase Notes or upon exchange for U.S. dollars) will be U.S.-source ordinary income or loss.

Multi-Currency Notes

U.S. Holders of Notes that are denominated in more than one currency or that have one or more non currency contingencies and are denominated in either one foreign currency or more than one currency will be subject to special rules applicable to "multi-currency debt securities." A U.S. Holder generally would be required to apply the "noncontingent bond method" in the multi-currency debt security's denomination currency, which, for this purpose, would be the multi-currency debt security's predominant currency as determined by the Issuer. A description of the principal U.S. federal income tax considerations relevant to holders of multi-currency Notes, including specification of the predominant currency, will be set forth, if required, in the relevant Pricing Supplement.

Other Notes

A description of the principal U.S. federal income tax considerations relevant to U.S. Holders of any other type of Note that the Issuer may issue under the Programme will be set forth, if required, in the relevant Final Terms or in a supplement to this Base Prospectus.

Reportable Transaction Reporting

Under certain U.S. Treasury Regulations, U.S. Holders that participate in "reportable transactions" (as defined in the regulations) must attach to their U.S. federal income tax returns a disclosure statement on Internal Revenue Service Form 8886. U.S. Holders should consult their own tax advisers as to the possible obligation to file Internal Revenue Service Form 8886 with respect to the ownership or disposition of the Notes, or any related transaction, including without limitation, the disposition of any foreign currency received as interest or as proceeds from the sale or other disposition of the Notes.

Foreign Financial Asset Reporting

Individuals and, to the extent provided by the U.S. Secretary of Treasury in regulations or other guidance, certain domestic entities that hold an interest in a "specified foreign financial asset" are required to attach certain information regarding such assets to their income tax return for any year in which the aggregate value of all such assets exceeds the relevant threshold. A "specified foreign financial asset" includes any debt or equity of a non-U.S. entity, to the extent not held in an account at a financial institution, though accounts at non-U.S. financial institutions may themselves be "specified foreign financial assets." Penalties may be imposed for the failure to disclose such information regarding specified foreign financial assets. U.S. Holders are advised to consult their tax advisers regarding the potential reporting requirements that may be imposed on them by this legislation with respect to their ownership of the Notes.

Non-U.S. Holders

Under U.S. federal income tax law currently in effect, subject to the discussion below under "*U.S. Backup Withholding and Information Reporting*", payments of interest (including OID) on a Note to a Non-U.S. Holder

generally will not be subject to U.S. federal income tax unless such interest is effectively connected with the conduct by such Non-U.S. Holder of a trade or business in the United States.

Subject to the discussion below under “— *U.S. Backup Withholding and Information Reporting*”, any gain realised by a Non-U.S. Holder upon the sale, exchange or retirement of a Note generally will not be subject to U.S. federal income tax, unless (i) the gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business in the United States or (ii) in the case of any gain realised by an individual Non-U.S. Holder, such Non-U.S. Holder is present in the United States for 183 days or more in the taxable year of the sale, exchange or retirement and certain other conditions are met. Non-U.S. Holders should consult their own tax advisors regarding the U.S. federal income and other tax consequences of owning Notes.

U.S. Backup Withholding and Information Reporting

Information reporting requirements apply to certain payments on the Notes and to proceeds of the sale, exchange or retirement of Notes made within the United States or through certain U.S. paying agents, U.S. intermediaries or U.S.-related brokers, to certain holders of Notes (other than an exempt recipient). The payor will be required to backup withhold on such payments to a holder of a Note that is a U.S. person, other than an “exempt recipient,” if the holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, the backup withholding requirements. Payments of principal and interest, as well as accruals and payments of OID, as applicable, to a Non-U.S. Holder will not be subject to backup withholding and information reporting requirements if an appropriate certification is provided by the holder to the payor and the payor does not have actual knowledge or a reason to know that the certification is incorrect. The backup withholding rate under current law is 24 per cent.

Uzbekistan Tax

Legal entities and individuals, both resident and non-resident, shall not be subject to Uzbekistan taxation in relation to any income received from the Notes, pursuant to the Tax Code of the Republic of Uzbekistan effective as of 25 December 2007, as amended (“**Tax Code**”).

Terms and Conditions of the Notes — Condition 12 (*Taxation*) includes a gross-up provision in the event that any tax is to be withheld or deducted in Uzbekistan. Under the laws of the Republic of Uzbekistan, gross-up provisions are recognised and enforceable.

The Proposed Financial Transactions Tax

On 14 February 2013, the European Commission has published a proposal (the “**Commission’s Proposal**”) for a Directive for a common financial transaction tax (“**FTT**”) in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the “**participating Member States**”). However, Estonia has since stated that it will not participate.

The Commission’s Proposal is very broad in scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission’s Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution and at least one party is established in a participating Member State. A financial institution may be, or may be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (i) by transacting with a person established in a participating Member State, or (ii) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

CLEARING AND SETTLEMENT

Book Entry Procedures for the Global Notes

For each Series evidenced by a Restricted Global Note which is held by or on behalf of DTC, custodial and depository links are to be established between DTC, Euroclear and Clearstream, Luxembourg to facilitate the initial issue of the Notes and cross market transfers of the Notes associated with secondary market trading. See “— *Book Entry Ownership*” and “— *Settlement and Transfer of Notes*”.

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions through electronic book entry transfer between their respective accountholders. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions which clear through or maintain a custodial relationship with an accountholder of either system. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective customers may settle trades with each other. Their customers are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Investors may hold their interests in such Global Notes directly through Euroclear or Clearstream, Luxembourg if they are accountholders (“**Direct Participants**”) or indirectly (“**Indirect Participants**”) and together with Direct Participants, “**Participants**”) through organisations which are accountholders therein.

DTC

DTC has advised the Issuer as follows: DTC is a limited purpose trust company organised under the laws of the State of New York, a “banking organisation” under the laws of the State of New York, a member of the U.S. Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its Participants and facilitate the clearance and settlement of securities transactions between Participants through electronic computerised book entry changes in accounts of its Participants, thereby eliminating the need for physical movement of certificates. Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to DTC is available to others, such as banks, securities brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Direct Participant, either directly or indirectly.

Investors may hold their interests in Restricted Global Notes directly through DTC if they are Direct Participants in the DTC system, or as Indirect Participants through organisations which are Direct Participants in such system.

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Notes only at the direction of one or more Direct Participants and only in respect of such portion of the aggregate principal amount of the relevant Restricted Global Notes as to which such Participant or Participants has or have given such direction. However, in the circumstances described under “*Exchange for Definitive Note Certificates*”, DTC will surrender the relevant Restricted Global Notes for exchange for individual Restricted Definitive Note Certificates (which will bear the legend applicable to transfers pursuant to Rule 144A).

Book Entry Ownership

A Global Note representing the Notes will have an ISIN and a Common Code and will be registered in the name of a nominee for, and deposited with a common depository on behalf of, Euroclear and Clearstream, Luxembourg.

The address of Euroclear is 1 Boulevard du Roi Albert 11, B 1210 Brussels, Belgium, and the address of Clearstream, Luxembourg is 42 Avenue J.F. Kennedy, L 1855 Luxembourg.

DTC

The Restricted Global Note representing Restricted Notes of any Series, unless otherwise agreed, will have a CUSIP number and will be deposited with a custodian for, and registered in the name of Cede & Co. as nominee

of, DTC. The Custodian and DTC will electronically record the principal amount of the Notes held within the DTC system.

Relationship of Participants with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg, DTC or any other clearing system as the holder of a Note evidenced by a Global Note must look solely to Euroclear, Clearstream, Luxembourg, DTC or such clearing system (as the case may be) for its share of each payment made by the Issuer to the holder of the Global Notes, and in relation to all other rights arising under the Global Notes, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg, DTC or such clearing system (as the case may be).

The Issuer expects that, upon receipt of a payment in respect of Notes evidenced by a Global Note, the Common Depositary by whom such Note is held, or nominee in whose name it is registered, will immediately credit the relevant participants' or accountholders' accounts in the relevant clearing system with payments in amounts proportionate to their respective beneficial interests in the principal amount of the relevant Global Note as shown on the records of the relevant clearing system or its nominee. The Issuer also expects that payments by Direct Participants in any clearing system to owners of the beneficial interests in any Global Note held through such Direct Participant in any clearing system will be governed by standing instructions and customary practices.

Save as aforesaid, such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are evidenced by such Global Note and such obligations of the Issuer will be discharged by payment to the registered holder, as the case may be, of such Global Note, in respect of each amount so paid. None of the Issuer, the Fiscal Agent or any Paying Agent will have responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in the Global Note or for maintaining, supervising or reviewing any records relating to such ownership interests.

Settlement and Transfer of Notes

Subject to the rules and procedures of each applicable clearing system, purchases of Notes held within a clearing system must be made by or through Direct Participants, which will receive a credit for such Notes on the clearing system's records. The ownership interest of each actual purchaser of each such Note (the "**Beneficial Owner**") will in turn be recorded on the Direct Participants' and Indirect Participants' records. Beneficial Owners will not receive written confirmation from any clearing system of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which such Beneficial Owner entered into the transaction.

Transfers of ownership interests in Notes held within a clearing system will be affected by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in such Notes, unless and until interests in any Global Note held within a clearing system are exchanged for Definitive Note Certificates.

No clearing system has knowledge of the actual Beneficial Owners of the Notes held within such clearing system and their records will reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by the clearing systems to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

The laws of some jurisdictions may require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a Global Note to such persons may be limited. Because DTC can only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, the ability of a person having an interest in a Restricted Global Note which is held by or on behalf of DTC to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interest, may be affected by a lack of physical certificate in respect of such interest.

Trading Between Euroclear and Clearstream, Luxembourg Participants

Secondary market sales of book entry interests in the Notes held through Euroclear or Clearstream, Luxembourg to purchasers of book entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be

conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional Eurobonds.

Trading Between DTC Participants

Secondary market sales of book entry interests in the Notes between DTC participants will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to United States corporate debt obligations in DTC's Same Day Funds Settlement system in same day funds, if payment is effected in U.S. dollars, or free of payment, if payment is not effected in U.S. dollars. Where payment is not effected in U.S. dollars, separate payment arrangements outside DTC are required to be made between the DTC participants.

Trading Between DTC Seller and Euroclear/Clearstream, Luxembourg Purchaser

When book entry interests in Notes are to be transferred from the account of a DTC participant holding a beneficial interest in a Restricted Global Note to the account of a Euroclear or Clearstream, Luxembourg accountholder wishing to purchase a beneficial interest in an Unrestricted Global Note (subject to the certification procedures provided in the Fiscal Agency Agreement), the DTC participant will deliver instructions for delivery to the relevant Euroclear or Clearstream, Luxembourg accountholder to DTC by 12:00 noon, New York time, on the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream, Luxembourg participant. On the settlement date, the custodian of the Restricted Global Note will instruct the Registrar to decrease the amount of Notes registered in the name of Cede & Co. and evidenced by the Restricted Global Note of the relevant class and increase the amount of Notes registered in the name of the nominee of the common depositary for Euroclear and Clearstream, Luxembourg and evidenced by the Unrestricted Global Note. Book entry interests will be delivered free of payment to Euroclear or Clearstream, Luxembourg, as the case may be, for credit to the relevant accountholder on the first business day following the settlement date.

Trading Between Euroclear/Clearstream, Luxembourg Seller and DTC Purchaser

When book entry interests in the Notes are to be transferred from the account of a Euroclear or Clearstream, Luxembourg accountholder to the account of a DTC participant wishing to purchase a beneficial interest in a Restricted Global Note (subject to the certification procedures provided in the Fiscal Agency Agreement), the Euroclear or Clearstream, Luxembourg participant must send to Euroclear or Clearstream, Luxembourg delivery free of payment instructions by 7:45 p.m., Brussels or Luxembourg time, one business day prior to the settlement date. Euroclear or Clearstream, Luxembourg, as the case may be, will in turn transmit appropriate instructions to the common depositary for Euroclear and Clearstream, Luxembourg and the Registrar to arrange delivery to the DTC participant on the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream, Luxembourg accountholder, as the case may be. On the settlement date, the common depositary for Euroclear and Clearstream, Luxembourg will (a) transmit appropriate instructions to the custodian of the Restricted Global Note who will in turn deliver such book entry interests in the Notes free of payment to the relevant account of the DTC participant and (b) instruct the Registrar to (i) decrease the amount of Notes registered in the name of the nominee of the common depositary for Euroclear and Clearstream, Luxembourg and evidenced by an Unrestricted Global Note and (ii) increase the amount of Notes registered in the name of Cede & Co. and evidenced by a Restricted Global Note.

Although Euroclear, Clearstream, Luxembourg and DTC have agreed to the foregoing procedures in order to facilitate transfers of beneficial interest in Global Notes among participants and accountholders of Euroclear, Clearstream, Luxembourg and DTC, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Fiscal Agent or any Agent will have the responsibility for the performance by Euroclear, Clearstream, Luxembourg or DTC or their respective Direct Participants or Indirect Participants of their respective obligations under the rules and procedures governing their operations.

Pre Issue Trades Settlement

It is expected that the delivery of Notes will be made against payment therefor on the relevant closing date, which could be more than three business days following the date of pricing. Under Rule 15c6-1 under the Exchange Act, trades in the United States secondary market generally are required to settle within two business days (T+2), unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes in the United States on the date of pricing or the next succeeding business days until two days prior

to the relevant closing date will be required, by virtue of the fact that the Notes initially will settle beyond T+2, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Settlement procedures in other countries will vary. Purchasers of Notes may be affected by such local settlement practices, and purchasers of Notes between the relevant date of pricing and the relevant closing date should consult their own advisers.

TRANSFER RESTRICTIONS

The Notes are being sold in the United States only to qualified institutional buyers within the meaning of and in reliance on Rule 144A. Because of the following restrictions, purchasers of Notes sold in the United States in reliance on Rule 144A are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such Notes.

The Issuer is a foreign government as defined in Rule 405 under the Securities Act and is eligible to register securities on Schedule B of the Securities Act. Therefore, the Issuer is not subject to the information provision requirements of Rule 144A(d)(4)(i) under the Securities Act.

Each prospective purchaser of Notes in reliance on Rule 144A (a “**144A Offeree**”), by accepting delivery of this Base Prospectus, will be deemed to have represented, agreed and acknowledged as follows:

- (i) such 144A Offeree acknowledges that this Base Prospectus is personal to such 144A Offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire Notes. Distribution of this Base Prospectus, or disclosure of any of its contents to any person other than such 144A Offeree and those persons, if any, retained to advise such 144A Offeree with respect thereto and other persons meeting the requirements of Rule 144A or Regulation S is unauthorised, and any disclosure of any of its contents, without the prior written consent of the Issuer, is prohibited.
- (ii) such 144A Offeree agrees to make no photocopies of this Base Prospectus or any documents referred to herein.

Each purchaser of Restricted Notes within the United States, by accepting delivery of this Base Prospectus, will be deemed to have represented, agreed and acknowledged as follows (terms used herein that are defined in Rule 144A or in Regulation S are used herein as defined therein, as applicable):

- (a) the purchaser of the Notes (i) is a QIB, (ii) is acquiring the Notes for its own account or for the account of a QIB and (iii) is aware, and each beneficial owner of such Notes has been advised, that the sale of the Notes to it is being made in reliance on Rule 144A. If it is acquiring any Notes for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account;
- (b) the purchaser understands that such Restricted Notes are being offered or sold only in a transaction not involving any public offering in the United States within the meaning of the Securities Act, such Restricted Notes have not been and will not be registered under the Securities Act or any other applicable State securities laws, the purchaser acknowledges that such Restricted Note is a “restricted security” (as defined in Rule 144(a)(3) under the Securities Act) and that (i) if in the future the purchaser decides to offer, resell, pledge or otherwise transfer such Restricted Notes, such Restricted Notes may be offered, sold, pledged or otherwise transferred only (A) in the United States to a person that the seller reasonably believes is a QIB purchasing for its own account, or for the account or benefit of a QIB, in a transaction meeting the requirements of Rule 144A whom the seller has notified, in each case, that the offer, resale, pledge or other transfer is being made in reliance on Rule 144A, (B) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, (C) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available) or (D) to the Issuer or an affiliate of the Issuer (upon redemption thereof or a similar transaction); in each case in accordance with any applicable securities laws of any state of the United States and (ii) no representation can be made as to the availability at any time of the exemption provided by Rule 144 for the resale of the Restricted Notes;
- (c) the purchaser understands that such Restricted Notes, unless the Issuer and the Registrar determine otherwise in compliance with Applicable law, will bear a legend to the following effect:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE “SECURITIES ACT”) OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT (“RULE 144A”) TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING

OF RULE 144A (A “QIB”), THAT IS ACQUIRING THIS NOTE FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBS, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, OR (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER, IF AVAILABLE, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR REALES OF THIS NOTE.

THIS NOTE AND RELATED DOCUMENTATION MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR REALES AND OTHER TRANSFERS OF THIS NOTE TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO THE REALE OR TRANSFERS OF RESTRICTED SECURITIES GENERALLY. BY THE ACCEPTANCE OF THIS NOTE, THE HOLDER HEREOF SHALL BE DEEMED TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT;

- (d) it acknowledges that, prior to any transfer of Definitive Note Certificates or of beneficial interests in the Global Notes, the holder of Definitive Note Certificates or the holder of beneficial interests in Global Notes, as the case may be, may be required to provide certifications and other documentation relating to the manner of such transfer and submit such certifications and other documentation as provided in the Fiscal Agency Agreement; and
- (e) the Issuer, the Arrangers, the Dealers and their respective affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any Notes for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.

Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

SUBSCRIPTION AND SALE

Subject to the terms and conditions contained in the Dealer Agreement dated on or about the date hereof (the “**Dealer Agreement**”) between the Issuer and the Permanent Dealers, from time to time the Notes will be offered by the Issuer to the Permanent Dealers and the Permanent Dealers may agree to purchase such Notes. However, the Issuer has reserved the right to sell Notes directly on its own behalf to Dealers that are not Permanent Dealers. The Notes may be resold at prevailing market prices, or prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are jointly and severally underwritten by two or more Dealers.

The Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuer has agreed to reimburse the Arrangers for certain of their expenses incurred in connection with the establishment of the Programme and the Dealers for certain of their activities in connection with the Programme.

The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they made to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

Certain of the Dealers and their respective affiliates may, from time to time, engage in further transactions with, and perform services for, the Issuer in the ordinary course of their respective businesses. The Issuer may apply all or part of the proceeds of any Notes issued pursuant to the Programme in repayment of all or part of any such credit facilities.

The Dealer Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche.

Selling Restrictions

United States

The Notes have not been and will not be registered under the Securities Act, and, subject to certain exceptions, may not be offered or sold within the United States.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that except as permitted by the Dealer Agreement it will offer the Notes for resale in the United States initially only to persons who they reasonably believe to be QIBs in reliance on Rule 144A and outside the United States in offshore transactions in reliance on Regulation S. Terms used in this paragraph have the respective meanings given to them by Regulation S.

The Notes are being offered and sold outside the United States in accordance with Regulation S. The Dealer Agreement provides that Dealers may directly or through their respective U.S. broker-dealer affiliates arrange for the offer and resale of the Notes within the United States only to QIBs in reliance on Rule 144A.

An offer or sale of Notes within the United States by a Dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A, or another available exemption from registration under the Securities Act.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) in relation to any Notes which have a maturity of less than a year (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Prohibition of Sales to EEA Retail Investors

Unless the Final Terms in respect of any Notes specifies the “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by the Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision the expression “retail investor” means a person who is one (or more) of the following:

- (a) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
- (b) a customer within the meaning of the Insurance Mediation Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Uzbekistan

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not, directly or indirectly, offer for subscription or purchase or issue invitations to subscribe for or buy or sell the Notes or distribute any draft or definitive document in relation to any such offer, invitation or sale in Uzbekistan except in compliance with the laws of Uzbekistan.

An Uzbekistan resident may purchase and sell the Notes, subject to compliance with the restrictions set forth in this Base Prospectus, any Final Terms and the laws of Uzbekistan.

General

These selling restrictions may be modified by the agreement of the Issuer and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Final Terms issued in respect of the issue of Notes to which it relates or in a supplement to this Base Prospectus.

No representation is made that any action has been or will be taken in any jurisdiction that would, or is intended to, permit a public offering of any of the Notes, or possession or distribution of this Base Prospectus or any other offering materials or any final Terms, in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed (and each further Dealer appointed under the Programme will be required to agree) that it will, to the best of its knowledge, comply with all relevant laws, regulations and directives in each country or jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes this Base Prospectus, any other offering material or any Final Terms (in all cases at its own expense) and neither the Issuer nor any other Dealer shall have responsibility therefor. Other persons into whose hands this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or form which they purchase, order, sell or deliver Notes or possess, distribute or publish this Base Prospectus or any Final Terms or any related offering material, in all cases at their own expense.

GENERAL INFORMATION

1. Admission to Trading

It is expected that each Tranche which is to be admitted to the Official List and to trading on the Market will be admitted separately as and when issued, subject only to the issue of one or more Global Notes in respect of each Tranche. The listing of the Programme in respect of the Notes is expected to be granted on or about 6 February 2019. Prior to official listing and admission to trading, however, dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions on the Market will normally be effected for delivery on the third working day after the day of the transaction.

2. Clearing of the Notes

It is expected that the Notes will be accepted for clearance through Euroclear and Clearstream, Luxembourg and/or DTC. Where relevant, the appropriate common code and the International Securities Identification Number and/or (where applicable) the CUSIP number in relation to each Series will be specified in the Final Terms relating thereto. The relevant Final Terms will specify any other clearing system as shall have accepted the Notes for clearance together with any further appropriate information.

3. Authorisations

The establishment of the Programme was authorised and approved by the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan No. 35 dated 16 January 2019. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the update of the Programme and the issue and performance of the Notes.

4. Significant/Material Change

Since 31 December 2018, there has been no significant change in the Issuer's (a) tax and budgetary systems, (b) gross public debt or the maturity structure or currency of its outstanding debt and debt payment record, (c) foreign trade (d) foreign exchange reserves including any potential encumbrances to such foreign exchange reserves as forward contracts or derivatives, (e) financial position and resources including liquid deposits available in domestic currency and (f) income and expenditure figures. Since 31 December 2017, there has been no significant change in the Issuer's balance of payments figures.

5. Litigation

There are no, nor have there been, any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware), during the 12 months preceding the date of this Base Prospectus, which may have, or have had in the recent past, significant effects on the financial position of the Issuer.

6. Documents on Display

Copies of the following documents may be inspected during normal business hours at the offices of the Ministry of Finance of Uzbekistan at 29, Istiklol str., Tashkent, 100017, Republic of Uzbekistan for 12 months from the date of this Base Prospectus. For so long as any of the Notes is outstanding, copies of the following documents may be inspected at the specified offices of the Fiscal Agent during normal business hours:

- (a) the Fiscal Agency Agreement;
- (b) the Deed of Covenant; and
- (c) this Base Prospectus and any supplements thereto.

7. Third Party Information

The Issuer confirms that where information included in the Base Prospectus has been sourced from a third party the source is identified, and that information has been accurately reproduced and that as far as the Issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

8. Arrangers and Dealers Transacting with the Issuer

Certain of the Arrangers, Dealers and their respective affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer in the ordinary course of business.

THE ISSUER
The Republic of Uzbekistan,
represented by the Ministry of Finance of the Republic of Uzbekistan
29, Istiklol str.
Tashkent, 100017
Republic of Uzbekistan

ARRANGERS AND PERMANENT DEALERS

Citigroup Global Markets Limited
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

GPB-Financial Services Ltd
(Gazprombank)
Crystalserve Business Center, 2nd floor
65 Spyrou Kyprianou, Mesa Geitonia
CY-4003 Limassol
Cyprus

J.P. Morgan Securities plc
25 Bank Street
Canary Wharf
London E14 5JP
United Kingdom

**FISCAL AGENT, PAYING AGENT AND
TRANSFER AGENT**

Citibank, N.A., London Branch
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

REGISTRAR

Citigroup Global Markets Europe AG
Reuterweg 16
60323 Frankfurt
Germany

LEGAL ADVISERS

*To the Issuer as to
English and U.S. law*

White & Case LLP
5 Old Broad Street
London EC2N 1DW
United Kingdom

*To the Issuer
as to Uzbekistan law*

Centil Law Firm
32, T.Shevchenko Street
100060, Tashkent
Uzbekistan

*To the Arrangers and Permanent Dealers
as to English and U.S. law*

Linklaters LLP
One Silk Street
London EC2Y 8HQ
United Kingdom

*To the Arrangers and Permanent Dealers
as to Uzbekistan law*

Kinstellar
12 "A", Afrosiab Street
100015 Tashkent
Uzbekistan

