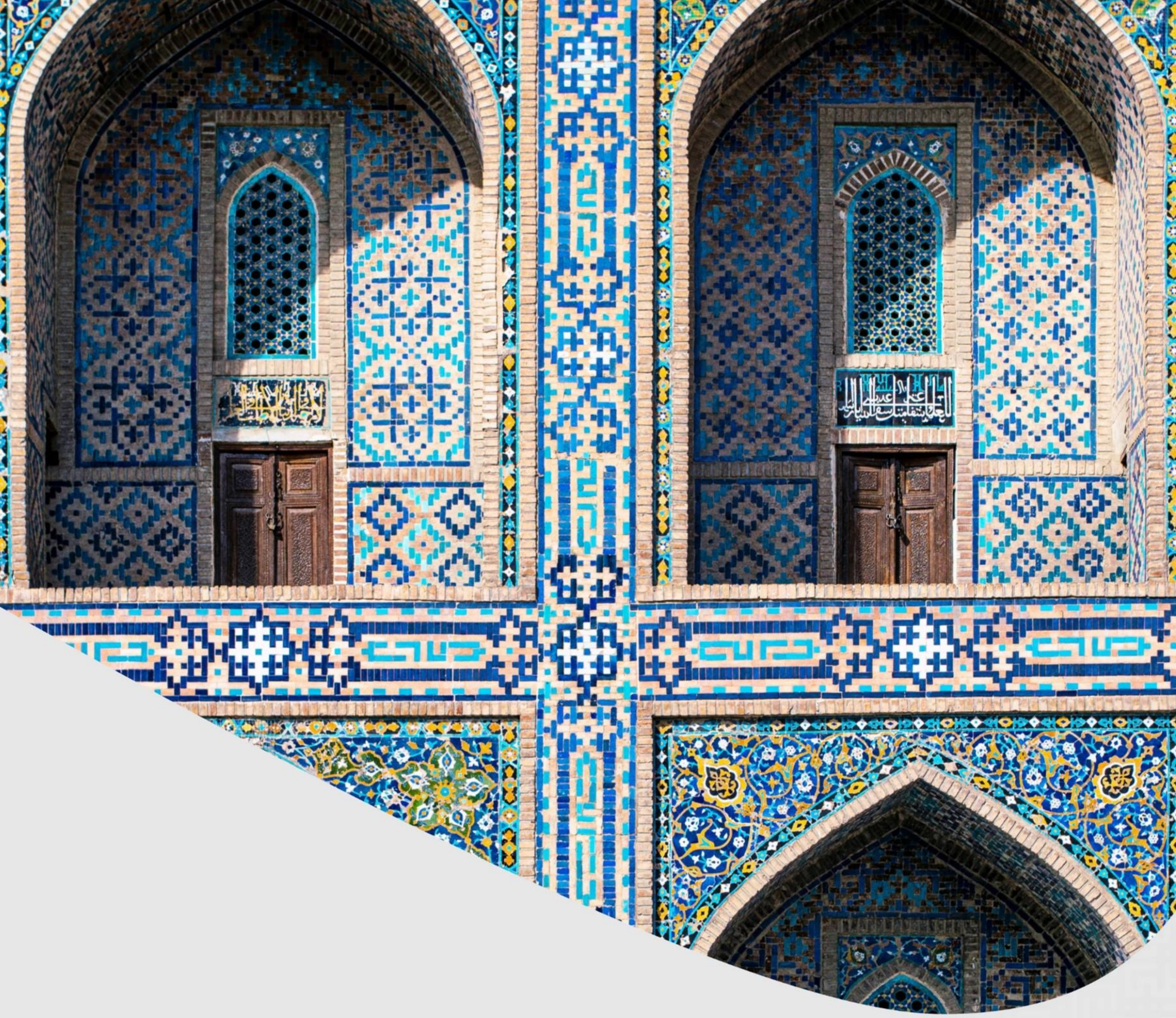

A Front Row Seat to Uzbekistan’s Transformation

A portfolio of national champions, reform-driven catalysts, and a clear monetisation pipeline support long term value creation

We initiate coverage on UzNIF with a Buy rating and a fair value of USD 38.00 per GDR. Our positive view is supported by a portfolio of 13 SOE holding dominant positions across key sectors, complemented by ongoing governance reforms, RAB-based tariff implementation, and a visible IPO pipeline. Additional support comes from Uzbekistan’s favourable macroeconomic backdrop, Franklin Templeton’s proven value creation track record, and a mandated dividend policy.

National Investment Fund of the Republic of Uzbekistan

بنك أبوظبي التجاري
ADCB

13 July 2026
Diversified Industrials

UzNIF: Key investment highlights

UzNIF was established in August 2024 as a flagship vehicle to restructure SOEs and support Uzbekistan's long-term economic development. The fund is managed by Franklin Templeton Asset Management, appointed as both Fund Manager and Trustee, bringing an institutional governance framework and an established emerging-markets track record to Uzbekistan's reform agenda.

Initiate with a Buy rating: We value UzNIF's portfolio companies using a relative valuation framework based on the latest available financials, relevant peer benchmarks, market multiples, and supplementary external disclosures to derive the net asset value. We apply a 15% discount to NAV to derive our fair value. Our fair value is USD 38.00 per GDR, implying 21% upside, while the Tashkent-listed fair value is UZS 7.05 per share, implying 27% upside. We initiate coverage with a Buy rating.

Portfolio of national champions: The fund holds 25–40% minority stakes across 13 strategic SOEs operating in aviation, telecoms, banking, rail infrastructure, power generation and utilities. Many of them are national champions with monopoly or dominant market positions. The five largest holdings represent 77% of NAV, creating a focused yet diversified exposure to Uzbekistan. This combination of high-quality assets, embedded reform catalysts and a clear monetization pipeline positions UzNIF as a compelling investment platform.

Multiple reform drivers: UzNIF aligns with the country's shift toward modern utility regulation through the introduction of RAB tariff structures for its power grid and gas distribution assets, creating returns tied to asset base and capital recovery. Franklin Templeton and UzNIF also run deep, company-level operational programmes. Through the reform and restructuring programmes, UzNIF positions key assets for IPO readiness, with six listings scheduled between 2026 and 2028, together representing 63% of the fund's NAV. Collectively, these reforms accelerate operational efficiency, improve governance quality, and embed transparent valuation mechanisms, unlocking meaningful long-term value for shareholders.

Compelling macro: Uzbekistan offers a compelling macro backdrop, with the economy expanding, supported by broad-based growth across the services, industry, and ICT sectors. A young and rapidly expanding population, with a median age below 30, continues to drive structural increases in consumption and labor supply. Macroeconomic stability is strengthening, with inflation easing towards the 5% target. The country's substantial natural-resource base, led by gold, anchors national reserves. Uzbekistan benefits from low sovereign bond issuance and a modest 31% debt-to-GDP ratio, signaling prudent fiscal management and ample room to expand market funding as reforms deepen. Together, these dynamics create a solid macro foundation, demographic momentum, and significant fiscal capacity, reinforcing Uzbekistan's position as attractive long-term growth stories in the region.

Mandated dividends: UzNIF portfolio companies must distribute at least 50% of net profit as dividends until 2030, and the fund plans to pass all dividend income to its shareholders starting in 2027. Franklin Templeton has a relevant track record, evidenced by its management of Romania's Fondul Proprietatea, which distributed USD 7.1bn to shareholders. Together, the mandated payout structure and Franklin Templeton's proven value-creation model offer a compelling foundation for long-term shareholder returns.

Risks: (i) Delayed or weaker reform delivery; (ii) Macro and geopolitical risks; (iii) Liquidity risks; (iv) Taxation policy risks; and (v) Concentration risk.

UzNIF (UZNF LI)

INITIATE AT BUY

Fair Value (USD)	Previous Fair Value (USD)
38.00	N/A
Current Price (USD)	**Upside/(Downside)**
31.50	+21%

UzNIF (UZNF ZU)

INITIATE AT BUY

Fair Value (UZS)	Previous Fair Value (UZS)
7.05	N/A
Current Price (UZS)	**Upside/(Downside)**
5.58	+27%

Market Data

Market cap (UZS bn)	28,203
Market cap (USD m)	2,351
3M ADTV, LSE (USD m)	2.78
Free float	35.5%
BBG Ticker (LSE)	UZNF LI
BBG Ticker (TSE)	UZNF ZU

Figures as of 10 July 2026, 1 USD = 11,998 UZS

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Abbreviation	Full name
ADB	Asian Development Bank
AIIB	Asian Infrastructure Investment Bank
ARPU	Average Revenue per User (Telecom)
ASK	Available Seat Kilometres (Aviation)
AT1	Additional Tier-1 Capital Instrument (Banking)
CBU	Central Bank of Uzbekistan
CCGT	Combined Cycle Gas Turbine (Thermal power)
CASK	Cost per Available Seat Kilometre (Aviation)
DSO	Distribution System Operator (Electricity distribution)
EM	Emerging Markets
EMDRA	Energy Market Development & Regulation Agency (Uzbekistan)
FDI	Foreign Direct Investment
FT/FTAM	Franklin Templeton/Franklin Templeton Asset Management
FX	Foreign Exchange
GDP	Gross Domestic Product
GCal	Giga Calories (heat output measurement)
GW/MW	Gigawatts/Megawatts (power capacity)
IES/TPP	Thermal Power Plants (Uzbekistan)
IFI	International Financial Institution
IPO	Initial Public Offering
ICT	Information & Communication Technology
INED	Independent Non-Executive Director
LCC	Low-Cost Carrier (Aviation)
LSE	London Stock Exchange (Dual listing target)
NAV	Net Asset Value
NEGU/O'zbekiston MET	National Electric Grid of Uzbekistan (Transmission operator)
NRW	Non-Revenue Water (Water sector)
NPL	Non-Performing Loan (Banking)
O&M	Operations and Maintenance (Infrastructure context)
PPP	Public-Private Partnership
PSO	Public Service Obligation (Railways)
RAB	Regulated Asset Base (tariff model)
RASK	Revenue per Available Seat Kilometre (Aviation)
REPN/Hududiy Elektr	Regional Electric Networks (distribution company)
SME	Small and Medium Enterprises
SOE	State-Owned Enterprise
SQB	Sanoat Qurilish Bank (Uzbekistan)
TSE	Tashkent Stock Exchange (Dual listing)
TWh	Terawatt-hour (electricity production/consumption)
UAG	Uzbekistan Airways Group
UZS	Uzbekistan Som (currency)
UzEC	Uzbek Commodity Exchange
UzNIF	National Investment Fund of the Republic of Uzbekistan
WTO	World Trade Organization (Accession process)

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Further upside ahead

We assessed the valuation of each portfolio company using a relative valuation framework, anchored on the latest available financials, and benchmarked against relevant peer groups. In the absence of detailed forward guidance, the analysis relies on reported financials, observed market benchmarks, and supplementary external disclosures.

Valuations were derived by triangulating multiple reference points across comparable companies and key financial metrics. Given inherent limitations around data availability and forward visibility, the results should be viewed as indicative rather than precise.

Overall, the analysis highlights meaningful upside potential across several portfolio companies. Our fair value at the fund level is USD 38.00 per GDR, implying 21% upside from the last closing price. For the Tashkent offering, our fair value is UZS 7.05 per share, implying 27% upside. We initiate coverage with a Buy rating. The GDR traded at an approximately 5% premium to the Tashkent-listed share as of 10 July 2026. Accordingly, implied upside differs between the two listings.

Our valuation framework derives a gross value for UzNIF, which we adjust for the latest reported cash balances and liabilities based on the most recent NAV disclosure. To derive our fair value, we apply a 15% discount to our calculated NAV, implying a P/NAV multiple of 0.85x.

While this discount is lower than the historical average discount of approximately 30% observed at Fondul Proprietatea following its listing, we believe this is justified by the stronger fundamental profile of UzNIF's underlying portfolio. Specifically, 11 of the 13 portfolio companies are currently profitable, while the remaining two are expected to move toward profitability as the regulated asset base (RAB) framework is implemented.

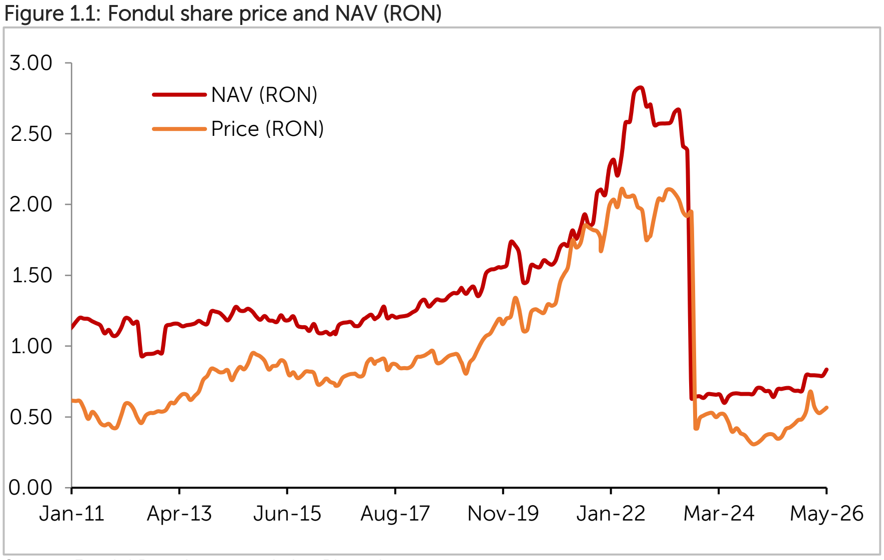
The RAB mechanism should support higher regulated tariffs over time, particularly for power generation, railway, and utility assets. This should drive an improvement in margins, earnings visibility, and cash flow generation, ultimately supporting higher valuations. Several portfolio companies are therefore likely to see a meaningful shift in their earnings profile once tariffs are reset under the new regulatory framework.

We also note that governance standards across the portfolio have improved, with most companies adopting boards with a majority of independent directors. This should enhance oversight, improve capital allocation, and support investor confidence ahead of potential listings.

Given the portfolio's profitability profile, the prospective benefits of RAB implementation, upside from tariff revisions, and improving governance standards, we believe UzNIF warrants a narrower discount to NAV than Fondul Proprietatea. As a result, we apply half of Fondul's historical discount, reflecting our expectation that the gap between intrinsic value and market value could narrow as catalysts are delivered.

Notably, UzNIF is targeting IPOs for six portfolio companies, which should support better price discovery, improve transparency, and provide external validation of portfolio valuations. Successful listings should also enhance liquidity and investor confidence, further reducing the discount applied to the fund over time.

Figure 1.1: Fondul share price and NAV (RON)



Source: Fondul Proprietatea website, Bloomberg

Figure 1.2: Fondul discount

Year	Discount
2011	55%
2012	49%
2013	41%
2014	30%
2015	29%
2016	32%
2017	28%
2018	31%
2019	29%
2020	21%
2021	9%
2022	24%
2023	5%
2024	36%
2025	41%
YTD 2026	28%
Total	**30%**

Source: Fondul website, Bloomberg

Figure 1.3: UzNIF valuation framework

Portfolio company	Reported value[1] (USD m)	ADCB estimates (USD m)			Difference[4]	Valuation method	Investment read-through
		Lower bound	Higher bound	Mid-point			
Uzbekistan Airways	405	476	533	505	24.7%	Trailing EV/EBITDA; Benchmarked against global airline peers with selected high-growth airline peers for higher bound range.	Strong passenger growth, fleet expansion, superior unit economics and an underpenetrated domestic aviation market.
Uzbekhydroenergo	392	642	901	771	96.7%	Trailing EV/EBITDA; Benchmarked against global hydropower peers.	UGE's 70%+ EBITDA margin, discounted valuation versus hydropower peers, and planned capacity expansion from 2.3 GW to 5.6 GW.
UzTelecom	372	463	545	504	35.6%	Forward EV/EBITDA; High growth telecom market peers and the upper bound based on selected faster growth peers in a high-growth market.	Strong revenue growth, rising subscriber base, easing pricing pressure, and potential margin convergence toward peer levels.
Temiryulinfrotuzilma[2] (Railway Infrastructure)	364	–	–	364	–	N/A	Upside from railway tariff reform and transparent regulated infrastructure charging framework.
SQB	329	317	436	376	14.5%	Trailing P/B framework based on Eastern European and CIS banking peers.	Rerating potential supported by improving ROE, banking penetration growth, and a shift toward lower-cost retail deposits.
NEGU	155	281	415	348	123.8%	Trailing EV/Sales; Benchmarked against listed electricity transmission operators. RAB would materially change the earnings profile; current margins do not reflect future operations, so EV/Sales is more appropriate.	RAB implementation should link tariffs to the regulated asset base and materially improve margins and earnings visibility.
Hududgazta'minot (Regional Gas Supply)	152	212	336	274	80.8%	Trailing EV/Sales, given the absence of normalised profitability. Benchmarked against Asian gas utility companies.	Upside driven by potential RAB-based tariff reform, improved cost recovery, and scope for margin normalisation from the current loss-making base.
Uzbek Commodity Exchange	86	120	191	156	81.3%	Trailing P/E methodology. Benchmarked against emerging market securities and commodity exchange peers	Scalable transaction-driven model, strong profitability, and valuation discount to global exchange operators.
Thermal Power Plants	75	64	88	76	0.7%	Trailing EV/EBITDA; Benchmarked against global thermal energy producers.	Sector reform and RAB implementation provide upside, partly offset by high leverage and the shift toward renewables.
Regional Electric Networks[3]	50	–	–	50	–	–	Benefit from RAB implementation, which leads to higher tariffs, better margins, stronger earnings visibility, and potentially higher valuations over time.
Uzbekinvest	35	52	61	57	63.9%	Trailing P/B framework based on regional insurance peers.	Discount to regional insurers and potential rerating as fundamentals and market positioning improve.
Toshshahartanshizmat[3] (TashBus)	25	–	–	25	–	–	–
Uzsuvta'minot[3]	7	–	–	7	–	–	–
Gross assets	**2,446**			**3,513**	**43.6%**		
Cash/(Liabilities)	**(14)**			**(14)**			
Net asset value	**2,432**			**3,499**	**43.9%**		

Source: Company presentation, ADCB estimates, Bloomberg
Note: 1. Based on valuation reports prepared by a Big Four independent valuer as of 31 May 2026; 2. Railway Infrastructure: The company was established in 2024 following the unbundling of the national railway company. At this stage, sufficient data is not available to conduct a detailed valuation review. No standalone valuation was applied at this stage due to the absence of financials. 3. For the remaining smaller holdings, we maintain reported NAV due to limited disclosure and scale; 4. The midpoint of our valuation range is calculated as the simple average of the lower and upper bound fair value estimates. The percentage difference versus the reported value is calculated using this midpoint estimate.

Figure 1.4: Upside to current GDR/share price

	Reported (as of 31 May 2026)[1]	ADCB estimates	Upside/(Downside)
NAV (USD m)	2,432	3,499	–
Total shares (bn)	5,054	5,054	–
NAV per share (UZS)[2]	5.77	8.31	–
P/NAV (Tashkent offering)	0.97	0.85[4]	–
Share price (UZS)[6]	5.58	7.06	26.5%
GDRs[5]	78.1	78.1	–
NAV per GDR (USD)	31.25	44.79	–
P/NAV (International offering)	1.01	0.85[4]	–
GDR price (USD)[6]	31.50	38.00[3]	20.9%

Source: Company filings, ADCB estimates
Note: 1. Based on valuation reports prepared by a Big Four independent valuer as of 31 May 2026; 2. FX 1 USD = 11998 UZS; 3. Fair value calculated as USD 38.07, rounded to USD 38.00 per GDR; 4. ADCB assumptions of P/NAV of 85%; 5. One GDR represents 64,700 Shares; 6. As of 10 July 2026.

Valuation bridge

In this section, we review the valuation of most portfolio companies. Our valuation primarily uses trailing peer multiples.

Uzbekistan Airways: Positioned for strong growth and value creation

Uzbekistan Airways is UzNIF's largest portfolio company. The 25% stake is currently valued at USD 405m[1], implying a total equity valuation of USD 1,618m. Based on the reported latest (1Q26) net debt of USD 739m and our 2025 EBITDA estimate of USD 339m, this corresponds to an enterprise value of USD 2,357m and an implied 2025E EV/EBITDA multiple of 7.0x. Our 2025E EBITDA estimate of USD 339m is derived by applying the 2024 reported EBITDA margin of 23% to revenues of USD 1.5bn (source: tadviser.com).

In our view, this valuation does not fully reflect the strong structural growth dynamics of Uzbekistan's aviation market or the airline's expanding commercial footprint.

We highlight that following the post-COVID recovery, Uzbekistan's aviation sector has rebounded sharply, with national air traffic increasing from 3.0m passengers in 2021 to 6.8m in 2024, representing a more than twofold increase and a 31% CAGR. Over the same period, Uzbekistan Airways recorded 41% revenue growth and 9% net profit growth in local currency, underscoring improving scale and operating leverage.

The current implied valuation of Uzbekistan Airways, at 7.0x trailing EV/EBITDA, appears slightly discounted to global peers, which trade at an average trailing EV/EBITDA multiple of around 7.8x. This discount appears conservative in the context of Uzbekistan's aviation growth outlook.

We believe the Uzbek aviation sector is positioned for solid structural expansion, supported by sustained macro progress, a diversifying economy, rising household consumption, low air travel penetration, growing inbound tourism, and continued investment in airport infrastructure.

Looking ahead, management plans to expand the fleet from 48 aircraft today to 70 by 2031 and 88 by 2036, supported by an existing order book of 36 aircraft, effectively doubling the core Airbus and Boeing fleet. This capacity expansion underpins a robust medium-term growth outlook, which is supported by favourable market fundamentals.

Considering these factors, we apply the global aviation average trailing EV/EBITDA multiple at the lower end of our valuation range. At the higher end, we benchmark Uzbekistan Airways against a peer group of fast-growing airlines with comparable growth trajectories and margin profiles. The upper end reflects the premium warranted by Uzbekistan Airways' dominant national position, underpenetrated home market, strong profitability, and visible medium-term capacity expansion.

We have not benchmarked Uzbekistan Airways directly against Air Astana. Importantly, Air Astana is included in our broader global peer set, but we did not use it as a direct valuation benchmark despite both airlines operating in Central Asia. This reflects Air Astana's weaker profitability, higher air travel penetration in Kazakhstan, and therefore more limited long-term growth headroom relative to Uzbekistan.

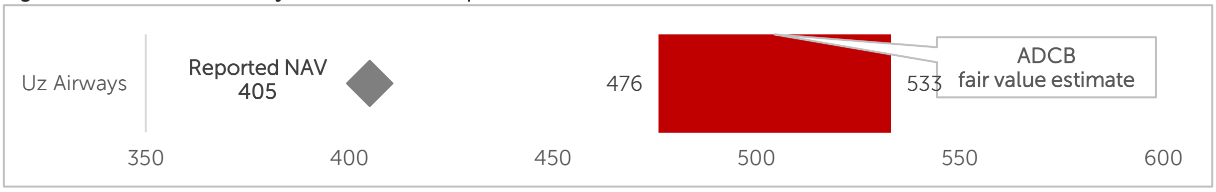
More importantly, Uzbekistan Airways already demonstrates stronger unit economics. Its latest RASK stands at 7.07 US cents per ASK, which is higher than Air Astana's 6.78 US cents, despite Uzbekistan's aviation market being at an earlier stage of development. Uzbekistan Airways also has a lower CASK of 5.83 US cents versus Air Astana's 6.02

US cents, resulting in a wider delta (RASK less CASK spread) of 1.24 US cents compared with 0.76 US cents for Air Astana. This indicates that Uzbekistan Airways is not only operating in a more underpenetrated, higher-growth market, but is also generating stronger yields and better unit profitability than its closest regional comparator.

We understand that profitability may fluctuate due to fuel costs and FX movements. However, this should be partially offset by strong demand growth and improving operating leverage. It is also worth noting that Uzbekistan Airways sources most of its jet fuel domestically, which reduces exposure to external supply chains and limits volatility from international fuel logistics and pricing.

Based on this analysis, our fair value estimate implies 18–32% upside relative to the current holding value.

Figure 1.5: Uzbekistan Airways: Fair value and reported NAV (USD m)



Source: Company presentation, ADCB estimates

Figure 1.6: Current valuation

USD m	
UzNIF holding value[1] (25% stake)	405
Equity value	1,618
Net debt (as of Mar 2026)	739
Enterprise value	2,357
2025E EBITDA[2]	339
EV/2025E EBITDA	7.0

Figure 1.7: Fair value summary

USD m	Average	High growth[3]
Range[3]	7.8	8.5
2025E EBITDA	339	339
Enterprise value	2,644	2,870
Net debt (as of Mar 2026)	739	739
Fair equity value	1,905	2,131
UzNIF share	**476**	**533**
Upside	**17.7%**	**31.7%**

Figure 1.8: Global airlines peers

Company Name	Country	Market value, USD m	EV, USD m	EBITDA margin	EV/EBITDA
APAC					
INDIGO (INTERGLOBE AVIATION)	INDIA	22,303	25,264	24.7%	10.6
SINGAPORE AIRLINES	SINGAPORE	18,436	20,425	23.9%	5.4
AIR CHINA	CHINA	17,839	46,579	17.9%	10.9
CHINA SOUTHERN AIRLINES	CHINA	13,162	45,581	22.4%	8.0
CHINA EASTERN AIRLINES	CHINA	12,635	38,566	22.7%	8.7
QANTAS AIRWAYS	AUSTRALIA	11,166	15,430	18.8%	5.3
CATHAY PACIFIC AIRWAYS	HONG KONG	9,780	15,795	22.2%	4.8
HAINAN AIRLINES HOLDING	CHINA	9,148	23,556	22.1%	11.2
ANA HOLDINGS	JAPAN	8,951	8,482	15.3%	3.3
JAPAN AIRLINES	JAPAN	7,604	8,161	18.6%	3.3
SPRING AIRLINES	CHINA	6,789	8,945	29.5%	10.1
THAI AIRWAYS	THAILAND	5,173	6,236	27.9%	4.0
VIETJET AVIATION	VIETNAM	4,043	6,088	6.1%	31.6
JUNEYAO AIRLINES	CHINA	3,514	8,205	26.6%	9.8
NORTH AMERICA					
DELTA AIR LINES	US	59,557	74,803	14.6%	8.1
UNITED AIRLINES HOLDINGS	US	42,380	59,184	14.4%	7.0
SOUTHWEST AIRLINES	US	24,898	27,966	8.4%	11.9
AMERICAN AIRLINES	US	11,535	38,773	9.9%	7.2
AIR CANADA	CANADA	4,833	8,860	13.1%	4.2
MENA/CENTRAL ASIA					
TURK HAVA YOLLARI	TURKEY	9,635	21,549	18.8%	4.8
AIR ARABIA	UAE	7,204	6,644	24.3%	12.9
FLYNAS CO	KSA	2,549	3,362	18.3%	8.8
PEGASUS HAVA	TURKEY	1,903	5,714	23.8%	6.2
JAZEERA AIRWAYS	KUWAIT	1,240	1,693	25.0%	9.5
AIR ASTANA	KAZAKHSTAN	474	1,054	21.9%	3.3
EUROPE					
RYANAIR HOLDINGS	IRELAND	31,994	29,623	24.1%	6.8
INTL CONSOLIDATED AIRLINE	BRITAIN	28,107	35,095	23.0%	4.1
DEUTSCHE LUFTHANSA	GERMANY	12,995	19,192	10.5%	4.1
EASYJET	BRITAIN	5,388	4,730	14.2%	2.7
WIZZ AIR HOLDINGS	HUNGARY	1,687	7,587	23.2%	5.0
Average				19.5%	7.8
Average (High growth)[3]				21.5%	8.5
UZBEKISTAN AIRWAYS	UZBEKISTAN	–	–	23.3%[4]	7.0[5]

Source: Company presentation, Valuation multiples are calculated using the latest reported full-year EBITDA and the latest enterprise value (June 2026) sourced from Bloomberg., FX: 2024 USD 1 = UZS 12,645, 2025 USD 1 = UZS 12,579.
Note: 1. Based on valuation reports prepared by a Big Four independent valuer as of 31 May 2026; 2. 2025E EBITDA estimate has been derived by applying the company's reported 2024 EBITDA margin (23%) to estimated 2025 revenues; 3. High growth peers are INDIGO, AIR ARABIA, FLYNAS, WIZZ AIR, AIR ASTANA, HAINAN AIRLINES, CHINA EASTERN, AIR CHINA, and TURK HAVA; 4. Represents 2025E; 5. Implied multiple based on 2025E EBITDA and latest (1Q26) net debt.

UGE: Strong fundamentals, undervalued multiple

We value Uzbekhydroenergo (UGE) using an EV/EBITDA methodology. Based on the valuation prepared by an independent Big Four valuer dated 31 May 2026, UzNIF's 40% stake in UGE is valued at USD 392m[1], implying a total equity value of USD 981m. As of March 2026, UGE reported net debt of USD 340m, which results in an enterprise value of USD 1,320m and an implied EV/LTM EBITDA (September 2025) multiple of 6.6x.

This valuation represents a material discount to UGE's closest listed hydropower peers, including Verbund (Austria) and Hidroelectrica (Romania). Notably, UGE exhibits superior profitability, with EBITDA margins exceeding 70%, which are meaningfully higher than those of its European peers. In addition, UGE is positioned for substantial growth over the medium term, with installed capacity expected to more than double from 2.3 GW to 5.6 GW by 2032.

Despite being c. 3x smaller in installed capacity and 1.5x lower volume than Hidroelectrica, valuation metrics highlight a pronounced disparity. On a per-megawatt basis, Verbund and Hidroelectrica trade at approximately USD 2.6m/MW and USD 2.8m/MW, respectively, whereas UGE's current NAV implies a valuation of around USD

0.43m/MW. Taken together, UGE combines top-quartile margins and a strong growth outlook while trading at a substantial discount to comparable hydropower companies.

We derived our valuation range for UGE based on a peer group comprising leading global renewable power producers with hydropower accounting for more than 70% of installed capacity. UGE's implied valuation multiple is materially below that of Hidroelectrica, one of its closest listed peers.

The upper end of our valuation range is based on the peer average EV/EBITDA multiple, while the lower end assumes a 25% discount to the peer average. Notably, our upper-end valuation is still c. 18% lower than Hidroelectrica's valuation.

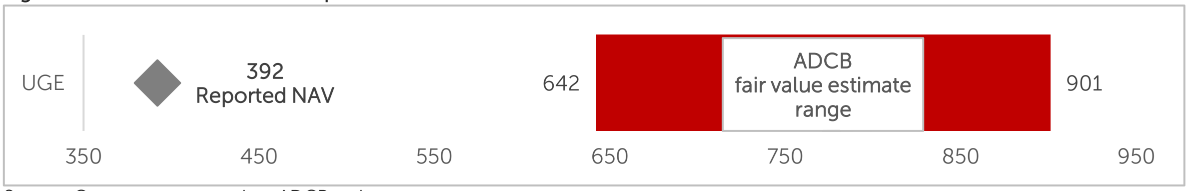
This conservatism reflects execution risk, as the company's growth case depends on a large capacity expansion programme, including 45 new hydro projects and a targeted increase in installed capacity to 5.6 GW by 2032. Any delay in project construction, commissioning, financing, or equipment delivery could result in capacity additions falling short of plan and therefore reduce the earnings uplift embedded in the valuation.

We also factor in regulatory risk around the implementation of the RAB tariff framework. Recent public disclosures indicate that Uzbekistan has begun the initial implementation and phased rollout of RAB-based tariff regulation for the electricity and gas sectors, with the first regulatory periods expected to be set at one year before gradually extending to five years.

However, the framework remains in transition, and full earnings visibility will depend on final tariff parameters, asset base recognition, allowed return, and implementation timing. Any delay or weaker-than-expected rollout of RAB regulation could reduce potential earnings, lower cash flow visibility, and ultimately weigh on valuation.

Based on this, we estimate that our derived fair value implies upside of 64–130% to the current holding value. We think the current value does not fully reflect UGE's structural profitability advantage and its visible capacity expansion pipeline.

Figure 1.9: UGE: Fair value and reported NAV (USD m)



Source: Company presentation, ADCB estimates

Figure 1.10: Current valuation

USD m	
UzNIF holding value[1] (40% stake)	392
Equity value	981
Net debt (as of Mar 2026)	340
Enterprise value	1,320
LTM Sep 2025 EBITDA[3]	200
Implied EV/EBITDA	**6.6**

Figure 1.11: Fair value summary

USD m	*25% below the average*	*Average*
Range[2]	9.7	13.0
LTM EBITDA[3]	200	200
Enterprise value	1,944	2,592
Net debt (Mar 2026)	340	340
Fair equity value	1,604	2,252
UzNIF share	**642**	**901**
Upside	**63.6%**	**129.7%**

Figure 1.12: Global hydro peers

Company Name	Country	Market value, USD m	EV, USD m	EBITDA margin	EV/EBITDA	Hydro share
VERBUND	AUSTRIA	21,939	25,399	34.2%	8.2	90%
HIDROELECTRICA	ROMANIA	17,785	16,349	47.8%	15.8	98%
NHPC	INDIA	8,452	14,346	48.7%	20.5	72%
AYDEM YENILENEBILIR ENERJI A	TURKEY	393	888	37.3%	7.3	98%
Average				**42.0%**	**13.0**	**89%**
UZBEKHYDROENERGO	UZBEKISTAN	–	–	73.6%	6.6	100%

Source: Company presentation, Valuation multiples are calculated using the latest reported full-year EBITDA and the latest enterprise value (June 2026) sourced from Bloomberg, ADCB; FX: 2025: USD 1 = UZS 12,579; 2024 USD 1 = UZS 12,645
Note: 1. Based on valuation reports prepared by a Big Four independent valuer as of 31 May 2026; 2. The 13.0x multiple reflects a broader average across key hydro peers, and 9.7x is 25% below the average; 3. LTM figures were calculated by converting the reported UZS amounts into USD using the appropriate exchange rates. FY2024 and 9M24 results were translated using the 2024 average rate, while 9M25 figures were converted using the 2025 rate.

UzTelecom: Upside from strong growth

UzTelecom's current holding value of USD 372m[1] for a 30% stake implies a total equity valuation of USD 1,239m. Based on reported 2025 net debt of USD 679m, this equates to an enterprise value of USD 1,918m and an implied EV/2026E EBITDA multiple of 5.6x.

To derive our 2026 EBITDA estimate, we assume an EBITDA margin of 35%, which is in line with the company's 2025 margin. We apply this margin to the company's 2026 target revenue of UZS 11.8tn (USD 983m) as outlined in its 2026-28 business strategy. We think a forward-looking valuation approach is more relevant for the company given its rising growth profile.

UzTelecom is among the fastest-growing telecom operators globally, with revenue rising at an 18.9% CAGR between 2020 and 2024, significantly outpacing the approximately 2.7% growth recorded by European peers. Over the same period, mobile subscribers expanded at a 7.4% CAGR, while fixed-line users increased at an exceptional 31.6% CAGR.

While margins currently trail those of international peers, pricing pressure has begun to ease following recent competitive dynamics, and customers are increasingly migrating toward higher-quality, higher-value service offerings. As a result, we expect margins to gradually converge toward peer levels, presenting upside to the current valuation.

Favourable structural and market tailwinds should sustain growth momentum going forward. Reflecting this growth profile, we apply a forward EV/EBITDA multiple, benchmarking UzTelecom against global telecom operators with robust near-term growth.

Our valuation range is derived from a peer group of telecom operators serving high-growth markets. The lower end is based on the average forward multiple of this peer set, while the upper end reflects companies operating in faster-growing markets and expected to deliver strong revenue growth over the next three years. This results in an implied valuation range of USD 463m to USD 545m, and upside of 25–47% to the current holding value.

UzTelecom continues to expand rapidly, and valuation outcomes remain subject to forecasting risk. However, the combination of strong growth momentum and an improving margin trajectory supports a constructive medium-term outlook, in our view.

Figure 1.13: UzTelecom: Fair value and reported NAV (USD m)

Source: Company presentation, ADCB estimates

Figure 1.14: Current valuation

USD m	
UzNIF holding value[1] (30% stake)	372
Equity value	1,239
Net debt (as of Dec 2025)	679
Enterprise value	1,918
2026E EBITDA[2]	344
EV/2026E EBITDA	5.6

Figure 1.15: Fair value summary

USD m	Average	High-growth average
Range[3]	6.5	7.3
2026E EBITDA[2]	344	344
Enterprise value	2,223	2,496
Net debt (Dec 2025)	679	679
Fair equity value	1,544	1,817
UzNIF share	**463**	**545**
Upside	**24.6%**	**46.7%**

Figure 1.16: High-growth market telecom peers

Company Name	Country	Market value, USD m	EV, USD m	2026 EBITDA margin	2026E EV/ EBITDA	Revenue growth 2025-28
BHARTI AIRTEL	INDIA	121,578	144,345	56.3%	9.9	9.3%
SAUDI TELECOM	SAUDI ARABIA	58,131	59,615	31.4%	8.6	4.7%
ETIHAD ETISALAT	SAUDI ARABIA	12,323	13,669	38.8%	6.4	6.0%
MTN NIGERIA COMMUNICATIONS	NIGERIA	11,349	12,711	52.9%	4.9	24.3%
VIETTEL GLOBAL	VIETNAM	10,072	8,785	34.3%	12.4	13.7%
SAFARICOM	KENYA	10,504	11,835	51.6%	6.0	9.6%
PLDT	PHILIPPINES	4,102	9,790	52.3%	5.3	0.8%
INDOSAT TBK	INDONESIA	3,142	6,236	47.7%	3.9	2.6%
XLSMART TELECOM SEJAHTERA	INDONESIA	2,425	5,891	39.3%	5.0	3.3%
TELECOM	EGYPT	3,118	4,307	42.9%	4.3	6.9%
MOBILE TELECOMMUNICATIONS	SAUDI ARABIA	2,558	5,036	31.6%	5.3	4.0%
Average					6.5	7.8%
Average (High growth peers)					7.3	11.7%
UZTELECOM	UZBEKISTAN	–	–	35.0%	–	13-15%

Source: Company presentation, Valuation multiples are calculated using the latest forward EBITDA and the latest enterprise value (June 2026) sourced from Bloomberg; FX: 2025: USD 1 = UZS 12,579; 2024 USD 1 = UZS 12,645; Multiple and margins are for 2026E.
Note: 1. Based on valuation reports prepared by a Big Four independent valuer as of 31 May 2026 2. 2026E EBITDA is estimated by applying UzTelecom's reported 2025 actual EBITDA margin of 35% to the company's stated 2026 revenue target, as outlined in its strategic plan; 3. The lower end of the valuation range is derived by applying the peer-group average forward EV/EBITDA multiple of telecom operators with high-growth markets. The upper end is based on the average forward EV/EBITDA multiple of selected telecom operators operating in high-growth markets and expected (Bloomberg consensus) to deliver strong revenue growth over the next three years.

SQB Bank: Margin-driven re-rating

SQB's 40% holding in UzNIF is currently valued at USD 329m[1], implying a total equity valuation of USD 822m. The stock trades at a market capitalisation of USD 671m. Current P/TBV valuation multiples of 1.0x on NAV and 0.8x at the market listing price remain below those of regional banking peers, suggesting meaningful upside.

SQB's ROE is currently below peer levels but improving, which supports a potential rerating as profitability strengthens. The bank operates in an underpenetrated market with strong structural growth, while its ongoing shift from corporate funding toward lower-cost retail deposits should enhance margin over time.

In mature banking markets such as Poland, banks with strong ROE typically trade at P/TBV ratios of 2x or more. We think that SQB's growth profile, improving returns, and increasing banking penetration in Uzbekistan position the bank for a similar rerating over time.

We value SQB using a price-to-book (P/B) approach, based on the latest available 2025 net equity. SQB is benchmarked against a peer group of Eastern European and CIS banks with market capitalisations above USD 1bn. We derive the valuation range by setting the upper bound at half a standard deviation below the peer average and the lower bound at one standard deviation below the adjusted peer average. Based on this analysis, fair value implies a range from slight downside to approximately 33% upside relative to the current holding value.

Figure 1.17: SQB: Fair value and reported NAV (USD m)

Source: Company presentation, ADCB estimates

Figure 1.18: Current valuation

USD m	
UzNIF holding value[1] (40% stake)	329
Equity value	822
Net equity (2025)	817
Implied P/B	**1.0**
Market value (listed)	671
Implied P/B	**0.8**

Figure 1.19: Fair value summary

USD m		
	Average – 1-std dev.	*Average – 0.5-std dev*
Range[2]	1.0	1.3
Equity value (2025)	817	817
Fair equity value	793	1,089
UzNIF share, %	40%	40%
UzNIF share, USD m	**317**	**436**
Current holding value	329	329
Upside	**-3.5%**	**32.5%**

Figure 1.20: European and CIS banking peers

Bank	Country	Market value, USD m	P/B	ROE (%)
OTP BANK	HUNGARY	40,983	2.3	18.6%
PKO BANK POLSKI	POLAND	34,369	2.1	17.7%
BANK PEKAO	POLAND	15,962	1.6	19.3%
MBANK	POLAND	15,689	2.6	15.8%
ING BANK SLASKI	POLAND	15,520	2.8	22.3%
TURKIYE GARANTI BANKASI	TURKEY	12,560	1.2	27.3%
BANCA TRANSILVANIA	ROMANIA	8,938	1.6	18.4%
AKBANK	TURKEY	8,748	1.3	21.3%
KOMERCNI BANKA	CZECH	8,679	1.4	13.3%
ZAGREBACKA BANKA	CROATIA	8,507	2.7	20.7%
HALYK SAVINGS BANK-KAZAKHSTAN	KAZAKHSTAN	8,288	1.1	25.9%
YAPI VE KREDI BANKASI	TURKEY	7,511	1.2	19.6%
TURKIYE VAKIFLAR BANKASI	TURKEY	6,967	0.9	24.5%
TURKIYE HALK BANKASI	TURKEY	6,704	1.3	13.2%
BANK MILLENNIUM	POLAND	6,375	2.2	11.1%
BNP PARIBAS BANK POLSKA	POLAND	5,818	1.2	17.0%
NOVA LJUBLJANSKA BANKA	SLOVENIA	5,086	1.1	12.4%
BRD-GROUPE SOCIETE GENERALE	ROMANIA	5,073	2.1	14.1%
ALIOR BANK	POLAND	4,624	1.3	17.9%
MONETA MONEY BANK	CZECH	4,519	2.9	19.3%
BANK HANDLOWY W WARSZAWIE	POLAND	4,217	1.6	16.4%
TBC BANK GROUP	GEORGIA	3,294	1.4	21.1%
MBH BANK NYRT	HUNGARY	2,714	0.7	12.0%
TATRA BANKA	SLOVAKIA	2,556	1.4	16.1%
FORTEBANK	KAZAKHSTAN	2,001	1.2	21.4%
BANK CENTERCREDIT	KAZAKHSTAN	1,680	0.9	27.1%
LHV GROUP	ESTONIA	1,254	1.5	15.4%
KOMERCIJALNA BANKA AD SKOPJE	NORTH MACEDONIA	1,105	3.9	33.0%
IPOTEKA-BANK ATIB	UZBEKISTAN	1,099	1.6	23.5%
Average			**1.7**	**19.2%**
SQB	**UZBEKISTAN**		**1.0**	**13.6%**

Source: Company presentation, Valuation multiples are calculated using the latest reported equity value on the balance sheet and the latest market value (June 2026) sourced from Bloomberg,
Note: 1. Based on valuation reports prepared by a Big Four independent valuer as of 31 May 2026; 2. The upper end is determined by applying a discount equal to half a standard deviation below the peer average, while the lower end is determined by applying a one standard deviation discount. (Standard deviation: 0.7.)

NEGU: RAB framework key to upside

National Electric Grid of Uzbekistan JSC (NEGU) has a holding value of USD 155m[1] for a 40% stake within UzNIF, implying a total equity value of USD 388m. Based on 1H25 net debt, this results in an enterprise value of USD 907m and an EV/Sales multiple of 3.0x.

Following the government's restructuring, NEGU now operates exclusively as a transmission service provider after the single-buyer function was transferred to UES. As part of the broader liberalisation programme, Uzbekistan has begun the initial rollout of an RAB-based regulatory framework for electricity and natural gas tariffs in 2026, with implementation expected to be phased in gradually and tariff regulation periods initially set at one year, potentially extending to five years.

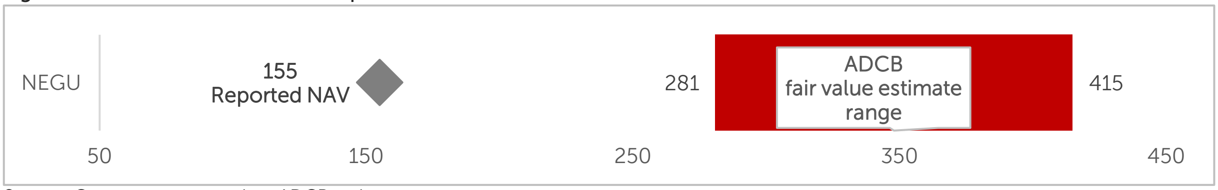
The introduction of RAB represents a key inflection point. Under this framework, tariffs are expected to be linked to the regulated asset base, supporting improved margins, greater earnings visibility, and ultimately higher valuations.

Given that current margins and operating profit are not representative of normalised profitability under the expected RAB framework, we use an EV/Sales approach based on adjusted peer multiples. We apply a 10% discount to the peer average multiple to reflect uncertainty surrounding the timing and effectiveness of RAB implementation, as well as the company's post-RAB profitability and margin trajectory. The adjusted peer average sets the upper bound of our valuation range, while the lower bound is set at half a standard deviation below average.

We used LTM June 2025 revenue, reflecting NEGU's recent repositioning as a pure transmission operator following the transfer of the single-buyer function to UES. Our fair value assessment indicates 81–167% upside relative to the current holding value.

While EV/Sales can sometimes overstate valuations, it is important to highlight that the implementation of RAB would materially transform NEGU's operating profile, as tariffs would be tied to the regulated asset base with a regulated return. Combined with rising demand and the rapid expansion of renewables, we believe NEGU's positioning in Uzbekistan's energy transition further strengthens its long-term value creation outlook.

Figure 1.21: NEGU: Fair value and reported NAV (USD m)



Source: Company presentation, ADCB estimates

Figure 1.22: Current valuation

USD m	
UzNIF holding value[1] (40% stake)	155
Equity value	388
Net debt (1H25)	518
Enterprise value	907
Revenue LTM June 2025[2]	305
EV/Sales	**3.0**

Figure 1.23: Fair value summary

USD m		
	0.5 std dev below average	*Adj. Average*
Range[3]	4.0	5.1
LTM Sales (1H25)	305	305
Enterprise value	1,220	1,556
Net debt (1H25)	518	518
Fair equity value	702	1,037
UzNIF share	**281**	**415**
Upside	**80.7%**	**167.0%**

Figure 1.24: Selected transmission operators

Company Name	Country	Market value, USD m	EV, USD m	EV/ Sales	EV/ EBITDA	Transmission only
NATIONAL GRID	BRITAIN	83,353	141,448	6.0	14.8	
POWER GRID CORP OF INDIA	INDIA	28,156	42,871	8.1	10.0	✓
TERNA-RETE ELETTRICA	ITALY	23,535	37,539	8.4	12.1	✓
ELIA GROUP	BELGIUM	17,318	34,852	6.9	16.9	✓
REDEIA CORP	SPAIN	9,232	16,541	8.2	11.4	✓
TRANSELECTRICA	ROMANIA	1,576	1,406	1.1	8.5	✓
KAZAKHSTAN ELECTRICITY GRID	KAZAKHSTAN	823	964	1.3	3.3	✓
Average (Only transmission)				5.7	11.0	

Source: Company presentation, Valuation multiples are calculated using the latest reported full-year EBITDA and the latest enterprise value (June 2026) sourced from Bloomberg; FX: 2024 USD 1 = UZS 12,645, 2025: USD 1 = UZS 12,579
Note: 1. Based on valuation reports prepared by a Big Four independent valuer as of 31 May 2026. 2. LTM H1 2025 from 2H 2024 onward; NEGU operates solely as a transmission-service provider after the single-buyer function was transferred to UES; 3. EV/Sales mean (average) for peers is 5.7x, and the standard deviation is 3.3x. We apply a 10% discount to reflect uncertainty around the implementation of the RAB framework and differences in margin assumptions on the upper-bound range.

Hududgazta'minot: RAB implementation would push up value

Hududgazta'minot (HGT) has a holding value of USD 152m[1] for a 40% stake within UzNIF, implying a total equity value of USD 379m. Based on its reported 2024 net debt, this implies an enterprise value of USD 977m and an EV/Sales multiple of 0.7x.

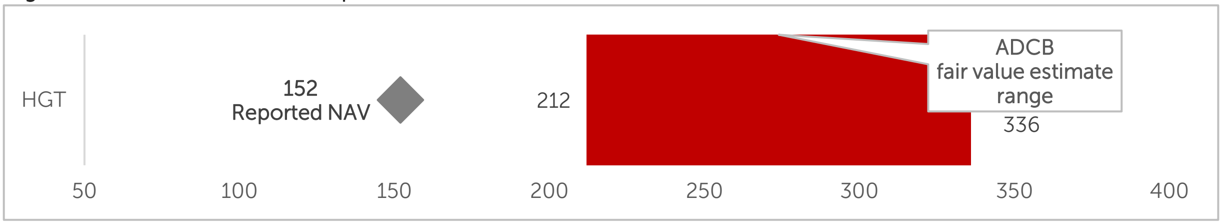
HGT is another company where the investment case is highly dependent on successful RAB implementation. The company is currently not profitable, and its existing margins do not reflect a normalised earnings profile. The rollout of an RAB-based tariff framework could materially change this, as new tariffs are expected to better reflect the regulated asset base, cost recovery and returns.

Given the lack of meaningful current profitability, we believe an EV/Sales-based valuation is more appropriate at this stage. We have benchmarked HGT against Asian gas utility peers, which typically operate at EBITDA margins close to 10%. The peer average forms the upper bound of our valuation range, while the lower bound is set at one standard deviation below this level to reflect uncertainty around the timing and effectiveness of RAB implementation.

There could be further upside if the RAB framework drives HGT's margins closer to European regulated gas network peers, which trade at higher valuation multiples supported by significantly stronger profitability, with

EBITDA margins around 50%. Our fair value assessment indicates 40–122% upside relative to the current holding value.

Figure 1.25: HGT: Fair value and reported NAV (USD m)



Source: Company presentation, ADCB estimates

Figure 1.26: Current valuation

USD m	
UzNIF holding value[1] (40% stake)	152
Equity value	379
Net debt (Dec 2024)	598
Enterprise value	977
Revenue (2024A)	1,411
EV/Sales	**0.7**

Figure 1.27: Fair value summary

USD m	*One-Std dev below average*	*Average*
Range[2]	0.8	1.0
LTM Sales (2024A)	1,411	1,411
Enterprise value	1,129	1,439
Net debt (Dec 2024)	598	598
Fair equity value	530	841
UzNIF share	**212**	**336**
Upside	**39.9%**	**121.8%**

Figure 1.28: HGT peers

Company Name	Country	Market value, USD m	EV, USD m	EV/Sales	EV/EBITDA	EBITDA Margin
GAIL INDIA	INDIA	12,093	14,525	0.9	11.1	8.1%
ENN ENERGY HOLDINGS	CHINA	5,845	8,410	0.5	5.3	10.2%
BEIJING ENTERPRISES	HONG KONG	4,354	13,238	1.1	10.2	10.7%
CHINA GAS HOLDINGS LTD	HONG KONG	3,619	11,502	1.2	9.8	12.4%
INDRAPRASTHA GAS	INDIA	2,473	2,029	1.1	9.7	11.4%
MAHANAGAR GAS	INDIA	1,225	1,129	1.2	6.9	17.6%
TIAN LUN GAS HOLDINGS	CHINA	336	1,151	1.0	10.0	10.5%
Average				**1.0**	**9.0**	**11.6%**
ITALGAS	ITALY	11,981	24,339	6.1	11.1	55.4%
ENAGAS	SPAIN	5,134	8,348	7.6	13.6	56.4%
TRANSGAZ SA MEDIAS	ROMANIA	3,864	4,695	7.6	15.4	49.6%
REDES ENERGETICAS	PORTUGAL	2,907	5,637	7.7	9.8	78.4%
AMBER	LITHUANIA	242	354	4.5	17.0	26.4%
High-margin European business				**6.7**	**13.4**	**53.2%**

Source: Company presentation, Valuation multiples are calculated using the latest reported full year EBITDA and the latest enterprise value (June 2026) sourced from Bloomberg, FX: 2024 USD 1 = UZS 12,645
Note: 1. Based on valuation reports prepared by a Big Four independent valuer as of 31 May 2026; 2. EV/Sales mean (average) for peers is 1.0x, and the standard deviation is 0.2x. The valuation range is derived using the peer group average as the upper bound, while the lower bound is set at one standard deviation below the peer average.

UzEX: Modest portfolio weight, strong value upside

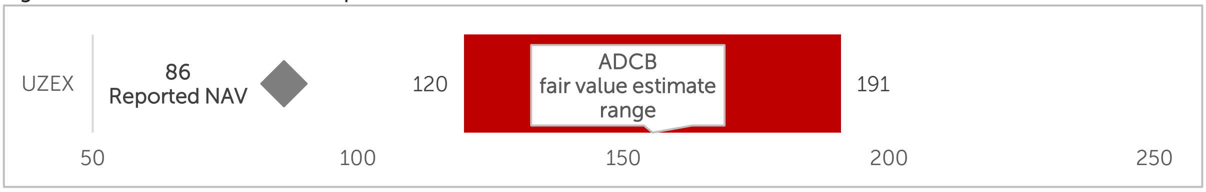
UzEX's 40% stake within UzNIF is valued at USD 86m[1], implying a total equity valuation of USD 215m. The stock trades at a market capitalisation of USD 263m (as of June 29, 2026), which is higher than the valuer's assessment. Based on reported 2025 net income, the company trades at P/E multiples of 7.9x on the NAV-implied value and 9.6x at the market listing price, both of which remain below those of global exchange operators, suggesting upside potential.

This valuation gap points to a meaningful undervaluation. To derive UzEX's fair value, we apply a peer-based P/E valuation framework, benchmarking against emerging market exchange operators.

The valuation range is based on valuation multiples of emerging market commodity exchanges. Given the wide dispersion in peer trading multiples, the upper bound is derived using the peer median multiple to reduce the influence of outliers, while the lower bound is based on the lowest multiple within the peer group.

This approach captures the strong structural positioning of UzEX while recognising the valuation premium typically assigned to exchanges with resilient earnings and scalable transaction-driven revenue models. Our fair value assessment indicates 40–122% upside relative to the current holding value.

Figure 1.29: UzEX: Fair value and reported NAV (USD m)



Source: Company presentation, ADCB estimates

Figure 1.30: Current valuation

USD m	
UzNIF holding value[1] (40% stake)	86
Equity value	215
Net profit, 2025A	27
Implied P/E	**7.9**
Market value (listed)	263
Implied P/E	**9.6**

Figure 1.31: Fair value summary

USD m	*Lowest multiple*	*Median*
P/E[2]	11.0	17.5
Net income, 2025	27	27
Fair equity value	300	478
UzNIF share, %	40%	40%
UzNIF share, USDm	**120**	**191**
Current holding value	86	86
Upside	**40%**	**122%**

Figure 1.32: Emerging market securities and exchange peers

Company Name	Country	Market value, USD m	Net margin (%)	P/E
BSE	INDIA	16,772	52%	59.3
B3 SA-BRASIL BOLSA BALCAO	BRAZIL	14,365	46%	17.5
MULTI COMMODITY EXCH	INDIA	7,657	58%	50.8
SAUDI TADAWUL GROUP HOLDING	SAUDI ARABIA	4,244	31%	40.2
TEL AVIV STOCK EXCHANGE	ISRAEL	3,944	32%	75.1
DUBAI FINANCIAL MARKET	UAE	3,224	182%	12.3
BOURSA KUWAIT SECURITIES	KUWAIT	1,914	56%	20.8
BURSA MALAYSIA	MALAYSIA	1,686	36%	28.8
BOLSAS Y MERCADOS ARGENTINOS	ARGENTINA	1,576	55%	11.2
BOLSA MEXICANA DE VALORES	MEXICO	1,090	36%	13.0
WARSAW STOCK EXCHANGE	POLAND	972	35%	18.7
JSE	SOUTH AFRICA	811	31%	13.5
NUAM	CHILE	582	21%	17.6
EURONEXT ATHENS HOLDING	GREECE	516	37%	14.4
BOLSA DE VALORES DE COLOMBIA	COLOMBIA	287	29%	11.0
PHILIPPINE STOCK EXCHANGE	PHILIPPINES	272	41%	13.5
NZX	NEW ZEALAND	263	17%	21.0
PAKISTAN STOCK EXCHANGE	PAKISTAN	143	199%	26.4
BURSA DE VALORI BUCURESTI	ROMANIA	125	14%	47.2
GRUPO BVL SAA	PERU	124	27%	16.8
BMC BOLSA MERCANTIL DE COLOM	COLOMBIA	115	31%	11.7
BULGARIA STOCK EXCHANGE-SOFI	BULGARIA	107	74%	11.3
Median			36%	17.5

Source: Company presentation, Valuation multiples are calculated using the latest reported full-year net income and the latest market value (June 2026) sourced from Bloomberg, FX: 2024 USD 1 = UZS 12,645; 2025 USD 1 = UZS 12,579
Note: 1. Based on valuation reports prepared by a Big Four independent valuer as of 31 May 2026. 2. The valuation range is based on a peer group of emerging market commodity exchanges. Given the wide dispersion in peer trading multiples, the upper bound is derived using the peer median multiple to reduce the influence of higher-valued outliers, while the lower bound is based on the lowest peer multiple in the peer set.

TPP: Legacy power generation asset

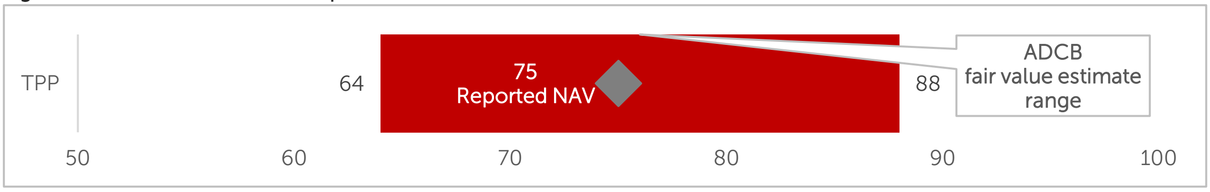
TPP's 25% stake within UzNIF is valued at USD 75m[1], implying a total equity valuation of USD 301m. Based on 2024 net debt, this corresponds to an enterprise value of USD 1,489m and an EV/EBITDA multiple of 9.5x.

Thermal Power Plants represent a relatively small portfolio holding within UzNIF, accounting for only 3.1% of total NAV, but remain highly sensitive to sector reform, tariff adjustments and the implementation of the RAB framework. It is important to note that Uzbekistan is increasingly focusing on renewable energy development, including hydropower, as part of its broader energy-sector transition.

Given the company's capital-intensive profile, sizeable debt burden, dependence on regulated tariffs, and greater focus on renewables, we have adjusted the peer-average multiple downward to reflect uncertainty around RAB implementation and future tariff recovery.

Our approach yields a fair value for UzNIF of USD 64-88m, implying 15% downside to 16% upside.

Figure 1.33: TPP: Fair value and reported NAV (USD m)



Source: Company presentation, ADCB estimates

Figure 1.34: Current valuation

USD m	
UzNIF holding value[1] (25% stake)	75
Equity value	301
Net debt (as of Dec 2024)	1,188
Enterprise value	1,489
EBITDA, 2024	157
EV/EBITDA	**9.5**

Figure 1.35: Fair value summary

USD m	*0.5 Std below average*	*Adj. Average*
Range[2]	9.2	9.8
EBITDA, 2024A	157	157
Enterprise value	1,444	1,539
Net debt (Dec 2024)	1,188	1,188
Fair equity value	256	351
UzNIF share	**64**	**88**
Upside	**-15%**	**16%**

Figure 1.36: Global key thermal player

Company Name	Country	Market value, USD m	EV, USD m	EV/EBITDA
CHINA SHENHUA ENERGY	CHINA	122,637	137,402	9.9
DUKE ENERGY	UNITED STATES	99,869	191,932	11.6
AMERICAN ELECTRIC POWER	UNITED STATES	78,318	130,715	15.5
DEWA	UAE	37,435	45,807	9.5
NTPC	INDIA	36,590	65,296	10.4
NRG ENERGY	UNITED STATES	31,460	55,289	15.8
HUANENG POWER INTL	CHINA	15,586	79,398	9.6
KOREA ELECTRIC POWER	SOUTH KOREA	15,394	98,733	5.1
Average				**10.8**

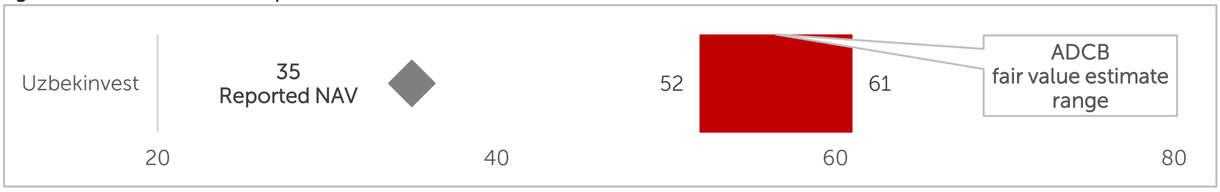
Source: Company presentation; Valuation multiples are calculated using the latest reported full-year EBITDA and the latest enterprise value (June 2026) sourced from Bloomberg; FX: 2024 USD 1 = UZS 12,645;
Note: 1. Based on valuation reports prepared by a Big Four independent valuer as of 31 May 2026. 2. The valuation range is derived from selected global thermal energy producers. The upper bound reflects a 10% discount to the peer group average EV/EBITDA multiple, while the lower bound is set at half a standard deviation below the average multiple.

Uzbekinvest: Valuation discount to regional peers

Uzbekinvest's 40% stake within UzNIF is valued at USD 35m[1], implying a total equity valuation of USD 87m. Based on the reported 2024 equity base, the implied P/B multiple of 0.9x remains well below regional insurance peers, highlighting a clear valuation disconnect, in our view.

We value the company using a P/B framework anchored to comparable insurance players across the region. Our valuation range is defined using the adjusted peer-average multiple as the upper bound and half a standard deviation below the average as the lower bound. Our fair value assessment indicates 51-77% upside relative to the current holding value, suggesting meaningful rerating potential as the company's fundamentals and sector positioning continue to strengthen.

Figure 1.37: Fair value and reported NAV (USD m)



Source: Company presentation, ADCB estimates

Figure 1.38: Current valuation

USD m	
UzNIF holding value[1] (40% stake)	35
Equity value	87
Net equity (1H25)	96
Implied P/B	**0.9**

Figure 1.39: Fair value summary

USD m	*0.5 Std below average*	*Adj. Average*
Range[2]	1.4	1.6
Equity value (1H25)	96	96
Fair equity value	131	154
UzNIF share	40%	40%
UzNIF share, USD m	**52**	**61**
Current value	35	35
Upside	**50.6%**	**77.1%**

Figure 1.40: Regional Insurance peers

Company Name	Country	Market value, USD m	P/B
POWSZECHNY ZAKLAD UBEZPIECZE	POLAND	15,002	0.7
TURKIYE SIGORTA	TURKEY	2,670	2.2
ADRIS GRUPA	CROATIA	2,437	1.2
POZAVAROVALNICA SAVA	SLOVENIA	1,570	1.8
ZAVAROVALNICA TRIGLAV DD	SLOVENIA	1,679	1.3
CROATIA OSIGURANJE DD – A	CROATIA	1,665	1.6
ANADOLU ANONIM TURK SIGORTA	TURKEY	1,187	1.2
ANADOLU HAYAT EMEKLILIK	TURKEY	938	3.7
AGESA HAYAT VE EMEKLILIK	TURKEY	965	4.1
RAY SIGORTA	TURKEY	649	3.1
ALLIANZ-SLOVENSKA POISTOVNA	SLOVAKIA	506	0.9
DUNAV OSIGURANJE	SERBIA	275	1.2
AKSIGORTA	TURKEY	246	1.4
Average			1.9

Source: Company presentation; Valuation multiples are calculated using the latest reported equity value on the balance sheet and the latest market value (June 2026) sourced from Bloomberg; FX: 2025 USD 1 = 12,579,

Note: 1. Based on valuation reports prepared by a Big Four independent valuer as of 31 May 2026; 2. The upper end is determined by applying a discount equivalent to 15% to the peer average, while the lower end is derived by applying a one standard deviation discount. (Standard deviation: 1.0)

Other holdings

We have not undertaken a detailed valuation assessment for the remaining four portfolio companies due to either limited data availability or their relatively small scale. Nevertheless, we note that utility businesses, Regional Electric Networks and the Water Supply Company are transitioning to an RAB framework.

International experience suggests that the RAB model provides a more robust regulatory structure for infrastructure assets by enhancing operational efficiency, offering stable and predictable revenues, and supporting disciplined, return-accretive capital expenditure.

For companies where a detailed valuation review was not feasible, we set a valuation at reported NAV.

For smaller holdings with limited disclosure, we retain reported NAV, which we believe represents a conservative approach. We expect the railway and utility companies to benefit from the implementation of the RAB framework, which should support higher tariffs over time. This is likely to translate into improved margins, stronger earnings visibility, and, consequently, higher valuations than those currently implied by our NAV-based assessment.

Successful IPO

UzNIF launched its IPO on 29 April 2026, with trading on the LSE commencing on 13 May 2026. The offering was structured as a dual tranche transaction, comprising ordinary shares offered through the Tashkent Offering and GDRs offered to international institutional investors through the International Offering.

The offer price was set at USD 25.00 per GDR and UZS 4.65 per ordinary share. Each GDR represented 64,700 ordinary shares. UzNIF had 5,054.3bn ordinary shares in issue. Based on the offer price, this implied a market capitalisation of c. USD 1.95bn.

UzNIF reported NAV of USD 2.44bn in its IPO prospectus, implying NAV per GDR of USD 31.2. On this basis, the offer price implied a valuation of around 0.8x NAV, or a 20% discount to NAV.

Figure 2.1: IPO price and discount at IPO

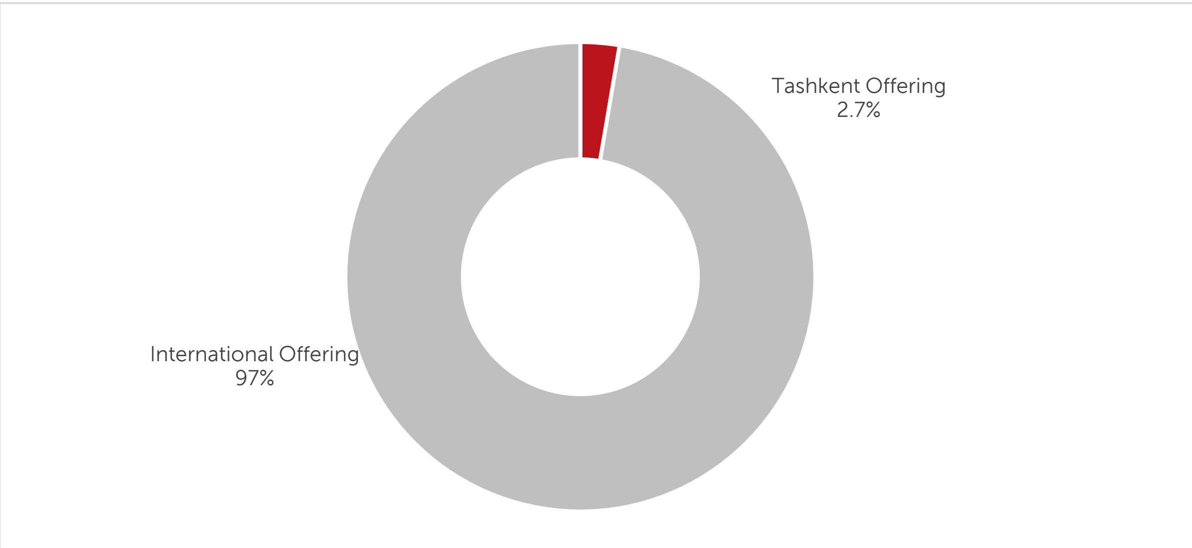
USD m	
NAV (at time of IPO)	2,441
Shares (bn)	5,054
IPO price per GDR, USD	25.00
GDR ratio	64,700
Market value	1,953
P/NAV	0.8x
Discount	**20.0%**

Source: Company filings, ADCB

UzNIF offered 1,564.3bn shares in the form of offer shares and GDRs, representing 31% of the company's share capital. The fund also exercised the greenshoe option for 3.5m GDRs, equivalent to 15% of the International Offering, increasing the total number of offered shares to 1,792bn. Overall, the offer comprised two tranches:

- TSE – 47.9bn shares (2.7% of total offering/0.9% of total shares): Allocated to eligible institutional investors and retail investors in Uzbekistan.
- LSE – 1,743.9bn shares (97.3% of total offering/34.5% of total shares): Allocated in the form of 27m GDRs to certain institutional investors outside Uzbekistan.

Figure 2.2: IPO breakdown



Source: Company filings, ADCB

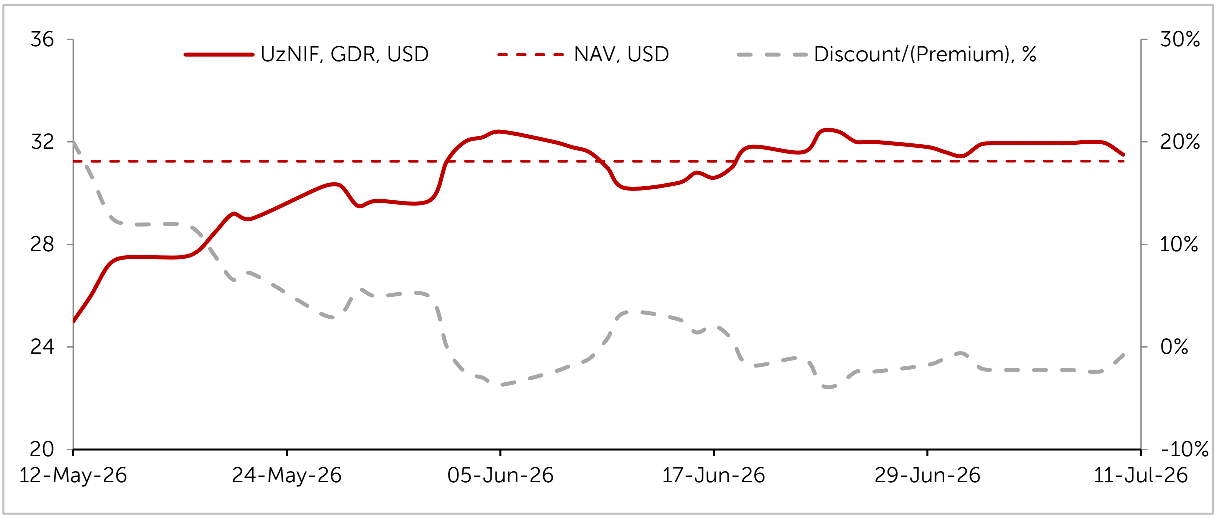
Trading close to NAV

UzNIF GDRs were offered at USD 25 per GDR, a 20% discount to NAV. Following the listing, the share price moved higher and began trading close to NAV. This suggests market confidence in the reported NAV and a limited perceived valuation gap. It also indicates that investors were not demanding a significant discount, as the fund structure was being valued efficiently.

A fund trading close to NAV can also reflect rising confidence that price discovery for the underlying portfolio companies is improving. This is particularly relevant for UzNIF, as several portfolio companies could move toward IPOs.

In the case of UzNIF, potential IPOs of underlying portfolio companies could support monetisation through special dividends. IPOs would also improve price discovery and reduce valuation uncertainty. Considering these factors, we believe UzNIF's current trading level close to NAV is justified.

Figure 1.3: UzNIF GDR price and NAV



Source: Company filings, Bloomberg

Gateway to Uzbekistan's growth

The National Investment Fund of the Republic of Uzbekistan (UzNIF) was established through a Presidential Decree in August 2024. UzNIF holds strategic stakes of 25-40% in 13 of the country's most important State-Owned Enterprises (SOEs), and its mandate is to support long-term, sustainable economic growth and development for the benefit of the people of Uzbekistan.

Franklin Templeton: Partnership and fund stewardship

UzNIF was established in August 2024, forming a central pillar of the country's broader economic reform agenda. It was initially managed by an internal management board until 1 May 2025. Franklin Templeton was appointed as the Fund Manager and Trustee of UzNIF effective 1 May 2025 for an initial five-year term, with an option for a one-year extension.

Fund mandate

The fund's mandate is to improve the performance and governance of SOEs by nominating board members, strengthening oversight, and preparing companies for staged IPOs, as well as attracting long-term international capital and supporting broader capital market development.

UzNIF provides a central platform for investors to gain exposure to Uzbekistan's most strategic enterprises as they advance through commercial restructuring, sector-wide reform, and eventual access to domestic and international markets. The portfolio is composed of minority stakes across priority sectors such as energy, utilities, transportation, and infrastructure, giving investors diversified access to the country's structural growth story and clear monetisation pathways over the next three to five years.

Concentration limits ensure that no single company exceeds 20% of NAV, with diversification improving naturally over time through IPOs and secondary placements. Overall, UzNIF aims to deliver sustainable economic development for the people of Uzbekistan and serve as a credible institutional platform within the country's ongoing modernisation efforts and an instrument for investors to gain exposure to the country's growth story.

5-year manager term

Franklin Templeton's appointment as Fund Manager and Trustee began in May 2025 for an initial 5-year term (2025–30), with a planned extension for a further five years subject to strong performance and government approval.

Attractive distribution framework

Each portfolio company is required to distribute at least 50% of annual profits as dividends, and any deviation must be formally justified to the board. Certain companies, such as the Commodity Exchange, already maintain payout ratios above 80%.

UzNIF distributes dividends only from realised cash and not from fair value gains. Dividend distribution to investors is expected to commence in 2027. Typically, there would be a lag between collections from portfolio companies and distribution to investors, given company-wise collection schedules. The fund holds minimal cash on its own balance sheet, and all company-level capex is financed through IFI loans, commercial bank borrowing, or equity issuance at the time of the IPO.

Fee structure aligns with growth

The fee framework for the fund is designed to align with NAV growth, dividend growth, and successful market monetisation.

- Base fee: 1% of NAV annually, reducing to 0.75% above NAV of USD 3.3bn.
- Dividend fee: 5% of dividends collected by UzNIF, aligning incentives with improving profitability, efficiency and governance across portfolio companies.
- IPO/exit fee: 4% of the value of any IPO or exit at the portfolio level. Fees/expenses of any financial or third-party advisors appointed in connection with any such exit are borne out of the exit fee.

Valuation practices

NAV is determined through semi-annual independent valuations (June and December) by a Big Four accounting firm. Valuation is further supplemented by event-driven revaluations following material corporate actions. Each cycle includes independent valuer input and auditor review, ensuring transparency and consistency in valuation methodology.

The fund was valued at USD2.43bn as of 31 May 2026, based on independent valuation by a Big Four accounting firm and on the latest available financial information for each investment, with financial reporting dates ranging from 30 September 2025 to 31 December 2025.

Figure 3.1: Fund structure

Investment objective	• UzNIF is structured to manage a defined portfolio of assets with the objective of increasing the company's NAV and optimising returns to shareholders through strategic asset management and selective divestment
Portfolio monetisation	• Legislation by Presidential Decree in place for six of UzNIF portfolio companies, 63% of NAV, to be listed in 2026-28, providing a clear path to monetising the portfolio
Dividend policy	• Portfolio companies have a minimum mandated dividend payout ratio of 50% of their net profit until 2030 • In accordance with its cash distribution policy, UzNIF intends to distribute all dividend income to shareholders, commencing in 2027
Fee structure	• Management fee: 1% p.a. of UzNIF's NAV during the relevant calculation period, reducing to 0.75% p.a. above NAV of ~USD 3.3bn • Dividend fee: 5% out of portfolio company dividends collected by UzNIF in any financial year • IPO/exit fee: 4% of the value of any IPO or exit at the portfolio level
Valuation frequency	• Monthly NAV updates, quarterly financial reports, semi-annual independent valuation by a Big Four accounting firm

Source: Company presentation; Note: Valuation reports prepared by a Big Four independent valuer as of 31 May 2026

Fund key investment highlights

We believe UzNIF offers a unique combination of strategic asset exposure, macro-linked growth, and a robust governance framework, anchored by Franklin Templeton's proven emerging-markets track record. Investors gain access to a diversified portfolio of high-quality SOEs, direct participation in Uzbekistan's reform-driven 6%+ GDP growth trajectory, and multiple levers of value creation through transformation, governance upgrades, and staged IPOs.

UzNIF is positioned as a attractive platform for long-term capital appreciation and structural growth. In our view, it offers investors an early-mover advantage in an underpenetrated market and strong institutional rights embedded in the Presidential Decree.

Figure 3.2: UzNIF investment highlights

Unique portfolio of strategic assets	Robust macro outlook	Liberalisation and reform agenda
UzNIF provides access to a broad-based, diversified portfolio of strategic assets untethered to global commodities	UzNIF provides investors with structural exposure to Uzbekistan's reform and demographic-driven 6%+ GDP growth trajectory	UzNIF is at the heart of Uzbekistan's dynamic liberalisation and reform agenda, which is driving rapid GDP growth
Strong track record	**Multiple levers of value creation**	**Robust governance framework**
Franklin Templeton has ~40 years of experience in EM and direct and relevant experience in maximising value in a similar setting as fund manager of Fondul Proprietatea in Romania	UzNIF has a wide-reaching mandate, underpinned by Presidential Decree, to transform and monetise its portfolio companies through Franklin Templeton's well-defined value creation process	UzNIF has enshrined and robust rights to enhance the corporate governance, transparency, efficiency and profitability of its portfolio companies

Source: Company presentation

Diversified portfolio

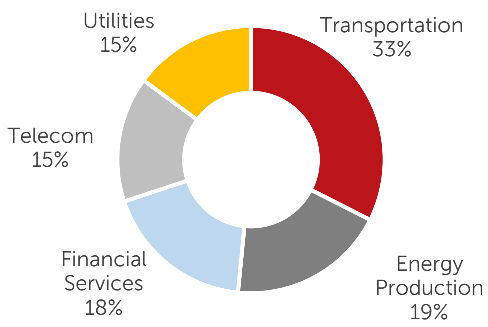
UzNIF's portfolio comprises 13 companies, with the fund valued at USD 2.43bn. Each one operates in a distinct subsector across aviation, energy, rail, telecom, banking, utilities, insurance and logistics. The portfolio includes four listed (UzTelecom, SQB, UzEX and Uzbekinvest) and nine unlisted companies, offering investors a meaningful early-mover IPO pipeline as assets transition towards public market readiness.

Stake sizes range from 25% to 40%, and each company represents less than 20% of the fund's total NAV, which is an important part of UzNIF's diversification framework. The largest five companies currently account for three-fourths of the fund's NAV.

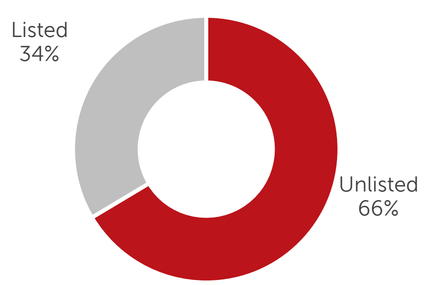
Financial quality is strong, with 11 of 13 companies profitable (the exceptions are Regional Gas Supply and Regional Electric Networks), and most rated entities carry BB/Stable outlooks from Fitch or S&P, underscoring solid credit fundamentals. Collectively, we believe the portfolio offers broad exposure to Uzbekistan's core economic infrastructure and significant long-term value-creation potential through staged IPOs and governance reform.

Figure 3.3: UzNIF portfolio summary

% of portfolio valuation by sector



Listing status as % of portfolio valuation



Source: Company filings. Totals exceed 100% due to the inclusion of leverage in gross asset values.

Figure 3.4: UzNIF portfolio overview

Portfolio company	Status	Subsector	Holding value as of 31 May 2026 (USD m)[1]	UzNIF stake %	% of NAV	Profitability status	IFRS status	Credit rating (if available)
Uzbekistan Airways	Unlisted	Aviation	405	25%	16.6%	Yes	Yes	–
Uzbekhydroenergo	Unlisted	Energy Generation (Hydro)	392	40%	16.1%	Yes	Yes	BB/Stable (Fitch)
UzTelecom	Listed	Telecommunications	372	30%	15.3%	Yes	Yes	BB/Stable (Fitch)
Railway Infrastructure[2]	Unlisted	Rail Infrastructure	364	40%	15.0%	Yes	Yes	—
SQB	Listed	Banking	329	40%	13.5%	Yes	Yes	BB/Stable (Fitch) BB-/Stable (S&P)
National Electric Grid	Unlisted	Power Transmission	155	40%	6.4%	Yes	Yes	—
Regional Gas Supply	Unlisted	Natural Gas Distribution	152	40%	6.2%	No	Yes	—
Uzbek Commodity Exchange (UzEX)	Listed	Financial Services	86	40%	3.5%	Yes	Yes	B/Positive (Fitch)
Thermal Power Plants (TPP)	Unlisted	Energy Generation	75	25%	3.1%	Yes	Yes	BB/Stable (Fitch)
Regional Electric Networks	Unlisted	Utilities	50	40%	2.1%	No	Yes	BB/Stable (Fitch)
Uzbekinvest	Listed	Insurance	35	40%	1.4%	Yes	Yes	Ba2/Positive (Moody's)
TashBus	Unlisted	Transportation	25	25%	1.0%	Yes	Yes	—
Water Supply	Unlisted	Utilities (Water)	7	40%	0.3%	Yes	Yes	—
Total portfolio holdings			2,446		100.6%[3]			
Cash/(Liabilities)			(14)		(0.6%)			
Net asset value			2,432		100.0%			

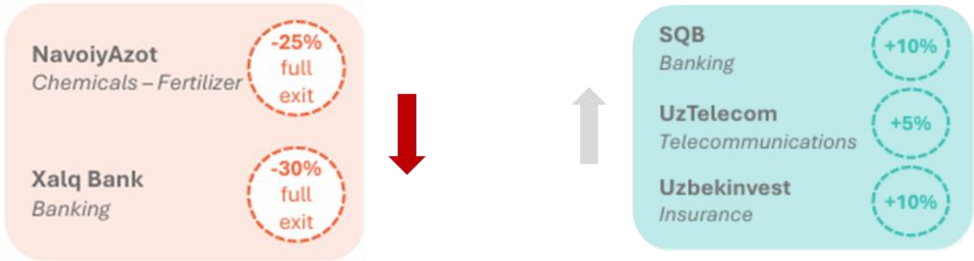
Source: Company presentation. Notes: 1. Based on valuation reports prepared by a Big Four independent valuer as of 31 May 2026; 2. The company was established in 2024 following the unbundling of the national railway company; 3. Totals exceed 100% due to the inclusion of leverage in gross asset values.

Portfolio optimisation

UzNIF has recently undertaken a targeted portfolio optimisation that increases exposure to three high-conviction assets while exiting two lower-priority holdings. The fund completed a full exit from NavoiyAzot (fertilisers) (-25%) and Xalq Bank (-30%), reallocating capital to raise positions in SQB (+10%), UzTelecom (+5%), and Uzbekinvest (+10%), areas assessed as having stronger monetisation visibility and IPO readiness.

As a result, the number of holdings declined from 15 to 13, while sector weights have shifted towards telecommunications (+3%) and utilities (+1%).

Figure 3.5 Change in UzNIF holdings



Source: Company presentation

The change in fund composition is the result of detailed diagnostics conducted by Franklin Templeton, alongside joint discussions with the government regarding the IPO. The increased stakes reflect the fund manager's conviction in the transformation and the capital market potential of these companies:

- SQB, the country's third-largest bank by total assets, offers strong transformation potential and is well advanced in its listing readiness.
- UzTelecom, one of the fastest-growing telecom operators globally, combines scale with clear restructuring upside and is a credible candidate for a future international IPO. Currently, it is listed on the Tashkent stock exchange.
- Uzbekinvest, operating in a highly underpenetrated insurance market, provides a compelling long-term growth profile as financial services adoption accelerates.

We believe this targeted ownership increases strengthen UzNIF's exposure to companies with clearer monetisation pathways and stronger reform momentum.

Dividend-led cash generation

The fund holds minority stakes across multiple portfolio companies. As per the fund mandate, these companies are required to maintain a minimum dividend payout ratio of 50% of net profit until 2030. As a result, dividend income, complemented by capital appreciation driven by value creation in the portfolio companies through reforms, should be the fund's primary source of returns.

The fund reported dividend receipts from eight companies in 2025. However, several companies, such as the Uzbek Commodity Exchange, declared their 2024 dividends before the legal transfer of shares was completed. This limits the fund's 2025 dividend entitlement, as distributions were received only when the fund was a registered shareholder at the time of approval. Consequently, the fund expects to recognise a full year of dividend income in 2026.

Fund mandate to increase distribution

Based on the reported net income from the 2024 analyst presentation and the audited financial statements, we noted that only TashBus maintained a payout ratio of 50% or above for the 2024 dividend distribution. When we apply a 50% payout ratio to the net income across the portfolio, dividend income increases significantly.

For portfolio companies from which the fund already receives dividends, as reflected in the 2025 financials, we considered a hypothetical payout scenario to illustrate potential income sensitivity. Assuming a 50% dividend payout ratio across these companies, dividend income in 2025 would increase by approximately 169% relative to reported levels. This scenario is purely illustrative and does not reflect management guidance or declared dividend policies. Rather, it is intended to demonstrate the embedded dividend capacity within the existing portfolio should payout ratios normalise over time. All in all, this reflects strong value creation supported by the fund mandate, in our view.

For the remaining companies, we have assumed a 50% payout ratio for Uzbekhydroenergo and SQB and 80% for UzEX. Under these assumptions, dividends in 2025 increase to UZS 1.15tn (USD 91m). According to management, UzEX's payout ratio exceeds 80%. We have not included NEGU, as the company has been restructured and has not yet published a full-year income statement. We have also excluded Regional Gas Supply and Regional Electric Networks, as both have yet to reach profitability.

Altogether, we expect a significant increase in dividends as the fund mandate continues to drive value creation, enhancing investor returns and strengthening the fund's appeal to income-focused investors.

Figure 3.6: Dividend distribution for the fund

Company	UzNIF's stake	UzNIF Dividends (UZS m)	Company net income (UZS m)	Payout based on distribution	Dividends as per fund policy to UzNIF (UZS m)[1]
Uzbekistan Airways	25%	90,594	1,489,000	25.6%	176,819
Thermal Power Plants	25%	44,538	1,044,162	18.0%	123,994
Temiryulinfrotuzilma	40%	15,337	101,160	39.9%	19,220
Navoiyazot	–	10,137	–	–	10,137
UzTelecom	30%	5,392	799,497	2.4%	113,928
Uzbekinvest	40%	4,685	81,589	15.1%	15,502
Toshshahartransxizmat (TashBus)	25%	752	6,019	52.6%	752
Uzsuvta'minot (Water utilities)	40%	100	1,302	20.2%	247
Total		**171,535**			**460,600**
Additional companies in portfolio					
Uzbekhydroenergo	40%	–	2,023,200	50%	384,408
SQB	40%	–	1,115,025	50%	211,855
Uzbek Commodity Exchange	40%	–	303,480	80%	92,258
Total					**1,149,121**

Source: Company presentation, ADCB estimates; Note: 1. Revised dividends calculated by applying a 50% payout ratio to net income and adjusting for the 5% withholding tax. No change was made for Navoiyazot, as the company is no longer part of the fund portfolio, and the payout for TashBus was kept unchanged since it already exceeded 50%.

Proven template

UzNIF's strategic partnership with Franklin Templeton is underpinned by a long and demonstrable track record of value creation in similar emerging market reform settings. The relevant precedent is Fondul Proprietatea, a Romanian investment fund established in 2005.

Over 14 years of contract, Franklin Templeton transformed Fondul from a passive restitution vehicle into one of the most successful state asset monetisation platforms globally, an achievement widely viewed as a blueprint for EM sovereign-owned asset reform.

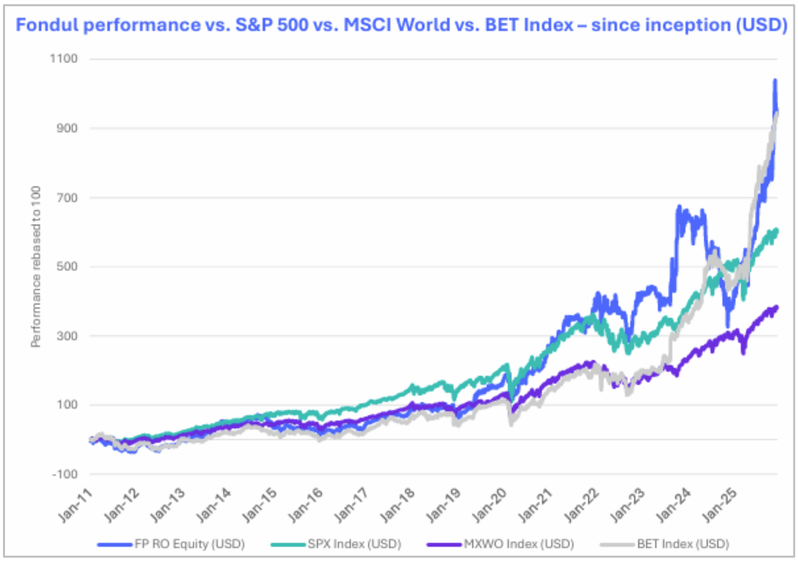
Franklin Templeton formally assumed management of the Fondul Proprietatea in September 2010, following an international competitive tender and a restructuring approved by Romanian authorities.

A pivotal milestone in the transition was the fund's listing on the Bucharest Stock Exchange in January 2011, which created a liquid market for investors and introduced external accountability. At listing, Fondul had an NAV of USD 2.5bn. Since then, the fund has distributed USD 7.1bn to shareholders through a disciplined mix of dividends, buybacks, and tender offers, effectively returning almost three times the fund's original NAV.

This shareholder-friendly capital allocation framework became a core differentiator and built long-term investor trust. Franklin Templeton drove the IPOs of a range of Fondul's portfolio companies, including Hidroelectrica, Romgaz, Electrica and Nuclearelectrica, which helped deepen Romania's capital markets and improve governance within strategically important national assets.

Fondul delivered a total shareholder return of 934% in USD terms and 1,340% in local currency between its listing in January 2011 and December 2025, significantly outperforming global benchmarks such as the S&P 500, MSCI World, and Romania's BET Index. This exceptional performance reflects both strong underlying asset growth and the active portfolio-management approach of Franklin Templeton, including continuous engagement with regulators, company boards, and minority shareholders.

Figure 3.7: Fondul performance against global indices



Source: Company presentation, Bloomberg

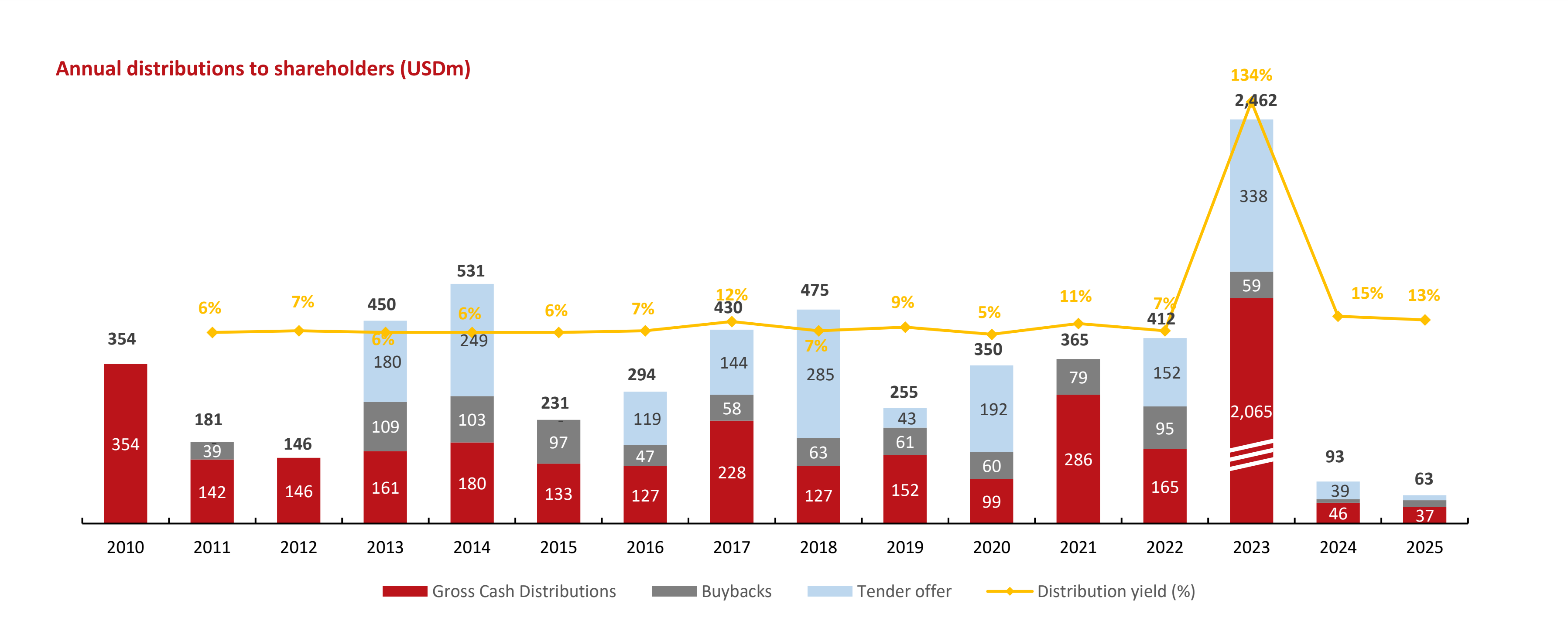
Shareholder-friendly capital allocation policy

Fondul Proprietatea has maintained one of the most consistent and shareholder-aligned distribution policies in emerging markets, returning cash every year through a mix of dividends, buybacks and tender offers. Franklin Templeton's approach to value creation is straightforward and disciplined: whenever the fund generates liquidity, whether from regular operations or from the sale of portfolio assets, it is distributed to shareholders rather than accumulated on the balance sheet. As a result, Fondul has become one of the most reliable cash-return vehicles in emerging markets, with annual distributions that naturally track the cash generated each year.

Distribution yield remained above 5% every year from 2011 to 2025, underscoring the consistency of the fund's performance. The trend was most visible in 2023, when the sale of the fund's stake in Hidroelectrica provided a significant one-off liquidity boost. Franklin Templeton channelled this directly into higher shareholder payouts and a major tender offer, producing the largest annual distribution in the fund's history.

Over the full period, Fondul has returned USD 7.1bn, nearly three times its NAV at listing, highlighting the strength of its capital-return framework and the effectiveness of Franklin Templeton's disciplined allocation strategy.

Figure 3.8: Fondul annual distribution to shareholders



Source: Company presentation, Bloomberg, Fund Manager calculations, Fund Manager annual results reports, Fund Manager current reports; values exclude related acquisition fees. USD values based on the NBR average USD/RON FX for each year; for 2025, the average RON/USD FX up to 31 December.
Note: Dividend yield: Based on the total annual distributions through buybacks and cash, the average closing share price on BVB for the respective year, and the average number of paid shares excluding treasury shares up to year-end. For 2025: average closing share price up to 30 December and average number of paid shares excluding treasury shares up to 31 December.
For 2021: Gross distributions figure refers to the three special gross distributions approved during the year.
For 2025: Amounts based on buybacks up to 31 December 2025, RON 0.0409 per share dividend distribution approved by shareholders during the 29 April 2025 annual GSM, and the 0.0123 per share dividend distribution approved by shareholders during the 29 September 2025 GSM. The yield is based on the average number of paid shares excluding treasury shares up to 31 December 2025.

Monetisation playbook – the Hidroelectrica IPO

Hidroelectrica was a portfolio company of Fondul Proprietatea. Before the IPO, the fund owned a 20% stake, and the Romanian government held the remaining 80%. When the company prepared to go public, Fondul acted as the sole selling shareholder, making the IPO a defining monetisation event. The transaction provided Fondul with a substantial liquidity inflow and represented a major step in its long-term plan to unlock value from state-owned assets.

Largest IPO of the year

Hidroelectrica, with its USD 2.1bn sale, became the largest European IPO since September 2022 and the biggest listing ever in Romania. It also stood out as Europe's largest pure play renewables IPO since 2010 and the largest European privatisation since 2016. This scale elevated Romania's visibility on the global investment map and showcased Franklin Templeton's ability to execute landmark transactions in emerging markets.

Figure 3.9: Offering summary

Exchange	Bucharest
Pricing date	5 July 2023
Shares offered	89.7m (incl. greenshoe)
Offer price	RON 104
Deal size	USD 2.1bn (incl. greenshoe)
Market cap at listing	USD 10.3bn
Free float at listing	~20% (incl. greenshoe)
Lock-ups	Company: 180 days, Romanian Government: 365 days

Source: Company disclosure

Figure 3.10: Romanian IPOs since 2000

Company	Date	Sector	Transaction value (USDm)
Hidroelectrica SA	Jul-23	Utility & Energy	2,049
Electrica SA	Jun -14	Utility & Energy	604
SNGN Romgaz SA	Nov-13	Oil & Gas	535
Digi Communications NV	May-17	Telecoms	208
Premier Energy SRL	May-24	Utility & Energy	153
Cris- Tim Family holding SA	Oct-25	Machinery	104

Source: Company presentation, Dealogic as of January 2026

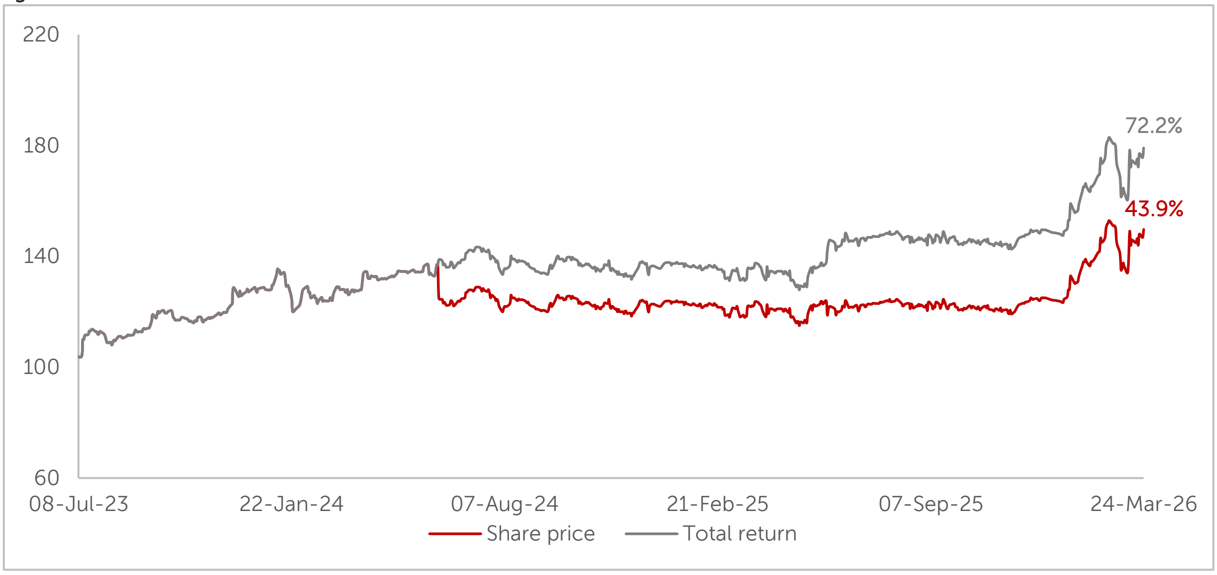
Deep, broad-based investor demand

The book attracted an exceptionally diverse investor base. Romanian investors accounted for over 40% of demand, while UK and US institutional investors contributed ~30% and ~20%, respectively. The offering drew interest from renewable and infrastructure specialists, income funds, emerging-market investors, and Romanian pension funds. A notable feature was the 20% retail tranche, which was heavily oversubscribed, highlighting strong domestic appetite for high-quality national assets.

Strong pricing and a compelling investment case

The IPO priced above the midpoint of the range, supported by the company's robust fundamentals and income profile, implying an attractive ~11% dividend yield and valuation of ~6x 2024E EBITDA. For Fondul, this outcome reinforced the depth of demand for well-governed state assets, while the listing also demonstrated Franklin Templeton's credibility in managing EM funds. The successful execution of the Hidroelectrica IPO ultimately became a cornerstone of Fondul's capital return strategy and a key driver of its record distributions in 2023.

Figure 3.11: Hidroelectrica return since IPO



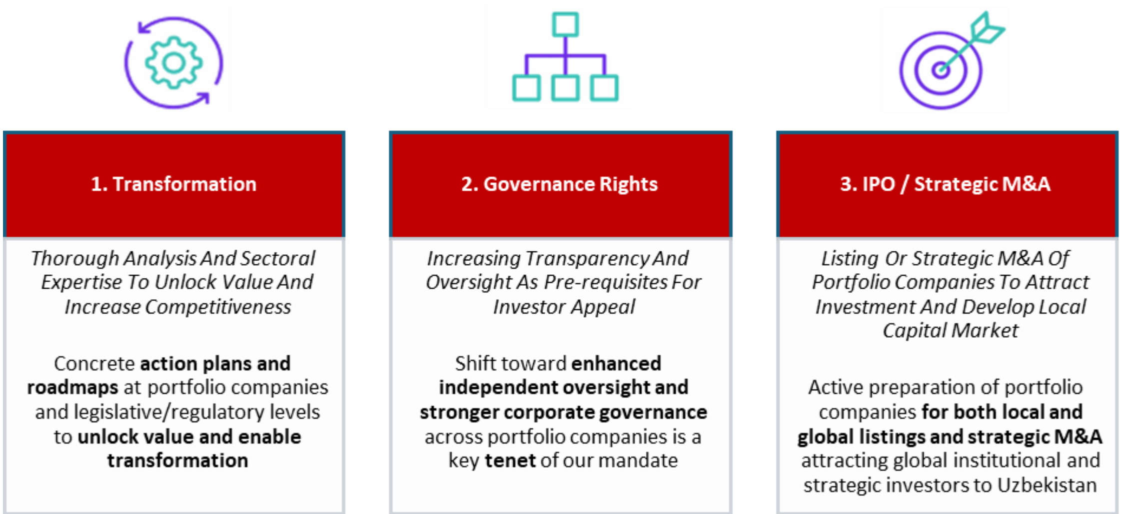
Source: Bloomberg, as of 24 March 2026

Multiple value creation levers

UzNIF's value-creation model is built on a unified framework that combines operational transformation, governance enhancement, disciplined capital allocation, and clear routes to monetisation. The model draws on the successful emerging-market playbook demonstrated through Franklin Templeton's stewardship of Fondul Proprietatea, adapted to Uzbekistan's broader SOE reform agenda.

The fund aims to strengthen portfolio performance and steadily return value to shareholders via dividends and sequenced monetisation events through active stewardship, targeted operational improvements, and a structured approach to accessing capital markets,

Figure 4.1: Pillars of value creation



Source: Company presentation

Clear and disciplined asset selection

UzNIF's initial portfolio was assembled using three disciplined filters designed to ensure that every asset has credible value-creation potential.

- First, companies were selected for their transformation potential, where operational improvements, cost efficiency, and governance upgrades can deliver meaningful upside.
- Second, assets were required to have clear monetisation pathways, including visibility to privatisation, strategic M&A, or IPO readiness over a medium-term horizon of roughly 3–5 years.
- Third, inclusion was guided by structural tailwinds and reform alignment, favouring sectors positioned to benefit from ongoing regulatory modernisation, market liberalisation, and closer adherence to international best practices.

We believe this disciplined portfolio construction approach ensures that value creation is embedded from the outset rather than expected by default.

Primary value creation engine: Transformation

Transformation sits at the core of UzNIF's value-creation strategy. The fund conducts in-depth sectoral analysis and company-level diagnostics to design targeted action plans for each portfolio company, addressing productivity gaps, organisational restructuring needs, commercial optimisation opportunities, and policy-level constraints that require regulatory adjustments to unlock value.

A clear example is SQB, which has become the government's flagship transformation case. Under UzNIF guidance, SQB is shifting from a legacy policy-lending institution to a commercially focused, diversified bank. Fitch identifies SQB as the state-owned bank furthest along in strengthening governance, risk management, and profitability. This transition is supported by a more balanced business mix driven by expansion in small and medium enterprises (SMEs) and retail lending, enabled by the bank's landmark USD 300m AT1 issuance in 2025, which strengthened capital ratios by roughly 300 bps.

As part of this shift, SQB is targeting growth in line with the broader banking sector (c. 19% p.a.) and aims to lift its return on equity toward private-sector peer levels (30%+), supported by ongoing efficiency improvements.

Board restructuring

Governance is UzNIF's second pillar for value creation. The fund is spearheading an extensive overhaul of its board structure, increasing independent oversight across its portfolio companies. These supervisory boards also have formal authority over strategy, budgets and capex, major transactions, internal controls, and senior appointments.

This governance upgrade is expected to produce faster, higher-quality decision-making, greater financial discipline, improved transparency, and enhanced alignment between management and shareholder interests. Crucially, governance reform is also a precondition for IPO readiness and broad investor appeal.

Figure 4.2: Restructuring of portfolio company

	Current[1]				Franklin Templeton recommendations			
Portfolio company	# of board seats	Current INEDs	% of INEDs	Majority INEDs	# of seats	Future INEDs (+FTAM)	% of INEDs (+FTAM)	Majority INEDs
UzAirways	7	4	57%	Yes	7	4	57%	Yes
Railway Infrastructure	9	3	33%	No	9	3	33%	No
SQB	11	9	82%	Yes	11	9	82%	Yes
Uzbekhydroenergo	7	4	57%	Yes	7	4	57%	Yes
Regional Gas Supply	7	4	57%	Yes	7	4	57%	Yes
National Electric Grid	7	4	57%	Yes	7	4	57%	Yes
UzTelecom	11	7	64%	Yes	11	7	64%	Yes
Regional Electric Networks	7	4	57%	Yes	7	4	57%	Yes
Thermal Power Plants (TPP)	9	5	56%	Yes	9	5	56%	Yes
Uzbek Commodity Exchange (UzEx)	9	4	44%	No	9	4	44%	No
Uzbekinvest	7	2	29%	No	7	4	57%	Yes
TashBus	5	3	60%	Yes	5	3	60%	Yes
Water Supply	7	3	43%	No	7	4	57%	Yes
Total Portfolio Holdings	103	56	54%		103	59	57%	

Source: Company presentation; INED: Independent Directors; FTAM: Franklin Templeton Asset Management.
Note: 1. As of 8 April 2026.

UzNIF has already implemented a comprehensive restructuring plan to raise board independence and strengthen overall oversight. The current landscape shows that independent directors (INEDs) represent an average of 54% across the portfolio, with a majority-independent board in nine out of 13 portfolio companies, as of 8 April 2026.

Furthermore, UzNIF has completed the vetting and recommending of additional candidates for appointment to the supervisory boards of all portfolio companies. The strategic objective is to ensure that, once these appointments have been made, the number of independent directors and trustee representatives in aggregate constitutes a majority on the supervisory boards of at least 11 of the 13 portfolio companies.

This shift would place c. 80% of UzNIF NAV under majority independent oversight and improve board diversity, with a target of 16% female participation, along with adding deeper sector-specific expertise. These transformations are supported by a London-based firm for the recruitment of independent directors, ensuring that candidates bring strong capital markets backgrounds and relevant industry experience.

Franklin Templeton's role

Franklin Templeton plays a central role in raising governance standards and driving value creation across the UzNIF portfolio. Through active stewardship, strengthened oversight, and close alignment with government reform priorities, the team is helping reshape board structures, professionalise management, and prepare companies for future IPOs. The approach is hands-on, disciplined, and fully embedded across the portfolio, in our view.

Key governance initiatives include:

- Strategic stewardship and governance leadership: Acts as investment manager with full policy support, and uses its governance rights to guide strategic decisions, reinforce oversight, and support long-term value creation.
- Strengthening management and CFO appointments: Recommends CFO candidates and advises on other senior operational hires to improve execution capability. Franklin Templeton leverages its global network and executive recruitment firms for CFO search.
- Board formation and oversight: Nominates at least two directors per company, typically one investment team representative and one independent director.
- Government alignment and execution support: Governance reforms are reinforced by state commitment, ensuring UzNIF and Franklin Templeton have the authority and policy backing to implement best practice standards and prepare companies for privatisation and capital market integration.

Monetisation pathways

IPO or strategic M&A is the third pillar of UzNIF value creation. UzNIF's approach to monetisation is clear and multi-track. A core element of UzNIF's strategy is shifting a meaningful portion of the portfolio from unlisted to listed status.

We think this transition is crucial for valuation transparency, liquidity, and the ability to execute staged monetisation. Public markets also enable price discovery, encourage better governance, and broaden the investor base, thereby raising the long-term value of holdings. As part of this mandate, Franklin Templeton will be responsible for IPOs of six companies within its portfolio, collectively accounting for 63% of its NAV. The remaining 37% of NAV will follow a separate route, to be defined at a later stage.

IPO readiness is built over a medium-term horizon of roughly 3–5 years, ensuring sustained capability development and strategic continuity. The publication of an IPO calendar has improved investor confidence by providing a clear, time-bound roadmap for monetisation and reinforcing the credibility of the state's broader privatisation agenda.

Uzbekistan Airways is positioned as the closest IPO, with a planned 2H26 listing. We think the announced schedule for key companies reflects a disciplined sequencing strategy designed to deepen the local capital market while maximising shareholder value. In parallel, the fund is evaluating strategic M&A options, which may include partial sell-downs, strategic partnerships, or dual-track processes in which listings and trade sales are assessed in tandem.

Figure 4.3: Planned IPO calendar

Portfolio company	Sector	% UzNIF stake	% of NAV	Expected IPO stake (%)	Target year of IPO
Uzbekistan Airways	Transportation	25%	16.6%	15-20%	2H26
O'zbekiston MET (National Electric Grid)	Utilities (Electricity)	40%	6.4%	10-20%	1H27
UzTelecom	Telecommunications	30%	15.3%	10-15%	2H27
Uzbekhydroenergo	Energy Generation (Hydro)	40%	16.1%	15-20%	2H27
Hududiy Elektr Tarmoqlari (Regional Electric Networks)	Utilities (Electricity)	40%	2.1%	20-25%	1H28
Hududgazta'minot (Regional Gas Supply)	Utilities (Natural Gas)	40%	6.2%	15-20%	2H28
As % of NAV			62.7%		

Source: Company presentation

Energy tariffs liberalisation

UzNIF's portfolio includes six companies in the energy and utilities sector (E&U). Based on the latest NAV (as of 31 May 2026), these holdings account for 34% of total NAV, underscoring the sector's strategic importance for the fund.

Figure 4.4: Energy and utility sector

Portfolio company	% UzNIF stake	Holding value (USD m)	% of NAV
Uzbekhydroenergo	40%	392	16.1%
National Electric Grids	40%	155	6.4%
Regional Gas Supply	40%	152	6.2%
Thermal Power Plants (TPP)	25%	75	3.1%
Regional Electric Networks	40%	50	2.1%
Water Supply	40%	7	0.3%
		832	34.2%

Source: Company presentation

In the E&U sector, one of the key value drivers is the RAB model, a tariff resetting methodology tied to asset value and a regulated rate of return. The RAB framework is designed to attract private investment into critical infrastructure through transparent, predictable regulation.

Before RAB, tariffs were set annually by the government based on companies' reported cost structures and were frozen from 2019 to 2023. Historical tariff levels have limited cost recovery for transmission and distribution entities. Higher tariffs paid by commercial customers subsidise lower-income households, creating an inefficient cost structure that leads to recurring losses and limits the sector's ability to attract capital for essential investment.

The government is now working on legislation to adopt an RAB-based methodology for transmission and distribution tariffs. Under the RAB model, tariffs are based on asset value and a regulated rate of return, providing a return profile suitable for private capital, along with incentivising operational and financial improvements.

The government has already taken significant steps toward aligning tariffs with cost recovery through a series of increases in 2024 and 2025. The implementation process is underway, with key legislative amendments being drafted in consultation with Franklin Templeton.

Fair value impact

The fund has disclosed the holding values for all portfolio companies based on valuation reports prepared by a Big Four independent valuer. The fund manager also ran sensitivity analyses on several variables that influence valuation.

Figure 4.5: Fair value sensitivity to different variables

Inputs	Impact on fair value
Regulatory asset base (RAB) start date	Earlier RAB start date, higher fair value
Initial asset base for RAB	Larger asset base (e.g. DRC), higher fair value, lower base (usually NAS/NBV), lower fair value
Tariff-growth assumptions	Faster tariff growth, higher fair value
Volumes (electricity/gas throughput)	Higher billed sales volumes, higher revenue and fair value
Capex (and capex/revenue)	Lower capex to revenue ratio, higher fair value
EBIT	Higher EBIT estimates, higher fair value
WACC	Lower WACC, higher fair value
Gas purchase tariffs	Lower purchase price, higher fair value
Gas tariffs liberalisation year	Earlier gas liberalisation year, higher fair value

Source: Company annual report

One key variable in valuation sensitivity is the timing of RAB implementation. Franklin Templeton's base case assumes full RAB adoption in 2028 because:

- It aligns with the government's broader reform direction.
- Sits within the transition timeline communicated to date.
- Reflects a prudent stance given that reform processes often face delays.
- Conservative assumptions also help avoid overstating valuations.

The analysis shows that the timing of RAB implementation has a significant impact on valuations for energy and utilities companies. Earlier-than-assumed adoption increases fair values, while delays relative to the base case led to material reductions.

Notably, Uzbekistan has begun the initial implementation and phased rollout of RAB-based tariff regulation for the electricity and gas sectors, with the first regulatory periods expected to be set at one year before gradually extending to five years.

Capex-intensive network-based businesses, such as Hududgazta'minot (gas distribution), Regional Electric Networks (electricity distribution), and the National Electric Grid of Uzbekistan (transmission), are most sensitive to delays.

A three-year postponement relative to the base case could push equity values into negative territory for certain companies. Overall, RAB timing is the single largest valuation driver: earlier adoption improves cash-flow visibility and lowers regulatory risk, while delays can erode over 100% of equity value for the most exposed entities.

Figure 4.6: Fair value sensitivity to RAB implementation

	Impact on fair value, %				
	High scenario	Base case	Low scenario		
Company/year	2027	2028	2029	2030	2031
Uzbekhydroenergo	+4%	—	-5%	-15%	-23%
Hududgazta'minot	+41%	—	-38%	-68%	-346%
Thermal Power Plants	+30%	—	-26%	-48%	-90%
Regional Electric Networks	+100%	—	+109%	-192%	-207%
National Electric Grid of Uzbekistan	+47%	—	-47%	-92%	-134%

Source: Company annual report

Highly experienced supervisory board

The UzNIF Supervisory Board brings together senior leadership from Uzbekistan's leading economic institutions, ensuring strong policy alignment and oversight of the fund's strategy. It comprises top government officials responsible for economic management, fiscal policy, privatisation, trade, and financial-sector reform, supported by representatives with international development experience and WTO negotiation expertise.

We believe this collective expertise provides a robust governance anchor for UzNIF, supporting strategic continuity, alignment with reform efforts, and effective stewardship as the fund delivers its mandate.

Figure 4.7: UzNIF supervisory board

	Description
	**Jamshid Kuchkarov** *Deputy Prime Minister of the Republic of Uzbekistan; Minister of Economy and Finance* Jamshid Kuchkarov has served as Deputy Prime Minister and Minister of Economy and Finance of Uzbekistan since August 2023. He previously held senior roles at the Ministry of Finance and served as Deputy Prime Minister for economic development, leading investment, banking, and financial sector reforms.
	**Bobur Khodjaev** *Head of FinTech, IT and AI Department in the President's Office* Bobur Khodjaev is Deputy Advisor to the President of Uzbekistan and Head of the Economic Unit in the President's Office. His prior experience includes roles at the Asian Development Bank in Manila and the Fund for Reconstruction and Development in Tashkent, including as Alternate Executive Director at ADB.
	**Azizbek Urunov** *Representative of the President of Uzbekistan on World Trade Organization* Azizbek Urunov is the Special Representative of the President of Uzbekistan on WTO issues and Chief Negotiator, overseeing WTO accession, trade negotiations, and investment promotion. He has previously held senior roles at the President's Office, the Ministry of Investments and Foreign Trade, and the Ministry of Economy, focusing on foreign trade.
	**Khurshed Mustafayev** *Deputy Minister of Economy and Finance of Uzbekistan for the Oil and Gas Sector* Khurshed Mustafayev has served as Deputy Minister of Economy and Finance of Uzbekistan since April 2024. He is involved in privatisation, financial and economic reforms, and engagement with international financial institutions. He began his career in 2002 in the Bukhara region Finance Administration and has since held senior roles within regional and national finance authorities.
	Independent Board Member *Reserved independent position under the updated charter*

Source: Company presentation

Favourable macroeconomic momentum

Uzbekistan began a structural reform programme in 2017 that continues to reshape the macro framework and the investment landscape. A key milestone was the decisive currency liberalisation in September 2017, when the government unified exchange rates and moved to a market-determined UZS. This step improved transparency, increased foreign exchange availability, and removed a long-standing obstacle for foreign investors.

Trade liberalisation supported this shift through the removal of many tariff and non-tariff barriers and a clearer commitment to WTO accession, expected in 2026. Together, these actions improved import capacity, strengthened export competitiveness, and created a more predictable operating environment.

Tax reform has also contributed to a more investment-friendly climate. The government reduced the corporate income tax from 14% to 12% in 2019, simplified tax administration, and broadened the tax base by cutting exemptions. These measures, combined with tighter fiscal discipline and stronger governance transparency, have reinforced the overall policy foundation.

The country has transitioned from administrative control toward commercial discipline, improved board-level governance, and initiated staged privatisations in banking, energy, aviation, telecom, and logistics since the start of reform in 2017. These steps enhance efficiency and accountability and support the development of deeper capital markets. Capital market reforms and governance improvements continue to advance, with commitments to expand access for foreign investors, modernise listing rules, and accelerate SOE IPO pipelines.

Uzbekistan has long served as a central crossroads along the ancient Silk Road, and this strategic position continues to shape its economic trajectory today. The country is a meaningful beneficiary of China's Belt and Road Initiative, which is strengthening transport corridors across the region and elevating Uzbekistan's role as a key transit hub linking the Eurasian continent.

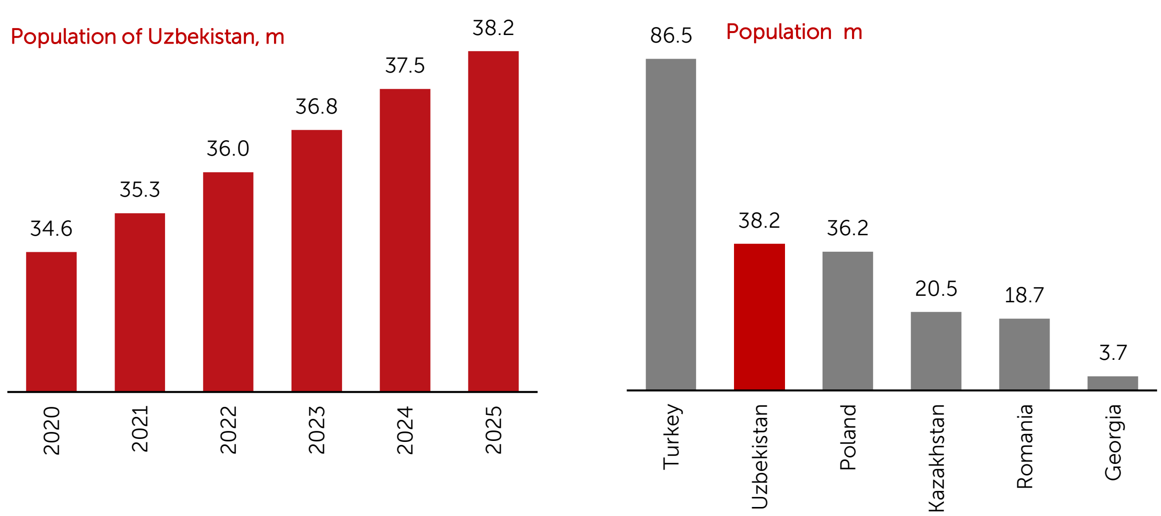
Together, we believe these reforms, combined with Uzbekistan's strategic location, support a well-founded investment case in Central Asia. This is underpinned by a large and growing young population, improving governance, rising productivity, and a policy framework that is gradually moving toward a more market-based regulatory model. For investors, these dynamics create potential for a structural rerating across banks, utilities, transport, and telecom.

Supportive demographics

Uzbekistan is the most populous country in Central Asia with a population of 38.2 million, which is increasing by roughly 2% annually. This steady population growth drives continual expansion of the domestic consumer base, which in turn fuels demand for retail, housing, transportation, food, and services. The result is a structural boost to the overall economy through rising household spending and deeper market penetration across consumer-facing industries.

Figure 5.1: Uzbekistan population

Uzbekistan population (m)	Regional country population[1] (m)

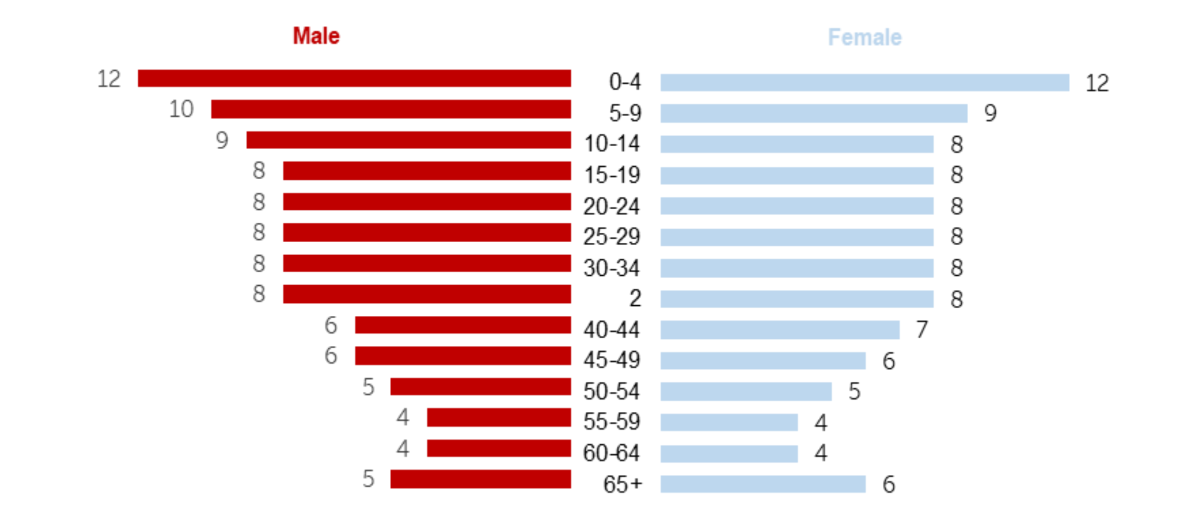


Source: Company presentation; Note: 1. Uzbek population as of 2025; for other countries, data sourced from International Monetary Fund forecast for 2026.

Young population

A young demographic profile further strengthens this outlook. The median age is under 30, compared with 39 in G20 economies, creating a large and expanding labour force with high adaptability to new skills and technologies. A youthful population typically experiences faster income growth, quicker consumption upgrading, and a longer period of workforce participation, all of which reinforce long-term economic momentum. With a low median age, workers significantly outnumber dependents, indicating that Uzbekistan has entered the early stage of a demographic dividend, a period that historically accelerates GDP growth in emerging markets.

Figure 5.2: Population pyramid (2024), %



Source: Company presentation, PwC Investment Guide Uzbekistan, Ministry of Investment, Industry and Trade of the Republic of Uzbekistan, World Economics Data

Strengthening human capital

Based on our analysis, human capital development is also moving in the right direction. Preschool enrolment has doubled, and higher education participation has nearly tripled since reform efforts began in 2017. High school enrolment, supported by near universal literacy and ongoing reforms in skills and vocational training, should ensure that more citizens transition into the formal sector. We believe these improvements help create a labour force capable of supporting higher value-added activity and sustaining economic diversification.

Uzbekistan positioned to benefit from demographic tailwinds as the number of working adults is growing faster than the dependent population. This increases labour supply, household savings, and national investment capacity. As more workers enter productive sectors and aggregate savings rise, the economy benefits from stronger capital formation and an elevated long-term potential growth rate.

For investors, this combination of scale, youth, and human capital reform offers a structural tailwind that supports multi-decade growth across consumer sectors, services, manufacturing, financials, and infrastructure.

Diversified economic growth

Uzbekistan is one of the fastest-growing economies in its region, and its performance remains materially above G20 norms. The economy expanded from USD 67bn in 2019 to USD 147bn in 2025, reflecting a strong multiyear expansion. The government is targeting USD 240bn by 2030, supported by sustained growth in output, investment, consumption, and productivity. Key drivers behind this momentum are:

Domestic demand and household consumption

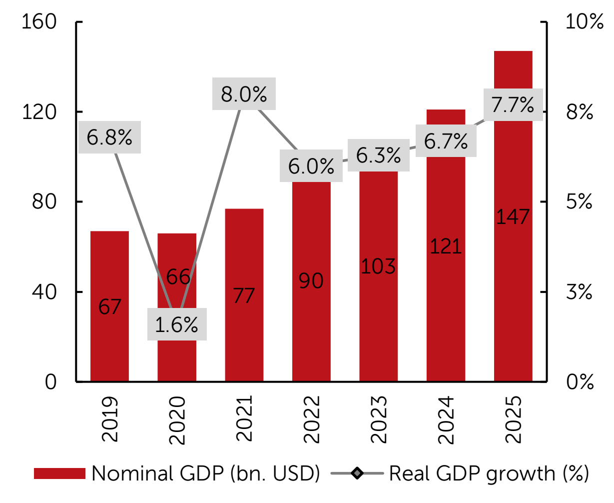
- Retail activity continues to strengthen, supported by rising incomes and broader access to goods and services.
- Remittances increased 28% to USD 18.9bn (source: kilde) in 2025, boosting household purchasing power and lifting spending across consumer categories. Net remittances rose by 36% to USD 16.3bn in 2025.
- Tourism arrivals reached 11.7 million visitors in 2025 (source: uzdaily), supporting hospitality and local commerce.

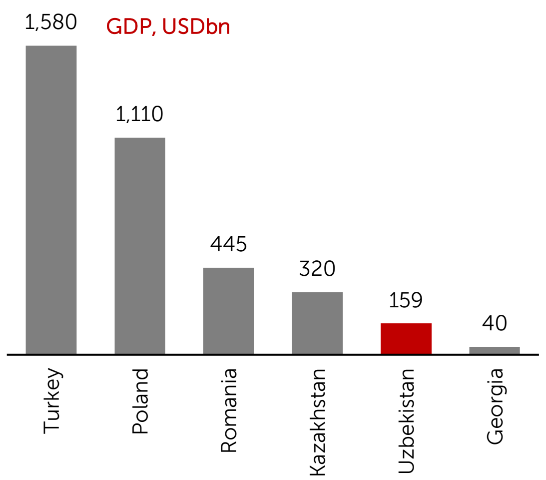
Together, we think these trends create a strong and recurring demand base that supports the services sector and stimulates industrial output.

Structural reforms

- Market opening measures, including currency liberalisation, tax reform, restructuring of state-owned enterprises, privatisation, and capital market modernisation, have fundamentally improved the operating environment.
- Utility tariff reform (RAB) has introduced cost-recovery principles, strengthened financial sustainability and enabled more efficient allocation of capital.

Figure 5.3: GDP – Uzbekistan and the region



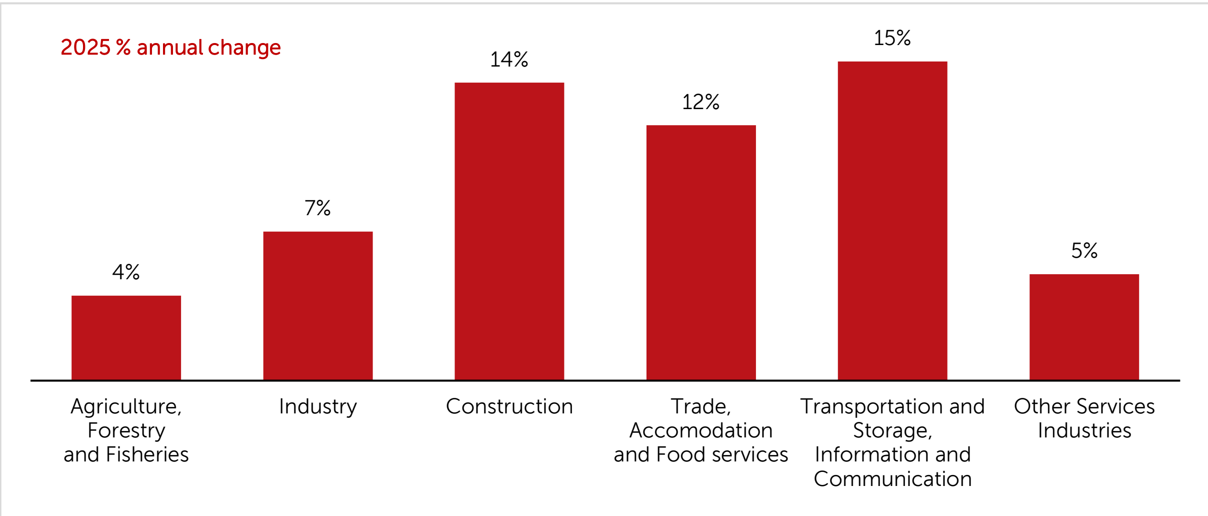


Source: 1. National Statistics Committee of the Republic of Uzbekistan as of December 2025 (preliminary data), The Central Bank of Uzbekistan, World Bank; 2. International Monetary Fund forecast for 2026.

Economic growth is increasingly broad-based across multiple industries, reflecting deeper diversification of national output. The construction sector expanded by 14% in 2025, supported by strong demand for housing, commercial real estate, and infrastructure.

The ICT sector grew 24% in 2025 and has tripled its share of national output since 2023, driven by digitalisation, outsourcing services, and new technology platforms. The services sector continues to rise in scale and importance, increasing its share of total output from 42% in 2021 to 49% in 2025.

Figure 5.4: Growth across industries, 2025



Source: Company presentation, National Statistics Committee of the Republic of Uzbekistan

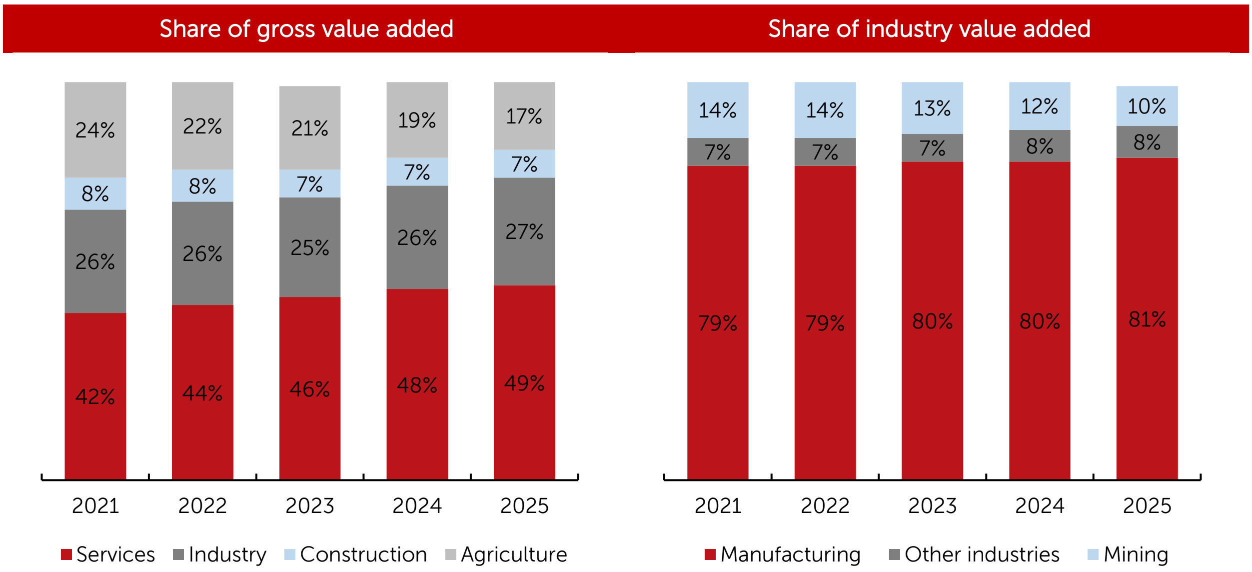
Uzbekistan's growth profile is shifting toward higher value and more resilient sectors, with manufacturing and services increasingly driving national output. The services sector's share of the economy rose from 42% in 2021 to 49% in 2025, while industry's share expanded from 26% to 27% over the same period, reflecting steady gains in processing, logistics, digital services, and industrial production.

Rising retail activity and household consumption are reinforcing this transition by accelerating domestic industrial output and energy demand, creating a self-sustaining cycle of internal demand. At the same time, agriculture has steadily declined as a share of total output, signalling ongoing structural modernisation.

Extractive industries, though still significant, now contribute less to overall activity. This reduction in dependence on mining is a positive shift, in our view. Increasing non-gold exports reduces exposure to volatile commodity cycles, improves economic stability, and leads to more predictable tax revenues.

The economy is increasingly oriented toward manufacturing, technology-driven services, logistics, and consumer-led sectors, making Uzbekistan more attractive for long-term foreign direct investment, as diversified economies tend to offer stronger resilience and lower risk.

Figure 5.5: Share of industry and sector in the economy



Source: Company presentation, National Statistics Committee of the Republic of Uzbekistan

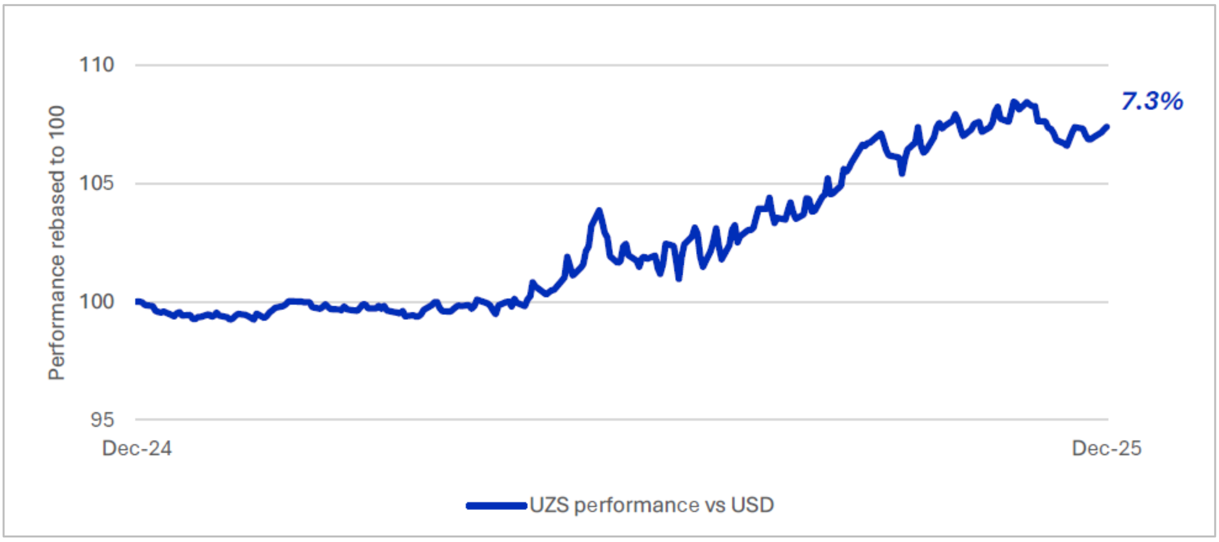
Supportive monetary and fiscal policies

The UZS appreciated 7.3% against the USD in 2025. This strengthening reflects a combination of structural and policy-driven factors. The Central Bank of Uzbekistan (CBU) operates a flexible exchange rate regime that allows market forces to adjust while maintaining macro stability. External accounts improved, supported by a 23% rise (source: company presentation) in non-gold exports and higher remittances.

Uzbekistan's reserve buffers, including gold and foreign exchange, reached USD 66.3bn[1], equivalent to roughly 45%[2] of GDP. About 83%[1] (latest 85%[3]) of these reserves are held in gold, which provides additional confidence and liquidity to the market. Alongside these structural improvements, tight monetary policy, with the policy rate c. 14%, has helped anchor expectations and supported the UZS.

Note:
1. Source: UIMF.UZ
2. USD 66.3bn reserves divided by USD 147bn of nominal GDP
3. Source: Euronews

Figure 5.6: UZS versus the USD



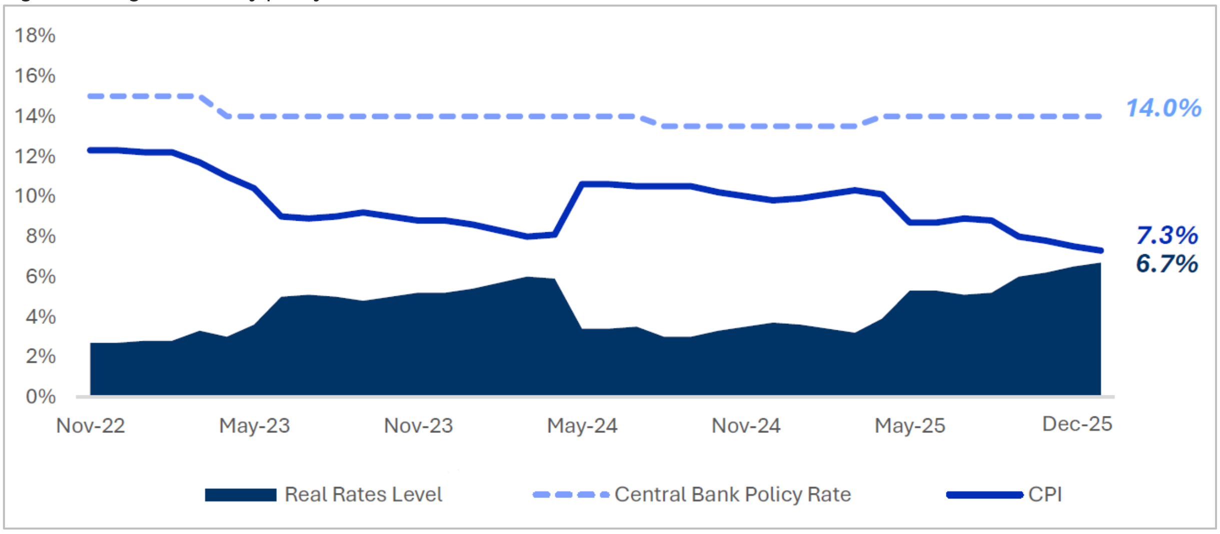
Source: Company presentation

Moderating inflation

Inflation has eased considerably, declining to 7.3% in 2025 from a high of c. 12%. We think this represents a meaningful disinflation process, placing Uzbekistan below high-inflation peers such as Turkey (24.7%) and Kazakhstan (11.4%). However, inflation remains higher than in regional peers such as Georgia (3.4%) and Poland (2.8%). Uzbekistan is broadly in line with Romania, where elevated inflation (6.7%) is driven by energy-price liberalisation and VAT increases. Romania's inflation framework closely resembles Uzbekistan's reform path, particularly in the energy sector, where tariff liberalisation plays a central role.

The CBU is operating under a tight monetary policy framework with a medium-term goal of reaching 5% inflation by 2027. The adjustment path toward this target is designed to be gradual, credible, and supported by disciplined policy measures.

Figure 5.7: Tight monetary policy



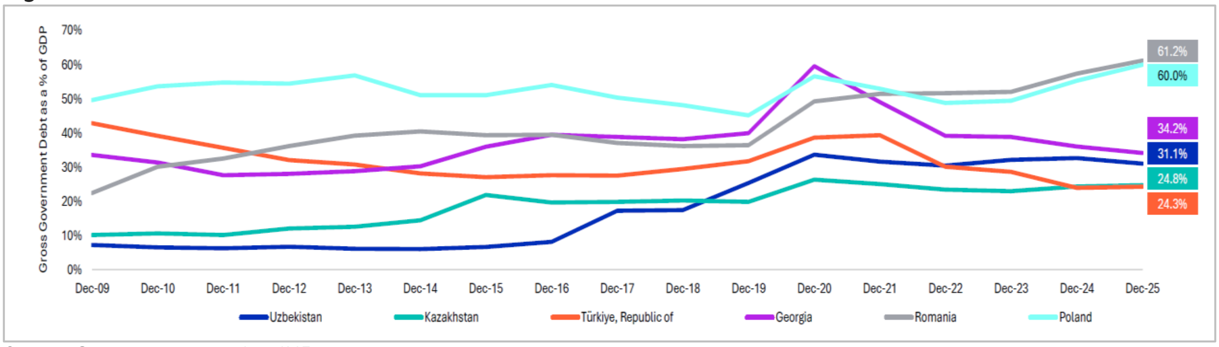
Source: Company presentation

Attractive fiscal backdrop

Uzbekistan maintains one of the strongest fiscal positions in its region. Government debt stood at 31% of GDP as of 2025, well below the legal debt ceiling of 60% and the government's self-imposed red line of 50% (source: S&P Global). This compares favourably with regional peers, some of which are above the 50% range, including Georgia 34.2%, Kazakhstan 24.8%, Turkey 24.3%, Romania 61.2%, and Poland 60.0%.

Interest payments amount to just 3.8% of revenues (source: S&P Global), reflecting a moderate servicing burden. The sovereign debt has a weighted-average maturity of 9.2 years (source: Fitch Rating). Importantly, the average cost of debt has declined over time due to improved credit ratings, a disinflation trend, and increased reliance on concessional financing. These developments reduce fiscal pressure and strengthen long-term debt sustainability.

Figure 5.8: Government debt to GDP



Source: Company presentation, IMF

Improving credit profile

Uzbekistan's sovereign credit ratings have strengthened following sustained macro reforms. The country is currently rated BB (Stable) by Fitch, BB (Stable) by S&P, and Ba3 (Positive) by Moody's. Uzbekistan is not yet investment grade, but the reform trajectory and improving macro fundamentals have supported successive upgrades, and authorities have set a target to reach investment grade by 2030.

Figure 5.9: Sovereign credit rating summary

Rating	Uzbekistan	Georgia	Kazakhstan	Turkey	Romania	Poland
Fitch	BB (Stable)	BB (Stable)	BBB (Stable)	BB- (Positive)	BBB- (Negative)	A- (Negative)
S&P	BB (Stable)	BB (Stable)	BBB- (Positive)	BB- (Stable)	BBB- (Negative)	A (Stable)
Moody's	Ba3 (Positive)	Ba2 (Negative)	Baa1 (Stable)	Ba3 (Stable)	Baa3 (Negative)	A2 (Negative)

Source: Company presentation, Bloomberg as of December 2025, Uzbekistan's 2030 Strategy

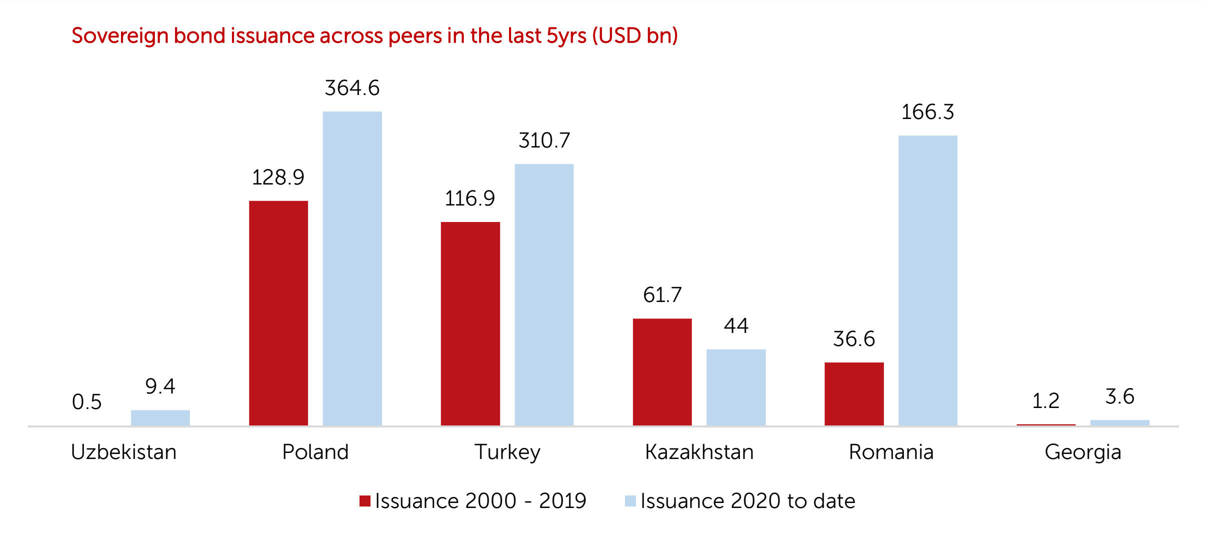
Sovereign issuance from Uzbekistan remains low relative to regional peers, with cumulative issuance of approximately USD 9.4bn over the last five years, one of the lowest in the region except for Georgia. This modest issuance volume is consistent with conservative fiscal management and low government debt levels.

Sovereign spreads have narrowed to roughly 150 bps over US Treasuries[1], supported by ongoing reforms and improved macro stability. This tightening reflects strengthening investor sentiment and contributes to lower external borrowing costs. Uzbekistan, therefore, has the capacity to issue additional sovereign paper without jeopardising fiscal sustainability. This provides policymakers with an opportunity to balance development financing needs with prudent debt management while continuing to deepen the financial market ecosystem.

In our view, leveraging the low cost of issuance would help extend the sovereign yield curve, support corporate bond market development, and strengthen domestic capital markets.

Note:
1. UZBEK 3.70% due 2030: Yield: 5.89% (source: sqxbonds), 10Y UST: 4.35% (source: tradingeconomics.com, April 7, 2026)

Figure 5.10: Sovereign bond issuance L5Y, USD bn



Source: Company presentation, Bloomberg as at December 2025

Figure 5.11: Region macro summary

Country	Uzbekistan	Georgia	Kazakhstan	Turkey	Romania	Poland	G20 average
Population, m[1]	38.5	3.7	20.5	86.5	18.7	36.2	250.5
GDP, USDbn[1]	159.2	40.2	319.8	1,580.0	444.8	1,110.0	5,050.6
GDP growth, YoY[1]	6.0%	5.3%	4.8%	3.7%	1.4%	3.1%	2.3%
GDP per capita, USD, '000s[1]	4.1	10.9	15.5	18.3	23.8	30.7	34.6
National debt to GDP[2]	31.1%	34.2%	24.8%	24.3%	61.2%	60.0%	84.0%
Inflation (average consumer prices), YoY	7.30%	3.4%	11.4%	24.7%	6.7%	2.8%	4.5%

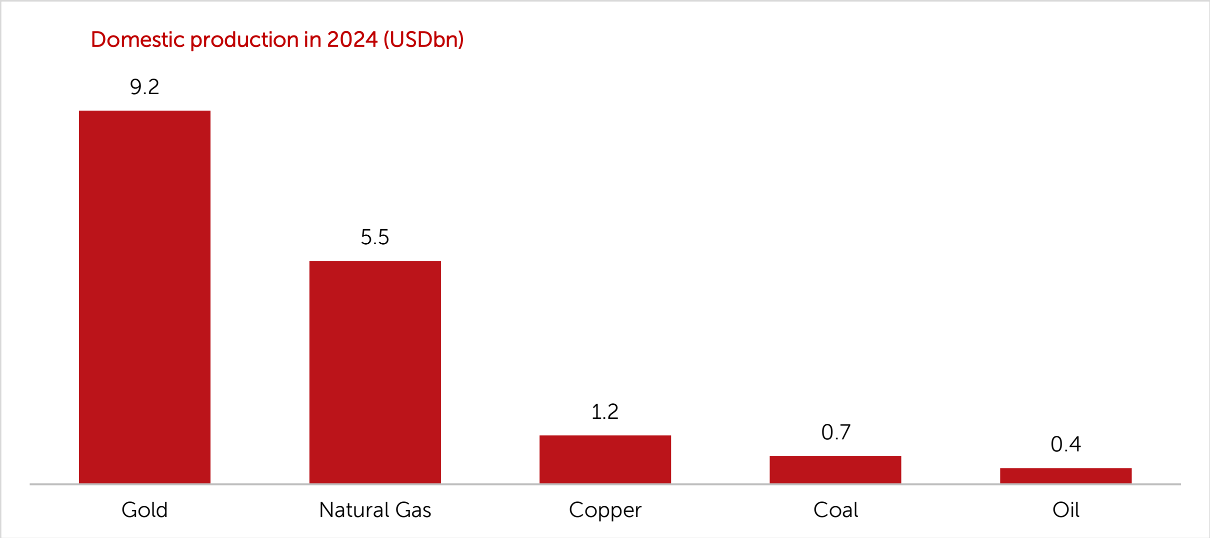
Source: Company presentation, Note: 1. International Monetary Fund forecast for 2026; 2. International Monetary Fund forecast for 2025.

Natural resource production provides a solid base

Uzbekistan's investment case is reinforced by its substantial natural resource endowment, including major reserves of natural gas, gold, uranium, copper, coal, and oil, which together provide a durable anchor for fiscal revenues and macroeconomic stability.

Gold is the highest-value natural resource, and Uzbekistan produced USD 9.2bn of gold in 2024. It acts as a dominant reserve asset, accounting for 85% of Uzbekistan's reserves. International reserves reached USD 66.3bn at end-2025 and reportedly exceeded USD 75bn by early 2026, driven largely by continued gold accumulation, strengthening the country's external buffers and current-account resilience. Gold also plays a central role in stabilising the financial position through sizeable export receipts (source: Euronews).

Figure 5.12: Domestic production of natural resources (2024, USD bn)

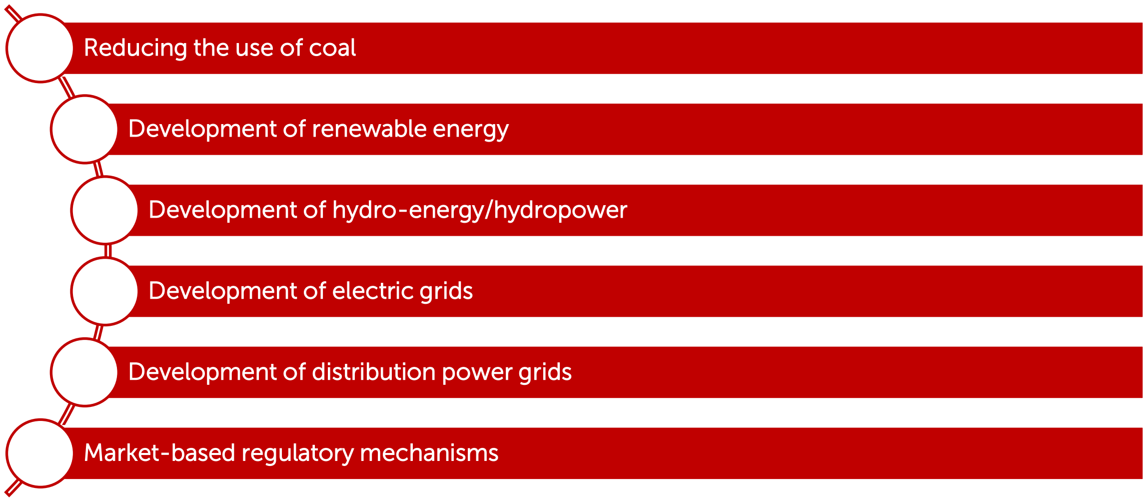


Source: Company presentation, PWC Investment Guide Uzbekistan, Ministry of Investment, Industry and Trade of the Republic of Uzbekistan, International Trade Administration, National Statistics Committee of the Republic of Uzbekistan, Bloomberg, commodity prices as of 31/12/24.

Uzbekistan recognises that long-term competitiveness requires reducing dependence on primary commodities and is therefore investing heavily in energy security and renewable capacity. Domestic energy production continues to cover part of the demand. The rapid expansion of renewables, targeted to exceed 20 GW by 2030, supports energy independence in the face of declining gas output. An increasing share of renewables also improves the trade balance by reducing fuel import needs and enables sustained industrialisation.

Uzbekistan is accelerating a broad shift toward renewable energy supported by a coordinated set of reforms and infrastructure upgrades. The transition includes reducing coal use, expanding solar, wind, and hydro-energy, and modernising both electric grids and distribution networks to integrate new generation sources. Market-based regulatory mechanisms are being introduced to attract private capital and improve efficiency, aligning with the government's wider reform agenda.

Figure 5.13: Uzbek policy: Shift to renewables and reduce reliance on hydrocarbons



Source: Company presentation

Uzbekistan aims to leverage the financial security provided by its natural-resource base as it transitions toward higher-value, technology-intensive exports, strengthening global integration and building a more resilient, diversified growth model.

2030 Strategy – Increasing investment attractiveness

Uzbekistan's 2030 Strategy is designed to significantly increase the country's attractiveness for investors by accelerating structural reforms, improving macroeconomic stability, and strengthening institutions. The strategy builds on the government's post-2017 reform momentum. Under its 2030 strategy, the government is targeting the following key fiscal and economic milestones:

- Transform into an upper-middle-income nation with a significantly modernised and liberalised economy
- GDP of USD 200bn+ by 2030; goal revised up from original USD 160bn on the back of strong progress over the last few years
- Per capita income raised to USD 5,000 by 2030, revised up from original USD 4,000 goal
- Budget deficit at or below 3% of GDP
- Inflation at 5-6% annually
- Attract USD 250bn in total investment, including USD 110bn in FDI and USD 30bn in PPPs

Figure 5.14: Key investment components of Uzbekistan's 2030 Strategy

Economic diversification	Shift from reliance on agriculture and raw materials Focus on technology, manufacturing and services to create new investment opportunities
Privatisation	Market-based restructuring of SOEs Opens formerly state-controlled sectors to private participation and boosts competitiveness
Infrastructure	Focus on modernising transport, energy and utilities Offers long-term investment potential
Regulatory reforms	Improvements in business regulations Investor protections enhance the investment climate

Source: Company presentation, PWC Investment Guide Uzbekistan, Ministry of Investment, Industry and Trade of the Republic of Uzbekistan

UzNIF sits at the centre of Uzbekistan's economic reform programme as the country's primary vehicle for restructuring state assets, improving governance, and preparing strategic enterprises for public markets. The fund holds stakes in 13 companies spanning aviation, energy, utilities, banking, telecoms, and logistics, providing investors with diversified exposure to sectors central to the national transformation.

Its mandate includes installing professional boards, raising governance standards, driving operational upgrades, and preparing priority SOEs for staged IPOs as part of the government's transition from operator to regulator.

We believe recently completed dual listing of UzNIF on both the Tashkent Stock Exchange and the London Stock Exchange would establish an international benchmark for future Uzbek listings and broaden foreign investor participation. UzNIF enables foreign investors to access its high-quality strategic assets and supports the country's broader liberalisation and privatisation agenda.

In our view, UzNIF's partnership with Franklin Templeton deploys a proven emerging-market playbook adapted from the successful Fondul Proprietatea model. The Uzbek fund is helping bring international governance standards, transparent valuation practices, and institutional credibility to Uzbekistan, accelerating sector-wide reform and strengthening the foundations for long-term, sustainable growth.

Portfolio of market leaders

UzNIF offers investors a concentrated gateway into Uzbekistan's most essential sectors through a portfolio of 13 strategically important companies. These holdings span the country's largest airline operator, the core components of the national electrical grid from generation to distribution, as well as major gas and water suppliers and the primary bus operator in the capital city. Together, the portfolio underscores UzNIF's central role in the country's economic landscape.

Each company is a champion in its field, in our view, often holding either monopoly status or a dominant market share, which allows investors to gain exposure to the fast-growing Uzbekistan economy through sector leaders operating in areas critical to national development.

The portfolio includes 13 companies; however, the fund is meaningfully concentrated in its largest positions. The top five holdings represent 76.6% of total NAV, and the top seven account for 89%. We discuss each company in detail later, but in this section, we summarise their market positioning, key value drivers and our views on their prospects.

Company/ Sector/ UzNIF shareholding	Market position	Moat	Growth drivers	Our view
Uzbekistan Airways Aviation 25%	#1 market position (86% domestic, 43%+ of international traffic)	State-backed, near-monopoly position on domestic market; Control of key routes; Vertical integration (training, MRO, catering); Domestic fuel sourcing	Growing population and economy; Low air travel penetration; Fleet expansion (70 by 2031 and 88 by 2036); New Tashkent Airport; Rising tourism	Core national infrastructure asset with a dominant competitive position, solid profitability, and meaningful upside from structural reforms, higher traffic volumes, and the planned 2H26 IPO. We see it as a compelling growth story in the UzNIF portfolio, offering investors early exposure to Uzbekistan's aviation expansion cycle.
Uzbekhydroenergo Energy Generation 40%	Main player in hydropower; accounts for 94% of hydropower capacity, 11% of total capacity	Exclusive access to national hydro resources; High capex barriers; Regulated fixed-tariff offtake; Robust financial profile, net margins 50%+	Electricity demand should grow ~6% annually between 2025 and 2030; Uzbekistan renewables transition (targets 25 GW by 2030); 45 new hydro projects; 2.5x capacity by 2032 (5.6 GW)	Low-risk infrastructure asset with exceptionally high margins, strong state backing, and significant upside from the multi-year hydro expansion programme. We believe the company provides investors with clean-energy exposure, predictable returns, and long-term structural growth aligned with Uzbekistan's market reform, energy-transition policy, and monetisation agenda in the context of its planned 2H27 IPO.
UzTelecom Telecommunications 30%	#1 mobile (31%) and fixed line player (87%)	Ownership of the country's broadest fibre-optic network and towers; Scale advantages; High barriers to entry; Regulatory backing reinforces its semi-monopoly position in fixed broadband and wholesale connectivity	Structural digitalisation; Young and growing demographic; Ongoing 4G/5G rollout; Multi-year fibre/data-centre investment; Rising demand for digital and enterprise ICT services, Strong policy support under Digital Uzbekistan 2030	We believe UzTelecom is a high-conviction digital infrastructure asset with a scalable growth runway and strong alignment with national digital-economy priorities. Its strong positioning in fixed-line and wholesale infrastructure further reinforces its competitive advantage. UzTelecom is one of UzNIF's most strategically important and monetisable holdings, with an IPO planned for 2H27.
Railway Infrastructure Rail Infrastructure 40%	Sole operator of rail-infrastructure/ monopoly position	Natural monopoly; Hard-to-replicate nationwide track power, signalling, and station infrastructure; State-backed; Very high entry barriers	Rail-sector reform; Rising domestic freight demand; Transit-corridor expansion, including China–Kyrgyzstan–Uzbekistan rail link; Digitalisation and modernisation of network	Defensive, long-duration infrastructure asset with reform-driven upside. We believe it is positioned for solid upside on the back of stable, utility-like returns, market-based tariff mechanisms, and the increasing relevance of railway transit.

Source: Company presentation, ADCB

Company/ Sector/ UzNIF shareholding	Market position	Moat	Growth drivers	Our view
SQB Banking 40%	3rd largest bank in Uzbekistan	Deep corporate relationships; Strong partnerships with IFIs; First Uzbek bank to issue an AT1; Most advanced bank in governance, risk management, and commercial transition; Majority-independent board	Growing retail deposits; Low banking penetration; Increased formalisation of economic activity; Expansion in SME and retail lending; Introduction of mandatory cashless payments for c. 28k products from 1 April 2026, implying government's increased focus on cashless economy; Targeted ROE uplift toward private-sector peer levels.	Overall, the Uzbek banking sector is positioned for strong growth due to ongoing reforms and a shrinking grey economy. We believe the bank's initiatives to pull more retail deposits into the formal banking system and expand its SME coverage, thereby reducing corporate and customer concentration, point to active and improving risk management. These developments position the bank to benefit from Uzbekistan's broader financial-sector transformation.
National Electric Grids Power Transmission 40%	Sole electricity transmission operator, monopoly	Post-2024 reform, pure transmission system operator model; No longer buys or sells electricity but earns regulated transmission income; Legally protected monopoly; High barriers to entry, as building parallel transmission needs high capex and political approval	Rising electricity demand; Shift to a RAB-based tariff model that ensures cost recovery; Integration of large-scale new renewables projects; USD 4–5bn grid-expansion programme; 7,000 km of new high-voltage lines by 2035 (source: gazeta.uz)	Rising electricity demand and the need to connect all new renewables projects reinforce NEGU's strategic role as the country's only transmission operator. The shift to an RAB-based tariff model is expected to strengthen revenue visibility and support higher regulated returns. Taken together, these factors create meaningful upside potential on the back of NEGU's monopoly position and stable regulatory framework, making it a defensive, long-duration utility asset with predictable cash flows.
Regional Gas Supply Utilities 40%	Core gas distributor in Uzbekistan with national last-mile reach and LPG exposure	Scarce network infrastructure, embedded demand, high replacement cost, reform routed through its platform.	RAB tariff reset, gas-heavy economy, smarter metering, lower losses, better collections	Regulatory earnings reset story with meaningful rerating potential if tariff reform is delivered credibly.

Source: Company presentation, ADCB

Company/ Sector/ UzNIF shareholding	Market position	Moat	Growth drivers	Our view
Uzbek Commodity Exchange Financial Services 40%	Largest trading platform in Central Asia	Legislative mandate for trading of certain highly liquid commodity products on the exchange; Transparent electronic auction system; nationwide branch network; High dividend payout	Expansion of traded products (gas, electricity) and rollout of futures; Warehouse receipt financing; Increasing commodity volumes	High-margin, cash-generative platform with strong policy support and a clear volume growth runway.
Thermal Power Plants Energy Generation 25%	Leading thermal generation company; Accounts for 33% of total installed capacity	Dual-fuel capability; Essential for grid balancing as renewables scale	New 1.1 GW combined cycle gas turbine project; IFI-backed capex	The country is increasingly focused on renewables, and TPP stands as a necessary baseload and balancing asset with modernisation-driven upside.
Regional Electric Network Utilities 40%	Monopoly electricity distributor	High smart-meter penetration (98% households); Advanced digitalisation; Strong regulatory protection	RAB-based tariff reform from 2026; Rising power demand	Defensive utility asset with significant operational efficiency upside and predictable tariff-driven returns from RAB implementation.
Uzbekinvest Financial Services 40%	Top-2 non-life insurer	Strong nationwide footprint; Government backing; Moody's Ba2 rating; International operations (London office)	Underpenetrated insurance market; Rising household income; Increased corporate-insurance adoption	High-growth financial-services asset with significant catch-up potential in an underpenetrated market, backed by strong institutional credibility.
TashBus Transportation 25%	Largest public bus operator	Gross-contract model ensures 100% cost recovery + guaranteed 10% margin	Urbanisation; Electrification of transport; Rising commuter demand; Ancillary revenue (data monetisation and ads)	Low-risk, steady-return infrastructure asset with gross-contract protection and upside from economic and demographic growth, pointing to predictable cash flows and stable margins.
Water Supply Utilities 40%	National monopoly water utility	State-backed modernisation; Essential service provider with multilateral financing support	RAB tariff transition (pending); Major infrastructure upgrades; Urban population growth; NRW (loss) reduction programmes.	Defensive essential-services asset benefiting from ongoing modernisation and the planned transition to an RAB-based tariff framework and supported by government budget allocations to stabilise tariffs during the reform period. Overall, this supports a more stable return profile.

Source: Company presentation, ADCB

Uzbekistan Airways – largest airline group in the country

Uzbekistan Airways Group (UAG) is the largest airline group in the country and one of the leading aviation platforms in Central Asia, operating international, regional, and domestic flights to 90+ destinations. Tashkent serves as the group's primary hub. The group operates three distinct brands:

- Uzbekistan Airways: Full-service carrier
- Uzbekistan Express: Regional low-cost carrier
- Silk Avia: Domestic low-cost carrier focused on nationwide connectivity

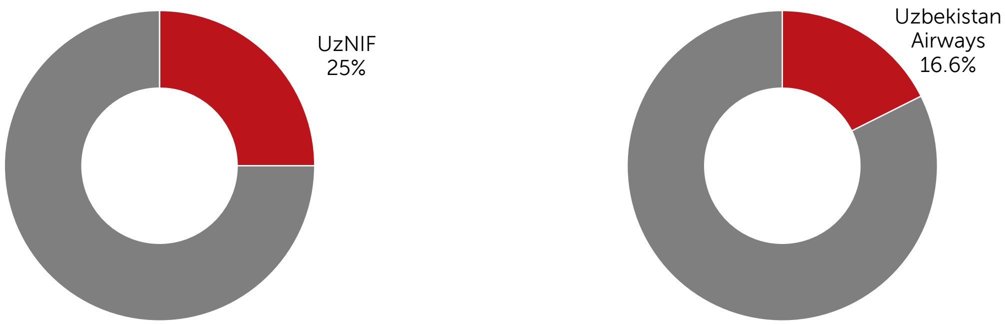
Beyond passenger services, the group provides a full suite of aviation capabilities, including catering, training, and maintenance, repair and overhaul (MRO) services. The company also operates a helicopter arm. UAG's portfolio includes its subsidiary, Tashkent Humo airport, which has stakes in three Uzbek airports, including the existing and new Tashkent.

UzNIF holds a 25% stake in Uzbekistan Airways. Based on valuation reports prepared by a Big Four independent valuer using the latest available financial information, the airline group reported a holding value of USD 405m[1] as of 31 May 2026, or 16.6% of UzNIF's value.

In June 2026, the government reviewed the Franklin Templeton transformation programme for Uzbekistan Airways, which includes 115 measures aimed at increasing annual operating income by around USD 120m and raising the company's value by c. 45%, from the current USD 1.6bn to USD 2.3bn. Authorities are targeting an international IPO of a 15-20% stake by the end of 2026 (source: daryo.uz).

Figure 7.1: Uzbekistan Airways shareholding structure[1]

Uzbekistan Airways shareholding	Share of UzNIF's NAV



Source: Company presentation; Note: 1. Based on valuation reports prepared by a Big Four independent valuer as of 31 May 2026.

Fleet expansion

UAG currently operates a fleet of 48 aircraft with an average age of eight years, split evenly between Airbus models and a mix of Boeing, ATR, Let, and Pilatus planes. Leased aircraft have a lower average age. The company uses Boeing Dreamliners for long-haul international routes and the Airbus A320 family for short-to-medium haul operations, while domestic short-haul services are supported by its ATR fleet.

UAG owns 31 aircraft, representing roughly 65% of its total fleet, with the remainder under operating leases. We think this balanced approach allows the company to maintain operational flexibility.

Figure 7.2: Fleet summary

	Owned	Leased	Total	% of total fleet
Airbus				
A320	9	–	9	19%
A320neo	–	10	10	21%
A321neo	–	5	5	10%
Total Airbus	**9**	**15**	**24**	**50%**
Boeing				
B767	8	–	8	17%
B787	6	–	6	13%
Total Boeing	**14**	**–**	**14**	**29%**
ATR72	3	2	5	10%
Let L-410	4	–	4	8%
Pilatus PC-24	1	–	1	2%
Total	**31**	**17**	**48**	**100%**
% of total fleet	**65%**	**35%**	–	–

Source: Company presentation

Importantly, UAG's Airbus A321neo aircraft are currently operated under lease arrangements, which limit upfront capital commitments and reduce balance-sheet obligations to scheduled lease payments rather than large upfront cash outflows and asset additions. This approach is particularly advantageous during periods of rapid growth, as leased aircraft can be secured with significantly shorter delivery lead times compared with the long queues for new-build units. This enables UAG to ramp up capacity quickly and respond effectively to strong market demand.

Large order book

UAG plans to scale its fleet from 48 aircraft today to 70 by 2031 and 88 by 2036, supported by a structured mix of near-term leases and long-term owned aircraft. The company's order book includes 36 aircraft, including 22 wide-body Boeing 787-9 Dreamliners scheduled for delivery beginning in 2031. In parallel, UAG has 14 Airbus A321neo aircraft slated for delivery from 2028, which should strengthen its medium-haul capabilities.

Uzbekistan Airways had made advance payments for aircraft purchases totalling UZS 643bn (USD 51.5m) as of 31 December 2024. The airline intends to fund upcoming aircraft acquisitions through a diversified debt mix that includes facilities from China Development Bank, the Fund for Reconstruction and Development of Uzbekistan, NBU, and the Islamic Development Bank. Public disclosures further indicate that Boeing aircraft orders will be financed through debt, reinforcing the company's leverage-based capital strategy for fleet expansion.

Figure 7.3: Expansion plans

Year	Fleet size
2020	28
2022	31
2025	48
2028E	57
2031E	70
2036E	88

Source: Company presentation

Figure 7.4: Order book

Aircraft	Number of aircraft
B787-9 (firm order)	22
A321neo (firm order)	14
Total order book	36

Source: Company presentation

To sustain growth ahead of its scheduled deliveries, UAG plans to add an average of five leased aircraft per year, enabling rapid capacity expansion and capturing strong market demand across high-growth routes. Leasing supports this phase by preserving cash, improving liquidity, and avoiding large payments, enabling UAG to scale quickly without straining its balance sheet.

The shorter lead times associated with leased aircraft also allow the company to launch and test new routes with lower risk; if market performance is strong and a route proves structurally profitable, UAG can later transition to owned aircraft to unlock long-term cost advantages. This phased approach, leasing in the mid-term to drive agile growth, followed by a gradual increase in ownership positions UAG to enhance cost efficiency, strengthen control over fleet deployment, and build enduring value as its core markets continue to expand.

Dominant national position

UAG benefits from a uniquely strong market position, anchored by a dominant 86% share of Uzbekistan's domestic market and a leading 48% share across the broader Central Asia and Caucasus region, which includes Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Azerbaijan, Georgia, Mongolia, and Pakistan. The company also captures roughly 43% of total international traffic to and from Uzbekistan, underscoring its role as the country's primary aviation gateway.

On the international side, UAG holds a powerful competitive position across its key markets, consistently ranking as either the dominant operator or a strong second player:

- In Turkey, one of its most important and largest corridors from/to Uzbekistan, UAG is the second-largest carrier after Turkish Airlines, reflecting deep market relevance despite competition from a global hub leader.
- In Europe, UAG is the clear market leader with a commanding 78% share, underscoring its strength on high-value trunk routes.
- Total capacity to the US remains relatively small; UAG currently holds a 100% market share, providing a strong platform for future long-haul expansion.
- In China, the market is led by China Southern at 29%, with UAG closely positioned as the second-largest operator at 22%, a notable presence given the strategic importance of China-Central Asia traffic flows.

This market configuration supports pricing power, improves load factors, and strengthens UAG's role as the backbone of connectivity between Uzbekistan and the wider global network.

Demand continues to be supported by Uzbekistan's liberal visa-free policies, which have accelerated inbound tourism and strengthened transfer flows. Building on this momentum, UAG is targeting deeper penetration of long-haul markets with ambitions to scale daily operations to New York JFK, Miami, and Chicago.

The existing B787 Dreamliner fleet makes Chicago operationally feasible. However, Miami's longer stage length may require other long-haul aircraft, such as the A350, as the fleet expands. UAG is also prioritising major European hubs such as London and Frankfurt, and expanding across China, India, and Southeast Asia to diversify exposure beyond traditional corridors.

Recent disruptions in the Middle East have required selective rerouting, particularly through Pakistan, thereby increasing flight times. However, a temporary reduction in Gulf LCC competition has widened yields and improved mix on high-demand routes to Dubai, Saudi Arabia, and Egypt.

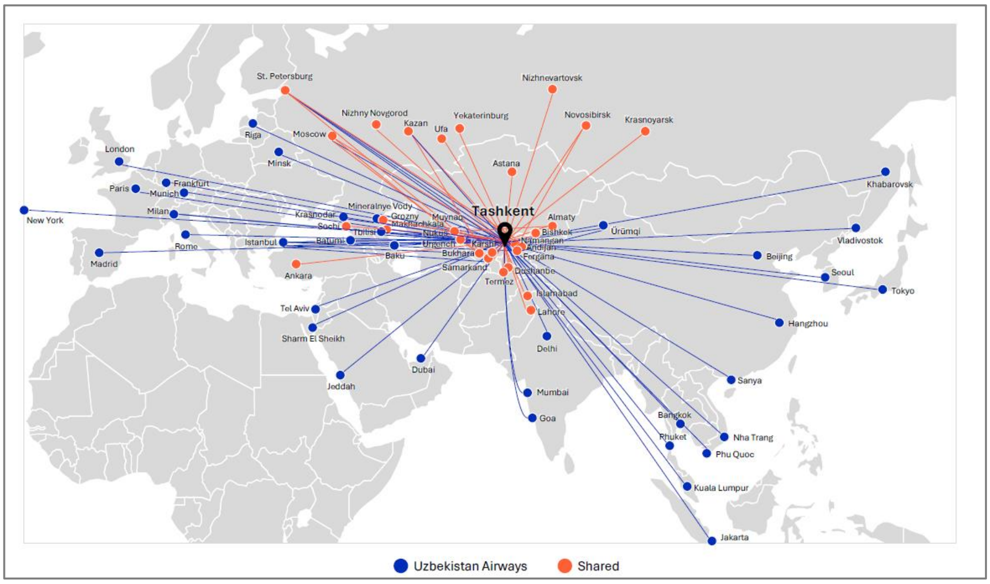
Russia remains an important market, but UAG is intentionally rebalancing its network, with Russia's share of international traffic expected to decline to 20–25% as growth accelerates in Europe, the US, China, India, and Southeast Asia.

Overall, we believe that UAG's domestic leadership, diversified route expansion, and ability to capitalise on shifting competitive dynamics position the company to sustain strong structural demand and capture an outsized share of regional and long-haul growth.

Uzbekistan Airways

Uzbekistan Airways plays a pivotal role in stimulating premium long-haul and major international trunk traffic to and from the country, supported by a scalable network and solid operational footprint. In 2025, the airline carried 4.27 million passengers across 87 routes, deploying a fleet of 35 aircraft and generating 15.7 billion ASK (the number of seats available for sale multiplied by the distance flown in kilometres).

Figure 7.5: Uzbekistan Airways network

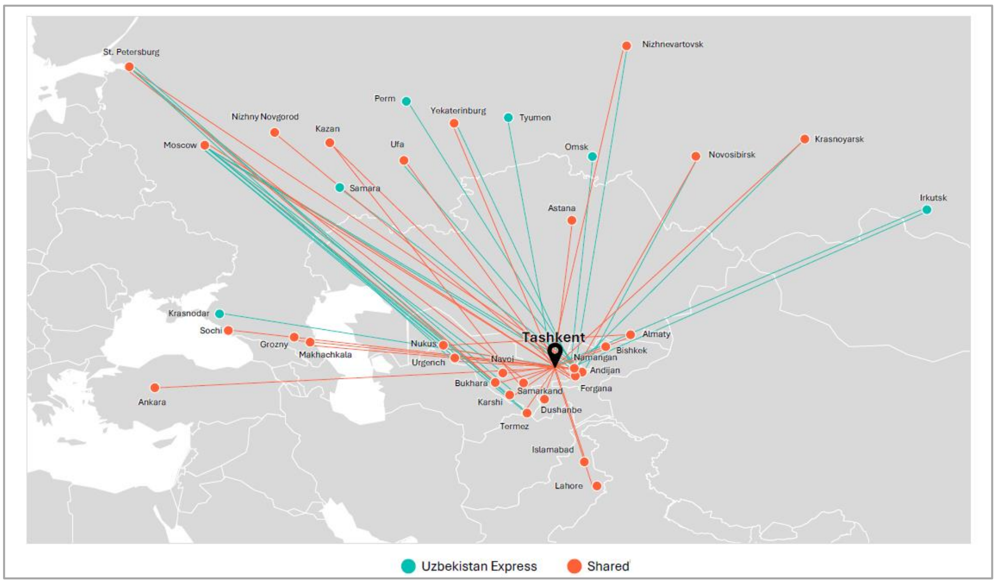


Source: Company presentation; shared cities or routes are those also served by Uzbekistan Airway Express and/or Silk Avia.

Uzbekistan Express

Uzbekistan Express, the group's designated short-and medium-haul brand, plays a strategic role in stimulating leisure travel in and out of Uzbekistan by offering high-frequency, competitively priced services on regional routes. The express carrier transported 1.82m passengers across 59 routes, deploying a focused fleet of four aircraft that delivered 4.6 bn ASK, in 2025.

Figure 7.6: Uzbekistan Express network

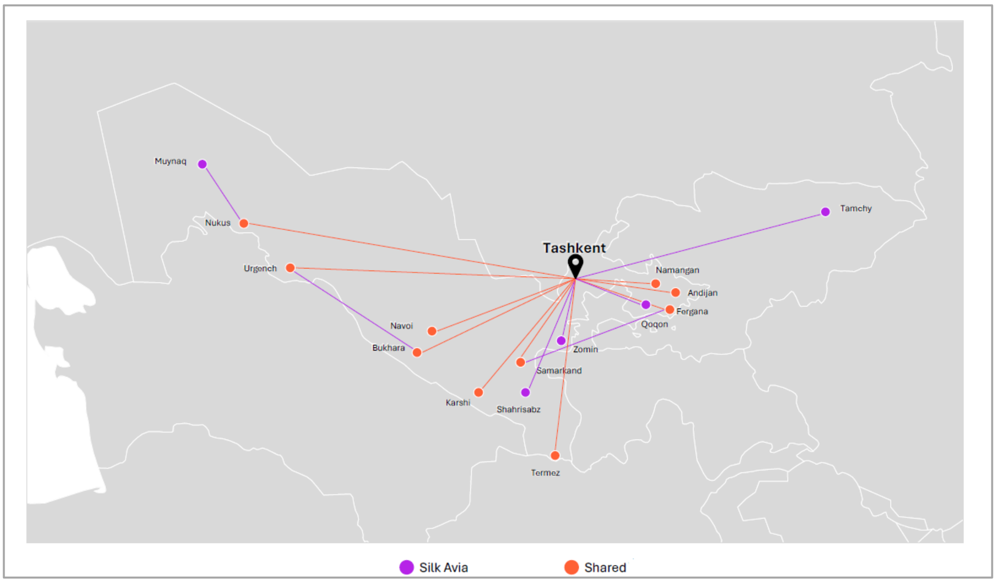


Source: Company presentation; shared cities or routes are also served by Uzbekistan Airways and/or Silk Avia.

Silk Avia

Silk Avia serves as the group's shortest-haul feeder carrier, enabling broad city-pair coverage and strengthening domestic connectivity by linking Tashkent with key regional cities. Operating a fleet of nine aircraft across 18 routes, the airline transported 516K passengers and generated 222m ASK in 2025.

Figure 7.7: Silk Avia network



Source: Company presentation; Shared cities or routes are also served by Uzbekistan Airways and/or Uzbekistan Airway Express.

Cargo operations

Uzbekistan Airways' revenue structure is anchored by two primary streams, passenger transportation and cargo operations. Cargo contributed 7% of total revenue in 2024, supported by a dual-track model that combines belly cargo on passenger flights and dedicated B767 freighter operations serving high-density, e-commerce, and seasonal markets.

Single customers accounted for 51% of cargo revenue in 2024, up from 43% in 2023, which points to concentration risk. The airline aims to mitigate this risk by broadening its shipper base and strengthening belly cargo sales.

Ancillary revenue is not reported separately; these items are embedded within passenger revenue and include baggage fees, seat selection, upgrades, rebooking charges, and loyalty monetisation.

Operational highlights

UAG benefits from a structural cost advantage driven by deep vertical integration across MRO, training, and catering, which collectively support one of the strongest RASK–CASK spreads in the region. RASK measures revenue per available seat kilometre, while CASK reflects cost per available seat kilometre; the wider the delta, the stronger the unit profitability.

The group continues to build on these advantages by expanding MRO capacity through two new wide-body hangars capable of accommodating larger B787 and B777 wingspans. These facilities enable full airframe checks (excluding engine, APU overhauls, and landing gear) and are expected to double throughput while increasing third-party work beyond the current ~30 % share.

On the fuel side, the company sources c. 70% of jet fuel directly from the Bukhara refinery under largely fixed annual pricing, with the remaining 30% procured through the commodity exchange. This domestic, largely fixed-price sourcing model significantly reduces exposure to global fuel price volatility and minimises the need for financial hedging, an advantage few regional carriers enjoy. Outside Uzbekistan, UAG also buys fuel at its destinations opportunistically or if needed.

Looking ahead, the group plans to consolidate its low-cost platforms by merging Express and Silk Avia, creating a unified structure across scheduling, maintenance, crew management, and procurement. This integration is expected to deliver meaningful synergies, improve coordination across short- and medium-haul operations, and enhance overall cost efficiency.

Combined with vertical integration, domestic fuel sourcing, and the planned low-cost carrier consolidation, the company is positioning itself to maintain a structurally lower cost base, widen its RASK–CASK spread, and reinforce its competitive edge as it expands.

UAG demonstrates stronger positioning

UAG has delivered strong revenue growth over the past two years (2022–24), broadly in line with global peers and comfortably within the top tier of the benchmark group as the overall market has recovered post-COVID. Importantly, UAG's unit economics stand out: the company's RASK–CASK delta is among the widest of the operators shown, reflecting the benefits of vertical integration and an efficient cost structure.

UAG's RASK is surpassed only by premium-positioned carriers such as Singapore Airlines and Turkish Airlines, whose higher revenue per seat kilometre is driven by premium cabins and global hub connectivity. Given the scale of the airlines and Uzbekistan's geography, the most relevant comparable peers are Air Astana, Pegasus, and Wizz Air. UAG's RASK is higher than that of its peers, resulting in a wider spread between revenue and cost and consequently stronger margins.

Overall, UAG is expanding at a pace comparable with global operators while maintaining superior margins, supported by a structurally advantaged cost base. Its combination of competitive revenue performance, disciplined cost management, and a healthy RASK–CASK delta positions the company as a well-placed carrier with strong growth momentum and resilient profitability.

Figure 7.8: UAG comparison with peers

	UZBEKISTAN airways / UZBEKISTAN express / silkavia	air astana group	AirArabia العربية للطيران	TURKISH AIRLINES	SINGAPORE AIRLINES	Jazeera الجزيرة	IndiGo	PEGASUS AIRLINES	WIZZ
Revenue growth, 2022-24, %	12.7%	12.6%	12.5%	10.9%	11.3%	7.0%	26.7%	13.0%	22.2%
Net income margin, %	8.4%	4.0%	22.1%	15.1%	15.1%	4.9%	7.7%	11.6%	2.8%
ASK (bn)	19.9	19.3	n.a.	254.1	175.6	n.a.	150.2	66.8	120.6
RPK (bn)	16.2	16.1	n.a.	208.9	152.1	n.a.	128.6	58.6	109.7
Load factor (%)	83.1%	83.5%	82.0%	82.2%	86.6%	78.4%	85.6%	87.7%	90.9%
RASK (USD cents/ASK)	7.07	6.78	n.a.	8.92	11.09	n.a.	6.33	5.06	4.66
CASK (USD cents)	5.83	6.02	n.a.	8.17	8.39	5.84	5.61	4.18	4.47
CASK excl. fuel	3.81	4.44	n.a.	5.74	5.49	4.01	4.19	2.76	2.91
Delta (RASK-CASK, USD cents)	1.24	0.76	n.a.	0.75	2.70	n.a.	0.72	0.88	0.19

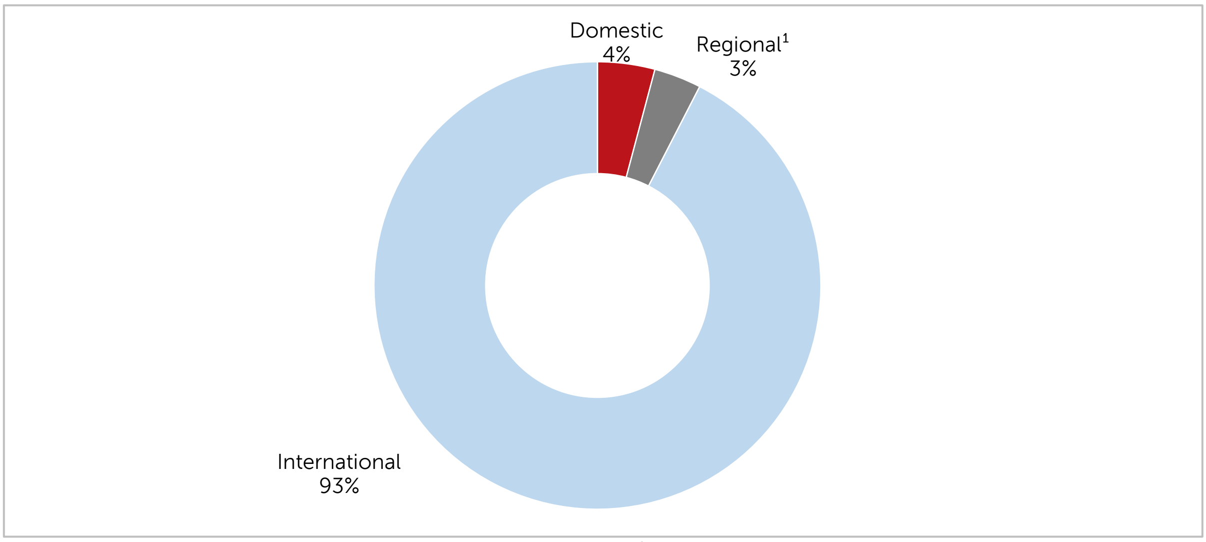
Source: Company presentation, n.a.: Not available.

Uzbekistan market structure

Uzbekistan's aviation market is structurally oriented toward international travel, and UAG sits at the centre of this ecosystem. The country's relatively small geographic size limits the scale of pure domestic demand, and most domestic traffic consists of short city-pair connections into Tashkent.

Silk Avia plays a critical role on these routes, linking regional cities to the capital and channelling passengers into UAG's broader network. The majority of the group's fleet – 35 aircraft operated by Uzbekistan Airways – is deployed on international and regional routes, reflecting where the bulk of national travel demand is concentrated.

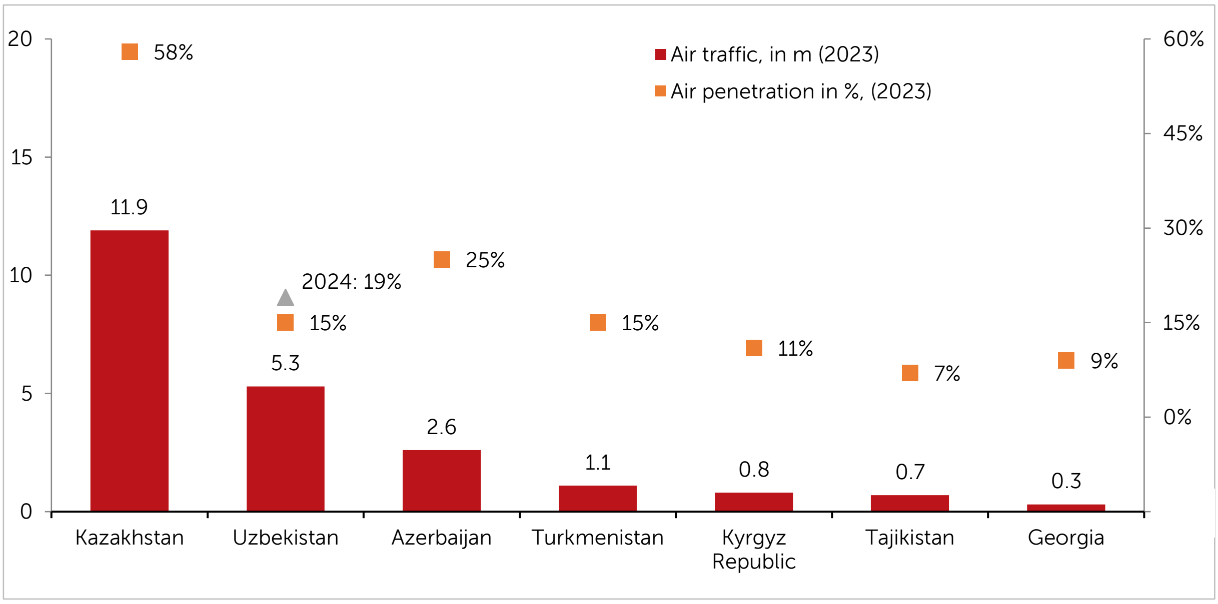
Figure 7.9: Uzbekistan aviation market (by ASK, 2025)



Source: Company presentation; Note: 1. Central Asia and Caucasus region (Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Azerbaijan, Georgia, Mongolia, and Pakistan).

Uzbekistan's aviation market is positioned for strong long-term expansion, in our view, supported by low air travel penetration relative to regional peers and the largest population base in Central Asia. Despite its significant population size, air travel usage remains far below that of countries such as Kazakhstan, indicating substantial headroom as incomes and GDP per capita rise and connectivity improves.

Figure 7.10: Air traffic and penetration (2023)

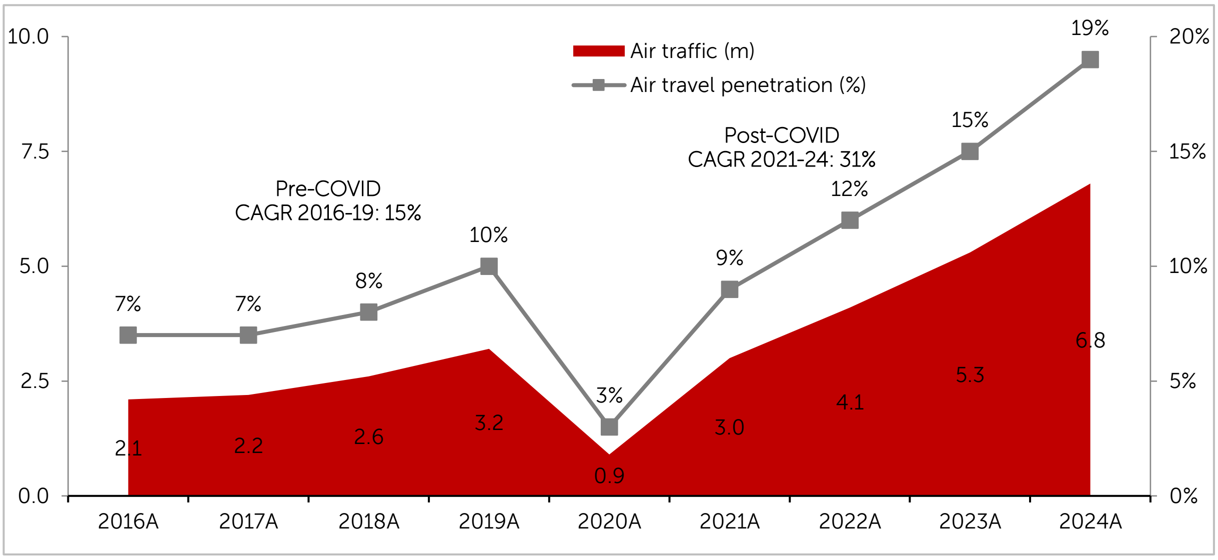


Source: Company presentation; air traffic refers to passengers carried by airlines registered in the country, regardless of the origin or destination of the passengers; air travel penetration = air traffic/total population.

Structural demand was already evident before the pandemic, as air traffic increased 15.1% annually between 2016 and 2019, reflecting solid double-digit growth driven by rising mobility and tourism. COVID-19 temporarily disrupted activity, but after that, the market not only recovered but also accelerated as travel reopened. Growth was further boosted by regional dynamics, including re-routing and strong outward connectivity linked to the Russia–Ukraine conflict, which supported faster normalisation. Post-COVID, between 2021 and 2024, air traffic increased at a 31.4% CAGR. Notably, traffic was already close to 2019 levels in 2021, much earlier than in many other parts of the world.

Passenger volumes now exceed pre-pandemic levels, and we expect rising per capita income to further boost travel frequency, deepen network connectivity, and lift penetration rates. Combined with broader economic reforms, the expansion of low-cost carrier offerings, and increased international linkages, we believe Uzbekistan has a compelling runway for sustainable aviation growth.

Figure 7.11: Air traffic and travel penetration evolution in Uzbekistan



Source: Company presentation; air traffic refers to passengers carried by airlines registered in the country, regardless of the origin or destination of the passengers; air travel penetration = air traffic/total population.

New airport should stimulate demand

Tashkent's current airport, Islam Karimov Tashkent International Airport, is operating near its design capacity of roughly 11 million passengers per year, with recent throughput approaching 10 million passengers. This highlights rising traffic demand and capacity constraints. These pressures have accelerated the development of the New Tashkent International Airport.

Construction of the new airport was launched in October 2025. It is intended as a transformative project to position Tashkent as Central Asia's primary aviation hub and a key connector between the region and major global markets. The USD 3.3bn development, structured as a public-private partnership with Vision Invest (Saudi Arabia), Incheon International Airport Corporation (South Korea), and Sojitz Corporation (Japan), is expected to open by 2029/30 with capacity for 20 million passengers annually and more than 40 aircraft movements per hour, with long-term plans to expand beyond 54 million passengers.

Designed as a multimodal transport hub, the new airport will link directly to major highways and a high-speed rail station, enabling seamless domestic and international transit. For UAG, this represents a significant structural catalyst: enhanced capacity and improved connectivity should drive sustained growth in inbound tourism, transit flows, and long-haul traffic, further strengthening the flag carrier's position as the primary beneficiary of Uzbekistan's fast-growing aviation demand.

Uzbekistan Airways investment case

Figure 7.12: Uzbekistan Airways investment highlights

One of the largest airlines in Central Asia; Strategic important to state	▶ Flag carrier of Uzbekistan, providing essential air connectivity to/from the Central Asia region ▶ Instrumental in driving the economic, trade and tourism growth in Uzbekistan
Multiple brands strategy	▶ The three brands, each with a unique proposition, operate independently and complementarily with limited cannibalisation, driving demand from passengers with different demographics
Industry and macro tailwinds	▶ Liberalisation of the aviation sector has boosted air traffic growth ▶ Growth has been unprecedented; however, both air connectivity and air penetration remain low, representing significant upside opportunities
Fleet expansion and new airport	▶ Track record of fleet expansion, 70% growth in 2020-25 ▶ Plans to double the fleet by 2036, and has confirmed orders with both Boeing and Airbus ▶ Construction of the new Tashkent International Airport, the largest in Central Asia, should enhance Uzbekistan Airways' proposition in the region, driving demand and growth
Strong financial performance drives shareholder returns	▶ Compelling top-line growth and financial resilience through and post-COVID ▶ Leading profitability supported by healthy yield and disciplined cost management

Source: Company website

Growth and cost efficiency drivers

Uzbekistan Airways is supported by strong macro tailwinds and an improving operational backdrop, which in our view positions the airline for sustained growth. Management can also unlock cost efficiencies by leveraging internal MRO capabilities, deploying a newer, more fuel-efficient fleet, and driving improvements in operational performance. Altogether, we believe these drivers point to sustained growth and reinforce a structurally lower cost base.

Figure 7.13: Revenue and cost drivers

Future revenue growth drivers	Cost efficiency drivers
Network & market growth Growth supported by strong macro conditions and rising affluence in Uzbekistan New routes planned primarily across Europe and Asia Fleet expansion Capacity/ASK growth through new fleet deliveries Cargo expansion More effective belly cargo monetisation Selective expansion of freighter operations Ancillary revenue upside Significant headroom in ancillaries, driven by digitalisation and product improvements	Operational productivity Shorter turnaround times, better OTP, and more efficient fleet utilisation Fuel procurement advantage 70% local fuel at fixed pricing Maintenance efficiencies Leveraging in-house MRO and cost discipline Digitalisation Across commercial and operational workflows

Source: Company website

Financial summary – Uzbekistan Airways

FYE Dec, USDm	2023	2024	Change (YoY)
Revenue			
Revenue from passenger and cargo	1,260	1,378	9.4%
Others	26	29	14.0%
Total	**1,286**	**1,408**	**9.5%**
Expenses			
Aviation fuel	349	402	15.2%
Ground handling, insurance and air navigation	248	284	14.7%
Staff costs	125	146	16.9%
others	302	328	8.6%
Operating expenses	**1,024**	**1,161**	**13.4%**
Operating income	**262**	**247**	**-5.7%**
Depreciation and amortisation	62	81	29.0%
EBITDA	**325**	**328**	**0.9%**
Profit before tax	127	138	9.0%
Net income	**107**	**118**	**9.6%**
Margin			
EBITDA	25.2%	23.3%	
EBIT	20.4%	17.5%	
Net income	8.4%	8.4%	
Balance sheet			
PPE	604	707	17.0%
ROU	396	422	6.6%
Cash	27	65	137.7%
Total assets	1,556	1,609	3.4%
Borrowing	652	525	-19.5%
Lease liabilities	455	505	11.1%
Total Liabilities	350	417	19.0%
Total equity	220	250	13.8%
Net debt	1,080	965	-10.6%
Leverage (Net debt/EBITDA)	3.33	2.95	

Source: Uz Airways audited statements; Exchange rate: USD/UZS: 2023 = 11,731, 2024 = 12,645.

Uzbekhydroenergo – Hydro champion

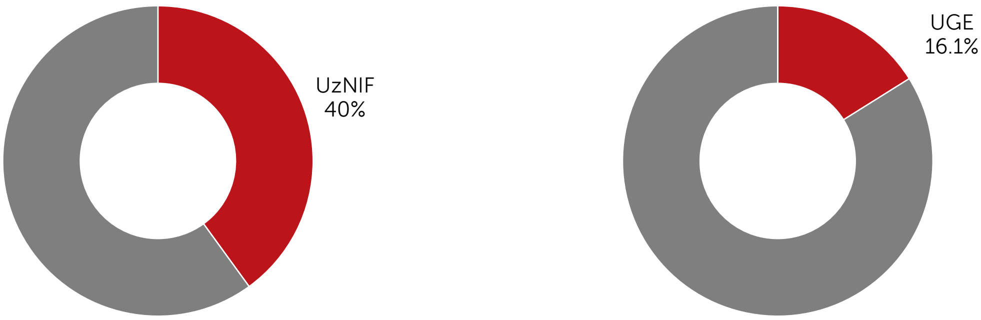
Uzbekhydroenergo (UGE) is the largest producer of hydroelectricity in Uzbekistan. UGE operated 77 hydropower plants in 2024, with a total installed capacity of 2,256 MW, generating 8.2 TWh of electricity at a utilisation rate of 42%. UGE accounts for approximately 94% of the country's total hydropower capacity and 11% of nationwide electricity generation.

The company was established in 2017 to advance the government's renewable energy strategy. It is responsible for the construction, operation, and modernisation of hydropower assets across the country, with a clear mandate to expand the share of clean energy while improving efficiency and long-term sustainability. We believe these factors position Uzbekhydroenergo as a central platform for Uzbekistan's clean energy transition and a strategically important contributor to national energy security.

UzNIF holds a 40% stake in UGE. Based on valuation reports prepared by a Big Four independent valuer using the latest available financial information, UGE had a value of USD 392m[1] in UzNIF as of 31 May 2026, or 16.1% of UzNIF's value.

Figure 8.1: Uzbekhydroenergo shareholding structure[1]

Uzbekhydroenergo shareholding	Share of UzNIF NAV



Source: Company presentation; Note: 1. Based on valuation reports prepared by a Big Four independent valuer as of 31 May 2026.

Planned expansion

Uzbekhydroenergo plans a transformative expansion of its generation platform, targeting a 2.5x increase in installed capacity to approximately 5.6 GW by 2032, backed by 45+ new projects scheduled from 2025 to 2032. Construction momentum is already visible, with about 500 MW currently under development and a further eight projects, totalling roughly 400 MW, expected to begin this year, setting up a commissioning cycle that will cluster from the late 2020s into the early 2030s.

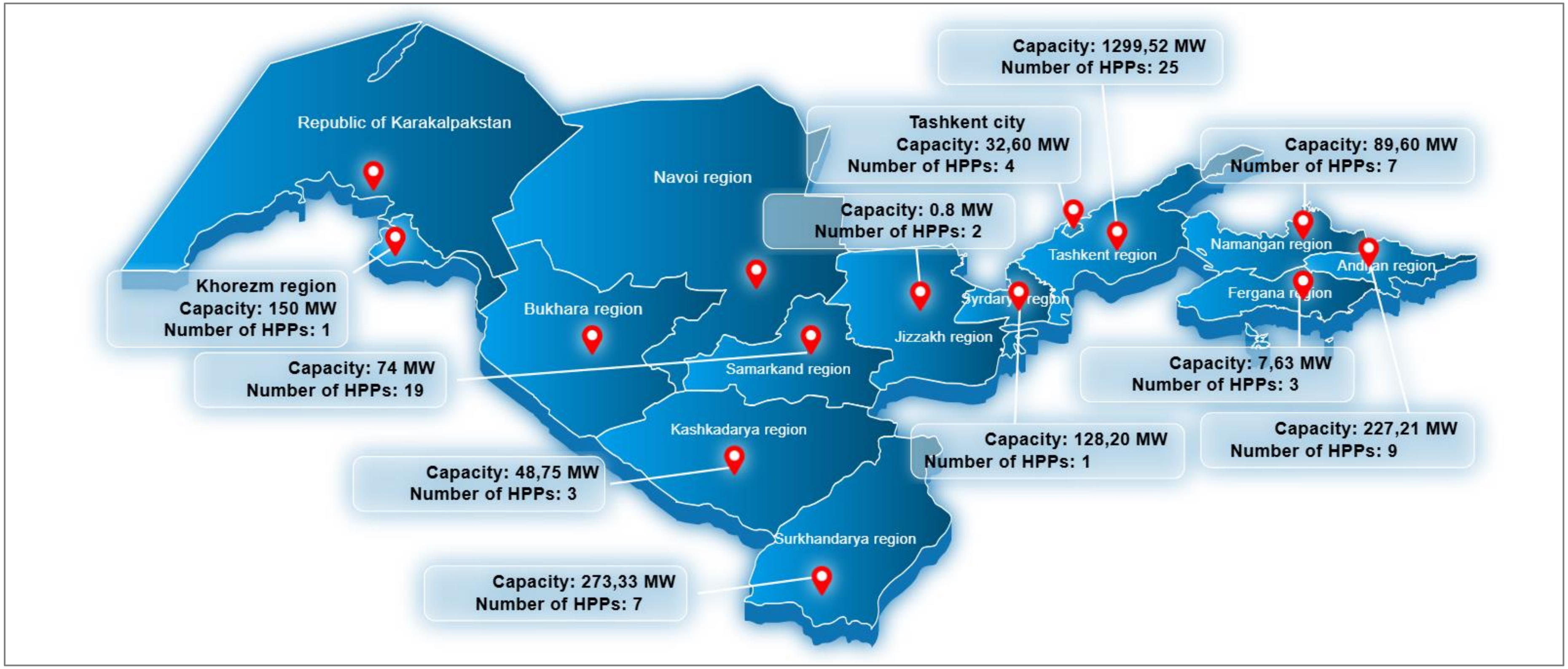
The next growth phase marks a shift away from the company's historical focus on micro and mid-sized hydropower plants toward larger-scale hydropower assets and pumped-storage hydropower, including the first long-duration storage project of its kind in Central Asia to provide peak shaving and system balancing.

Management indicates that capital intensity for these large hydropower assets would generally fall in the range of USD 2.0-2.2m dollars per MW, with actual levels depending on site and design specifics, putting the investment at USD 6.6-7.3bn.

For 2026, Uzbekhydroenergo plans to increase electricity output by more than 15%, supported by a continued expansion of its hydro-generation base and ongoing modernisation initiatives. The company also plans to deploy USD 264m of investments during the year, 12% above the previous year, which should reinforce its role as Uzbekistan's key hydro platform.

All projects advance only after rigorous economic screening, with approval based on internal rate of return thresholds and formal sign-off from a supervisory board composed mainly of independent members, which we think underscores a disciplined approach that rejects growth at any cost.

Figure 8.2: UGE hydro plants across Uzbekistan



Source: Company website

Multiple financing avenues

Uzbekhydroenergo intends to finance its upcoming expansion programme through a flexible mix of internal cash generation, debt funding, and project-financed public-private partnerships, with the specific structure determined on a case-by-case basis based on risk-adjusted returns.

As the company enters a major investment cycle to support its multi-gigawatt growth pipeline, both PPP structures and external borrowing are expected to play an increasingly important role alongside retained earnings. Management maintains a clear commitment to a disciplined financial policy, anchored by a stated dividend target of 50% of distributable profits.

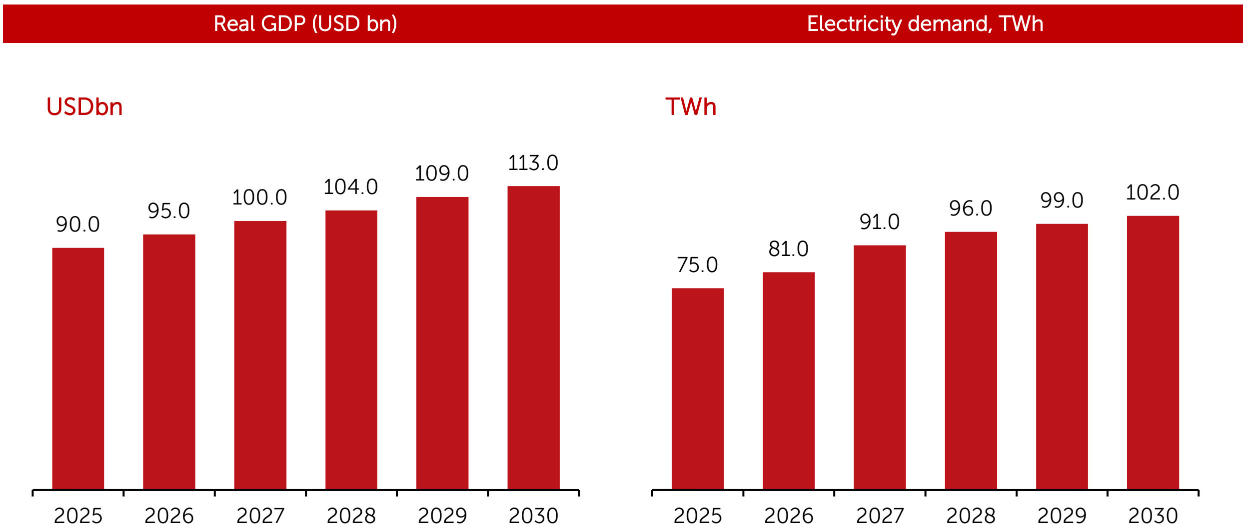
However, management stated that distributions may vary from year to year to accommodate the timing of capex and maintain a prudent leverage profile, ensuring balance sheet strength is preserved while funding long-term growth

Structural tailwinds

Uzbekistan's macroeconomic fundamentals are strong, with real GDP projected to rise about 5% annually between 2025 and 2030, lifting the economy to around USD 113bn by the end of 2030. Rising incomes, population growth, and industrial expansion are expected to push national electricity demand upward at an average annual rate of 6%, with consumption increasing from the current 75 TWh to about 102 TWh.

This steady growth trajectory is already putting pressure on the power system, with peak load nearing 13.3 GW, underscoring the need for flexible and reliable generation capacity. Hydropower is uniquely positioned to meet this requirement, offering fast response capability for peak balancing, strong grid stability support, and inherent seasonal storage benefits, all while operating at low ongoing cost. Hydropower also smooths the variability of other renewables such as solar and wind. As Uzbekistan targets 25 GW of renewable capacity, we believe hydropower will play an increasingly strategic role in strengthening long-term energy security.

Figure 8.3: Uzbekistan GDP and power demand forecast



Source: Company presentation

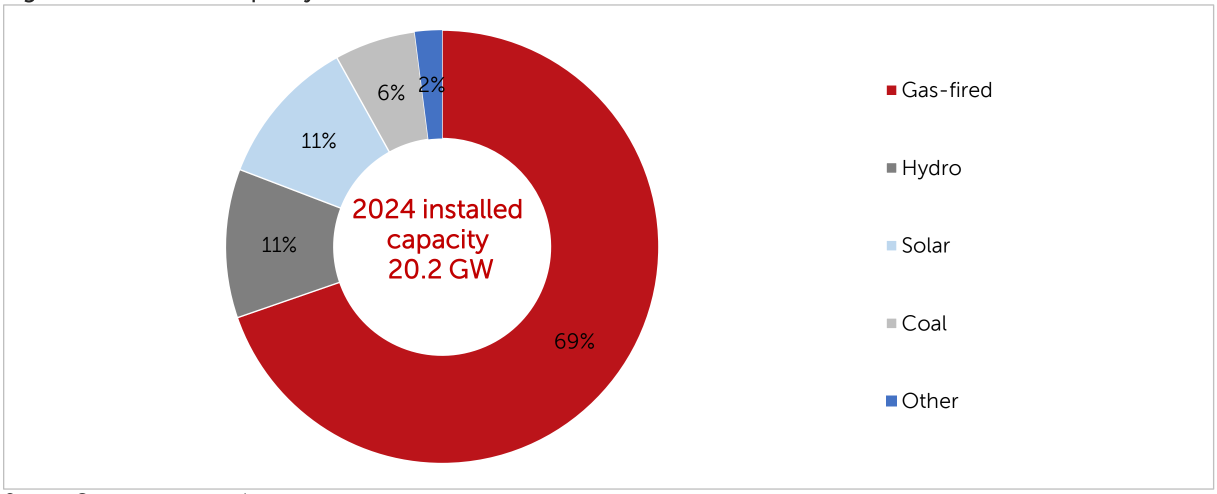
Renewables set to play a larger role

Uzbekistan's energy production is entering a major expansion phase, with installed capacity rising from the current 20.2 GW toward more than 46 GW by 2030, more than double, supported by strong macroeconomic growth and accelerating electricity demand.

Renewables today account for only about 22% of national capacity, and the government is targeting 25 GW of renewable energy by 2030, which would represent roughly 54% of total installed capacity once the system reaches 46 GW. This suggests most of the new capacity comes from renewables. Within this shift, hydropower plays a central role, with national hydropower capacity set to reach 5.6 GW by 2032, accounting for about 12% of the country's future capacity mix.

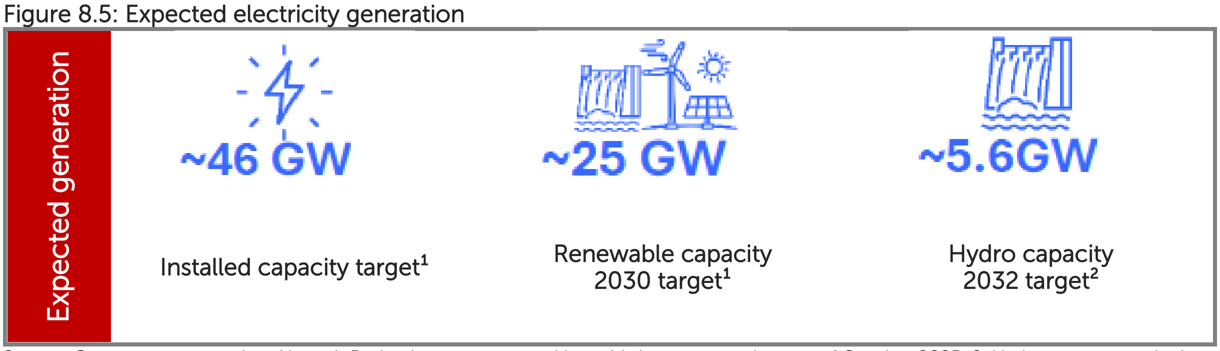
As Uzbekistan increases its reliance on clean energy to strengthen grid stability and reduce dependence on gas-fired generation, hydropower becomes strategically important for balancing intermittent solar and wind. Against this backdrop, Uzbekhydroenergo stands out as the country's only established hydropower producer. We believe it is strongly positioned to capture a rising share of investment and policy support as the system pivots toward renewable energy.

Figure 8.4: Installed capacity in 2024, GW



Source: Company presentation

Figure 8.5: Expected electricity generation



Source: Company presentation; Note: 1. Projections are prepared by a third-party consultant as of October 2025; 2. Hydropower capacity is 2032 target.

Supportive policies

We think Uzbekistan has created an attractive and investable power market through recent reforms that introduce competitive wholesale pricing, move the sector toward fully cost-reflective tariffs, and establish an independent regulator to oversee licensing, tariff setting, and compliance. These measures strengthen revenue visibility, improve sector transparency, and ensure that producers receive prices that support both operations and long-term capital programmes.

The regulatory environment now provides a solid foundation for sustainable growth in hydropower and, in our view, positions the sector as a compelling destination for long-term investment, supported by stable policies, clearer legal protections, and alignment with global ESG priorities.

Figure 8.6: Uzbekistan power policy and regulation

Electricity current generation law: transition to wholesale market	• The 2024 Electricity Law creates competitive markets and defines clear roles for producers, traders, and system operators • This allows UGE to capture higher realised prices by selling directly to industrial hubs
Tariff liberalisation roadmap	• Cost-reflective pricing removes subsidies, supports sustainable revenue generation, and encourages more efficient electricity consumption
Energy market oversight	• Established in 2024, EMDRA oversees licensing, tariff approval, and market compliance to ensure transparency and strengthen investor confidence • The agency is also responsible for reaching fully cost-reflective pricing by 2026, which allows UGE to generate revenue that supports both day-to-day operations and long-term capital investment
Investment opportunities in hydropower	• Stable policies, strong legal protections, and clear ESG alignment position hydropower in Uzbekistan as an attractive platform for long-term growth.

Source: Company presentation

Small and strong profitability

UGE is a pure-play hydropower producer. At the end of 2024, the company supplied about 11% of Uzbekistan's electricity and operated 77 hydropower plants, making it the country's only dedicated hydropower platform. Although smaller than regional peers such as Verbund (Austria) and Hidroelectrica (Romania), UGE delivers strong profitability with a profit margin above 50%, reflecting the low-cost nature of hydro and the stability of its operating model.

In 2024, UGE operated at a utilisation rate of about 42% (versus the usual utilisation of c. 35%), which was broadly in line with its Austrian peer Verbund and materially higher than Hidroelectrica's performance. This put UGE in a strong operating position for a pure-play hydro company, as efficient utilisation is a key indicator of asset quality, hydrology management, and cost competitiveness.

In the longer term, UGE targets a utilisation rate of around 35%, which would place it ahead of Hidroelectrica on a normalised basis, reinforcing the resilience of its operations and its ability to generate stable cash flows.

Altogether, UGE's hydro-focused strategy, dominant national position and high asset quality create a differentiated profile in a market where clean energy capacity is set to expand rapidly, providing a compelling base for long-term growth, in our view.

Figure 8.7: UGE comparison with peers

		UGE UZBEKGIDROENERGO	Verbund	HIDROELECTRICA
Geography		Uzbekistan	Austria, Germany, Albania	Romania
Market position		c. 11% of total country production	Largest power generation company in Austria[1]	Largest power generation company in Romania
Activities		Pure-play hydro generation	Multiple businesses: Generation, electricity & gas grid, energy trading & supply	Multiple business: Generation, wholesale and retail electricity supply and ancillary grid services
Main generation type		Hydropower	Hydropower	Hydropower
Hydro generation capacity in MW (2024)		2,256	8,468	6,300
Hydro power generation in GWh (2024)		8,195	33,448	13,928
Utilisation (%)		41.5%	45.1%	25.2%
Hydro power plants (2024)		77	132	188
Market capitalisation, USDm (latest)		n.a.	24,754	15,113
2024	Profit for the year, USDm	160	2,029	898
	Profit margin, %	51.7%	22.7%	44.9%
	Dividend yield, %	n.a.	4.9%	11.5%
	Total debt, USDm	373	2,601	79
Shareholder structure		60% state owned, 40% UzNIF	51% state owned 20% free float[2]	80% state owned 20% free float (formerly Fondul Proprietatea)

Source: Company presentation; n.a.: Not available; Note: 1. Also has operations in Spain, Italy, and Romania through its wind and photovoltaic (solar) generation portfolio; 2. the remaining shares (approx. 29%) are held by Austrian energy companies, primarily the EVN and Wiener Stadtwerke syndicate (>25%) and TIWAG (>5%).

Uzbekhydroenergo investment case

We believe UGE offers a clear investment case anchored by its role as a leading renewable generation player in Uzbekistan and its growing importance to the national energy system. The company holds a differentiated market position as the national platform driving long-term system expansion.

UGE delivers a robust financial profile, supported by strong profitability, margins above regional peers, and consistent cash flow generation. This is complemented by highly supportive energy transition policies and positive macroeconomic momentum in Uzbekistan.

Figure 8.8: Uzbekhydroenergo investment highlights

- Leading renewable (hydro) generation player in Uzbekistan, playing a critical role in the national energy system
- Market leader driving long-term growth in renewables; added 23 plants and increased capacity by 13% between 2021 and 2024
- Robust financial profile with strong profitability, peer-leading margins (c. 50%), and consistent cash-flow generation
- Positive long-term market and macroeconomic conditions, together with supportive energy policies, underpin the expansion toward 5.6 GW of installed capacity, driven by more than 45 projects[1] scheduled for commissioning between 2026 and 2032
- Beneficiary of Uzbekistan's wholesale market liberalisation, enabling UGE to capture higher realised prices

Source: Company presentation; Note: 1. Excluding micro hydropower plants.

Growth backed by capacity expansion

UGE's growth is driven by a substantial capacity expansion programme, with installed capacity rising to 2.3 GW in 2025 and a long-term plan to more than double it to 5.6 GW by 2032, supported by hydrology cycles that naturally lift generation during high-inflow years. The company benefits from efficient cascade water reuse and stable revenue visibility under a fixed tariff in an annual contract with Uzenergosotish.

Its cost structure is structurally advantaged by the absence of water resource fees, tax exemptions on major hydro assets, and a lower labour base, supporting margins above those of global peers.

Figure 8.9: Revenue and cost drivers

Future revenue growth drivers	Cost efficiency drivers
Capacity expansion Long-term plan targets 5.6 GW by 2032, more than 2x current levels	Favourable cost structure No fees for using water resources Certain "water resources fund" assets (dams, reservoirs) are exempt from property and land taxes Lower salary base
Stable guaranteed offtake Uzenergosotish buys all output at fixed annual tariff of 501 UZS/kWh Ensures stable revenue visibility and eliminates price volatility	Transformation programme to reduce operating costs Franklin Templeton launched a cost optimisation and operational efficiency transformation in 2026
Potential equity and PPP funding for growth The company is exploring PPP structures, debt financing, and a potential IPO to fund expansion	Low-Interest, mostly Government-Guaranteed Debt Majority of debt is foreign currency, backed by government guarantees and at low interest rates

Source: Company website

Financial summary – UGE

FYE Dec, USDm	2021	2022	2023	2024	9M25
Revenue	141	221	231	310	208
Cost of sales	57	64	49	–	60
Gross profit	**88**	**157**	**182**	**–**	**148**
General and administrative expenses	28	41	34	–	25
Others	(1)	(1)	(6)	–	-5
Operating expense	27	39	28	–	19
Operating profit	**61**	**117**	**154**	**–**	**129**
Depreciation and amortisation	17	18	18	–	24
EBITDA	78	135	172	–	153
Profit before tax	60	113	126	–	142
Net income	**57**	**97**	**110**	**160**	**122**
Margin					
Gross	62.3%	71.0%	78.7%	–	71.3%
EBITDA	55.4%	61.2%	74.5%	–	73.6%
EBIT	43.2%	53.2%	66.7%	–	62.1%
Net income	40.4%	43.8%	47.7%	51.6%	58.4%
Balance sheet					
PPE	723	784	872	948	1,143
Cash	5	5	18	2	9
Total assets	**822**	**914**	**1,047**	**1,192**	**1,338**
Borrowing	267	276	354	373	372
Total liabilities	**308**	**338**	**395**	**427**	**447**
Total equity	**514**	**576**	**652**	**765**	**891**
Net debt	262	271	337	371	363
Leverage (Net debt/EBITDA)	3.4	2.0	2.0	–	1.9

Source: UGE audited statements; Exchange rate: USD/UZS: 2021: 10,601; 2022: 11,043; 2023: 11,731; 2024: 12,645; 2025: 12,579.

UzTelecom – Digital infrastructure leader

UzTelecom is the national telecom incumbent and infrastructure champion in Uzbekistan. The company commands leadership positions in fixed broadband and a strong mobile market position, enabled by the broadest fibre network, a nationwide transport backbone, and ownership of critical passive infrastructure.

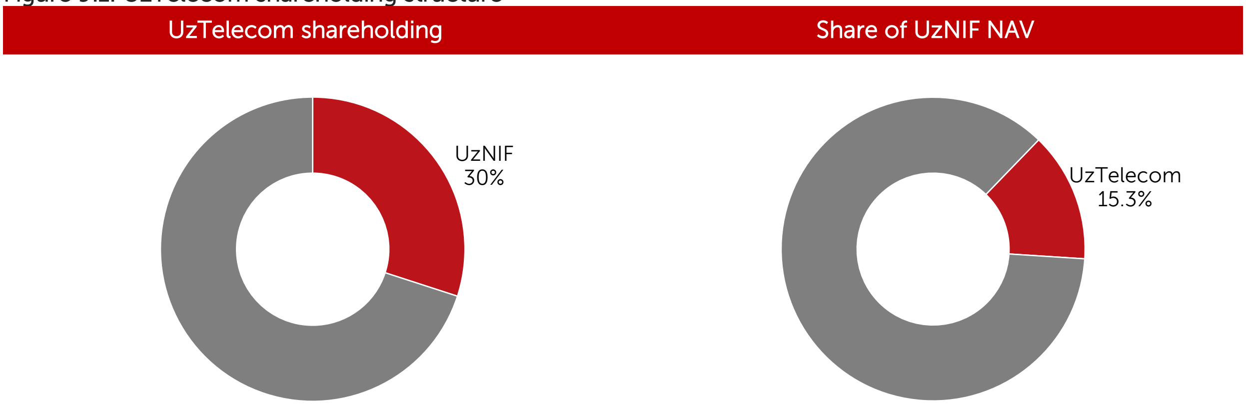
The business combines stable, utility-like infrastructure cash flows from its fixed-line and wholesale operations with growth opportunities in consumer-facing mobile services, digital services and enterprise ICT.

Strategically significant for UzNIF

For UzNIF, the asset is strategically important. The fund owns 30.0% of UzTelecom, which accounted for 15.3% of UzNIF NAV as of 31 May 2026, with a holding value of USD 372m[1].

UzNIF's stake in UzTelecom increased in 2025 through an asset swap rather than a cash acquisition. The fund exchanged stakes in NavoiyAzot (25%) and Xalq Bank (30%) for additional interests in UzTelecom (5%), SQB (10%) and Uzbekinvest (10%). Management's strategic framing views UzTelecom as one of the portfolio's most important transformation assets and a strong candidate for future international capital markets monetisation.

Figure 9.1: UzTelecom shareholding structure[1]



Source: Company presentation; Note: 1. Based on valuation reports prepared by a Big Four independent valuer as of 31 May 2026.

Our core thesis is that UzTelecom offers investors exposure to three overlapping themes: (1) Uzbekistan's structural digitalisation, supported by a young and still underpenetrated market; (2) company-driven upside from a multi-year network upgrade cycle, driven by 4G capacity enhancements, initial 5G deployment, and sustained FTTH rollout; and (3) governance and capital-markets transformation ahead of a targeted international listing window in 2H27.

At the same time, the equity story carries important nuances. Mobile competition is strong. Independent network-quality benchmarks currently show Beeline ahead on download speed and overall service consistency. In addition, the sector's regulatory architecture is evolving following the establishment of an independent telecom regulator in 2025.

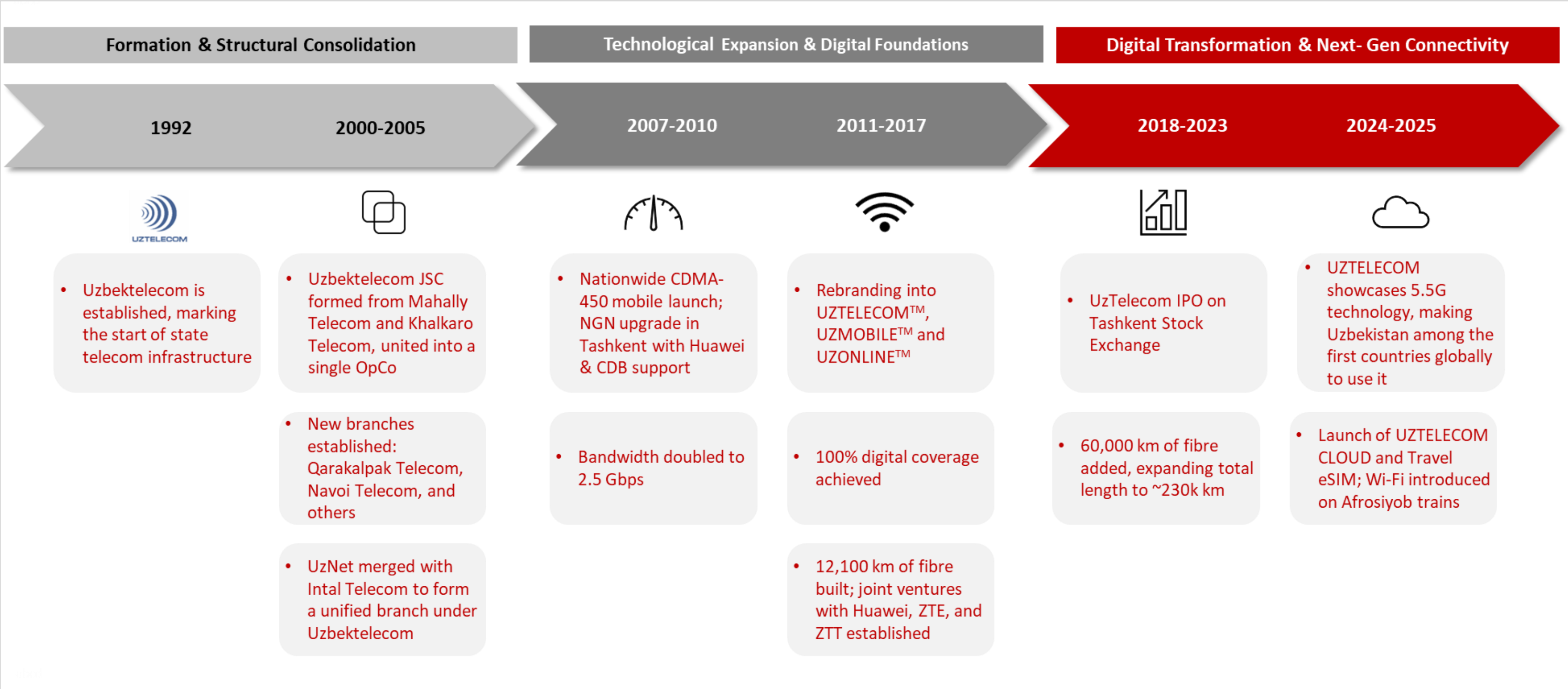
Company overview

National incumbent with newly public equity

The current corporate entity was formed in 2000 through the merger of Mahalliy Telekom and Xalqaro Telekom under Presidential Decree PF-2647 (28 June 2000) and Cabinet Resolution No. 253 (30 June 2000). The company operates as a joint-stock company and holds licenses covering local and international telecom networks, data transmission, mobile communications and broadcasting distribution.

UzTelecom became publicly traded on the Tashkent Stock Exchange (TSE) in December 2023, following a public offering in which subscriptions were accepted on 12–15 December, and the shares began trading on 20 December. The TSE issuer page shows an offering of 5,542,046 shares at UZS 6,000 per share, with the exchange noting strong secondary-market demand following the listing.

Figure 9.2: UzTelecom key events timeline



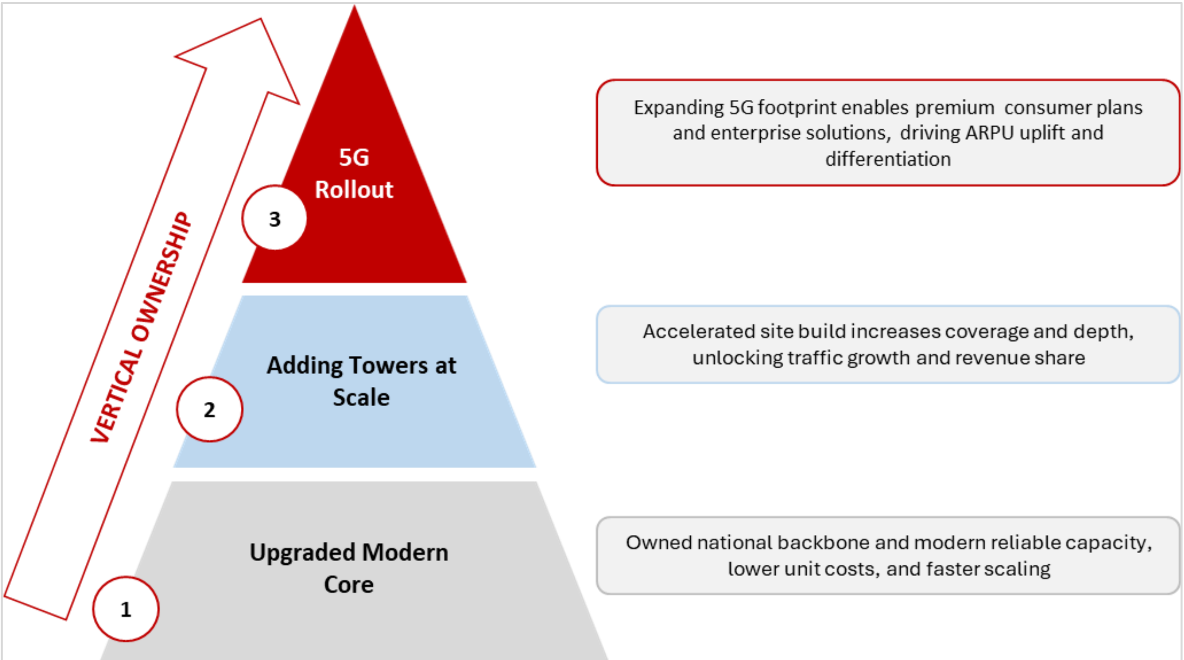
Source: Company presentation

Investment highlights

Scale matters

UzTelecom is the only operator in the country with a truly national, end-to-end infrastructure footprint spanning mobile, fixed broadband, transport, international connectivity and wholesale access. In fixed broadband, management describes the market as highly concentrated and points to UzTelecom's ownership of the nationwide fibre backbone as the key source of competitive advantage. In mobile, management's internal assessment places the company as a leading operator, marginally ahead of peers, even though official market-share statistics are not publicly disclosed.

Figure 9.3: Control of the assets delivering mobile services



Source: Company presentation

Fibre is the moat

The company directly owns its fibre-optic cables and tower infrastructure, rather than housing them in a separate tower company or fibre subsidiary. This offers a strategic advantage as the fixed business is not merely a consumer broadband franchise but also a national infrastructure platform with wholesale leasing potential and a natural advantage in backhaul, enterprise connectivity and future digital services. Management specifically says UzTelecom is not a legal monopoly in fixed but remains the dominant infrastructure owner.

Figure 9.4: UzTelecom optical fibre lines, '000 km

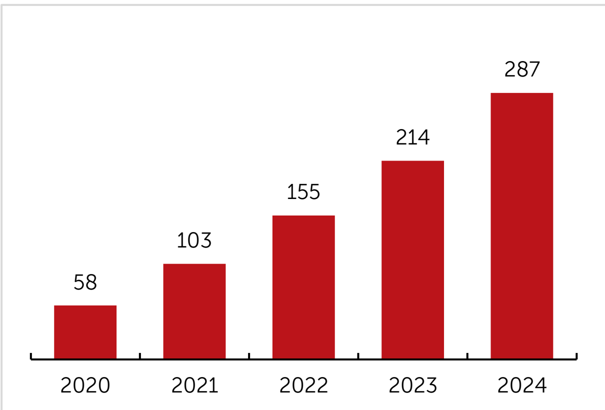
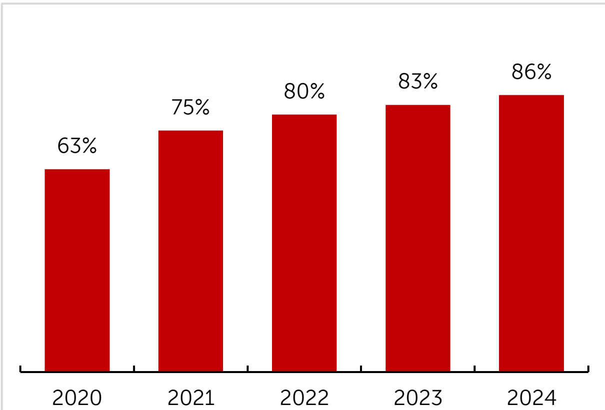


Figure 9.5: UzTelecom optical fibre users share



Source: Company presentation

Upgrade cycle is already in motion

UzTelecom has undergone a significant investment phase. The company's total capex for 2020–24 was c. UZS 8.4tn (USD 750m), while its 2026–28 business plan outlines USD 492m of investment over the period, including a USD 465.7m mobile and wired-network expansion programme and a separate data-centre investment project.

The company's 2025 operating metrics already show the scale of this build-out, including 367.7k km of fibre, 5.6m broadband ports, 4,200 Gbit/s of international packet-switching capacity and mobile coverage above 94.8%, according to UzTelecom's 2026–28 business plan.

Figure 9.6: UzTelecom mobile subscriber base

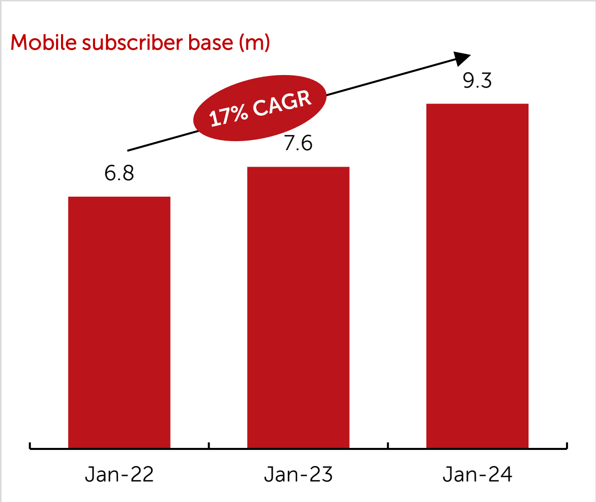
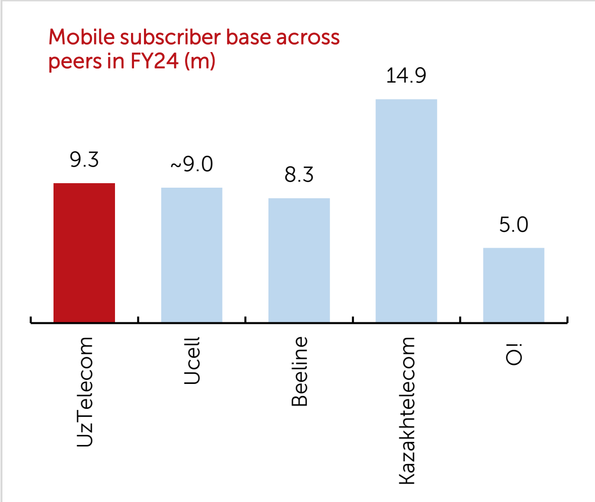


Figure 9.7: UzTelecom mobile subscriber base vs peers



Source: Company presentation

Demand runway remains long

The Uzbekistan market still offers meaningful structural headroom, in our view. Open signal cites mobile penetration of roughly 94% in Uzbekistan, below Kazakhstan's 135% and Kyrgyzstan's 167%, while the country benefits from the largest population in Central Asia and rising digital engagement. GSMA projects Uzbekistan's mobile subscriber penetration to rise from 69% in 2024 to 78% in 2030, with smartphone adoption climbing from 89% to 93%, and 5G from a niche base today to becoming a meaningful part of the technology mix by 2030.

Figure 9.8: Mobile penetration by market

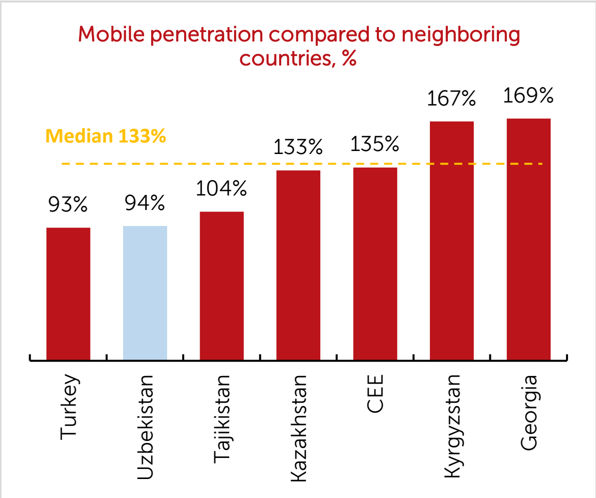
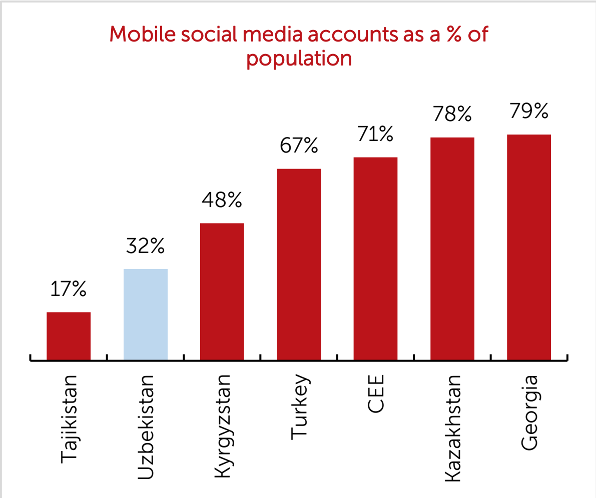


Figure 9.9: Mobile social media accounts by market



Source: Company presentation

The story is broader than connectivity

UzTelecom is building a digital services layer on top of connectivity. Management highlights the MyUZTELECOM app as a developing "super app" that combines telecom self-care with payments, third-party service settlements, entertainment, international eSIMs and AI-enabled support.

The company website also shows a growing portfolio of digital products, including TelecomTV, MyMusic, cloud services, virtual desktop infrastructure, colocation and 1C cloud accounting solutions. This broadens the medium-term monetisation story beyond traditional voice and access revenue.

History and strategic positioning

Company formation and network evolution

UzTelecom, in its current corporate form, was established in 2000. Over time, it has evolved from a traditional national fixed-line operator into a converged telecoms platform with nationwide mobile, fixed broadband, international connectivity, data-centre and digital capabilities. The Uzbek-language 2026–28 strategy document notes the company has eight branches, 216 sales and service offices, more than 2,780 dealer points, and 13,000+ employees.

Key milestones since listing

Since listing, the company has continued to signal an aggressive infrastructure agenda. The company website reports that by March 2026, it had modernised 700+ existing base stations to 4G/5G standards and built 100+ new communication facilities in just two months. This follows earlier milestones in the public strategy document, including the commissioning of a new 25-storey head office in September 2023 and the signing of USD 588.2m worth of telecom infrastructure cooperation agreements with Huawei and ZTE during the January 2024 presidential visit to China.

Figure 9.10: UzTelecom strategy 2026–28 targets

Metric	2024A	2026 Target	2027 Target	2028 Target	GSMA market forecast for Uzbekistan	Realism assessment
Mobile subscribers (m)	9.2	10.4m	11.5m	13.4m	Increase from 69% in 2024 to 78% in 2030	Moderately aggressive
Fixed subscribers (m)	2.4	2.9m	3.2m	3.5m	NA	Reasonable ambition as broadband penetration remains stru cturally underdeveloped; growth aligned with fibre rollout
Total revenue	UZS 8.9tn (USD 703m)	UZS 11.8tn	UZS 13.4tn	UZS 15.4tn	GSMA expects fastest revenue growth in Eurasia for Uzbekistan	Credible, though dependent on ARPU uplift + 4G/5G migration
Revenue growth, YoY	15% (6% in USD terms)	+13–15% p.a. (implied)	+13–15%	+13–15%	GSMA Eurasia mobile revenue: 2–5% CAGR, Uzbekistan fastest	Reasonably optimistic, consistent with market-share expansion + digital services
Smartphone adoption (%)	89% (GSMA)	–	–	–	Increase from 89% in 2024 to 93% in 2030	Strong tailwind for ARPU growth
Subscriber penetration	69% (GSMA)	–	–	–	Increase from 69% in 2024 to 78% in 2030	Indicates market still growing, supporting UzTelecom volume targets
5G adoption (%)	~1% (GSMA, 5G adoption in Eurasia)	–	–	–	49% by 2030	UzTelecom network heavy capex plan aligns with the GSMA trajectory
Net profit	UZS 799bn (USD 63m)	UZS 266bn	–	–	NA	–
Capex	UZS 3.1tn (USD 244m)	USD 492m, 2026–28	USD 492m, 2026–28	USD 492m, 2026–28	GSMA expects strong operator capex in 5G era	Realistic, needed to maintain fibre + 5G rollout

Source: UzTelecom 2026-28 strategy report, GSMA The Mobile Economy Eurasia 2025

Public strategy exists, but investors should treat it carefully

The publicly available 2026–28 business plan, published in 2024, contains the company's explicit operating and financial targets, including revenue and subscriber ambitions. However, management repeatedly stated during analyst Q&A that it would not comment on forecasts published before UzNIF's involvement. In our view, the public business plan could still be useful as a map of strategic priorities and capex direction, but should not be treated as current, management-endorsed guidance without independent triangulation.

Business model

UzTelecom's model is best understood through three revenue layers: (1) mobile retail, (2) fixed broadband, voice, and wholesale infrastructure, and (3) digital and enterprise services.

Mobile

The mobile business sells voice, SMS and data bundles, with monetisation increasingly driven by higher data usage, richer bundles and gradual migration to higher-value plans rather than by a separate "5G premium". Management explicitly stated that there is no established market practice in Uzbekistan of charging separately for 5G speed relative to 4G. The company's pricing architecture is based on infrastructure costs, consumption intensity, customer segmentation, local competition, inflation and FX-linked equipment costs. Upsell tools include tiered tariffs, FMC bundles, digital subscription add-ons, personalised campaigns, family tariffs and device instalment offers.

The company website's current retail offers illustrate the value positioning. For example, the "Super Salom" mobile plan advertises 100 GB monthly data for UZS 70,000, while "Ideal Plus" offers 150 GB for UZS 85,000. These examples support the view that the market remains relatively affordable and bundle-led, which is positive for subscriber growth but can limit near-term ARPU expansion absent better segmentation and network differentiation.

Market backdrop: Uzbekistan's mobile market is competitive and primarily centred on four nationwide operators: UzTelecom, Ucell, Beeline, and Mobiuz. Management has stated that official market share data is not publicly disclosed, but they view UzTelecom as a leading operator. Opensignal confirms that all four players are investing in 4G densification and 5G rollout as part of the country's 2030 digital transformation.

Competition and price wars: Management characterises the market as having experienced intensified price competition in 2022–24, driven mainly by competitors' discounting and promotional activity aimed at acquisition and retention. Importantly, the story seems more nuanced than a simple "price war damaged the market". Management notes that market-share gains were generally linked not only to price, but also to network quality, coverage, capacity and tariff value. They further note that mobile ARPU in local currency was almost unchanged between 2022 and 2024, with the weaker US dollar comparison mainly reflecting the roughly 14% depreciation in the average UZS/USD exchange rate over that period.

Growth drivers: The mobile growth case rests on four sensible levers, in our view. First, demographics remain attractive as Uzbekistan has a large, young and growing population. Second, smartphone and 5G device affordability should improve adoption over time. Third, continued network expansion and densification, particularly outside Tashkent and in underserved regions, support both subscriber additions and quality-led market share defence. Fourth, ARPU could grow through data consumption, richer bundles and selective tariff revisions, rather than through headline price hikes alone.

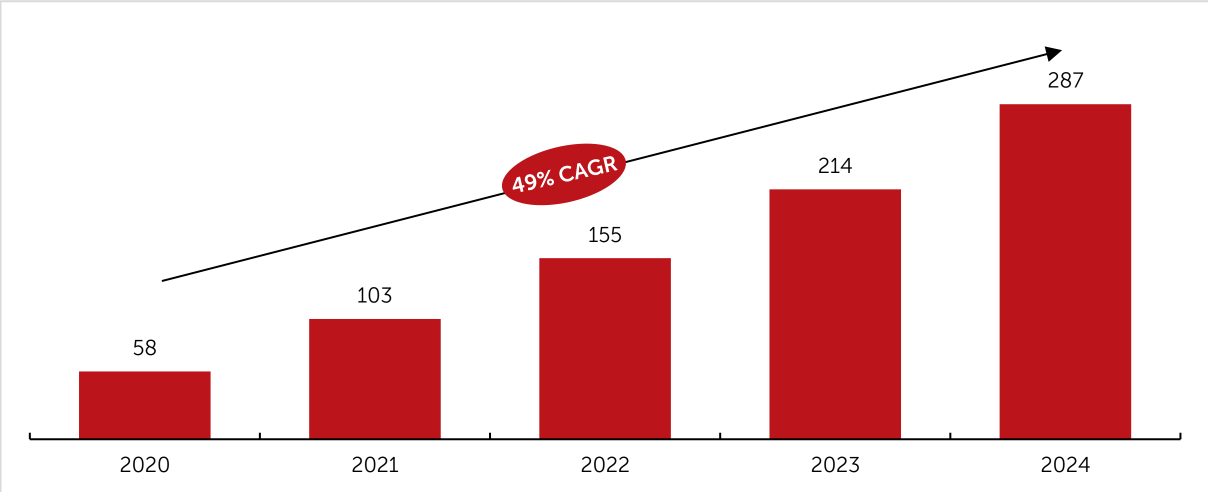
Competitive positioning: The main caveat is that independent quality benchmarks do not show a monopoly on performance. Opensignal's March 2026 report (Uzbekistan Network Experience Report) found Ucell leading in download speed and consistent quality, Beeline leading in upload speed, and UzTelecom leading in coverage experience and time on network. In other words, we think that UzTelecom clearly has scale and infrastructure depth, but the mobile market remains competitive on day-to-day user experience.

Fixed broadband and wholesale

In fixed, UzTelecom offers home internet, fixed voice, IPTV, enterprise connectivity, and leased line and infrastructure services. The strategic importance of this segment stems from the company's ownership of the national fibre backbone and much of the core access infrastructure. Management describes pricing as fixed yet commercially flexible, but constrained by affordability, competition and the broader regulatory framework. They also argue that reported softness in dollar ARPU between 2022 and 2024 was largely an FX translation effect, noting that fixed-segment ARPU in local currency was broadly stable, while the fixed subscriber base increased by around 56% over the same period.

The company website highlights fixed bundles that combine broadband, IP telephony and TV. Current examples include 250 Mbps with unlimited traffic and TelecomTV at UZS 215,000 per month, and a 500 Mbps version at UZS 500,000. Those tariffs reinforce UzTelecom's ability to position fixed as a quality, high-speed product rather than only an entry-level access utility.

Figure 9.11: Optical fibre lines ('000 km)



Source: Company presentation

Structural advantage: Fixed is where UzTelecom's moat looks strongest to us. Management describes the segment as highly concentrated, with the company's ownership of the national fibre infrastructure providing a major advantage in coverage, scalability and market access. They also note that while the market is liberalising, there are more than 50 ISPs in Uzbekistan, and the principal private competitors include Sarkor Telecom, Turon Telecom, East Telecom, CityNet, Comnet, Freelink, TPS and Nano Telecom.

Pricing power with discipline: Management notes that the company's fixed-line leadership position provides meaningful pricing flexibility, though not unlimited pricing power. Pricing decisions are presented as market-based and shaped by customer affordability, competitive dynamics and regulatory parameters. Overall, the fixed franchise benefits from structural strengths, but as a national incumbent in a developing market, the company must balance monetisation with broader adoption and policy considerations.

5G is complementary, not necessarily disruptive: Management does not expect 5G to structurally displace fixed broadband. They argue that fixed access remains preferable for households and power users who require stability, consistent speed, low latency and high-capacity usage, including streaming, gaming, content creation and future AI-enabled services. In our view, this supports a constructive medium-term outlook for fixed demand, especially as 5G is likely to complement fibre by increasing traffic demand rather than replace it outright.

Figure 9.12: International packet switching centre

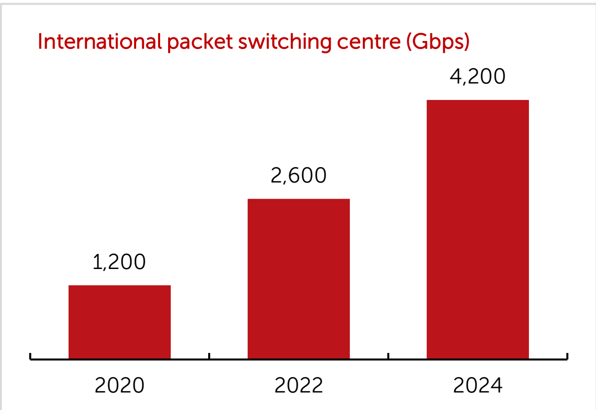
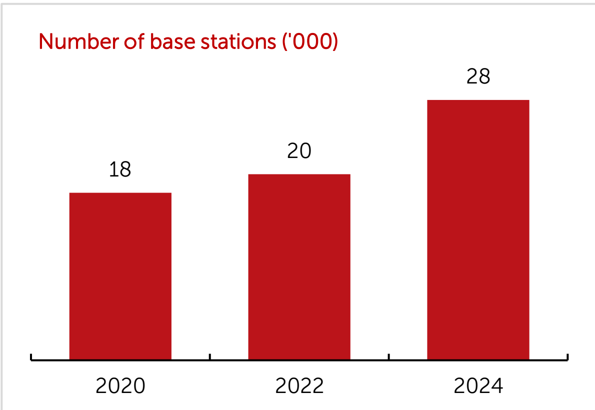


Figure 9.13: Number of base stations ('000)



Source: Company presentation

Digital and enterprise

UzTelecom's digital and enterprise activities represent an increasingly important part of the company's strategy, broadening its role from pure connectivity towards a more integrated service platform. This segment supports both customer engagement and revenue diversification, while strengthening the company's long-term competitive position.

Management's "super app" strategy is designed to enhance retention, lift ARPU and deepen ecosystem engagement. The MyUZTELECOM app already integrates telecom account management with payments for more than 300 third-party services, family account controls, eSIM activation, MyMusic, TV integration, biometric login and AI-enabled support.

On the enterprise side, the company is expanding into cloud and IT services, including colocation, virtual desktops (VDI), web hosting, virtual servers, object storage, managed Kubernetes and GPU cloud offerings.

Regulation and market structure

New regulator, but no immediate shock

Uzbekistan created a dedicated Telecommunications Regulatory Agency under Presidential Decree UP-142 in August 2025. This followed the revised Law on Telecommunications adopted in December 2024. The new agency is empowered to license telecom operators, regulate tariffs for certain categories of services and interconnection, define universal services and monitor service quality. Management nevertheless says it does not expect recent regulatory developments to produce a significant near-term change in competition or ARPUs.

Tariffs are mostly market-based

Management says mobile and fixed retail tariffs are generally formed on a market or contractual basis, with regulation applying mainly to universal services and certain interconnection services. They also note there is no general CPI-linked cap and no standard requirement for prior approval of ordinary retail tariff revisions. The revised telecommunications law and related legal commentary support that interpretation.

Spectrum: no auction overhang

Management explicitly mentioned that the radio spectrum in Uzbekistan is not allocated through auctions. Instead, once assigned, operators pay periodic usage fees, and the company does not currently assume auction-style or one-off license-renewal payments in its 2026–28 plans. We view this as a positive attribute of the Uzbekistan market versus markets where spectrum auctions could periodically create balance-sheet shocks.

Liberalisation is the medium-term development to watch

We think that a more strategic regulatory consideration is the government's 2025 move toward phased telecom market liberalisation, including granting qualifying operators the ability to connect directly to international internet networks on an experimental basis. While this is unlikely to threaten UzTelecom's strategic position, given its extensive national infrastructure and established wholesale presence, it could likely increase competitive pressure on wholesale margins over time, in our view.

Digital 2030 provides the policy anchor

Uzbekistan's telecom sector continues to be framed by the government's long-term digitalisation agenda, most notably the Digital Uzbekistan 2030 strategy and related presidential decrees that prioritise nationwide fibre rollout, broader high-speed internet access, deeper broadband penetration and wider mobile coverage across populated areas. The same priorities remain directly relevant to UzTelecom, and management has explicitly identified them as still applicable to the company's strategic role as a national operator.

From a sector perspective, the policy agenda has moved well beyond basic connectivity. The emphasis is now on building a more complete digital ecosystem, including backbone and access infrastructure, cloud and data-centre capacity, localisation of internet traffic, and broader support for digital public services and enterprise digitalisation. This creates a supportive medium-term backdrop for both fixed and mobile investment, while reinforcing the strategic importance of operators with national-scale infrastructure.

The sector has already been through a heavy capex cycle

The past five years were a catch-up investment phase. Over 2020–24, UzTelecom's capex amounted to USD 750m (UZS 8.4tn) as the company invested in expanding its fibre network, broadband ports, international packet-switching capacity, and network densification. In 2021–23, the company's capex intensity was in the 22–23% range, before rising significantly to 35% in 2024. However, in 2025, UzTelecom reported its lowest capex intensity at 17%, signalling a moderating capex cycle.

Future capex should be more selective

UzTelecom's business plan still envisages USD 492.0m of investment in 2026–2028, including USD 465.7m for mobile and wired data-transmission infrastructure and a separate data-centre project. Planned works include modernisation of existing base stations, installation of new 3G, 4G and 5G sites, upgrades to the transport and packet core networks, and further expansion of broadband capacity and customer equipment.

At the same time, management has made it clear that they do not endorse forecasts published before UzNIF's involvement and are working with an updated capex programme designed to support growth while also lowering net debt to EBITDA ahead of the targeted IPO window. We observed improvement in leverage in 2025, when the net debt to EBITDA ratio fell to 2.5x from 3.2x in 2024, driven entirely by 35% YoY growth in EBITDA.

In our view, the company's investment programme points to a change in the mix of spending rather than a halt in spending. The earlier phase was defined by broad-based infrastructure expansion. The next phase is more likely to be driven by targeted capacity additions, selective 5G rollout, data centres, software and service quality. We therefore expect capex to remain above maintenance levels, although it is likely to moderate from peak modernisation levels over time.

Financial profile

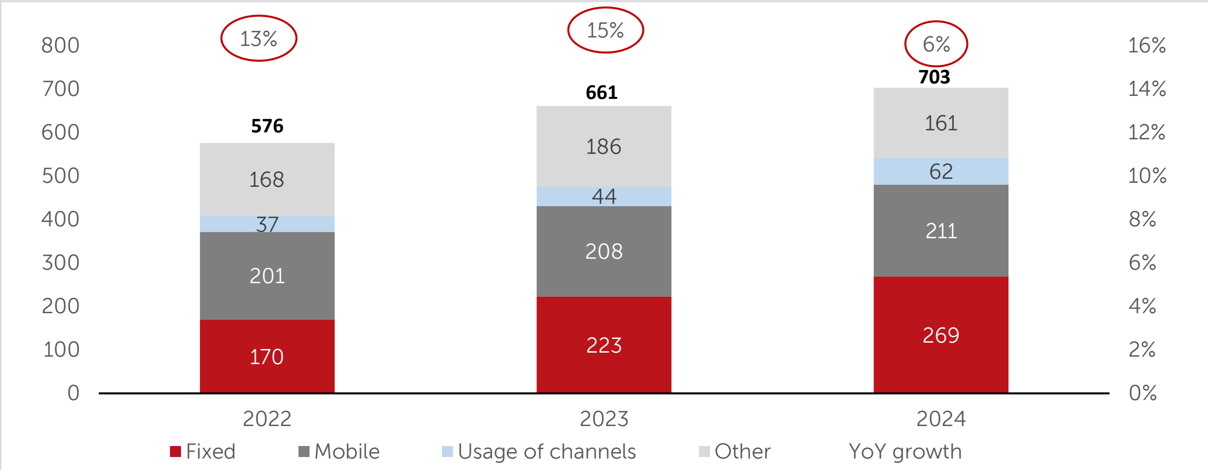
Growth stayed strong, but margins compressed

UzTelecom delivered solid top-line expansion through 2022–25, albeit with a less favourable margin mix. Revenue rose at a three-year CAGR of 14% CAGR over 2022–25 in USD terms (19% in UZS). Growth remained in double digits in each year, moderating to 6% in 2024 (15% in UZS), but reaching an impressive 20% YoY in 2025.

Profitability rose at a pace largely in line with revenue. Gross profit increased at a three-year CAGR of 14% (19% in UZS) over the same period. Gross margin, however, has been volatile, ranging from 35-40% in 2022–25 and remained below the 2021 level of 45%. EBITDA followed a similar pattern, growing at a pace similar to gross profit. EBITDA margin recovered to 36% in 2025 from 32% in 2024 but still lags the 2021 margin of 42%.

The 2025 results represented a recovery from the 2023–24 level across all aspects, including top-line, gross and operating performance, providing the first signs that the company was starting to monetise the investments of the past capex cycle.

Figure 9.14: UzTelecom revenue (USDm)



Source: Company presentation

Figure 9.15: UzTelecom gross profit ($m) and margin

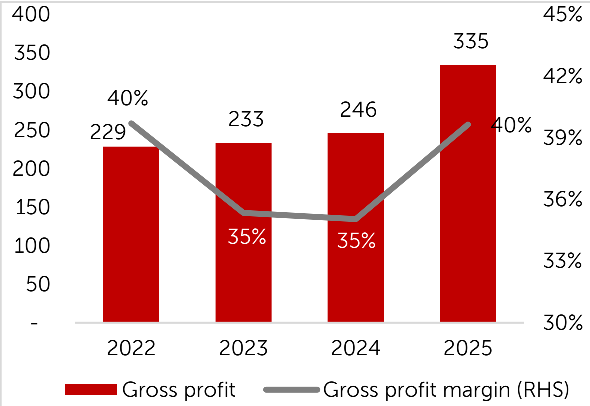
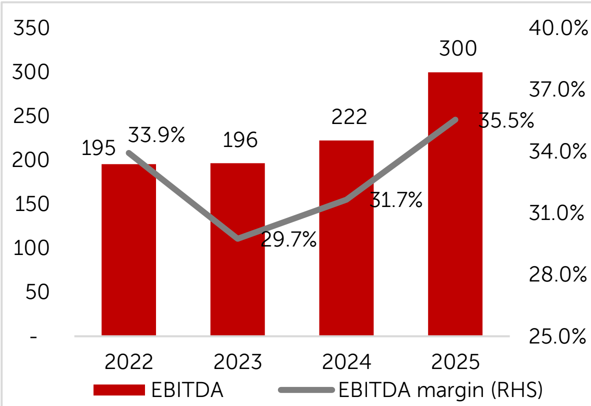


Figure 9.16: UzTelecom EBITDA ($m) and margin



Source: Company presentation

Earnings were volatile

Below EBITDA, earnings were considerably more volatile. Over 2022–25, EBIT increased at a CAGR of 6% (10% in UZS). Net profit declined at a three-year CAGR of 10% (-6% in UZS) during this period. Net margin fell from 17% in 2021 to 6% in 2025.

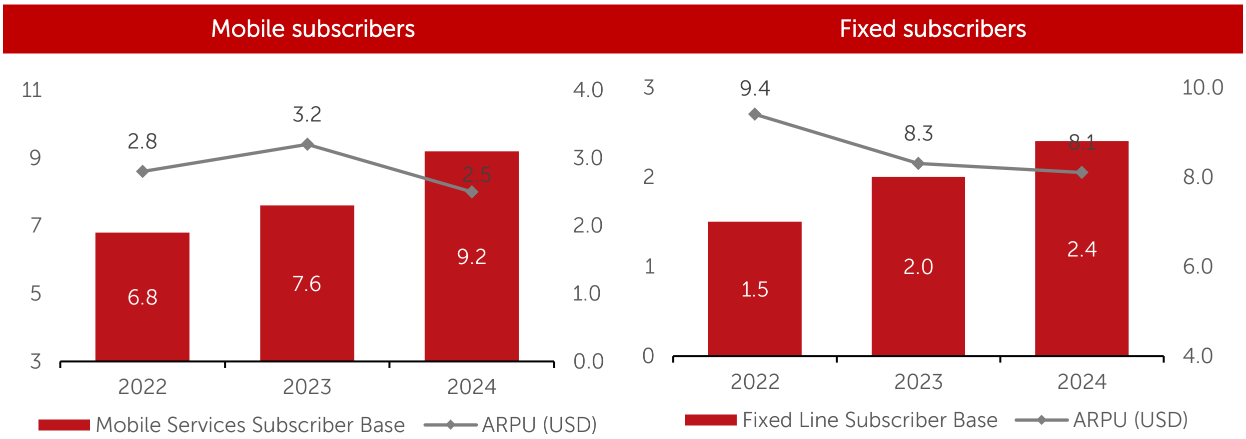
In 2025, this is largely attributable to FX losses, driven by foreign currency-denominated debt exposure, and other one-offs like provisions for expected credit losses, loss on disposal of PPE, impairments, and loss on disposal of associates. This comes after the large increase in payroll and social security expenses in 2023, driven by compensation resets, revised employment requirements, changes in minimum pay benchmarks and some headcount growth. Management also noted that interconnect economics weakened structurally over 2021–24 as traffic shifted toward internet-based communications, OTT and VoIP.

ARPU should be read in local currency, not dollars

The operational read-through is more constructive than the headline dollar numbers might suggest. Management said that the difference between 2022 and 2024 mobile ARPU in local currency was less than 1%, despite more intense price competition in the mobile market during this time. The weaker USD ARPU picture mainly reflects FX changes, as the average UZS/USD exchange rate in 2024 was c. 14% higher than in 2022, according to management.

Similarly, the change in fixed ARPU in local currency was below 1% between 2022 and 2024, while the fixed subscriber base rose by c. 56% over the period. In other words, the data should be viewed as volume-led growth with FX translation pressure, rather than a material deterioration in underlying monetisation.

Figure 9.17: Strong financials underpinned by healthy subscriber growth



Source: Company presentation

Capex likely peaked in 2024

The cash-flow profile shows the clearest evidence of the recent investment cycle. Reported capex rose from UZS 1.2tn (USD 114m) in 2021 to UZS 3.1tn (USD 244m) in 2024, increasing at a three-year CAGR of 38% (29% in USD) as the company invested in large-scale network modernisation. However, capex intensity remained broadly stable at c. 22% of revenue in 2021–2023, before jumping to 35% in 2024. Free cash flow turned negative in 2023 and 2024, largely driven by a drop in capex and a working capital squeeze.

In 2025, capex declined 40% YoY to USD 146m, similar in scale to 2022–23. Lower capex accompanied by a strong operating performance led to a reversal in FCF, which stood at USD 110m in 2025 after two years of negative FCF. We think that UzTelecom's capex likely peaked in 2024.

The balance sheet leveraged up through the build-out

The balance sheet expanded materially over the 2021–2025 period. Total assets increased from UZS 7.9tn in 2021 to UZS 14.7tn in 2024, with property, plant and equipment rising from UZS 6.9tn to UZS 15.7tn, primarily driven by UzTelecom's capital-intensive telecom modernisation cycle.

Funding seems to have come primarily through debt. As a result, long-term borrowings increased from UZS 2.87tn in 2021 to UZS 5.7tn in 2025. Net debt rose from UZS 5.1tn in 2021 to UZS 9.1tn in 2025. In terms of leverage, net-debt-to-EBITDA expanded to 3.2x in 2024 from 2.2x in 2021. Importantly, leverage fell back to 2.5x in 2025 when the company reported its highest EBITDA in five years.

UzNIF management had earlier noted that leverage should decline ahead of the planned IPO through a combination of EBITDA growth and tighter debt control. At the same time, management referenced a 2024 IFRS covenant leverage ratio of 1.64x and an interest cover ratio of 5.24x, implying that covenant definitions differ from the simple net -debt-to-EBITDA measure derived from the disclosed financials.

Dividend policy is becoming more formal

The dividend framework is also tightening. Going forward, the company is expected to distribute 50% of IFRS net profit, whereas the prior year distribution was based on local accounting standards, according to management. That aligns with the broader UzNIF framework, which requires portfolio companies to maintain at least a 50% payout ratio until 2030.

Separate dividend disclosures show the amounts paid by UzTelecom as UZS 2.85bn for FY21, UZS 2.85bn for FY22, UZS 15.55bn for FY23 and UZS 23.66bn for FY24, according to the company's disclosure on its official website. Those payments remain small relative to the IFRS profit base and the scale of the balance sheet, suggesting dividend policy is still transitioning from legacy practice to a more formalised payout framework.

Investment case

Structural upside, execution risks

We view UzTelecom as the infrastructure spine of Uzbekistan's telecom system, particularly in fixed and wholesale. We think the addressable market still has room to deepen through subscriber growth, richer bundling, digital service penetration and enterprise cloud and ICT monetisation. Moreover, the heaviest phase of the upgrade cycle appears to be producing visible network scale and improving quality, while management's stated intention is to deliver ahead of IPO. Finally, the governance and listing agenda does create a plausible path to better disclosure, broader investor access, and a likely rerating over time, in our view.

The key risks to UzTelecom's investment case include intense mobile competition, given that independent network-quality data show that performance leadership is not unchallenged; FX debt creates earnings volatility; and medium-term regulatory liberalisation could make certain wholesale and international niches more competitive. We would also highlight disclosure limitations, as management declined to provide 2025 subscriber and detailed capex guidance, and declined to endorse public pre-UzNIF forecasts.

Figure 9.18: UzTelecom revenue and cost drivers

Future revenue growth drivers	Cost efficiency drivers
Subscriber growth UzTelecom's 2026–28 public plan* implies fixed and mobile subscriber growth CAGRs of 15% and 10%, respectively, over 2024-28. 5G and FTTH rollout The network plan includes 2,669 modernised sites, 2,792 new 3G/4G sites, 981 total 5G sites across upgrades and new builds, and more than 1.28m new broadband ports. Wholesale and enterprise expansion International packet-switching capacity is targeted to rise from 4.0m Mbit/s in 2025 to 6.8m Mbit/s in 2028, while B2B and B2G coverage is targeted at 90%, and enterprise cloud services continue to expand. ARPU upside from mix and usage Revenue growth to come from both user additions and monetisation, supported by richer bundles, higher data usage and selective tariff revisions.	More selective capex after the heavy build-out Capex of c. USD 750m for infrastructure upgrade cycle in 2020–24. Going forward, the updated capex programme is designed to support growth while reducing leverage ahead of IPO. Owned infrastructure and supported funding Direct ownership of fibre and towers reduces external infrastructure dependency, while state guarantees on strategic borrowings can lower funding costs and extend tenor. Fixed pricing flexibility Management has noted that the fixed leadership position provides meaningful pricing flexibility, supporting margin protection even within a market-based framework.

Source: Company website; *UzNIF does not endorse UzTelecom's 2026-28 strategy targets announced in 2024.

Figure 9.19: UzTelecom national and international peers

	Data as of FY2024	National Peers: UzTelecom	National Peers: UCell	National Peers: Beeline (1)	International Peers: Kazakhtelecom (4)	International Peers: O!	International Peers: Turkcell	International Peers: Globe	International Peers: Telenor Group (2)	International Peers: AIS
General	Country of operation	Uzbekistan	Uzbekistan	Uzbekistan	Kazakhstan	Kyrgyzstan	Turkey	Philippines	Pakistan	Thailand
	Country population (m)	38	38	38	21	7	86	116	245	70
	GDP per capita (USD) (7)	4140	4140	4140	15530	2930	18230	4620	n.a.	7980
Key financial metrics	Number of FTEs (k)	16.8	2.5	1.9	23.5	>1.0	22.2	6.4	1.3	10.7 (6)
	Market cap (USDm) (3)	n.a.	n.a.	n.a.	960	n.a.	5733	4357	n.a.	36382
	Revenue FY24 (USDm)	703 (8)	n.a.	273	1585	n.a.	5084	2888	428	6065
Mobile	National penetration (# of SIMs/population) (5)	94%	94%	94%	133%	167%	93%	113%	77%	136%
	Operator mobile subscribers (m)	9.3	9.0	8.3	14.9	5.0	38.3	60.9	43.2	45.8
	ARPU (USD)	2.5	nd	2.7 (9)	2.7	2.5	7.5	2.9	0.8	6.5
	Operator market share	31%	29% (10)	21% (10)	63%	Largest operator (11)	43%	55%	22%	48%
Fixed	National penetration (country subs./population)	34%	34%	34%	15%	6%	23%	7%	1%	15%
	Operator fixed subscribers (m)	2.4 (12)	n.a.	n.a.	1.9	n.a.	3.2	2.5	n.a.	5.0
	ARPU (13) (USD)	8.1	n.a.	n.a.	24.5 (14)	n.a.	9.5	15	n.a.	14.5
	Operator market share	87%	n.a.	n.a.	71%	n.a.	15%	20%	n.a.	47%

Source: IFRS financial statements, company annual reports and company websites, IMF DataMapper, October 2025.
Note: (1) Figures refer only to Uzbekistan operations; (2) Figures refer only to Pakistan operations. Pakistan operations sold to PTCL in Dec-25; (3) Market cap and exchange rate as of 27/02/2026; (4) Kazakhtelecom is a conglomerate containing Mobile Telecom-Services, Auyl Telecom, Centre for Digital Economy Development, KT Telecom, KT Ayix, Nursat, Kcell and Caspinet; (5) Mobile data based on GSMA Mobile Connectivity Index, considering SIMs/population, while fixed data based on destatis.de and datahub.itu.int, considering country subs/population; (6) Not including contracted employees; (7) International Monetary Fund forecast for 2026 from October 2025; (8) 18.9% 2020-24 revenue CAGR for UzTelecom vs c. 2.7% for European players. 2020-2024 CAGR computed on revenues in local currency. Median value for the following players: Deutsche Telekom, KPN, NOS, Proximus, Tele2, Telefónica, Telekom Austria, Telia, and Vodafone; (9) Implied ARPU based on company-disclosed revenue and subscribers; (10) market share of operators' subscriber base as of July 2025; market share information is based on internal estimates of UzTelecom, which have not been independently verified; (11) Based on data on the number of subscribers in the Kyrgyz Republic as of January 20, 2023; (12) 31.6% 2020-24 fixed user CAGR for UzTelecom vs ~1.2% for European players. Median value for the following players: Deutsche Telekom, KPN, NOS, Proximus, Tele2, Telefónica, Telekom Austria, Telia, and Vodafone; (13) Calculated as the average of 12 monthly ARPUs derived from the company; exchange rate: USD/UZS: 2024 = 12,645; (14) ~80% of revenues come from enterprise clients. Implied ARPU based on company-disclosed revenue and subscribers.

Financial summary – UzTelecom

FYE Dec, USDm	2021A	2022A	2023A	2024A	2025A
Income statement					
Revenue	525	576	661	703	844
YoY, %		10%	15%	6%	20.1%
Gross profit	237	229	233	246	335
Gross profit margin	45%	40%	35%	35%	40%
YoY, %		-3%	2%	5%	36%
EBITDA	219	195	196	222	300
EBITDA margin	42%	34%	30%	32%	35.5%
YoY, %		-11%	1%	13%	35%
EBIT	138	110	113	122	130
PBT	106	79	29	83	61
Net profit	91	66	24	63	48
Balance sheet					
PPE	640	682	808	967	1,068
Right-of-use assets	13	17	22	23	42
Total LT assets	670	714	887	1,048	1,189
Cash	2	2	2	8	23
Total current assets	67	64	80	93	120
Total assets	737	778	967	1,140	1,309
Total equity	154	214	220	258	341
Long-term debt	266	238	315	505	477
Lease liabilities	12	16	19	18	34
Contract liabilities	-	-	4	4	4
Total LT liabilities	288	272	362	567	568
Current borrowings	190	146	169	145	211
ST lease liabilities	3	5	5	7	12
Contract liabilities	-	-	33	36	45
Total current liabilities	295	292	385	315	400
Total liabilities	583	564	747	882	967
Cash flow statement					
Operating CFs	175	202	133	102	256
Capex*	(114)	(130)	(143)	(244)	(146)
Investing CFs	(108)	(126)	(146)	(234)	(140)
Financing CFs	(86)	(77)	13	140	101
Net debt to EBITDA	2.2	2.1	2.9	3.2	2.5
Capex intensity	22%	23%	22%	35%	17%

Source: Company reports; Note: Exchange rate - Average UZS/USD for 2021: 10,601, 2022: 11,043, 2023: 11,731, 2024: 12,645, 2025: 12,579; Year-end UZS/USD for 2021: 10,770, 2022: 11,230, 2023: 12,331, 2024: 12,903, 2025: 12,013; *Capex = Purchase of property and equipment + Purchase of intangible assets.

SQB Bank – Leading domestic bank

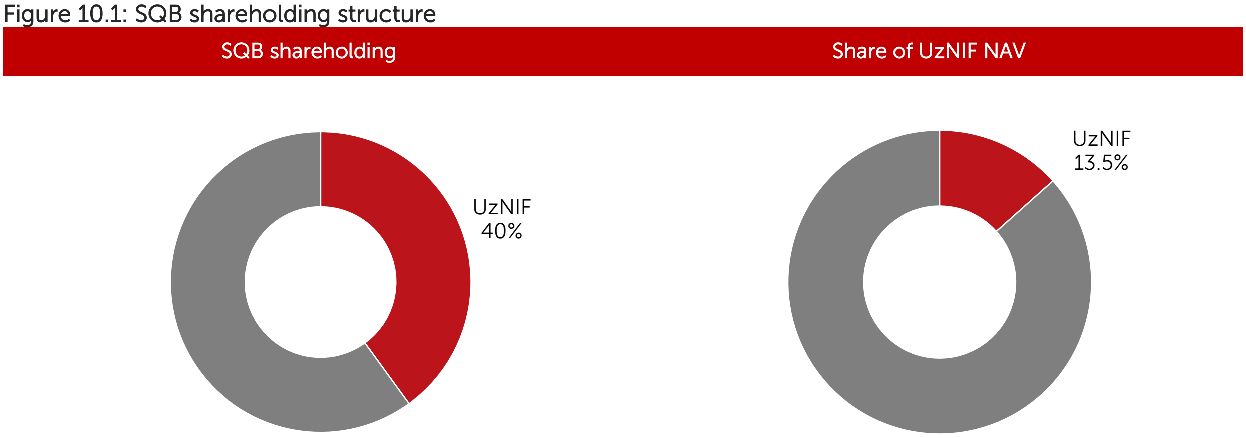
SQB Bank is one of the leading financial institutions in Uzbekistan. It is ranked as the third-largest bank by total assets and by loan portfolio, effectively tying for second place, with a significant gap to the #1 player as of 1 January 2026.

It operates as a universal bank, covering corporate, SME, and retail segments, and benefits from deep, long-standing relationships with the country's largest corporates, including several UzNIF portfolio companies, reflecting its historical focus on the corporate sector, which accounts for roughly two-thirds of its loan book. The bank today serves over 1.2 million retail clients, over 47,000 SMEs, has assets of USD 7.5bn, and maintains a nationwide physical presence with 71 branches. The bank is currently undergoing optimisation to improve efficiency and service quality.

The bank also established several "firsts" in the Uzbek banking sector, becoming both the first Eurobond issuer and, more recently, the first issuer of an AT1 capital instrument, signalling strong institutional capability and investor-market readiness. SQB is widely regarded as the best-positioned bank to transition into a fully commercial, market-ready institution in Uzbekistan. The bank has been an early mover on structural reforms. It already achieved a majority-independent board in 2022 and has partnered closely with the IFC, EBRD, and ADB on governance upgrades, risk systems, and convertible long-term funding lines.

For UzNIF, SQB is one of the fund's most strategically important assets and its only exposure to the high-growth banking sector in Uzbekistan. The fund has increased its stake from 30% to 40%, through a 10% asset-swap transfer that values the bank at around USD 820m. SQB reports a holding value of USD 329m[1] as of 31 May 2026, or 13.5% of UzNIF's value.

Figure 10.1: SQB shareholding structure



Source: Company presentation; Note: 1. Based on valuation reports prepared by a Big Four independent valuer as of 31 May 2026.

Uzbekistan banking sector: High growth with solid capital base

Uzbekistan's banking sector offers one of the strongest growth runways in the region, underpinned by a combination of structural, regulatory, and macroeconomic drivers.

Banking penetration remains low by regional standards, creating substantial headroom for further financial deepening. At the same time, the steady reduction of the grey economy, from 45–50% in 2019 to 33% in 2025 (source: Yahoo Finance), is pushing a rising share of household and corporate cash into the regulated banking system and accelerating deposit mobilisation.

The government, together with the IMF, World Bank, ADB and EBRD, has implemented a comprehensive reform programme, including the adoption of Basel III, full IFRS alignment, tighter macro-prudential rules and a new 2025 banking resolution law that enhances the Central Bank's intervention powers, complemented by a strengthened AML/CFT regime. These reforms improve asset quality, enhance governance, bolster investor confidence, and support a sustainable long-term growth trajectory for the sector.

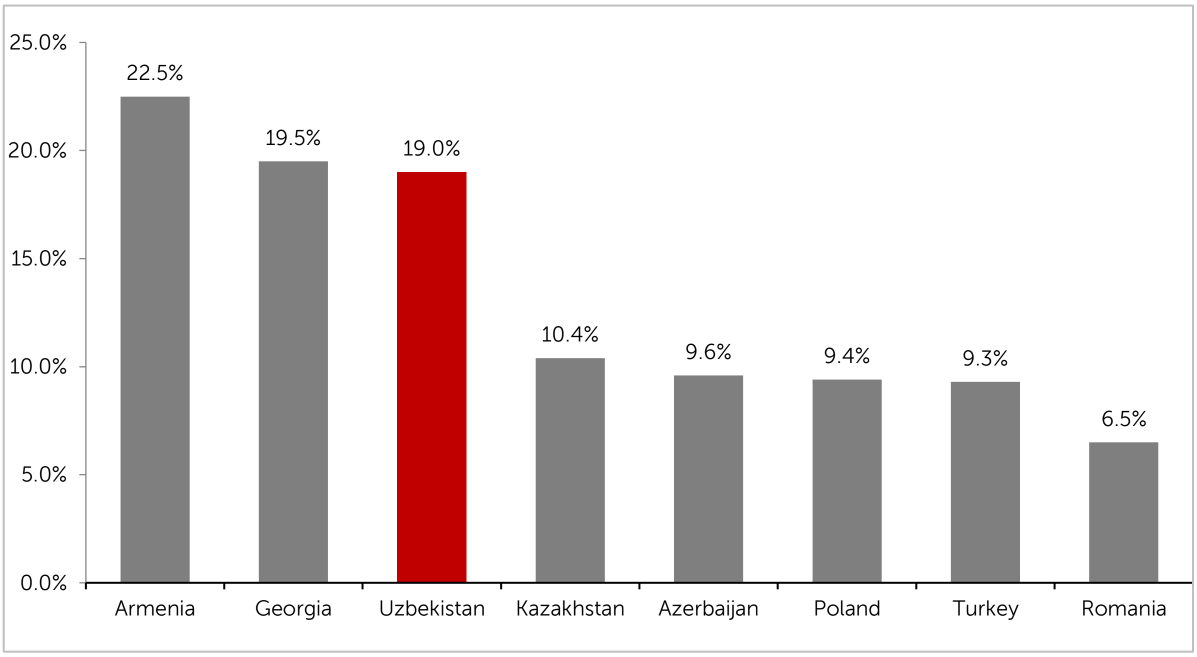
In parallel, Uzbekistan is shifting firmly toward market-driven lending. With the decline in directed lending, SOE transformations and privatisations are gaining momentum, and corporate demand is rising as the country undergoes major investment cycles. In 2025 alone, a record USD 43bn (source: Reuters) was invested across energy, transport, logistics, telecom and industrial clusters, which points to substantial corporate and infrastructure investment that should increase demand for banking services.

On the retail and SME side, growth is accelerating due to rapid digitisation, widespread adoption of digital payments, mandatory cashless transactions from 2026, and the launch of Islamic finance, which is expected to bring a sizeable unbanked population into the formal system.

Another important driver on the retail side is the mortgage market. Mortgage lending has been expanding by roughly 20% annually (source: UzBuild), supported by strong structural demand as housing supply continues to lag rapid population growth, creating a persistent shortage that pushes more households toward long-term financing solutions. Importantly, the majority of SQB's mortgage portfolio is financed through government programmes, allowing borrowers to obtain housing at more affordable rates and accelerating the transition of retail customers into the regulated banking system.

Collectively, these forces create a structurally high-growth banking environment in which deposit and loan growth consistently outpace GDP expansion. Over the past three years, banking assets in Uzbekistan increased by roughly 19% annually, outperforming most regional peers and the broader Central Asian average, highlighting the strength and durability of the sector's growth profile.

Figure 10.2: Banking asset growth (L3Y CAGR)



Source: Company presentation; For Uzbekistan, figures from Q2 2022 to Q2 2025; for the rest of the peer countries, 2021–2024; L3Y = Last three years.

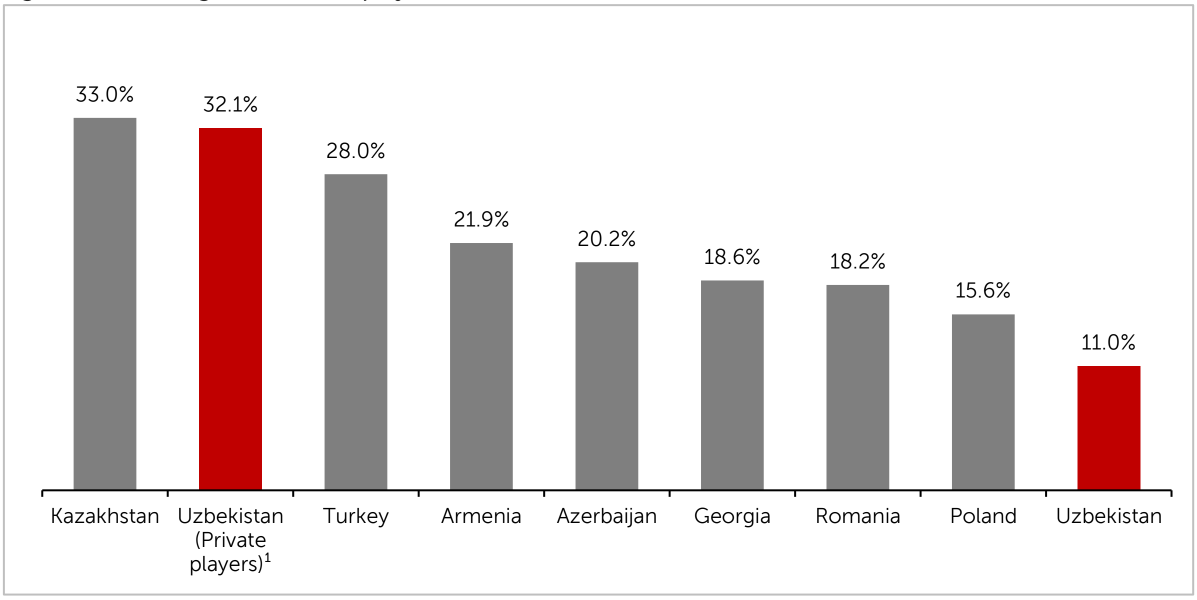
Strong return potential for non-state banks

Return on equity in Uzbekistan's banking sector lags regional peers. However, privately held banks significantly outperform their state-backed counterparts. Privately owned banks generate ROEs above 30%, supported by rapid loan growth, while SQB remains below this level but continues to work toward convergence.

Against this backdrop, SQB has shown steady improvement in profitability, with return on average equity improving from 10.7% in 2023 to 12.5% in 2024 and 13.6% in 1H25. SQB management targets a further uplift to 19.3% by FY26, driven by higher fee income, continued digitalisation, deeper SME and retail penetration, and cost efficiencies.

Although SQB's current ROE trails leading private banks, in our view, the bank's strategic transformation, supported by enhanced risk frameworks, AT1 capital strengthening (excluded from ROE calculations), and improved product monetisation, positions it to close the gap over the medium term.

Figure 10.3: Average return on equity



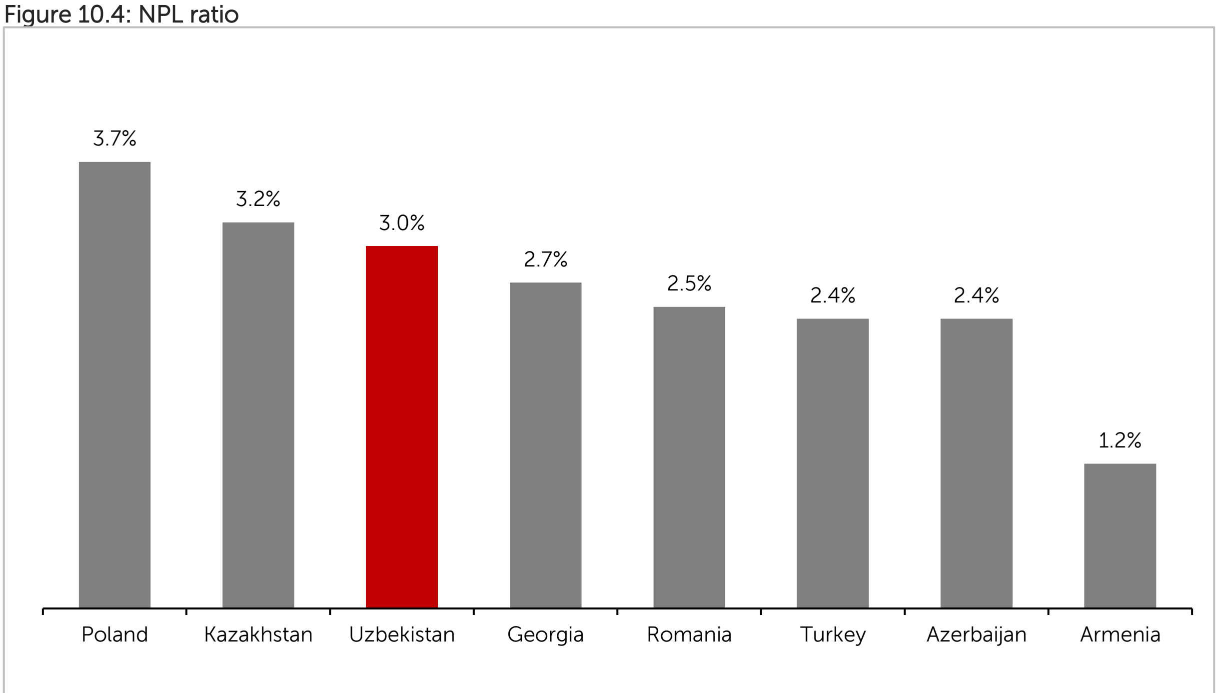
Source: Company presentation; For Uzbekistan, figures from Q1 2021 to Q2 2025; for Turkey as of Aug-2024; for Poland Jun-2025; for rest of the peer countries, 2024.
Note: 1. Includes average 2024 ROE for the 5 largest non-state-owned banks by customer loans as of Dec-2025 (Ipoteka-bank, Kapital bank, Hamkorbank, Ipak Yuli bank, Orient Finance bank).

Manageable credit risk

The non-performing loan (NPL) ratio represents the share of loans that are not being repaid on time, typically those that are 90+ days past due or otherwise unlikely to be repaid. A lower NPL ratio indicates a healthier, more resilient banking system, while a higher ratio suggests increased stress and weakening asset quality.

Uzbekistan's NPL ratio of 3% is moderate and broadly aligned with regional peers, sitting lower than Poland and Kazakhstan but slightly higher than Georgia, Romania, Turkey, and Azerbaijan. Importantly, a 3% NPL ratio is considered healthy for a fast-growing emerging-market banking sector, particularly one that is expanding credit rapidly and transitioning from subsidised or directed lending toward a more commercial, market-based system.

Figure 10.4: NPL ratio



Source: Company presentation; latest available figures. For Uzbekistan, as of Dec-2025; for Turkey as of Oct-2025; for Georgia and Poland Jun-2025; for the rest of the peer countries, Dec-2024; Potential accounting discrepancies across countries (Romania and Poland under IFRS vs rest under local GAAP.

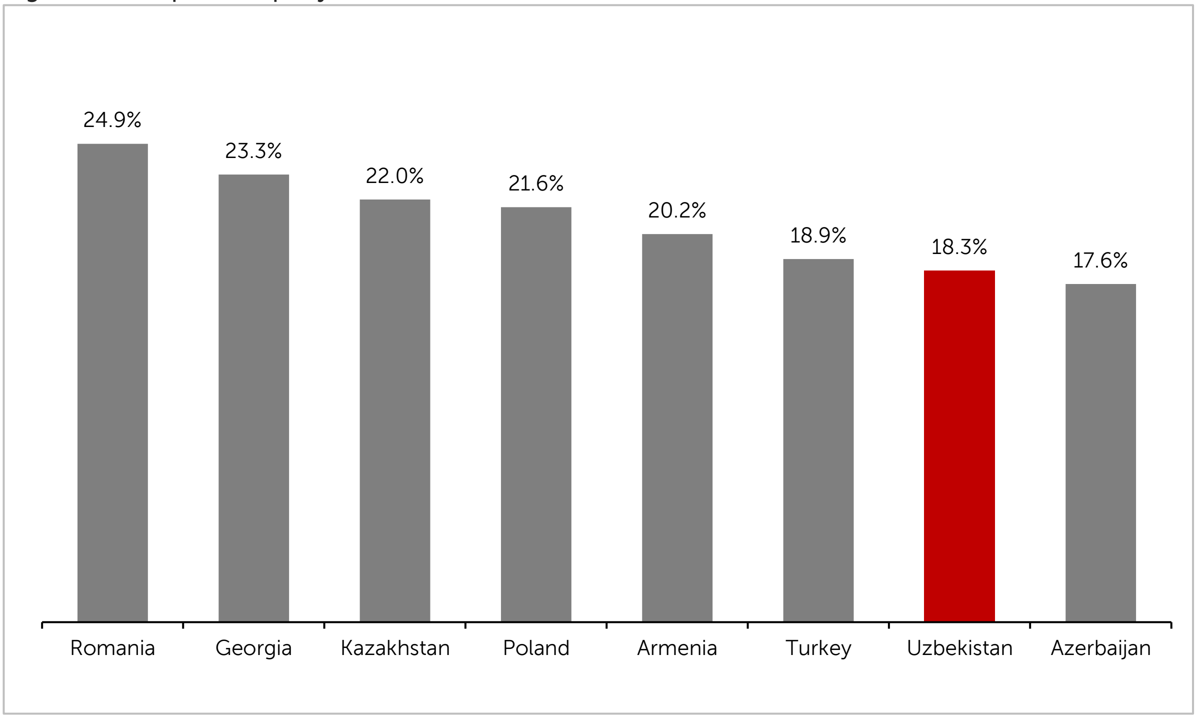
Solid capital base

The capital adequacy ratio (CAR) measures how well-capitalised banks are relative to their risk-weighted assets, with higher levels indicating a greater ability to absorb losses and support lending. Based on our estimates, Uzbekistan's capital adequacy ratio (CAR) of 18.3% indicates a well-capitalised banking system. Although Uzbekistan's CAR is slightly lower than some regional peers, it remains comfortably above international minimum standards under Basel III, where Tier 1 capital plus buffers total roughly 10.5–11%. The Central Bank of Uzbekistan requires 13% as a capital position.

We think this strong capital position provides a solid foundation for continued credit growth as the economy expands, underscoring the banking system's strength and resilience and its capacity to support future lending. SQB itself maintained a Tier 1 ratio of 14% following its AT1 issuance in October 2025.

At the start of 2026, SQB's capital ratios had improved and provided a healthy buffer. Based on NAS figures, the ratios are: CET1 11.8%, Tier 1 capital ratio 15.4%, and total capital ratio 17.8%. The net effect of the AT1 issuance was muted by the Central Bank tightening RWA measurement guidelines to align with Basel guidance, according to UzNIF.

Figure 10.5: Capital adequacy ratio



Source: Company presentation; Latest available figures. For Uzbekistan, as of Dec-2025; for Turkey, as of Oct-2025; for Georgia and Poland, Jun-2025; for the rest of the peer countries, Dec-2024.

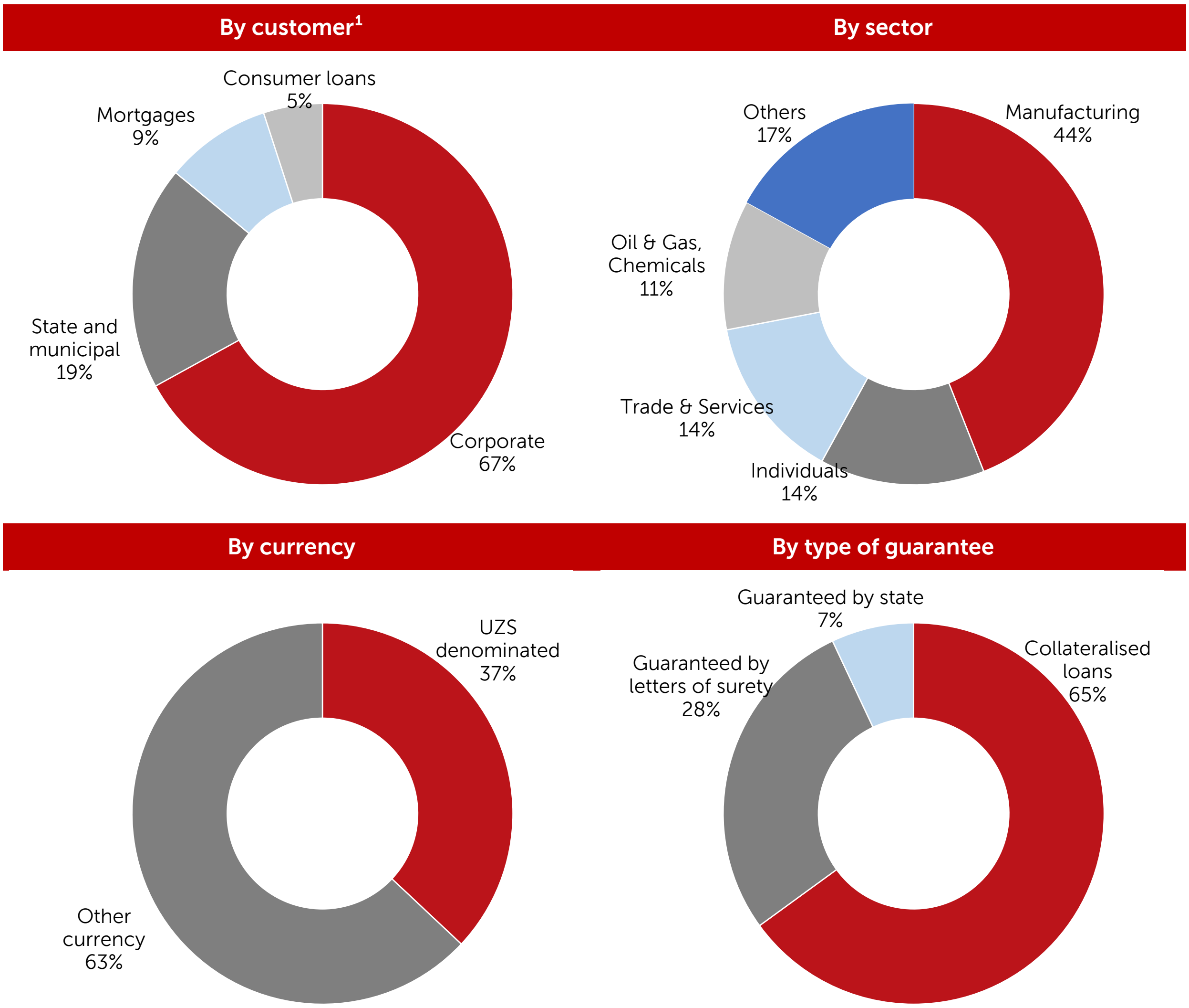
Fast-growing loan portfolio with strong diversification

The loan portfolio is broadly diversified across client types, industries, and products, with corporate lending forming the core while the state, SME, and retail segments provide meaningful balance. Sector exposure is also well-distributed, led by manufacturing but complemented by trade and services, chemicals, agriculture, energy, and transport, reducing concentration risk and enhancing stability.

Loan growth has been strong, with a 16.6% CAGR between 2022 and 2024, driven mainly by mortgages and corporate loans, reflecting a deliberate shift toward secured, lower-risk retail assets alongside continued business lending. Annual average growth in corporate loans was 20.3% between 2022 and 2024, and this trend continued in 1H25, when corporate loan value increased 9% in the first six months relative to the end of 2024.

Importantly, asset quality is underpinned by a high level of collateralisation, with 65% of the portfolio secured by collateral, supported further by state guarantees (7%) and letters of surety (28%). We believe this loan diversification provides a robust credit cushion, significantly reducing loss given default, and high collateral coverage materially strengthens asset quality and reinforces the overall resilience of the loan book.

Figure 10.6: Gross loan breakdown (as of June 2025)



Source: Company presentation, SQB presentation; Note: 1. Loans and advances to customers, including finance lease receivables.

Wholesale-heavy funding

The funding structure for SQB is broadly diversified, combining a balanced mix of customer deposits, international borrowings, and capital-market instruments. Borrowed funds form the largest share, consistent with a bank that is actively expanding and leveraging strong development-finance relationships.

The bank is recognised as a national leader in attracting international funding, with international financial institutions (IFIs) dominating the wholesale funding base through IFC, EBRD, and ADB convertible loans, long-tenor senior unsecured credit lines, and syndicated facilities. SQB also taps market instruments, having successfully issued a landmark USD 300m AT1 bond in October 2025, the first such issuance in Central Asia. At the same time, IFI-related borrowings increased 15% annually between 2022 and 2024.

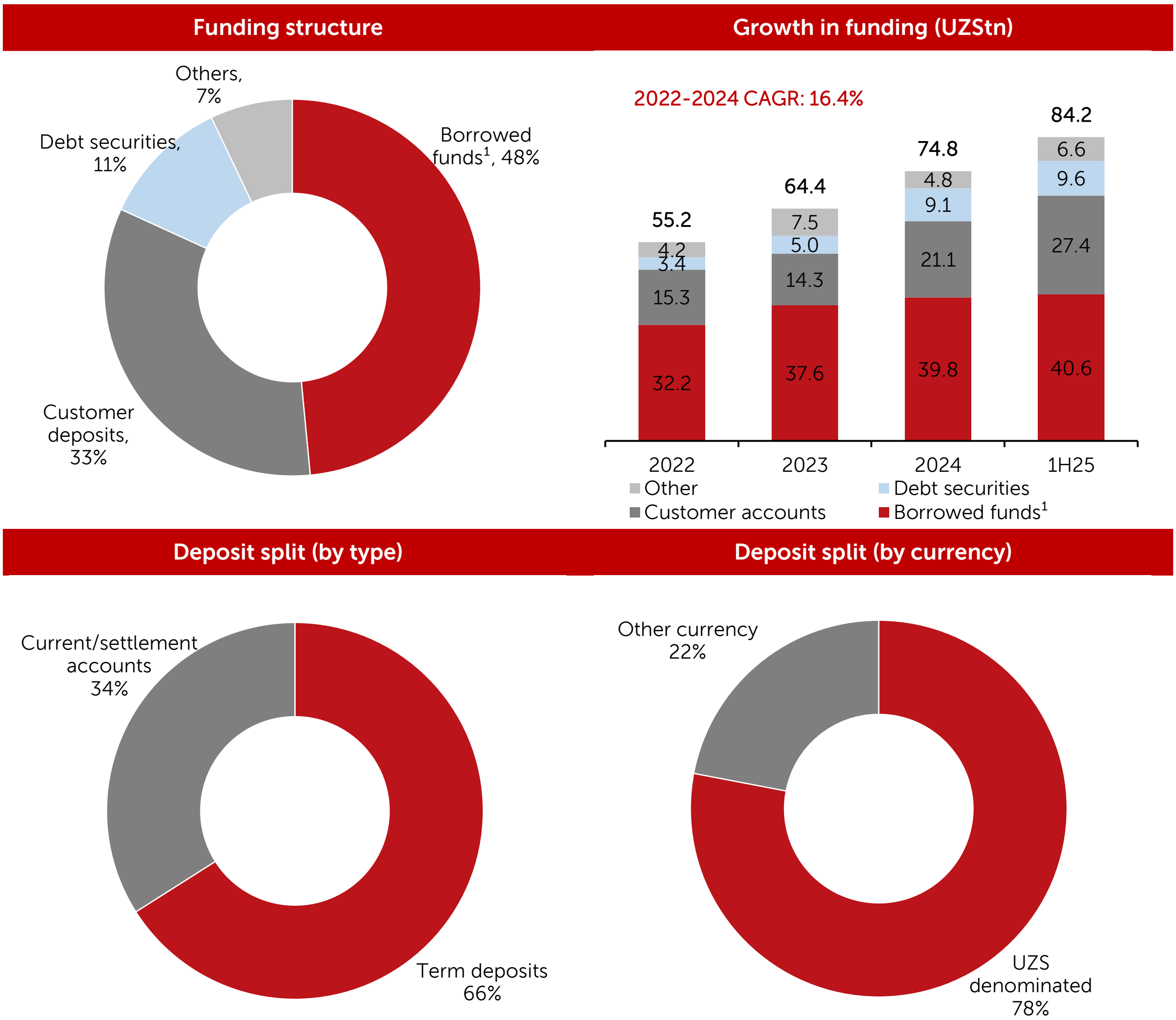
Importantly, most international funding is raised without state guarantees, reflecting the bank's improving standalone credit strength, while state-guaranteed borrowings remain below 10% and are expected to decline further as independent market access strengthens. The funding mix has also been de-risked by sharply reducing exposure to Russian financial institutions, from around 4% in 2021 to less than 1.6% by June 2025, and 0% currently.

Alongside wholesale strength, customer deposits have expanded rapidly, rising from UZS 15.3tn in 2022 to UZS 21.1tn in 2025, representing 17.3% annual growth in the same period (source: SQB Nov 2025 Presentation). Customer deposits increased further from UZS 21.1tn to UZS 27.4tn in the first six months of 2025, implying nearly 30% growth over six months and signalling rising customer trust. Overall, banking system deposits in Uzbekistan increased by 35% between January 2025 and January 2026. During the same time, SQB deposits increased 52%, supported by structural drivers such as a shrinking grey economy and changes in internal KPIs to incentivise deposit attraction. The deposit base is high-quality, with 34% in non-interest-bearing sight deposits.

Term deposits account for 66% of deposits, and 78% of deposits are denominated in UZS, providing stability, reducing FX exposure, and ensuring a more predictable funding cost profile, in our view.

Taking together, this diversified and increasingly resilient funding structure positions SQB as a stronger, more balanced, and more independently financed institution, enhancing liquidity, lowering risk, improving funding flexibility, and strengthening its credibility ahead of future growth and potential capital-market transactions.

Figure 10.7: Funding profile (as of June 2025)



Source: Company presentation, SQB presentation; Note: 1. Borrowed funds include international financial institutions, Uzbekistan financial institutions and Russian financial institutions.

Robust asset quality

Asset quality for SQB remains a core pillar of its investment case, supported by a healthy loan book, where 71% of exposures are Stage 1 and only 6% are Stage 3. The Stage 3 classification follows strict IFRS 9 rules, capturing distressed, restructured, and unlikely-to-pay exposures as well as loans in probation, resulting in Stage 3 levels that are structurally higher than regulatory NPLs, demonstrating conservative credit recognition.

Stage 2 trends for SQB have improved significantly, driven by restored payment discipline, intensified monitoring, and stronger cash flows in the utilities sector following tariff reforms.

Recent uptick in system NPL

The NPL ratio has declined meaningfully from 2022 levels, reflecting tighter underwriting standards and strengthened risk management controls. However, the NPL ratio rose from 3.4% in FY24 to 4.3% in 1H25, driven entirely by system-wide deterioration in the retail segment rather than bank-specific factors. This increase was consistent with broader market trends, as peers experienced similar or sharper deterioration; for example, TBC's NPL ratio increased from around 2.0% to 5.8% over the same period.

IFRS reporting data indicates a clearer improvement in the underlying loan portfolio. The combined share of loans in Stages 2 and 3 declined from 33% in FY24 to 29% in 1H25, indicating that fewer exposures are classified as being under heightened credit risk.

In addition, SQB has appointed a new Chief Risk Officer (with IFC and World Bank Group experience), redesigned its scoring models, and shifted growth toward lower-risk mortgage lending, further reducing exposure to higher-risk assets.

Provisioning is robust

NPL coverage of 128% and Stage 3 coverage of 94% suggest a highly conservative provisioning philosophy. NPL coverage measures total loan loss reserves relative to non-performing loans, while Stage 3 coverage measures provisions specifically against Stage 3 credit-impaired exposures. SQB also maintains segment-specific risk teams, allowing tailored underwriting across corporate, retail, and SME portfolios.

High concentration

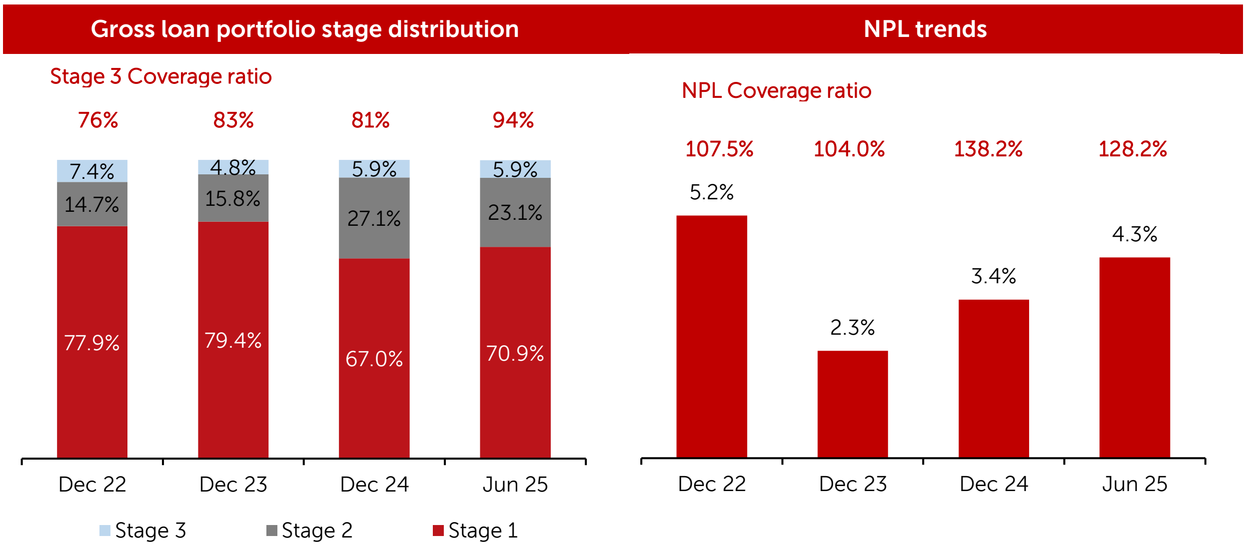
The 11 largest borrowers account for 20.9% of loans. SQB is actively reducing borrower concentration and continues to diversify its loan portfolio. The bank is promoting project-level financing structures and encouraging broader participation by multiple borrowers and investors, helping distribute exposure across a wider client base and reducing reliance on large single-name exposures. Internal credit governance has also been strengthened, and all large exposures are now escalated to the highest credit-approval committee, supporting heightened scrutiny and tighter risk controls.

Capital buffers further reinforce asset quality resilience

Under Basel III, the CET1 requirement is 9.5%, and the Tier 1 requirement is 11%. SQB's position exceeds both: following its AT1 issuance, Tier 1 stood at 15.4% and capital adequacy ratio at 17.8%, placing SQB comfortably above minimum thresholds and keeping the bank well above all CBU regulatory requirements.

Altogether, we believe SQB combines conservative classification, strong provisioning, disciplined risk governance, and surplus capital buffers, positioning the bank as a resilient and high-quality credit franchise with sustainable long-term performance potential.

Figure 10.8: Asset quality (as of June 2025)



Source: Company presentation, SQB presentation. Note: 1. Non-performing loans are defined as loans and advances to customers, gross, with overdue payments of principal loan amount and/or interest by more than 90 days. NPL ratio is calculated as non-performing loans divided by total loans and advances to customers, gross; 2. Non-performing loans coverage is calculated as the allowance for expected credit losses at period-end divided by the total amount of non-performing loans as of period-end.

SQB comparison to regional peers

SQB operates in one of the fastest-growing macro environments in its peer group. Uzbekistan's GDP growth of 5.9% outpaces Poland, Turkey, and Georgia. The country has 80% banking penetration, below the ~90% levels of more mature markets. This points to a meaningful runway for Uzbekistan's banking sector, and we believe SQB is well-positioned to benefit from this structural expansion.

The bank's current balance sheet reflects its legacy as a corporate-focused lender, with 67% of loans extended to corporates and a further 19% to state and municipal entities, resulting in 86% of the portfolio on the institutional side. Retail loans account for just 14%, comprising 5% customer loans and 9% mortgages. This compares with peer retail mixes of 30–56%. Concentration is also elevated, with the 11 largest borrowers accounting for 20.9% of the portfolio. However, SQB is actively reshaping its book toward a more balanced and resilient mix through project-level financing structures and deliberate actions to reduce single-name exposure over the medium term.

As of HY2025, SQB's loan-to-deposit ratio of 255% was significantly higher than peers, which ranged from 56% to 101% (average of 77%), indicating a strong reliance on wholesale funding.

Retail deposits also grew 52% YoY between Jan-2025 and Jan-2026, well above the system's 35%, with a high-quality profile consisting of 66% term deposits, 78% UZS-denominated balances, and 35% non-interest-bearing accounts. This emerging deposit momentum is a central pillar of SQB's gradual shift toward a more stable funding structure.

SQB has 50 employees per branch, among the highest in the peer set, and generates lower operating income per employee. To address this, the bank is implementing a comprehensive modernisation programme, branch optimisation, digital channel expansion, and talent upgrades, including the appointment of new CFOs, a new CRO, and strengthened risk committees. These measures are designed to align SQB's cost structure with private-sector benchmarks over time.

Profitability is currently below peers, with RoTE at 12.7%, compared with 18–27% for Polish banks, ~33% for Halyk in Kazakhstan, and ~31–32% for Bank of Georgia. This underperformance is consistent with SQB's transitional stage. The bank is dealing with several structural legacy headwinds, including a corporate-heavy loan book, a higher Stage 3 share, and reliance on wholesale funding. Retail transformation is at an early stage, and retail credit quality has also been affected by system-wide retail NPL pressure.

Considering these challenges, SQB has strengthened its risk architecture by appointing a new CRO, rebuilt its retail scoring models, and shifted toward lower-risk mortgage lending. The bank is simultaneously expanding non-interest income and accelerating digital adoption, both of which should support structurally higher profitability. Strong capital ratios, with Tier 1 at 15.4%, should provide resilience and capacity for growth.

Figure 10.9: SQB Bank regional peers' comparison

		SQB	Bank Pekao	Santander Polska	ING	Halyk	HALKBANK	
Macro	Country	Uzbekistan	Poland	Poland	Poland	Kazakhstan	Turkey	Georgia
	Banking penetration[1]	80%	90%	90%	90%	63%	103%	140%
	GDP per capita[8]	4.1	30.7	30.7	30.7	15.5	18.2	10.9
	Real GDP growth[8]	5.9%	3.1%	3.1%	3.1%	4.8%	3.7%	5.3%
	Corporates/SME share in loan	86.0%	43.0%	50.0%	56.0%	65.0%	88.0%	55.0%
Business mix, size & growth	Market cap (USDbn)	n.a.	16.6	16.9	14.9	8.8	8.0	6.7
	P/TBV	n.a.	1.91x	1.96x	2.85x	1.34x	2.00x	2.37x
	TBV (latest) (USDbn)	0.8	8.6	8.5	5.1	6.4	4.2	2.8
	Stage 3 (% gross loans)	5.9%	4.8%	4.0%	1.9%	6.9%	3.2%	2.1%
	Net loans '24A YoY Δ	15%	8%	10%	6%	23%	16%	16%
	Loan-to-deposit	255%	74%	68%	75%	88%	56%	101%
	Business vol. per FTE (USDm)[2]	2.0	9.8	9.6	13.8	3.1	5.4	2.5
	Total income per FTE (USDk)[3]	97	340	413	388	176	102	117
	FTEs per branch (#)	50	18	20	11	31	20	43
Profitability	Net interest margin '24A[4]	4.9%	3.8%	4.8%	3.5%	6.5%	1.3%	5.6%
	Non-NII (% total income)[5]	26%	21%	19%	23%	26%	54%	34%
	Total income '24A YoY Δ	15%	3%	7%	6%	33%	33%	13%[7]
	Cost-to-income ratio	39%	41%	30%	35%	18%	69%	34%
	Cost of risk (bps)	240	52	59	64	125	62	56
	Profit for the year '24A YoY Δ	21%	-4%	6%	-2%	33%	24%	30%[7]
	RoTE[6]	12.7%	22.2%	17.8%	26.5%	33.5%	13.3%	31.8%[7]

Source: Company presentation; Halyk Bank reporting not under IFRS accounting standards.
Notes: 1. Calculated as the sum of the latest aggregate customer loans and deposits in the country divided by its nominal GDP as of 2024; 2. Calculated as the sum of customer loans and deposits divided by total FTEs as at year-end; 3. Total income defined as profit before tax + administrative and other operating expenses + provision for credit losses including finance lease receivables; 4. Calculated as net interest income divided by average total assets; 5. Non-interest income computed as sum of net fee & commission income, net insurance & reinsurance income, net gain from trading in FX and other income; 6. Calculation based on average tangible equity; 7. Adjusted to exclude BoG's acquisition of Ameriabank CJSC; 8. International Monetary Fund forecast for 2026 from October 2025.

Figure 10.10: SQB Bank investment highlights

Rapid growth, strong asset quality, solid capital	Rapid sector growth: Total banking assets have expanded by 19% per year over the past three years (Q2 2022–Q2 2025) Significant structural headroom: Strong real GDP growth and relatively low banking penetration indicate ample room for continued expansion Healthy sector fundamentals: The banking system remains clean and well capitalised, with an NPL ratio of ~3% (Dec 2025) and a total capital ratio of 18% (Jan 2026)
SQB is a market leader, positioned to capture growth	Leading corporate banking franchise: 3rd largest by assets[1], largest branch networks, deep relationships with key systemic companies Experienced management team Long-term transformation partnership with IFC: Focused on commercial acceleration, stronger risk management, and enhanced governance, including the shift to a majority-independent supervisory board since June 2022 Diversified and stable funding base: Proven access to international markets, first Uzbek corporate Eurobond issuer and first Uzbek bank to issue AT1, alongside 47% YoY deposit growth in 2024
Diverse business lines	Deepening relationships: Product penetration growing from 2 to c. 3 products per corporate customer in 2025, compared to an average of 4.5 products per transactional corporate customer for Halyk Bank as of FY24 Broadening product mix: Launch of green banking offerings and investment banking services Emphasis on stable fee: Non-interest income accounting for 26% of income as of FY24, up from ~16% in FY21 Strengthening bank base: More than 1.2m retail and >47,000 SME (as of Dec 2025), dedicated private banking and 600K+ active mobile users (as of 1 Sep 2025)
Strong asset quality	Strong asset quality: Robust coverage (~128% NPL coverage as of Jun-25) and a strong capital position, well above regulatory requirements
Profitability upside	Strong profit momentum: 20%+ annual increase in profit between 2023 and 2024, and profit for 1H25 up over 2x YoY Opportunity for further returns: Improving operational efficiencies, risk-conscious expansion for closing the gap to the >30% RoE[2] recorded at leading domestic privately-owned peers

Source: Company presentation; Notes: 1. Ranking by total assets as per Central Bank of Uzbekistan regulatory data (non-IFRS); 2. Average RoE for Ipoteka-bank OTP, Kapital Bank, Hamkorbank, Ipak Yuli Bank, Orient Finance Bank, as publicly disclosed

Strategic growth and cost optimisation drivers

Going forward, SQB's growth should be driven by deeper penetration in its corporate franchise, rapid expansion of retail and SME banking, and rising non-interest income from FX, subscriptions, and investment-banking products. Digitalisation and capital-market leadership should support scale and diversification of funding.

Cost efficiency could improve through branch optimisation, reduced non-core spending, centralised back-office functions, and enhanced risk governance that lowers the cost of risk. We believe deposit-growth tailwinds and de-dollarisation should further strengthen SQB's funding profile, supporting a sustainable uplift in ROE.

Figure 10.11: Revenue and cost drivers

Future growth drivers	Cost efficiency drivers
Structural sector tailwinds: The Uzbek banking sector is growing by ~19% p.a., with low penetration and rising deposits supported by grey economy reduction and new Islamic finance laws. SQB is positioned to capture this growth. **Expansion of product penetration in corporate segment:** SQB plans to increase revenue by raising the number of products per corporate customer from ~3 toward regional benchmarks of ~4.5, supported by investment banking and green banking offerings. **Growth in high-margin retail & SME banking:** Retail and SME are key growth engines, backed by dedicated digital apps for retail and SME customers (around 600k active retail app users), and subscription packages that bundle multiple services for a fixed fee. Rapid growth in active SME clients from ~39k (2024) to ~47k (2025). **FX & transaction-driven income:** Fee and commission income (including FX conversions from large corporate clients) is increasing steadily. Non-interest income now ~30% of total income. **Leadership in capital markets & wholesale funding:** SQB is the first Uzbek bank to issue a corporate Eurobond and a USD 300m AT1 instrument. This strengthens funding access and supports balance sheet growth.	**Branch network optimisation:** SQB is downsizing branch footprints and moving toward a more asset-light model, which could narrow its cost gap vs peers (e.g., property costs at SQB of ~5% of operating income vs ~2% at Halyk Bank). **Reduction of non-core spending:** Charity and sponsorship costs (~UZS 40bn in 1H25) to be significantly reduced toward private-sector norms, an immediate margin lever. **Centralisation of back office & risk functions:** Centralised monitoring and collection systems, automated scoring tools, CRO veto rights. These changes should improve loan quality, reduce Stage 2/3 migration, and lower the cost of risk through disciplined underwriting. **Digitalisation reduces operating costs:** Strengthened credit discipline: New CRO from IFC has formalised collateral revaluation. Stricter committee oversight and Stage 3 cure controls. These measures aim to reduce the through-the-cycle cost of risk.

Source: Company data

Financial summary – SQB Bank

FYE Dec, USD m	2022	2023	2024	2025
Income statement				
Interest income	455	613	711	897
Other similar income	2	3	4	2
Interest expense	(238)	(348)	(435)	(580)
Net margin on interest and similar income	**220**	**268**	**280**	**318**
Provision for losses on loans	(84)	(97)	(117)	(89)
Net fee and commission income	29	33	32	32
Administrative and other operating expenses	(124)	(142)	(154)	(197)
Profit before tax	77	91	109	143
Profit for the period	**57**	**73**	**88**	**123**
Balance sheet				
Loans and advances	4,385	4,945	5,257	5,308
Total assets	5,722	6,248	6,706	7,728
Customer accounts	1,388	1,221	1,669	2,555
Other borrowed funds	2,920	3,208	3,150	3,003
Total liabilities	5,036	5,528	5,967	6,911
Total equity	687	719	740	817
Key metrics				
Net interest margin[1]	4.4%	4.9%	4.9%	4.7%
Cost/income ratio[2]	44%	42%	39%	–
Cost of risk (bps)[3]	190	200	240	–
RoAE	8.5%	10.7%	12.5%	–

Source: Company presentation, filings, SQB presentation, Exchange rate: USD/UZS: 2021 – 10,601; 2022: 11,043; 2023 = 11,731; 2024 = 12,645; 2025: 12,576.
Note: 1. Computed as net interest margin divided by average interest-earning assets; 2. Computed as cost base (administrative and operating expenses) divided by the sum of operating income; 3. Computed as loan loss provisions divided by average gross loans.

Temiryo'linfratuzilma – Railway backbone in transition

Temiryo'linfratuzilma (RI – Railway Infrastructure) is the newly carved-out rail infrastructure manager within Uzbekistan's railway ecosystem. It is a natural-monopoly asset that owns and operates the country's core rail backbone and sits at the centre of a multi-year unbundling, tariff, and governance reform process.

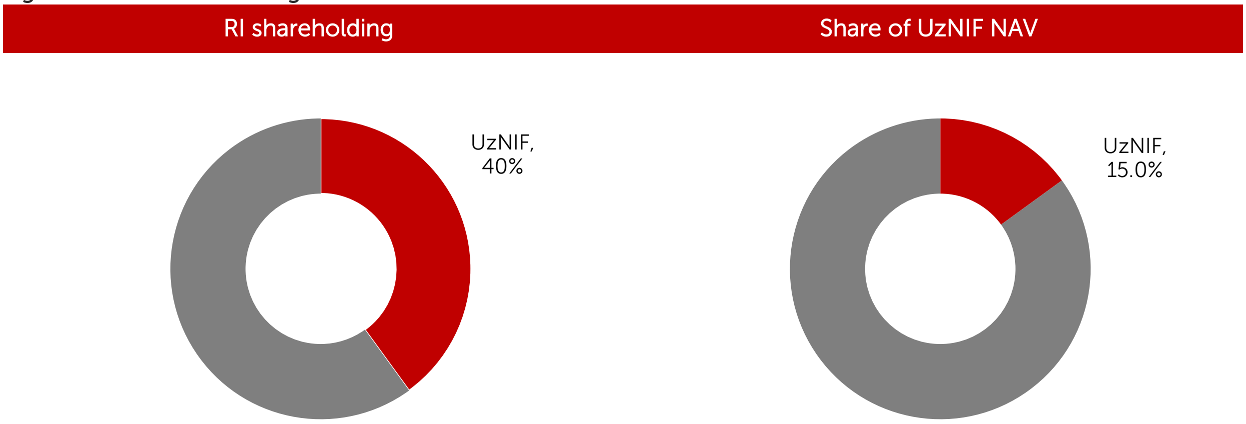
In our view, the equity story is not simply "rail volume growth". The story is rather underpinned by a combination of (i) strategic infrastructure ownership, (ii) tariff and legal reform, (iii) improving separation from the legacy vertically integrated structure, and (iv) Uzbekistan's rising relevance as a Eurasian transit corridor.

UzNIF ownership and strategic position in the fund

For UzNIF, this is one of the fund's most important holdings. UzNIF owns 40% of the company, with a holding value of c. USD 364m[1] as of 31 May 2026, equivalent to 15% of UzNIF's NAV. As of FY24, the asset was profitable, and management positions it as a core infrastructure name with "infrastructure-like" cash flow characteristics once the current reform agenda matures.

Within UzNIF's portfolio, RI is the fourth-largest holding by value, underscoring its importance to fund-level NAV and to the broader privatisation and equity-market agenda. The stock is currently unlisted, but it is clearly a "portfolio flagship" from a strategic economy perspective.

Figure 11.1: RI shareholding[1]



Source: Company presentation; Note: 1. Based on valuation reports prepared by a Big Four independent valuer as of 31 May 2026.

Company at a glance

RI is a newly established standalone infrastructure company, created as part of the October 2023 presidential reform package for Uzbekistan's railway sector. The company started operating in 2024 as the legacy national railway structure began to split into specialist entities.

The key objective of the reform package was to move away from a fully integrated state monopoly toward a more transparent structure with clearer economics, room for private participation in selected segments, better capital allocation, and stronger corporate governance.

Under that reform architecture, the railway system was unbundled into specialist platforms, including Temiryo'linfratuzilma (RI) (infrastructure), Temiryo'lkargo (freight), and Temiryo'lekspress (high-speed passenger), alongside separate station-related and suburban passenger entities. Uzbekistan Railways (UTY) was repositioned as the parent holding and coordination platform.

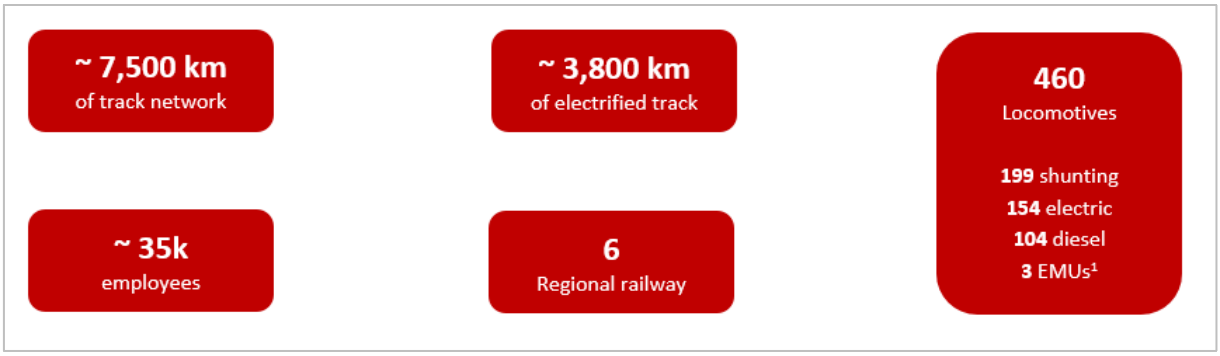
This unbundling into separate entities created a more intelligible, standalone infrastructure perimeter, which is critical for tariff setting, benchmarking, governance improvements, and eventually capital market access.

High-level operational and financial snapshot

RI operates around 7,500 km of railway infrastructure, of which around 3,800 km is electrified. The company has c. 460 locomotives and c. 35,000 employees, organised around six regional nodes. Revenue stood at c. USD 777m and profit at c. USD 8m in Mar-Dec 2024. Management has signalled that 2024 should be treated as a transition year because the legal and operating separation from the legacy holding structure was still being completed. Given that the reform process remains ongoing, earnings and operating metrics may continue to face transition-related pressure for another 1–2 years as the separation from the legacy holding structure is fully implemented.

While the company has reported headline profitability recently, we think that current earnings may not be the best representation of steady-state infrastructure economics. We believe that investors should focus more on post-separation tariff logic, throughput growth, and cost discipline than on a single transition-year profitability snapshot.

Figure 11.2: RI operational KPIs



Source: Company presentation; Note: 1. EMU = Electric multiple units

The core equity case

"The national rail backbone" — hard-to-replicate monopoly infrastructure

RI is the infrastructure backbone of Uzbekistan's rail system. The company owns and maintains the track, traction power assets, signalling and communications systems, freight stations, and unified dispatch capability.

Under the new rail law, public rail infrastructure and mainline locomotives are tied to the infrastructure operator and the public railway system, preserving the asset's strategic monopoly nature even as selected service layers are liberalised. We think that this combination of monopoly infrastructure along with selective market opening around it is typically one of the more investable configurations in transport infrastructure.

"Reform optionality" — separation, tariffs, and governance can all re-rate the asset

We think that the company's current economics are still being shaped by the unbundling process. The sector has moved from a vertically integrated utility-like structure toward legal separation of activities, clearer access rules, and a more modern tariff framework.

The new Law on Railway Transport and the 2023 presidential reform resolution together provide the legal foundation for access regulation, tariff restructuring, competition in transport services, and budget compensation for regulated passenger obligations. In our view, that is the kind of framework shift that can re-rate an infrastructure asset over time.

Transit leverage without commodity risk

Uzbekistan is "doubly landlocked" because it has no direct access to the sea, and every country it borders is also landlocked, meaning goods must cross at least two other countries before reaching an ocean port. This makes efficient rail infrastructure economically strategic. The country is positioned as a more relevant Eurasian transit node through projects such as the China–Kyrgyzstan–Uzbekistan railway, expansion of transit flows, and de-bottlenecking around Tashkent.

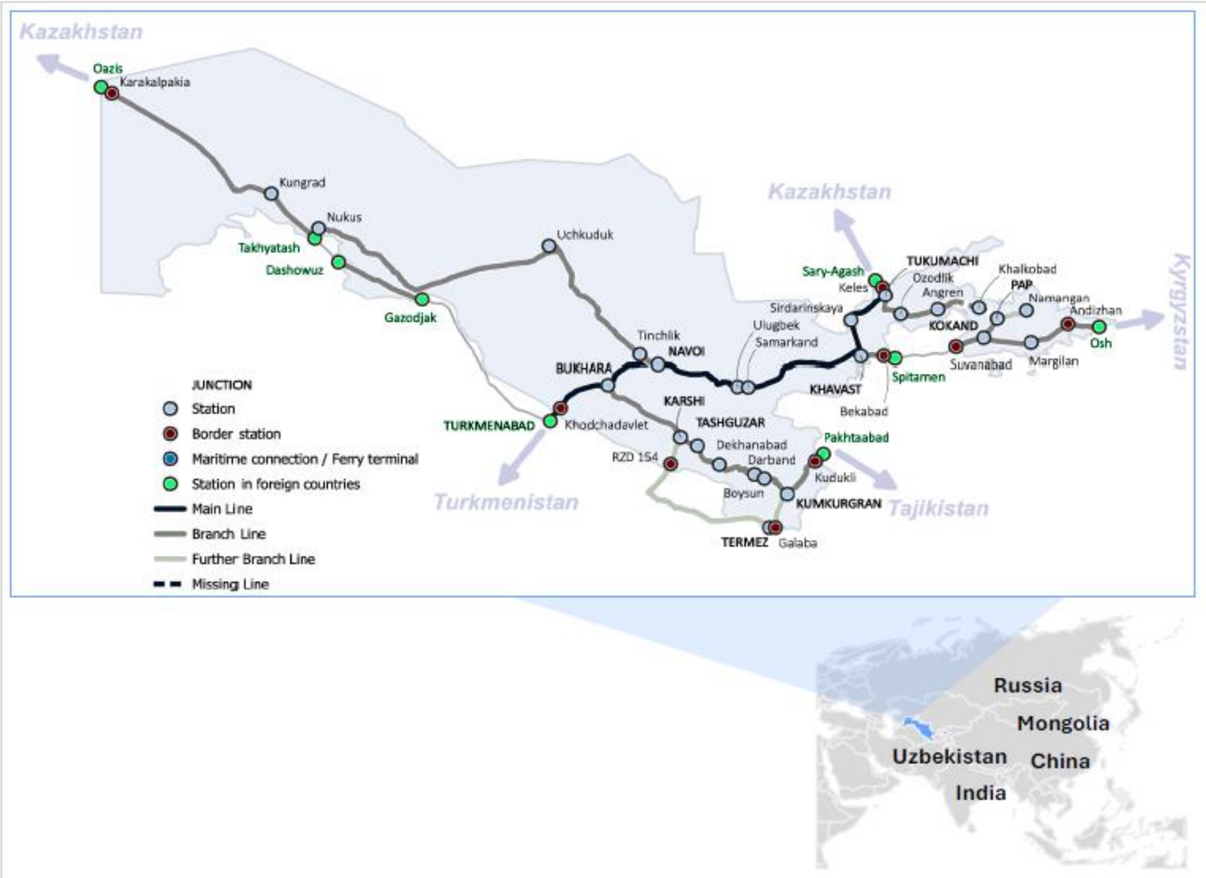
The government has explicitly said that transit cargo is underutilised today and that raising transit volumes could materially expand sector revenues (The Government Portal of Republic of Uzbekistan, 25 May 2025). In such a setup, the infrastructure owner is a first-order beneficiary, in our view.

Defensive infrastructure in a fast-growing market

Unlike the cyclical and competitive business of manufacturing locomotives and rail vehicles, RI operates long-life, hard-to-replicate infrastructure that provides a more stable and predictable demand profile. Moreover, RI's defensive infrastructure profile is located within an economy that is growing faster than most emerging-market peers.

Uzbekistan's macro environment, supported by strong population growth, ongoing industrialisation, expansion in services, and reform-driven investment, provides a constructive medium-term backdrop for freight activity and network utilisation.

Figure 11.3: Uzbekistan rail network



Source: Company presentation

Business overview

RI should be viewed as the owner and operator of the national railway road, while the other newly separated entities increasingly function as the users of that road. The company's mandate goes well beyond the movement of trains. Its principal role is to ensure that the railway corridor itself exists, remains safe, is electrified, is properly signalled, and can support reliable and coordinated train movements across the network. It also oversees the major freight stations and controls the core locomotive and dispatch infrastructure that underpin system-wide operational continuity.

Ownership of railway infrastructure provides a long-lived, hard-to-replicate asset base that typically anchors regulated or quasi-regulated returns. In contrast, the operating companies around it take on the more volume-sensitive commercial risk. As Uzbekistan continues to formalise its post-unbundling railway architecture, RI becomes the primary focal point for network reliability, safety standards, and capital allocation across the rail system. In our view, this gives the company a structurally advantaged position within the broader sector and creates a clearer investment case as tariff formation, access rules, and cost structures become more transparent over time.

<u>The company operates through four business segments as outlined below.</u>

Track and civil infrastructure: the steel road

This segment covers the rail tracks, switches, ballast, bridges, tunnels, and civil works that allow trains to move safely and at the required speed. If the tracks are not maintained, trains slow down, accidents rise, and there could be spillover effects across the economy. The company website further describes this segment's function as ensuring trains can move safely and smoothly at the required speed by keeping the track and related equipment in constant operating condition.

We understand that economically, this segment generates revenue through infrastructure access charges embedded in the rail tariff architecture rather than through a passenger-facing "ticket sale" model. In other words, transport operators pay to use the network. Under the new legal framework, public railway infrastructure services remain within the state-regulated tariff perimeter.

Power supply and electrification: the wires and substations

Electric trains need traction power. The rail systems also need stable electricity for signalling, stations, and safety equipment. The RI power supply division is responsible for the traction substations, overhead catenary or contact network, transformer points and related technology that keep the system energised. The company website explicitly highlights that the segment's main tasks include the supply of reliable power to railway infrastructure and the uninterrupted operation of traction and contact-network installations.

In our view, the segment likely does not generate revenue via standalone merchant power sales, but through the regulated economics of infrastructure and traction services. This means that tariff design, energy pass-through mechanics, and technical losses all influence profitability. Management also suggests that energy costs are an important cost line, though parts of this are likely passed through economically.

Signalling and telecommunications: the railway's nervous system

Signalling tells trains when they can move, where they can move, and how to do so safely. Telecommunications ensure dispatchers, stations, locomotive crews, and central systems are all talking to each other. The company website frames this function around railway automation and communications facilities, with the purpose of keeping those structures and devices in proper operating condition.

We think this function is part of the network access and service bundle rather than being separately offered as a retail product.

Locomotive services: the engines that pull the trains

The locomotive function exists to ensure the rail system has the traction needed to execute the transport plan. The company website says this includes providing service locomotives, organising maintenance and repair based on advanced technologies, and ensuring working conditions for locomotive crews. In the reformed structure, locomotive traction on public tracks remains within the state-regulated tariff perimeter, which is critical because traction is one of the company's monetisable infrastructure-like services. The segment generates revenue through traction charges, i.e., operators pay for locomotive services on public tracks

Financial performance

Transition-year results need context

The company has not published detailed standalone financial statements. Based on the information available in the UzNIF analyst presentation, RI's revenue stood at USD 777m and net profit at USD 8m in Mar-Dec 2024, indicating a profitable but low-margin first year as an independent entity. We think these figures should be viewed as transitional rather than indicative of steady-state economics. Management has emphasised that the reported figures are influenced by ongoing contract attribution, the gradual unwinding of legacy structures and the phased rollout of the new operating model, all of which limit the interpretability of headline profitability. Given that the reform process remains ongoing, earnings and operating metrics may continue to face transition-related pressure for another 1–2 years as the separation from the legacy holding structure is fully implemented.

Looking forward, the path toward a more representative earnings profile would be shaped less by the initial margin base and more by the structural reforms underway. The key drivers of the company's earnings include:

- Full legal and financial separation from the former vertically integrated rail group.
- Clear and transparent tariff methodologies for infrastructure access and locomotive traction.
- Improved utilisation of network capacity and freight-station infrastructure.
- Digitalisation and tighter cost control across core operating processes.
- Higher transit and freight throughput supported by Uzbekistan's expanding economic base.

Taken together, we expect these to shape the company's progression toward a more stable earnings profile as the reform cycle matures.

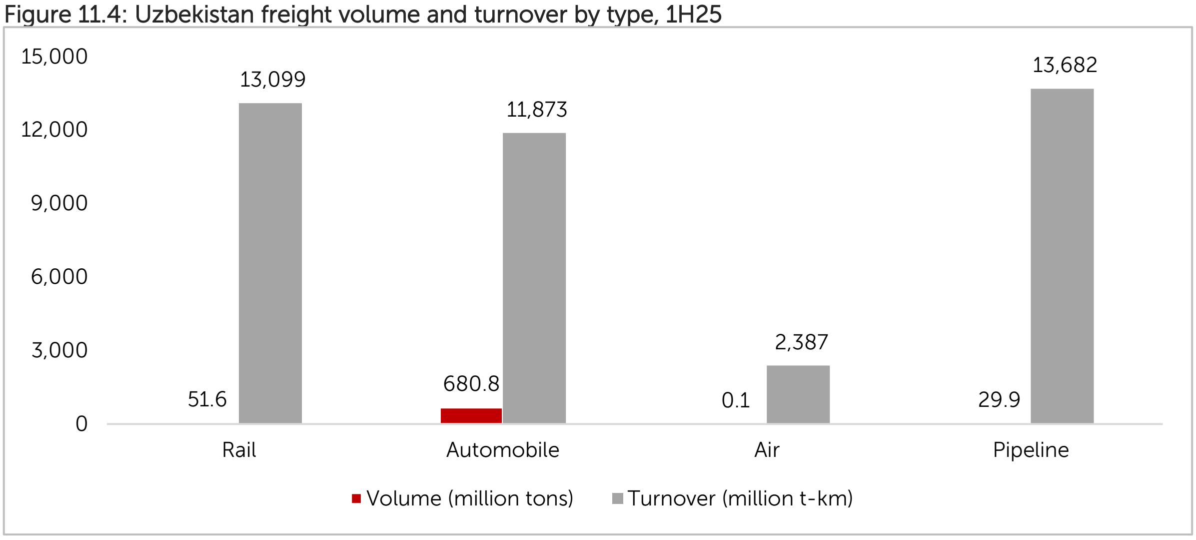
Rail matters in Uzbekistan's economy

Rail matters by distance, not tonnage

Road dominates Uzbekistan's freight volumes on a pure tonnage basis. In 1H25, road freight tonnage stood at 680.8mt vs rail's 51.6mt and pipeline's 29.9mt. However, tonnage alone materially understates rail's economic role. The more relevant metric for infrastructure economics is freight turnover in ton-kilometres, which captures how far cargo moves across the network.

On this basis, rail generated 13.1bn t-km in 1H25, broadly in line with road (11.9bn t-km) and only slightly below pipeline (13.7bn t-km). In effect, rail accounts for roughly one-third of national freight turnover by distance, underscoring why long-haul, bulk-oriented corridors place structural importance on a functioning rail backbone.

Figure 11.4: Uzbekistan freight volume and turnover by type, 1H25



Source: National Statistics Committee of the Republic of Uzbekistan

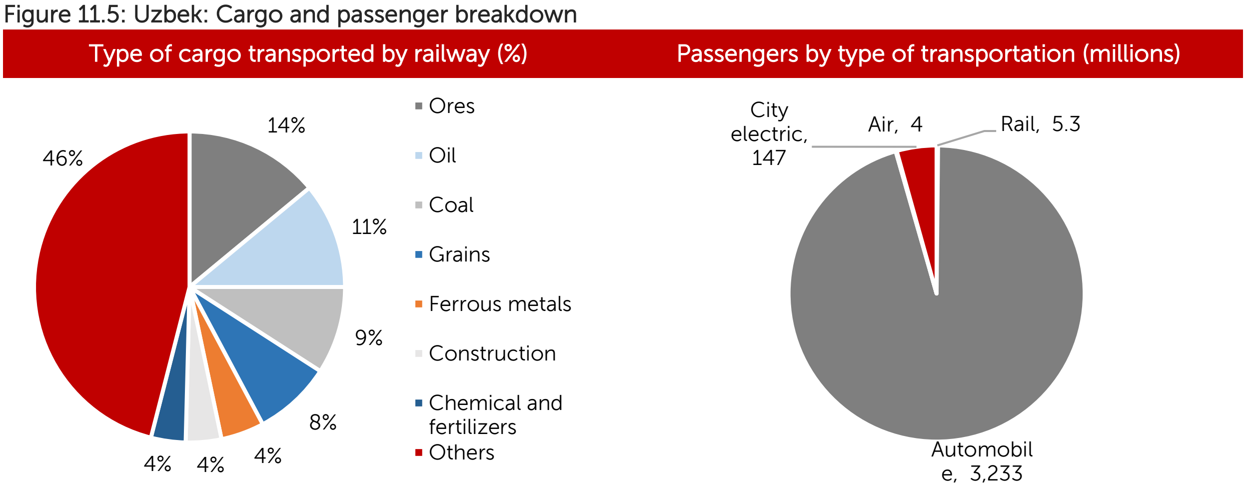
What moves on the railway?

The 1H25 official rail commodity mix was led by ores (14.0% of rail volumes), oil cargo (11.0%), coal (9.1%), and grain and milled products (8.1%), alongside ferrous metals, timber, fertilisers, and construction cargo. That mix is supportive of railway economics because rail is naturally better suited to bulk, heavy, medium-to-long-haul cargo, where road loses competitiveness in unit cost and capacity.

Passenger rail is still important, but the economics are different

Official statistics show 5.3 million rail passengers in 1H25, up 106% YoY, but rail remains far less important than road in passenger volumes. We understand that passenger rail often has social service obligations that do not necessarily maximise commercial return. Uzbekistan's 2024 legal reforms acknowledged this explicitly by introducing a mechanism for state-budget compensation of losses on regulated domestic passenger services. From an infrastructure-equity perspective, that could be considered as a positive, as it recognises public-service economics instead of leaving them hidden inside the system.

Figure 11.5: Uzbek: Cargo and passenger breakdown



Source: National Statistics Committee of the Republic of Uzbekistan

Rail reform, unbundling, and liberalisation

Why the government restructured the rail sector

Presidential Resolution PP-329 dated 10 October 2023 set out the purpose of restructuring the country's railway sector. It aims to attract private investment, create competition where feasible, digitalise processes, improve service quality and reliability, strengthen financial positions, and allow high-potential business lines to access capital and debt markets without relying on state support. Essentially, the reform aims to make rail infrastructure and services more bankable and transparent.

What was unbundled

The unbundling created specialist companies for infrastructure, freight, high-speed passenger, stations, suburban passenger transport, and social services. RI became the infrastructure arm responsible for railroad facilities, power supply, signalling and communications, locomotive facilities, the unified dispatch centre, and freight stations. This means that the new market structure maintains the monopoly-like nature of the infrastructure layer, while commercial service layers could become relatively more liberalised.

What is liberalised and what is not

Infrastructure and mainline traction remain within the state-defined natural-monopoly perimeter and continue to be operated exclusively by the infrastructure entity. Liberalisation applies primarily to the activities around this core, including freight services, wagon and container operations, high-speed and express passenger pricing, PPP participation, and elements of the access framework. This structure preserves the integrity of the monopoly asset while allowing commercially contestable segments to operate under more market-based conditions, which is generally supportive of a more transparent and investable infrastructure regime.

Figure 11.6: Regulated vs market-based services under Uzbekistan's Railway Law ZRU-1006

Regulated services	Market-based service
Infrastructure access	High-speed/express passenger
Mainline traction	Wagon and container services
Domestic passengers (non-high speed)	Other commercial services

Source: Uzbekistan's Railway Law ZRU-1006

Tariff mechanism

The old system: legacy pricing, cross-subsidies, weak visibility

Historically, Uzbekistan's rail tariffs were shaped by a legacy administrative framework, including the so-called "1001 pricing system". This meant that tariffs were not designed as a modern investable infrastructure regime and were embedded in a system in which commercial and social obligations could blur.

The new legal architecture: a hybrid model

The new Law on Railway Transport (ZRU-1006, adopted 27 November 2024, effective 1 January 2025) introduced a clearer distinction between state-regulated and market-based rail services. Under this law and supporting legal commentary:

- State-regulated tariffs cover public railway infrastructure services, locomotive traction on public tracks, and domestic passenger transport (excluding high-speed and express trains).
- Market-based pricing applies to areas such as high-speed and express passenger transport and the provision of certain market services such as wagon and container-related economics.
- Losses on regulated domestic passenger transport are to be compensated from the state budget.

Therefore, the infrastructure and public-service economics remain regulated. On the other hand, commercially differentiable services can float toward market pricing. For an infrastructure owner, that is usually a better and more investable balance than blanket state price control, in our view.

PP-329: a major turning point on freight and high-speed pricing

The 2023 presidential resolution also removed state regulation of tariffs for freight wagons and containers and for high-speed passenger services, while putting the remaining regulated areas under a collegial tariff-setting body authorised by the Cabinet of Ministers. It also indicated that broad freight discounts would be abolished except where specifically authorised.

Passenger compensation framework: Resolution No. 425

Cabinet Resolution No. 425, issued on 16 July 2024, establishes the mechanism for reimbursing losses from domestic passenger services through the state budget. From 2027 onward, the system is intended to shift to formal Public Service Obligation (PSO) contracts. This approach is positive, in our view, because it moves socially mandated passenger costs out of the operator's P&L and treats them transparently as compensated public-service obligations, rather than allowing them to distort the infrastructure company's financials.

Overall, we think that the tariff framework is moving away from state-owned utility opacity toward a more coherent regulated-infrastructure model, although it has not yet reached full maturity.

Figure 11.7: Uzbekistan railway sector reform timeline

Date	Reform milestone	Impact
Oct-23	Presidential Resolution PP-329 issued	Launches full-sector restructuring; unbundling; tariff liberalisation for freight wagons/containers and high-speed passenger; foundation of new governance model.
Jan-24	Tariff deregulation (PP-329) becomes effective	Market pricing for freight wagons, containers, and high-speed/express passenger services.
Jul-24	Cabinet Resolution No. 425 adopted	Introduces temporary framework for compensation of domestic passenger service losses.
Nov-24	Law ZRU-1006 adopted	Codifies regulated vs market-priced services; effective Jan 2025; anchors access rules + tariff architecture.
Jan-25	Hybrid tariff model goes live	Formal separation of regulated access/traction from market-based segments.
Dec-25	Deadline: tariff & service-quality methodology	Creates complete rulebook for regulated tariffs under new legal architecture.
Jul-26	Draft Public Service Obligation (PSO) contract model due	Moves passenger compensation toward a contractual regime.
2027 onward	PSO contracts implemented	Passenger-loss compensation becomes fully contractual; maturity of regulatory framework.

Source: Resolution of the President of the Republic of Uzbekistan, Resolution PP-329, 425, Law ZRU-1006

Relative scale, unique advantages

RI operates a mid-scale rail network by global standards, with approximately 7,500 km of infrastructure and a revenue base of c. USD 777m in Mar-Dec 2024. While smaller than the very large systems in India or Western Europe, it is comparable to several established mid-sized European infrastructure operators and sits at a scale that is fully relevant from a capital-markets perspective, in our view.

The company's strategic appeal, however, is defined less by absolute size and more by the combination of structural features that shape its forward investment profile. It is the sole owner and operator of Uzbekistan's public rail infrastructure, giving it a natural-monopoly position in an economy growing faster than many emerging-market peers. The current reform cycle provides substantial room for improvement in tariff structure, cost efficiency and transparency. Transit potential continues to increase as the region integrates more deeply into Eurasian corridors. Importantly, the economics of high-speed passenger operations fall outside its commercial perimeter, which limits exposure to a capital-intensive and often low-return segment.

We think that RI may not be a global heavyweight in terms of scale, but it represents a differentiated emerging-market infrastructure platform with a meaningful reform runway, improving regulatory clarity and increasing throughput potential.

Figure 11.8: Railways – regional and global players

			GETLINK	adif	NetworkRail	SNCF RÉSEAU	ÖBB	UNION PACIFIC	CN	
	Market Position	▪ State-owned Uzbekistan company responsible for the development, modernization, and maintenance of railway infrastructure ▪ Key player in Central Asian freight and passenger rail connectivity ▪ Strategic modernization underway	▪ Operates the Channel Tunnel (UK-France) ▪ Dominant market share in fixed link transport between UK and continental Europe ▪ Long-term concession until 2086, providing stability and predictable revenue	▪ Manages Spain's conventional rail infrastructure under monopoly	▪ Core national infrastructure provider ▪ Manages major national hubs, directly operating 20 of the UK's largest stations	▪ National rail infrastructure manager operating France's 28,000-km network ▪ Core backbone of Europe's second-densest rail system with heavy daily traffic	▪ OBB remains the dominant player in the Austrian rail market	▪ Vertically integrated owner and operator of rail infrastructure ▪ Largest Class I freight railroad in the western United States ▪ Highly defensible network position across core long-haul U.S. freight corridors	▪ Vertically integrated rail infrastructure owner serving international trade corridors ▪ Core rail infrastructure backbone underpinning the Canadian economy ▪ Only railroad providing a fully integrated, cross-border rail system spanning Canada and the United States	▪ State-owned national rail infrastructure owner and operator ▪ Backbone of India's passenger and freight rail system ▪ One of the largest rail networks globally ▪ Strategic sovereign infrastructure asset
	Geography									
Activities	Permanent-way (track and civil structures)	✓	✓	✓	✓	✓	✓	✓	✓	✓
Activities	Locomotive services	✓	✓ (5)	✗	✗	✗	✓	✓	✓	✓
Activities	Power supply and electrification	✓	✓	✓	✓	✓	✓	✗ (6)	✗ (7)	✓
Activities	Signaling and telecommunications	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Rail Network Length (km)	~7,500	~850[1]	~15,500	~32,000	~28,000	~5,000	~52,000	~32,000	~70,000
	Rail Freight 2024 (bn t-km)	~27	n.a.	~11	~16	n.a.	~0.1	~650	~380	~900[2]
	FY 24 Revenue ($m)	~777	1,746	731[5]	~13,650[4]	~9,400[4]	~5,200[4]	24,250	12,445	~30,600[3]

Source: Company information, IFRS Financial Statements, Exchange rate: USD/UZS: 2024 = 12,645.
Notes: (1) Eurotunnel rail length is ~50km and ~800km Euro Porte; (2) 2022-2023; (3) Exchange rate of 1 USD = 83.7 INR; (4) Exchange rate of 1 EUR = 1.18 USD; (5) Get link does not provide locomotive services to 3rd parties in a commercial sense – its locomotives are used for its proprietary shuttle operations, while other trains (like Eurostar passenger trains) use the tunnel under access agreements with their own locomotives; (6) Union Pacific's network is not electrified; (7) Canadian National's network is predominantly non-electrified.

Key highlights

Throughput monetisation is the core driver

Uzbekistan's reform programme continues to support higher investment, industrial activity and trade, and rail remains a critical mode for long-distance freight movement. This gives RI a resilient baseline of system demand. However, we think the more material upside lies not in macro growth alone but in the monetisation of a strategic network that is progressively being modernised, de-bottlenecked and better aligned with market-based tariff principles.

Transit potential is increasingly relevant

Planned regional corridors, including the China–Kyrgyzstan–Uzbekistan railway, strengthen Uzbekistan's position along east–west and southbound logistics routes. Uzbekistan is responsible for upgrading sections within its territory, while domestic initiatives to relieve congestion in the Tashkent area and build new bypasses should further enhance the system's ability to capture incremental transit flows. In our view, these developments provide meaningful optionality for the infrastructure operator as throughput deepens.

Regulatory normalisation is the key medium-term catalyst

The most important valuation inflection point is regulatory normalisation rather than the commissioning of any single line. We think there is a need for more clarity on a fully separated legal perimeter, transparent and predictable access and traction charges, stable treatment of public-service passenger obligations, and a modernised governance framework. As these elements take hold, RI should increasingly resemble a regulated transport-infrastructure platform rather than an administrative arm of a former state conglomerate.

Current profitability reflects transition, not steady state

Reported earnings remain modest relative to revenue, but we think this reflects transition-stage accounting, incomplete separation from the legacy holding structure and ongoing work on tariff architecture, digitalisation and cost discipline. Management has highlighted opportunities in operating model redesign, workforce efficiency, and stronger tariff mechanisms, all of which should support margin improvement as the company settles into a stable post-reform structure.

Medium-term investment pillars

In summary, we see the medium-term investment case anchored in the following five drivers:

- A resilient domestic volume base supported by macro growth.
- Transit growth optionality as regional corridors mature.
- Tariff and legal reforms that enhance revenue quality and visibility.
- Efficiency gains from digitalisation, network optimisation and clearer accountability.
- Capital markets relevance as one of UzNIF's largest and most strategic holdings.

Reform execution risk

The sector is still transitioning toward a fully separated and transparent operating model. The steady-state financial profile is not yet fully visible, and delays or partial implementation of the reform agenda could limit the expected gains in efficiency and tariff clarity.

Tariff-structure uncertainty

Although the direction of reform is supportive, valuation depends on predictable access and traction charges. The timing, formula detail and quality of implementation remain key uncertainties until the new regime is fully operational.

High capital intensity

Rail infrastructure requires sustained investment. Returns will depend on disciplined capex phasing and the degree to which throughput and tariff improvements offset ongoing upgrade and renewal requirements.

Residual policy and social obligations

Domestic passenger regulation is being addressed through compensation frameworks, but execution risk remains. Inconsistent or delayed reimbursement could distort financial visibility and weigh on cash generation.

Bottlenecks and corridor competition

Transit upside is contingent on relieving existing network constraints and ensuring corridor reliability. Failure to execute de-bottlenecking plans or intensifying regional competition could limit volume growth.

Faster-than-expected regulatory normalisation

Accelerated implementation of transparent tariff methodologies, PSO contracts and full perimeter separation could bring forward the rerating of the asset.

Stronger corridor development

Earlier or larger-scale progress on regional transit corridors could lift throughput, improve asset utilisation and enhance monetisation beyond the base case.

Higher domestic freight and industrial activity

Stronger macro momentum or faster industrial expansion could drive above-trend freight volumes, supporting both revenue and operating leverage.

Operational efficiency gains

Digitalisation, cost discipline and modernised dispatching could yield higher-than-expected margin improvement as the platform transitions from legacy processes.

Figure 11.9: RI revenue and cost drivers

Future revenue growth drivers	Cost efficiency drivers
Monetisation under regulated infrastructure model Infrastructure access and mainline traction services constitute the core revenue base, with clearer tariff architecture emerging under Law ZRU-1006 and PP-329. Reform is shifting the company toward a stable, infrastructure-style earnings profile. Capacity uplift from network de-bottlenecking Dispatch modernisation, congestion relief around Tashkent, and operational re-routing are expected to support higher effective throughput and better monetisation of existing assets. Transit-corridor expansion Projects such as the China–Kyrgyzstan–Uzbekistan railway, planned bypasses, and new freight hubs increase the company's exposure to rising regional transit flows as Uzbekistan positions itself as a Eurasian corridor node. Increasing domestic freight activity Industrial expansion, population growth, and structural reform support long-distance rail demand, where rail retains strong competitiveness in ton-kilometres. Ancillary infrastructure revenue Potential expansion of small but scalable ancillary streams (e.g., fibre-optic leasing, locomotive services on public tracks) within the regulated perimeter as commercial arrangements formalise.	Operating-model transformation The separation from the legacy integrated structure allows for a cleaner operating model, improved accountability, and targeted operational optimisation. Digitalisation of core processes System upgrades in signalling, energy management, dispatch, maintenance planning, and network monitoring are expected to reduce inefficiencies and lower operating costs over time. Tariff clarity and cost pass-through Evolving tariff formulas for access, traction and regulated services should improve alignment between costs and revenue, particularly for energy-related expenses on electrified lines. Workforce efficiency Headcount rationalisation and modernisation of work processes offer scope for gradual labour-productivity gains. Efficiency gains through economies of scale As throughput rises and dispatch improves, fixed-cost absorption across the network strengthens, supporting medium-term margin expansion.

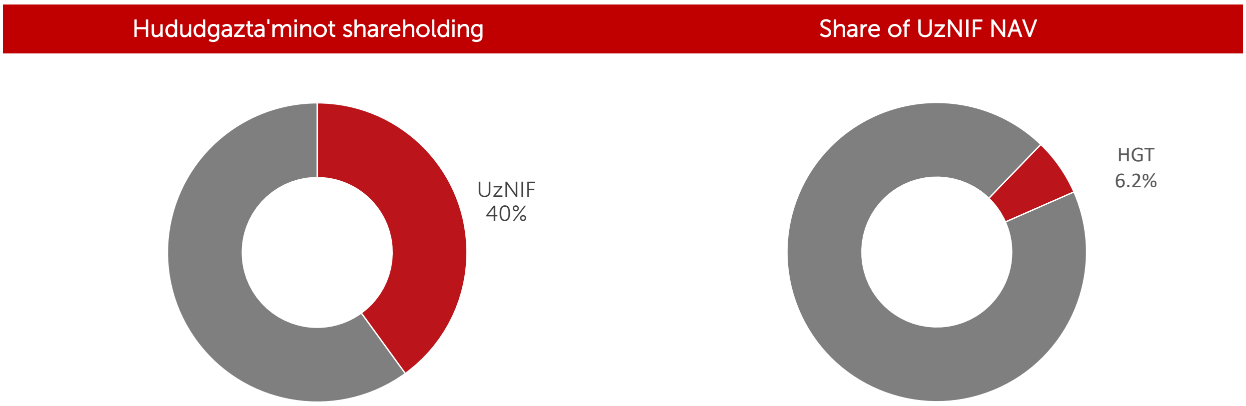
Source: Company presentation and website

Hududgazta'minot – Critical national gas distributor

Hududgazta'minot (HGT) is Uzbekistan's core last-mile natural gas distribution company. It was established on 9 July 2019 under Presidential Resolution RP 4388 as part of the restructuring of the country's oil and gas sector. The company controls and operates gas distribution networks and the purchase, delivery, storage and sale of liquefied petroleum gas (LPG) to households and social facilities.

Within UzNIF, HGT is one of the larger utility holdings. UzNIF holds a 40% stake in the company, with a holding value of USD 152m[1] and a portfolio weight of 6.2% of NAV. The company is IFRS audited and is a loss-making entity on the latest disclosed basis.

Figure 12.1: HGT shareholding structure[1]



Source: Company presentation; Note: 1. Based on valuation reports prepared by a Big Four independent valuer as of 31 May 2026.

Operationally, the company combines piped gas distribution with LPG supply for areas not fully connected to the grid. The company has a pipeline footprint of 93,000 km, 113 LPG facilities, and 14 distribution branches across Uzbekistan.

In essence, HGT owns and operates critical infrastructure in a market where gas is central to household heating, industrial demand and transportation. However, its earnings are still burdened by a legacy tariff regime that has historically not allowed full cost recovery. This combination creates a classic regulated utility rerating setup if tariff reform is implemented in a credible and staged manner, in our view.

Strategic network with regulatory reset upside

Gas remains central to Uzbekistan's energy system, accounting for c. 83% of primary energy consumption and c. 80% of the power mix, according to the World Bank's iCRAFT programme. In terms of Uzbekistan's power generation profile, gas accounted for 69% of the total installed capacity of 20.2 GW in 2024. At the same time, the sector is entering a more constrained supply phase as domestic production peaks, while years of underinvestment and below-economic tariffs continue to weigh on system efficiency.

We think the investment case is not about creating demand. Demand is already embedded across households, industry and power. The real opportunity is in monetisation. As the country moves away from administratively set tariffs toward a regulated asset base (RAB) framework, HGT is positioned to benefit from a more rational earnings model built on tariff normalisation, lower losses, stronger metering and better cost recovery. In that context, the company should be viewed as both a critical delivery platform with significant replacement value and the key operating channel for gas sector reform.

Uzbekistan has begun the initial implementation and phased rollout of RAB-based tariff regulation for the electricity and gas sectors, with the first regulatory periods expected to be set at one year before gradually extending to five years. HGT offers exposure to a potentially significant earnings reset as regulation catches up with economic reality.

Sector structure and reform path

From vertically integrated gas utility to segmented value chain

The company was created in the 2019 sector unbundling. The broader reform architecture points to a segmented gas value chain with upstream production under Uzbekneftegaz and other independent producers, transmission under Uztransgaz, wholesale and trading functions through UzGasTrade, and distribution at the retail edge through Hududgazta'minot.

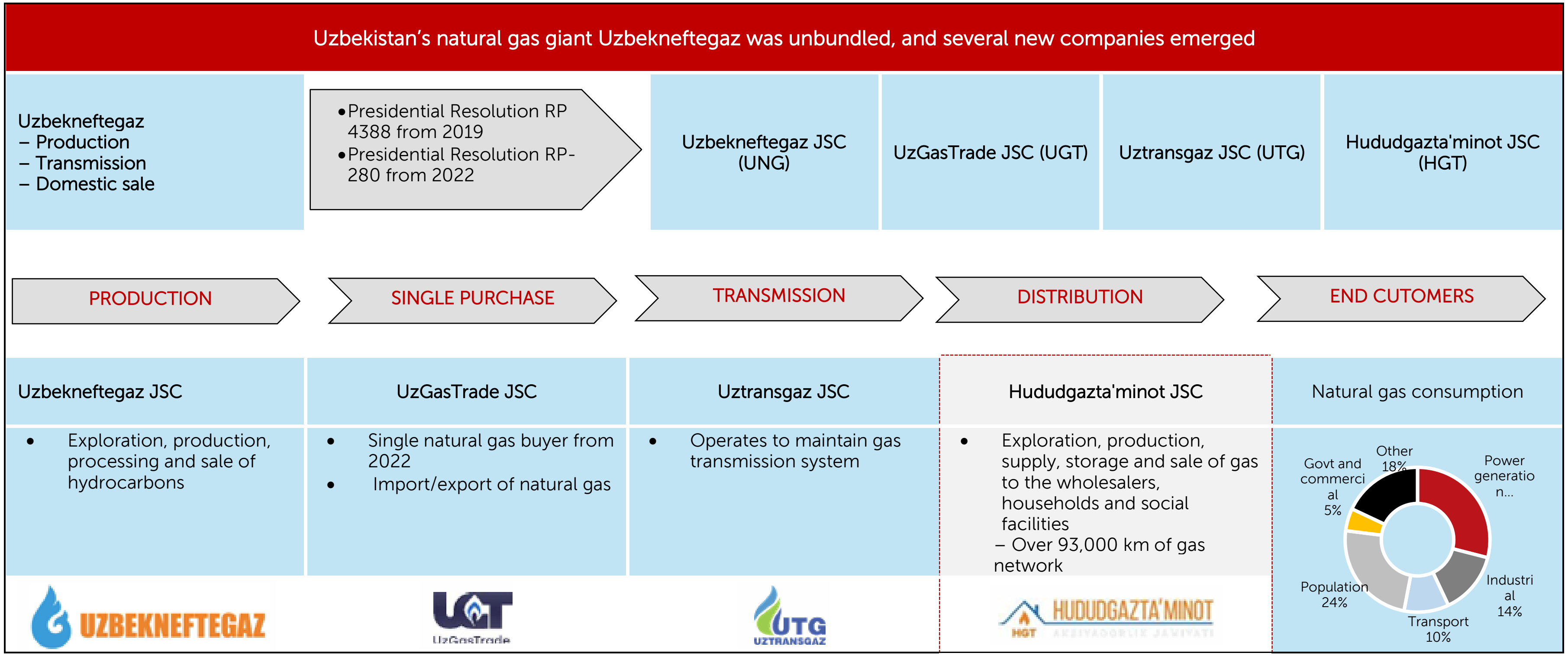
Tariffs before reform: Before the current reform push, energy tariffs were set manually and below cost recovery. The tariff adjustments were determined annually based on costs but did not allow for the recovery of full costs.

Moreover, the end-customer tariffs were effectively frozen until 2022–23. This tariff structure led to underinvestment in the sector and possibly irrational consumption, as well as deteriorating asset quality.

Tariffs after reform: The new tariff-setting methodology for electricity and natural gas was developed along with the World Bank. The key change is the adoption of an RAB approach. The implementation of new tariffs has begun, and moreover, from 2026, electricity and natural gas tariffs should be indexed annually from May, based on inflation and subject to a cap.

Management indicated that the transition to the new tariff structure will likely be implemented in a staged manner, rather than a single step. At the same time, detailed parameters such as the exact asset valuation approach, WACC and incentive structure are still being finalised. Therefore, while the reforms appear to be heading in the right direction, their impact on earnings may take time to materialise.

Figure 12.2: Formation of HGT in 2019



Source: Company presentation

Market demand and customer base

Gas remains the backbone fuel

Uzbekistan's gas consumption stood at 48bcm in 2024. This was split across power generation 29%, population 24%, industry 14%, transport 10%, government and commercial 5%, and other 18%. This implies that HGT is exposed largely to essential rather than discretionary demand.

Household and heating-related volumes provide resilience, while industrial and transport demand support medium-term growth if economic activity and urbanisation continue to advance. Uzbekistan's gas demand is further supported by a robust macro backdrop characterised by sustained population and GDP growth trends.

Figure 12.3: Population growth

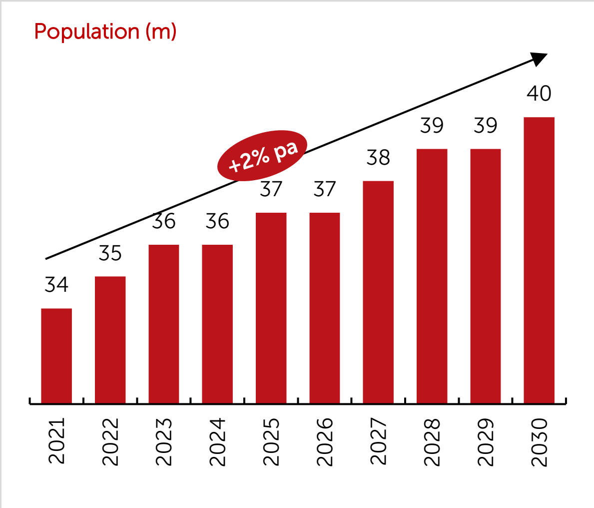
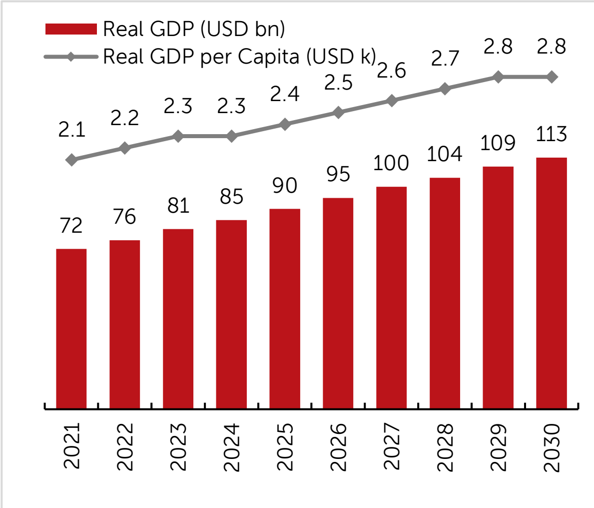


Figure 12.4: GDP growth – real and per capita



Source: Company presentation

Penetration remains mixed

The company's role is broader than pipeline gas alone because national access remains mixed. Roughly 43% of the population is served through piped gas, 42% by LPG, and 15% has no access to either. This indicates that the company's LPG business is not peripheral. It is part of the access solution, especially in lower-density areas where pipeline economics are weaker.

Figure 12.5: Market structure

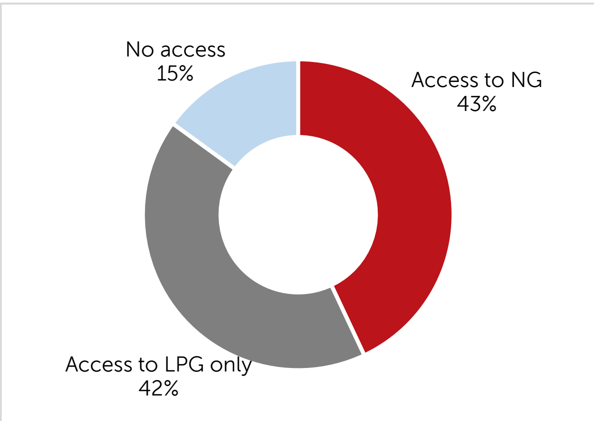
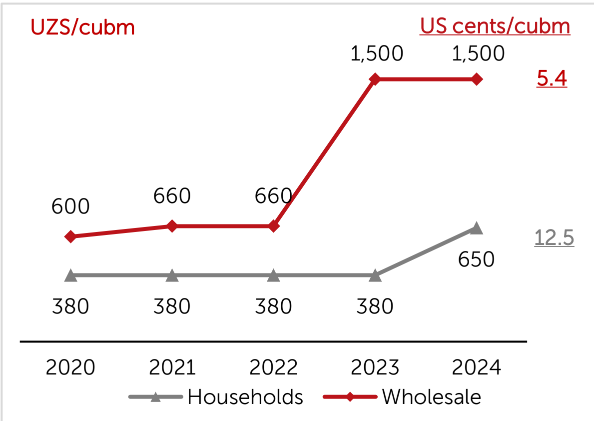


Figure 12.6: Transitioning to an RAB framework



Source: Company presentation

Stable operating volumes

The company's natural gas sales reached 20.7bcm in 2024, increasing at a three-year CAGR of 4%. Meanwhile, LPG sales rose at a three-year CAGR of 1.9% over the same period. LPG volumes remained largely flat, trending within a narrow range. By comparison, natural gas volumes have shown more year-to-year variation than LPG, though the overall growth trend has remained steady. However, given the scale of volumes, natural gas remains the key earnings driver for the company.

Figure 12.7: Natural gas sales volumes, 2024

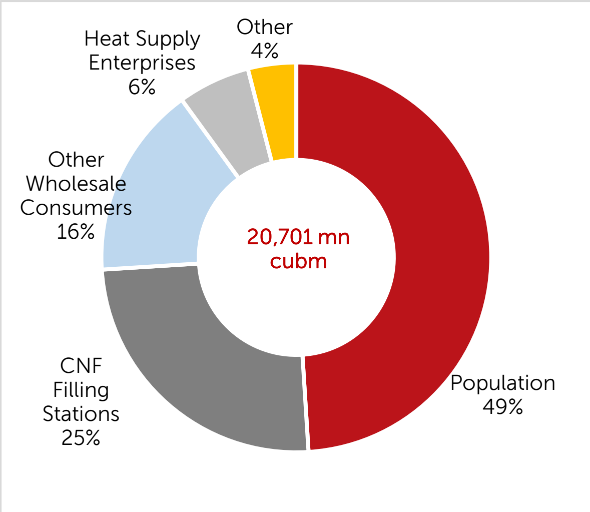
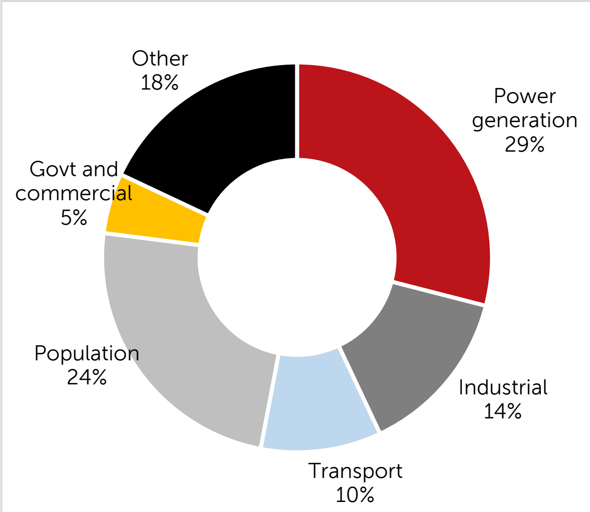


Figure 12.8: Uzbek natural gas consumption, 2024



Source: Company presentation

Close to half of the company's natural gas volumes are sold to households, which we expect to remain largely stable and likely more exposed to population growth trends. CNG filling stations (25%) and wholesale customers (16%) are the next two significant customer groups for the company.

Figure 12.9: Financial performance

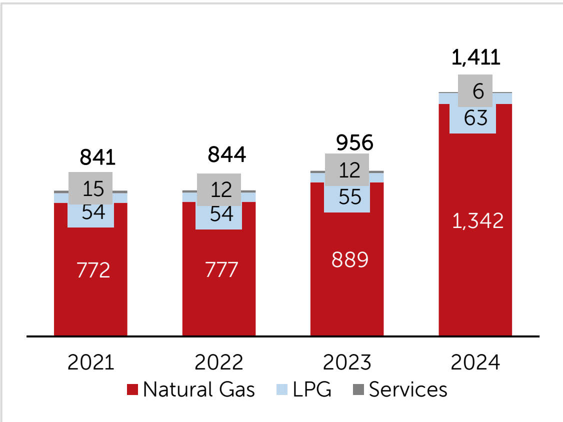
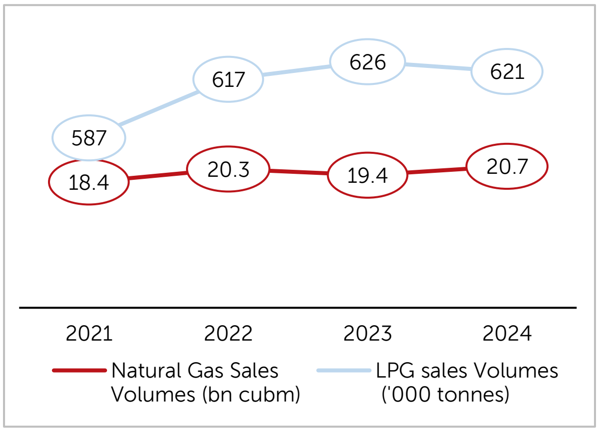


Figure 12.10: Sales volumes (bn cubm)



Source: Company presentation

Peer framing and competitive position

Compared to its listed European peers, we believe HGT has the network scale and customer reach of an investable utility platform. However, the company lacks peer-like economics because tariffs and losses remain normalised. The company therefore stands out on infrastructure scale and revenue growth potential, while lagging in efficiency and balance sheet quality. Given the progress of sector reforms, Uzbekistan appears to be moving towards a more investible tariff structure, which could potentially re-rate the company's investment case in the coming years.

Figure 12.11: HGT comparison with peers

	HUDUDGAZTA'MINOT	Italgas	enagas	REN	TRANSGAZ	Amber Grid
Market position	Main gas distributor in Uzbekistan	Leading gas distribution operator in Europe	Spain's main gas transmission company and manager of the Spanish Gas System	Sole concessionaire for national gas and electricity transmission in Portugal	Romania's sole technical operator of the national gas transmission system and the 4th largest TSO in the EU	Sole natural gas transmission operator in Lithuania
Peers		Western European peers			Eastern European peers	
Geography	Uzbekistan	Italy, Greece	Spain	Portugal	Romania, Andorra	Lithuania
Activities	Gas distribution LNG & storage	Gas distribution	Gas transmission LNG & storage	Gas transmission, gas distribution, LNG & storage, electricity transmission	Gas transmission	Gas transmission
Pipeline in km (2024)	~93,000	>155,000	>11,000	1,375	>14,000	~2,288
Market capitalisation in USDm (27.02.2026)	n.a.	13,117	4,714	3,018	4,023	270
PPE&E in USDm (2024)	563	397	3,821	128	180	291
Revenue in USDm (2024)	1,411	2,701	980	1,072	934	81
Revenue growth (2023-24)	48%	(4%)	(0%)	4%	86%	(9%)
Dividend yield 2024	n.a.	6.5%	12.3%	6.8%	1.5%	9.8%
Shareholder structure	60% state-owned 40% UzNIF	26% state-owned 74% instit. & retail	5% state-owned 95% instit. & retail	100% instit. & retail	~59% state-owned ~42% instit. & retail	100% state-owned
Credit rating (Moody's/S&P/Fitch)	n.a./n.a./B	Baa2/n.a./BBB+	n.a./BBB+/BBB+	Baa2/BBB/BBB	n.a./n.a./BBB-	Baa1/n.a./n.a.

Source: Company presentation; Exchange rate: USD/UZS: 2023 = 11,731, 2024 = 12,645.

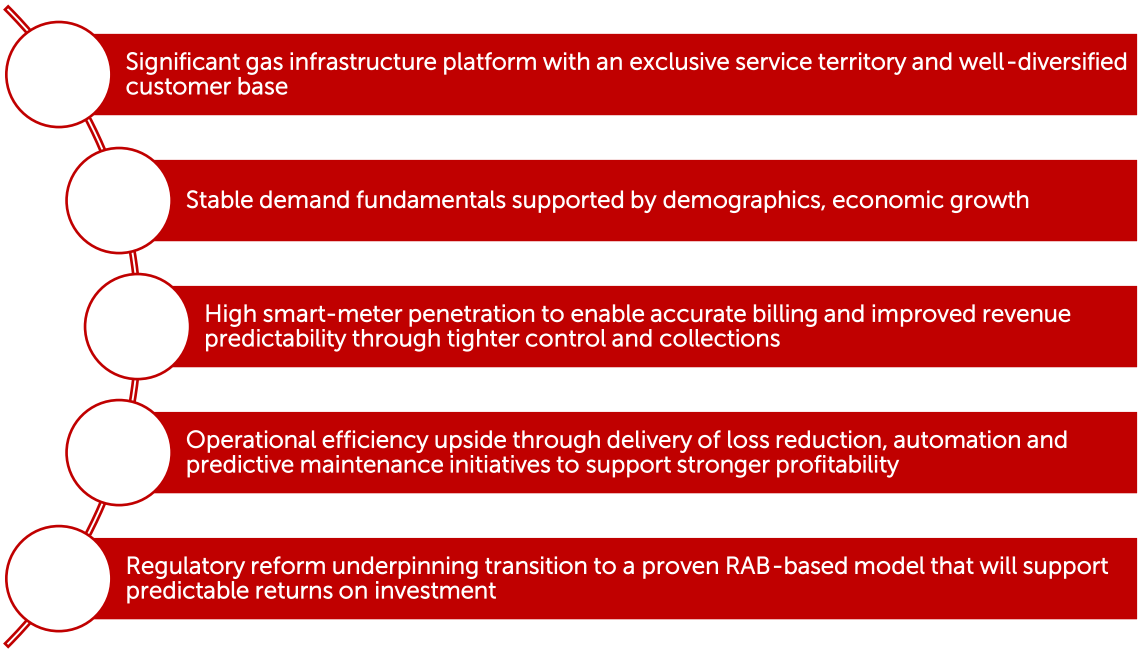
Investment case – HGT

HGT is the core last-mile gas delivery platform in an economy where natural gas still accounts for the vast majority of primary energy consumption and power mix. This makes the network strategically important to households, industry and the wider energy system. We do not view the company as a demand growth story, even though demand is already embedded. The investment case is driven more by the company's control of a significant gas delivery infrastructure.

The key catalyst is tariff reform. HGT remains burdened by a legacy regime that historically did not allow full cost recovery. That is now changing with the introduction of RAB-based tariffs from May 2026, aimed at implementing a full cost-recovery structure. In our view, this makes the company a regulatory earnings reset story rather than a pure volume growth utility.

The company also has credible opportunities to improve its operations. It is focusing on smart metering, digital customer service and network modernisation to improve operational efficiency and enhance earnings quality. Starting from a low earnings base and with significant exposure to the reform programme, we believe HGT offers exposure to one of the clearest utility rerating opportunities within the UzNIF portfolio.

Figure 12.12: HGT investment highlights



Source: Company presentation

Growth and efficiency drivers

HGT's upside is driven less by volume expansion and more by monetisation and efficiency. Revenue should be led by tariff normalisation under the planned RAB framework, supported by embedded demand in a gas-heavy economy and by better monetisation of a nationwide piped gas and LPG footprint. On costs, the main levers are lower technical and commercial losses, wider use of smart metering, tighter digital control of billing and service workflows, and more disciplined network operations.

Figure 12.13: HGT revenue and cost drivers

Future revenue growth drivers	Cost efficiency drivers
Tariff reset RAB rollout is expected to lift revenue quality and recovery. Clearer tariff rules should improve revenue predictability.	Loss reduction Leak detection and repair should reduce gas losses and improve economics.
Embedded demand Gas demand remains anchored in households, industry and power sectors. On the macro level, stable population and GDP growth offer a cushion.	Smart metering Wider metering and digital monitoring should improve billing accuracy, collection quality and loss visibility.
Piped gas and LPG reach Dual network supports broader monetisation across connected and off-grid areas.	Maintenance discipline A structured cost base on repairs, maintenance and operating expenses, which should become more manageable under a normalised tariff regime.
Collections upside Better metering and digital billing should improve cash realisation.	Operational scale A unified national-scale platform creates scope for more efficient network management and procurement discipline.

Source: Company website

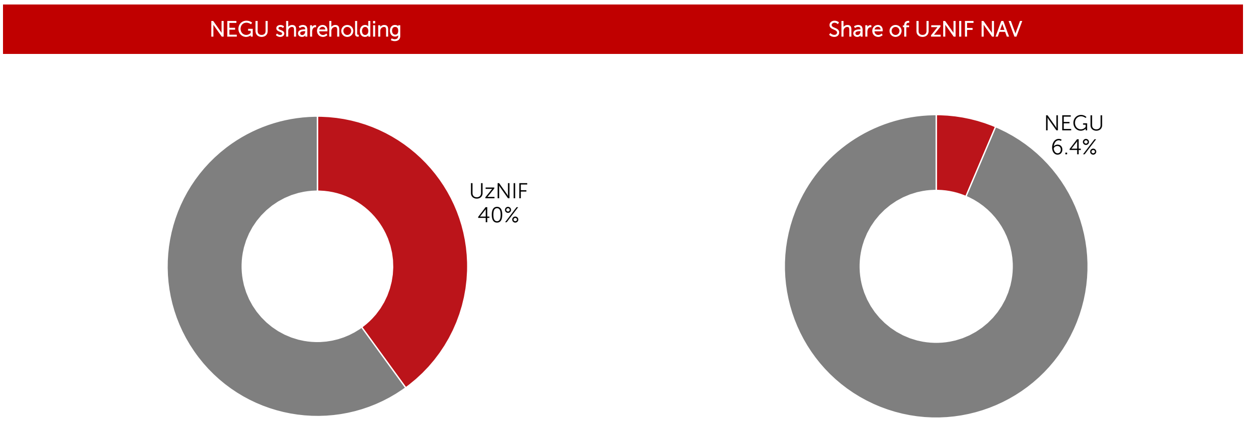
NEGU – National transmission operator

National Electric Grid of Uzbekistan JSC (NEGU) serves as the backbone of Uzbekistan's power sector as the country's sole high-voltage electricity transmission operator. Formed in 2019 through the unbundling of the formerly integrated state utility, NEGU operates as a national-scale monopoly with 100% electrification coverage nationwide.

The company operates an extensive network of roughly 37,200 km of transmission infrastructure, including 11.7k km of high-voltage 220–500 kV lines and 25.2k km of medium-voltage 35–110 kV lines. Its asset base includes about 1,600 high voltage substations and transformers, positioning NEGU as a critical platform for grid stability, power market reforms, and future investment in Uzbekistan's rapidly evolving energy landscape.

UzNIF holds a 40% stake in NEGU. Based on valuation reports prepared by a Big Four independent valuer using the latest available financial information, NEGU had a value of USD 155m[1] in UzNIF as of 31 May 2026, or 6.4% of UzNIF's value.

Figure 13.1: NEGU shareholding[1]



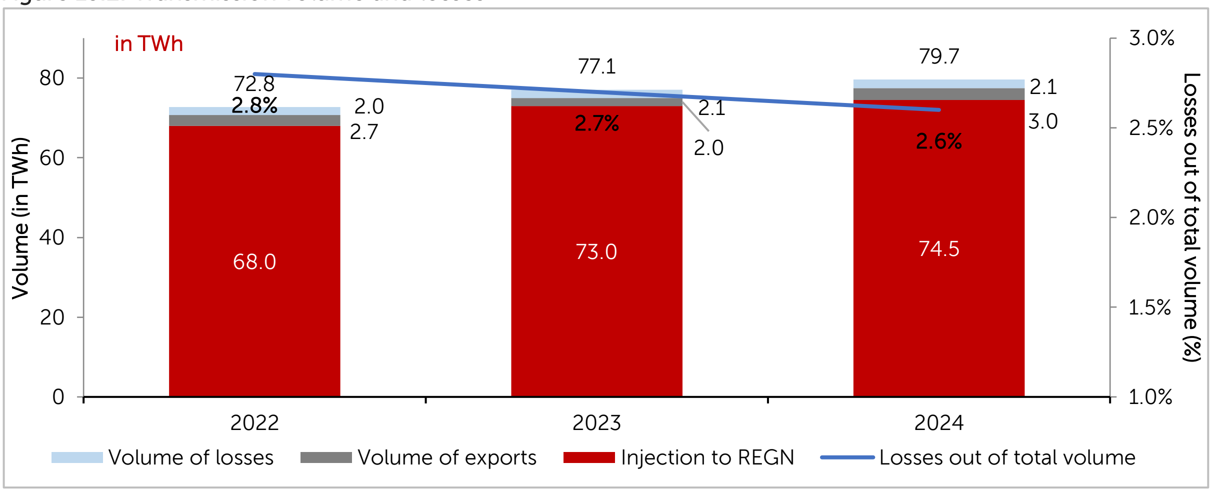
Source: Company presentation; Note: 1. Based on valuation reports prepared by a Big Four independent valuer as of 31 May 2026.

High-quality asset base

NEGU operates as Uzbekistan's sole transmission system operator (TSO), responsible for the reliable movement of electricity across the national high-voltage grid and maintains a high-quality asset base supported by a strong operational track record. Despite the increasing age of its network, NEGU consistently delivers exceptional operational performance, with technical losses held at just 2.6% in 2024, comparable to leading Western transmission system operators and far superior to most peers in emerging markets.

We believe this record places NEGU among the best-performing TSOs in developing economies and provides a solid foundation for future outperformance as the company undertakes large-scale grid modernisation and expansion.

Figure 13.2: Transmission volume and losses



Source: Company presentation

Unbundled national energy monopoly

Uzbekistan launched a reform programme in 2019 to modernise its power sector and improve efficiency after decades of operating under Uzbekenergo, a single vertically integrated state monopoly responsible for power generation, transmission, distribution, and wholesale electricity trading.

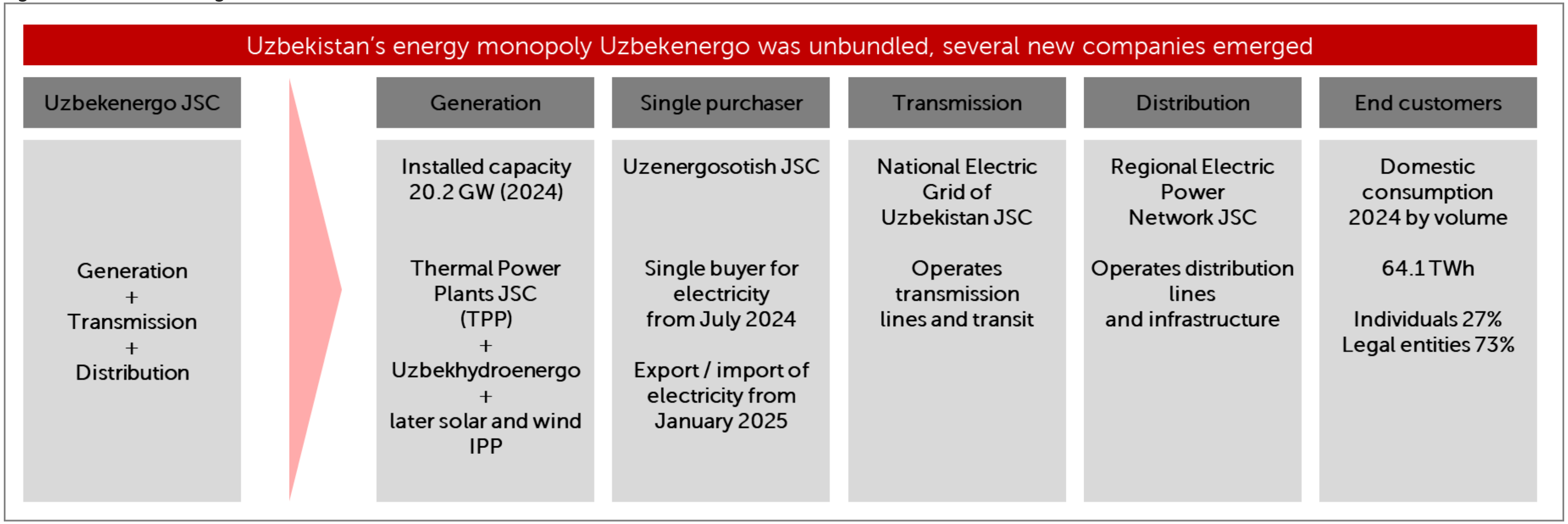
This legacy structure remained in place until the government initiated a sector-wide unbundling to restructure and modernise the industry. The single company was broken apart so that individual components could operate independently and efficiently. The reform also targeted the elimination of cross-subsidisation and an improvement in transparency. Post-split, tariffs are set transparently for each newly established company, and the restructuring is intended to prepare these companies for RAB-based tariff regulation.

The first wave of reforms in 2019 separated the system into dedicated operational blocks, including

- Generation companies: Thermal power plants, the hydro operator Uzbekhydroenergo, and later solar and wind IPPs developed through the PPP framework.
- Transmission functions were assigned to the National Electric Grid of Uzbekistan (NEGU).
- Distribution and retail responsibilities were transferred to Regional Electric Power Networks.

A second wave of reforms introduced Uzenergosotish as the single buyer and seller to support the eventual creation of a competitive wholesale market. Following these changes, and especially after mid-2024, NEGU transitioned into a pure transmission system operator. It no longer buys or sells electricity, and by 1H25, 98% of its revenue was already derived from electricity transmission services.

Figure 13.3: Uzbekenergo unbundled



Source: Company presentation

Doubling of demand

NEGU is the backbone of Uzbekistan's power system, transmitting all electricity across the country and linking generation resources, including every new PPP renewable plant, to demand centres through its 14 regional backbone grids.

The company moved 74.5bn kWh of electricity in 2024, covering domestic output from all generators, electricity imports and exports, and inter-regional cross-border flows. NEGU is responsible for the domestic transit of cross-border power flows managed by Uzenergosotish and participating in international transit under negotiated and non-regulated terms.

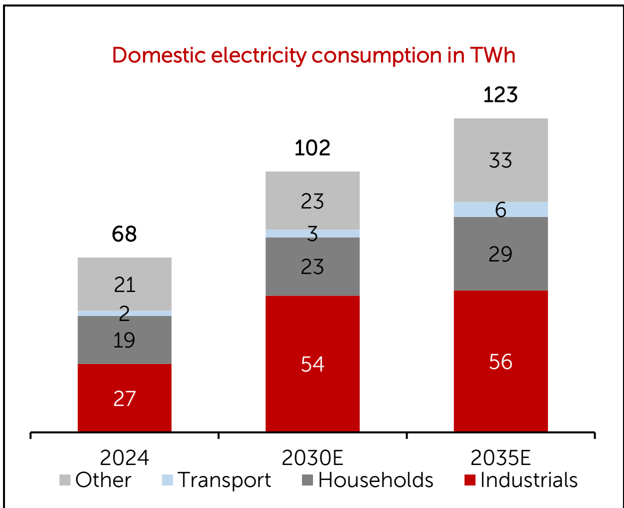
Uzbekistan's electricity exports are directed to Afghanistan, Kyrgyzstan, Kazakhstan, and Tajikistan, while imports primarily originate from Kyrgyzstan, Tajikistan, and Turkmenistan.

As a natural monopoly and the country's only high-voltage transmission operator, NEGU is a critical enabler of Uzbekistan's plan to expand renewable capacity fivefold by 2030. Every new PPP solar and wind project must connect to NEGU's backbone network.

Grid integration capex, therefore, represents the company's largest investment category and a central pillar of its strategy. Rising electricity consumption, expected to double over the next decade, reinforces NEGU's role as all incremental power must flow through its system.

The growth in demand should be driven by industrial expansion, increasing EV penetration, the development of the digital economy (including data centres), and greater household electrification. This positions NEGU at the core of Uzbekistan's long-term energy transition, economic growth, and investment pipeline.

Figure 13.4: Growth in domestic consumption



Segment	CAGR 2024-35	Driver
Industrials	6.9%	Major investment projects in chemicals, mining, and oil & gas Organic growth
Households	3.9%	Population growth and rising real incomes
Transport	11.9%	Rapid growth of the EV and e-transport fleet
Other	4.3%	Service economy (IT segments/data centres) Municipal and agriculture

Source: Company presentation

Upside from RAB implementation

NEGU transmitted 74.5bn kWh of electricity in 2024 and sits at the centre of Uzbekistan's fast-expanding power system, with national demand expected to almost double over the next decade as industrial activity accelerates, the population grows, EV adoption increases, and the digital economy (including data centres) scales up.

Every new PPP renewable project, whether wind or solar, must connect to NEGU's high voltage backbone, making the company the key enabler of both the renewables boom and the country's rising load. This role drives an intensive expansion capex programme focused on

- 8.9K km of new 220–500 kV transmission lines by 2035
- Reinforcement of congested corridors
- New substations and upgrades
- Renewable integration
- Regional interconnection projects

The new 220–500 kV transmission lines form the core of a long-term capex programme worth USD 4–5bn over the next 10+ years, with typical unit costs of USD 0.1–0.3m per km of high-voltage lines.

Given the scale of its investments, NEGU relies heavily on IFI financing from the World Bank, ADB, and EBRD, which provides long-maturity, low-interest, concessional loans that limit pressure on profitability and preserve dividend-paying capacity.

NEGU deleveraged substantially during the 2024–25 restructuring, as liability transferred to Uzenergosotish, leaving debt/EBITDA at a healthy level and creating room to take on additional leverage to support expansion.

NEGU is set to transition to an RAB-based tariff model in 2026, supported by the World Bank's USD 800m DPF programme and the updated RAB methodology, under which

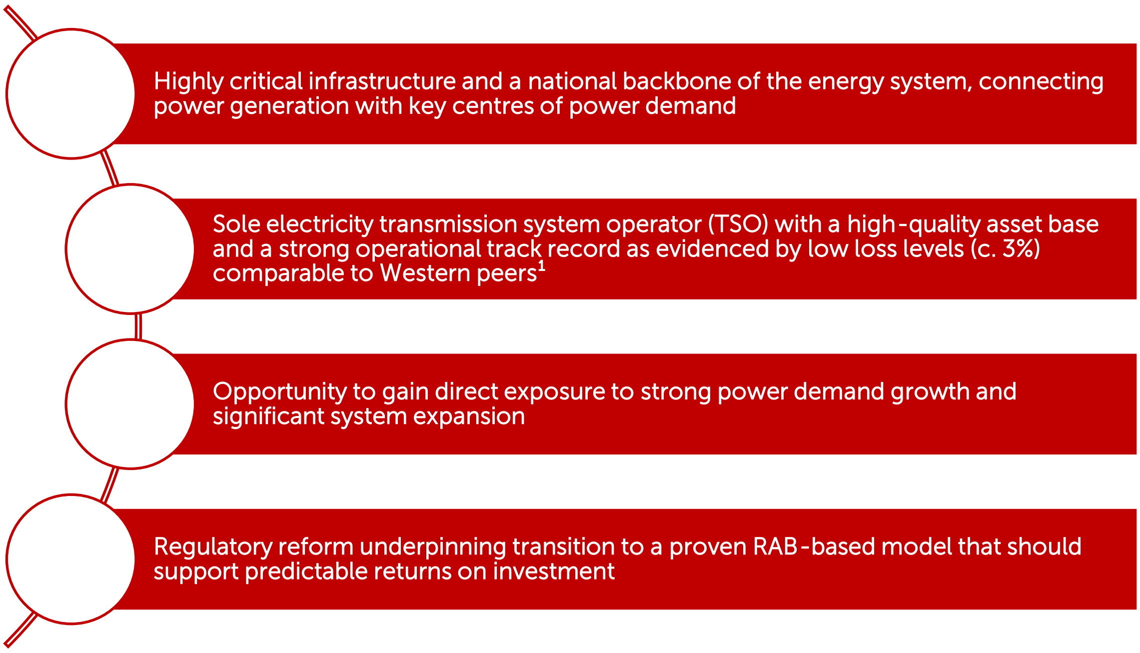
$$\boldsymbol{Revenue = Opex + Depreciation + Regulated\ return\ on\ RAB}$$

This framework makes NEGU's revenue predictable and decoupled from electricity volumes, unlocking material valuation upside as returns become asset-based, and capex earns a regulated ROI. During the early years, end-customer tariffs will remain capped at CPI or 10%, with any gap relative to RAB-based tariffs covered by direct subsidies to Uzenergosotish, ensuring affordability while enabling NEGU to recover its investments.

The RAB regime puts NEGU on the path toward a stable, regulated utility model, similar to National Grid in the UK or Transelectrica in Romania. In our view, it also increases NEGU's borrowing capacity with IFIs and commercial lenders and supports a potential valuation re-rating.

Notably, the concessional nature of its funding should ensure that the large capex programme does not materially dilute dividends, positioning NEGU as a scalable, low risk, long duration infrastructure platform at the core of Uzbekistan's energy transition.

NEGU investment highlights



Source: Company presentation; Note: 1. Peers include National Grid, Elia Group, Redeia and Terna.

Comparison with peers

NEGU is Uzbekistan's national transmission system operator and functions exclusively as a high voltage electricity transporter, with no exposure to distribution or retail activities, which remain under REN. This places NEGU in the same peer group as pure transmission operators such as Terna in Italy, Transelectrica in Romania, and KEGOC in Kazakhstan.

Its operational performance is strong, as transmission losses have remained consistently low at about 2.7% from 2022 to 2024, and stayed at similar levels in 1H25, fully in line with Western European standards and significantly better than regional utilities. Electrica in Romania, for instance, operates with loss levels near 10%. We think NEGU's loss profile is one of its strongest advantages in relation to peers, underscoring the quality of its system operations and asset base.

Figure 13.5: NEGU comparison with peers

		O'ZBEKISTON MILLIY ELEKTR TARMOQLARI	nationalgrid	elia group	redeia	Terna Driving Energy	electrica	Transelectrica	KEGOC	JSC Mangistau Regional Electricity Network Company
Activities		Electricity transmission	Electricity transmission/ distribution; gas transmission/ distribution[1]	Electricity transmission	Electricity transmission	Electricity transmission	Electricity distribution	Electricity transmission	Electricity transmission	Electricity transmission, electricity distribution
Geography		Uzbekistan	UK, US	Belgium, Germany	Spain, Brazil, Chile, Peru	Italy	Romania	Romania	Kazakhstan	Kazakhstan
2024	Transmission lines (km)	37,200	16,905	19,741	45,592	c. 75,000	–	8,834	27,800	6,170
	Distribution lines (km)	–	230,000	–	–	–	204,607	–	–	
	Elec. transmission volume (TWh)	74.5	502.0[2]	174.0	249.0	312.0	–	43.0	94.0[3]	3.0
	Elec. distribution volume (TWh)	–		–	–	–	18.0	–	–	
	Network losses (TWh)	2	16	4	2	6	2	1	3	n.a.
	% of total transmission	c. 3%	c. 3%	c. 2%	c. 1%	c. 2%	c. 10%	2%	3%	n.a.
	PP&E (USDm)	779	87,028	18,317	8,532	19,916	162	1,233	1,791	109
	Sales (USDm)	305[4]	24,949	4,075	1,793	3,954	2,297	1,719	684	51
	Dividend yield	n.a.	5.8%	2.7%	2.6%	4.5%	0.9%	0.7%	10.6%	n.a.
Market capitalisation		n.a.	93,067	17,369	10,044	24,186	2,401	1,710	807	n.a.
Shareholder structure		60% state-owned 40% UzNIF	100% instit. & retail	~32% state-owned ~68% instit. & retail	~20% state-owned ~80% instit. & retail	~30% state-owned ~70% instit. & retail	~50% state-owned ~50% instit. & retail	~59% state-owned ~41% instit. & retail	~85% state-owned ~15% instit. & retail	100% instit. & retail

Source: Company presentation; instit. = institutional
Note: 1. Exclusively in the US; 2. National Grid reports system demand by jurisdiction (UK: 299 TWh; US: 203 TWh), which serves as the total load supported by its integrated transmission and distribution wires; 3. KEGOC splits 2024 volumes into Transfer (19.0 TWh) and Use of NPG/NES (74.9 TWh) following Kazakhstan's market reform in July 2023; 4. LTM H1 2025 is shown because, from 2H 2024 onward, NEGU operates solely as a transmission-service provider after the single-buyer function was transferred to UES.

Growth drivers – NEGU

Figure 13.6: Revenue and cost drivers

Future growth drivers	Cost efficiency drivers
Large-scale grid expansion Uzbekistan requires c. 7,000 km of new high-voltage transmission lines (220/500 kV) by 2035 (source: gazeta.uz) Total capex estimated at USD 4–5bn over the next decade, largely funded by IFIs at long maturities and concessional rates. Renewables integration NEGU is the sole transmission backbone for Uzbekistan's power network. Strong pipeline of new renewable IPPs drives long-term transmission demand. RAB-based tariff reform NEGU becomes a pure TSO, earning regulated transmission fees, under the new RAB model, eliminating volume risk and guaranteeing cost recovery. Supported by a USD 800m World Bank package (Oct 2025) to implement incentive-based, multi-year tariff regulation. Restructuring Transferring legacy liabilities to the single buyer (outside the NEGU book) improves solvency and leverage metrics, thereby enabling future borrowing capacity for growth.	Condition-based asset replacement NEGU avoids blanket asset replacement, instead uses condition-based refurbishment, focusing spending only where needed. 66% of transmission lines, 62% of distribution, and 74% of substations are older than 30 years; targeted upgrades yield major efficiency gains. Maintenance capex was roughly 15% of total capex in 2024, with remaining spending directed to new builds. Loss-reduction & digitalisation programmes Deployment of smart meters and digital balancing systems improves real-time monitoring and reduces technical losses. Digital grid operations are a key element of RAB-linked operational KPIs. Construction outsourced NEGU outsources major infrastructure work while keeping routine maintenance internal, a hybrid model that lowers overheads and increases execution efficiency. Efficient build costs Benchmark construction costs remain low, with HV lines at USD 0.1–0.3m/km and rural LV lines at USD 25–35k/km. IFI-validated benchmarks, helping keep system-wide capex economical.

Source: Company data

Financial summary – NEGU

	2022	2023	2024	1H25
Revenue	1,912	2,613	2,261	144
cost of sales	2,109	2,707	2,101	134
Gross profit/(loss)	**(197)**	**(94)**	**161**	**10**
G&A expenses	32	26	24	32
Provision for expected credit losses	(4)	99	(254)	10
Other expenses	(16)	(10)	(3)	(3)
Operating profit/(loss)	**(209)**	**(210)**	**394**	**(30)**
Depreciation	103	164	129	191
EBITDA	(107)	(46)	522	161
Profit/(loss) before tax	(341)	(882)	(25)	(33)
Net profit/(loss)	**(346)**	**(781)**	**91**	**(38)**
Margin				
Gross	-10%	-4%	7%	7%
EBIT	-11%	-8%	17%	-21%
Net profit	-18%	-30%	4%	-26%
Balance sheet				
Property, plant and equipment	639	678	779	1,131
Right-of-use assets	3,088	4,643	–	–
Cash and cash equivalents	7	20	12	16
Total assets	**4,083**	**5,832**	**6,324**	**3,051**
Borrowing	315	376	506	542
Lease liabilities	3,129	5,252	–	–
Total liabilities	**4,482**	**6,965**	**6,436**	**2,534**
Total equity	**(398)**	**(1,133)**	**(112)**	**(517)**
Net debt	3,436	5,607	495	526

Source: Company presentation, SQB presentation, Exchange rate: USD/UZS: 2022: 11,043; 2023 = 11,731; 2024 = 12,645; 2025: 12,579.
In 2024, the electricity sector underwent a major restructuring under which Uzenergosotish became the single national purchaser of electricity, while NEGU was converted into a pure Transmission System Operator (TSO) responsible solely for transmission and dispatch functions. As a result, NEGU's balance-sheet assets decreased due to the transfer of generation-linked and commercial assets, and its revenue profile also declined, reflecting the removal of electricity purchase and resale activities. Going forward, this restructuring is designed to prepare NEGU for the introduction of RAB-based regulation, ensuring a stable, cost-recovery tariff model and aligning the company with international TSO standards. NEGU now operates exclusively as a TSO, with revenues derived from regulated transmission tariffs rather than energy sales.

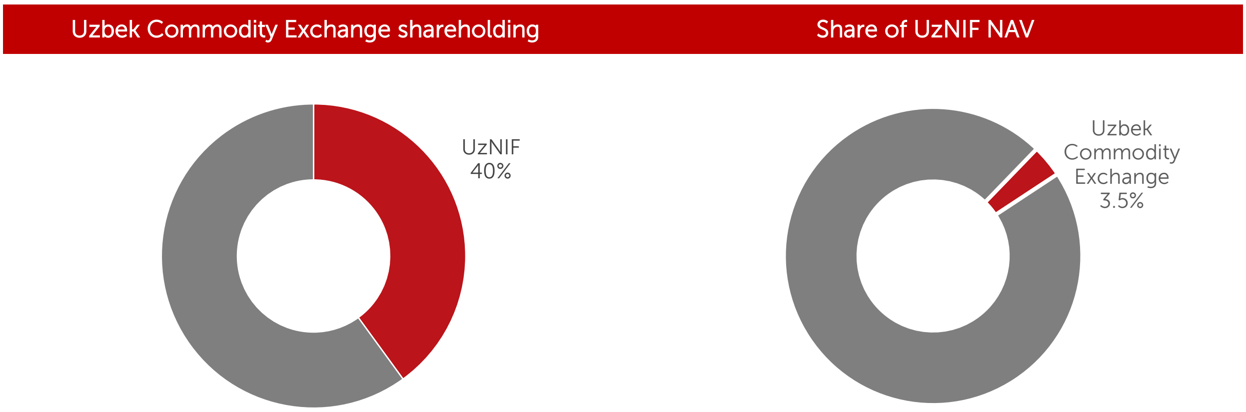
Uzbek Commodity Exchange – Largest trading platform in Central Asia

Uzbek Commodity Exchange (UzEX), founded in 1994, is Central Asia's largest trading platform and operates as an open joint-stock company registered with Uzbekistan's Ministry of Justice. The exchange offers a transparent marketplace for commodities through auction-based electronic systems for domestic and international participants and was recognised as the region's most advanced electronic trading infrastructure in 1H25. UzEX recorded approximately USD 8.6bn in trading volume, up 36.5% YoY (source: Spot.uz). Overall, in FY2025, trading volume increased 24% YoY to USD 16.1bn, according to UzNIF's IPO registration document.

Its traded products include ferrous and non-ferrous metals, petroleum products, cotton fibre, fertilisers, agricultural goods, and other high-liquidity commodities. UzEX is a key player in procurement and electronic auctions, including public procurement and specialised subscriber services. The company conducts trading across its five active platforms and maintains a nationwide physical presence through 13 regional branches.

UzNIF holds a 40% equity stake in UzEX, which accounts for 3.5% of UzNIF's total net asset value. Based on valuation reports prepared by a Big Four independent valuer (using the latest financial information dated between 30 Sep 2025 and 31 Dec 2025), UzNIF's stake was valued at USD 86m[1] as of 31 May 2026.

Figure 14.1: Uzbek Commodity Exchange shareholding structure[1]



Source: Company presentation; Note: 1. Based on valuation reports prepared by a Big Four independent valuer as of 31 May 2026.

Figure 14.2: Trading platform summary

Trading platform	Description
E-System of Exchange Trading	UzEX core automated exchange system enabling transparent spot commodity trading under standardised rules. It handles high-liquidity goods (metals, fuels, fertilisers, agricultural products) and ensures equal access for domestic and foreign participants. A central engine for price discovery and liquidity formation.
B2B Trading /E-Exhibition & Fair Trades	A digital marketplace supporting large-scale B2B transactions and virtual exhibitions. Used for non-standardised goods, procurement lots, and commercial deals. Enhances supply/demand visibility for manufacturers and distributors.
Public E-Procurement System (xarid.uzex.uz)	Handles government and corporate procurement auctions under regulated frameworks. A key channel for public-sector cost savings and transparency. Integrates buyers and suppliers nationwide with digital tendering.
Mobile Number Auctions (mobilraqam.uzex.uz)	National marketplace for auctioning mobile and short numbers. High demand drives recurring transaction volumes. Fully automated and accessible to individuals and corporates.
E-Logistics Portal (mytransport.uz)	Electronic freight-matching system linking shippers and transporters. Reduces logistics inefficiencies by providing a unified cargo database and transparent routing options. Significant role in optimising nationwide supply chains.

Source: Company website

Regional branches

UzEX operates a nationwide physical network of 13 regional branches, providing on-the-ground access to exchange trading, procurement platforms and brokerage services across all major economic regions of Uzbekistan. These branches extend the exchange's reach into agricultural, industrial, mining and border provinces, ensuring broad participation and deepening liquidity in local commodity markets.

Figure 14.3: UzEX branches

Branches	Description
Karakalpakstan Republic	Provides commodity exchange access for western Uzbekistan, supporting agriculture, fuels, and construction materials trade. Enhances reach in remote markets.
Andijan	Key hub for the industrially dense Fergana Valley. Supports textile, fertiliser, and agricultural goods trading, including cross-border flows.
Bukhara	Serves an energy-rich region with hydrocarbons, chemicals, and industrial goods. Provides brokerage and trading support for local producers.
Jizzakh	Located in an emerging industrial logistics zone, enabling SME participation in exchange trading and procurement. Supports diversified trade flows.
Qashqadaryo	Supports oil, gas, and agricultural commodity trading. Provides exchange access for rural producers and industrial suppliers.
Navoiy	Serves as a major mining and chemical hub, strengthening liquidity in metals, fertilisers, and industrial inputs. Key for public procurement flows.
Namangan	Supports SME-heavy sectors such as textiles and agriculture. Enhances transparency and participation within the Fergana region.
Samarkand	Supports agriculture, construction materials, and procurement activity across one of the country's largest economic centres.
Surxondaryo	Border-region branch enabling agricultural and cross-border trade flows. Supports local producers' participation in auctions.
Sirdaryo	A farming and logistics corridor branch supporting grain, cotton by-products, and industrial inputs trading. Boosts rural liquidity.
Fergana	Covers one of Uzbekistan's most industrialised regions. Supports metal, chemical, food, and textile-related trades.
Xorazm	Supports cotton fibre, fertilisers, grains, and regional supply chains. Strengthens commercial access for northwestern producers.
Tashkent Region	Core branch covering the capital and largest economic hub, providing full platform access, procurement support, and coordination for national operations.

Source: UzEX official website

Business model – Multiple trading verticals

UzEX operates on two core revenue-generating pillars that align with Uzbekistan's policy objective of routing key commodities through transparent, market-based mechanisms:

- Commodity trading: The exchange facilitates spot trading in highly liquid goods, including agricultural products, fuels, chemical products, select metals, including copper/steel, and gold used for jewellery fabrication. This segment contributed 73% of total trade turnover and 84% of revenue in 2025, making it the primary revenue driver.
- Public procurement: UzEX also runs the government-mandated auction and tender system for SOEs, earning a commission on transaction values processed through the procurement platform.

Management highlighted that shifting cotton and wheat trading to the exchange materially improved price visibility and farmer outcomes while reducing leakage in state procurement. This policy-driven shift continues to support structural volume growth.

Management is actively working on adding new growth levers for the business:

- Future contracts: Management expects that once regulatory and technical frameworks are in place, futures can add a major revenue stream to the business.
- Additional commodities: Management is also considering adding gas and electricity to its range of traded products. Adding these high-volume, price-sensitive commodities would significantly expand traded values on the platform.
- Value-added services: Management is exploring the introduction of warehouse receipts and integrated bank-financing linkages, allowing SMEs to borrow against exchange-verified collateral. This would

transform UzEX from a pure trading venue into a financing platform, improving working-capital access for producers and strengthening the exchange's ecosystem relevance.

Financial summary – UzEX doubles profits and maintains shareholder dividends

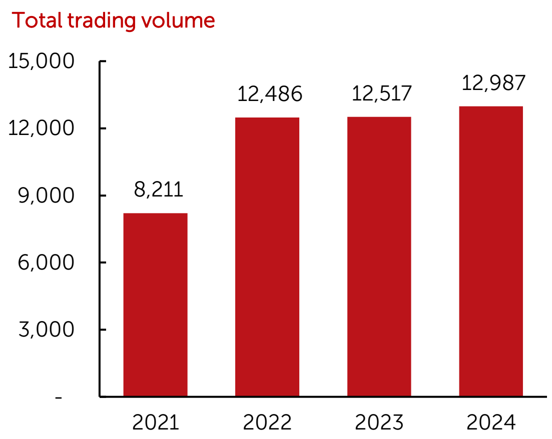
UzEX has delivered steady revenue growth, rising from USD 28m to USD 34m over 2021–24 (6.8% CAGR). This was supported by increased trade activity, with volumes rising from USD 8.2bn to ~USD 13.0bn (16.5% CAGR), providing a steadily expanding base for its commission-led earnings model.

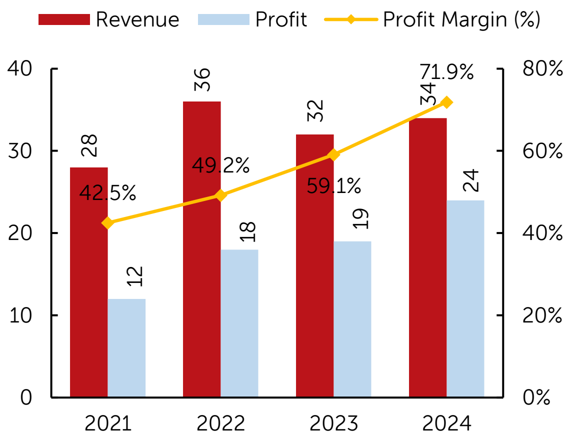
Profitability has strengthened considerably, with net profit doubling from USD 12m to USD 24m and margins rising from 42.5% to 71.9%, driven by higher commissions from increased traded volumes and a sharp increase in financial income. Interest income rose from USD 1m to USD 12m (~105% CAGR), underscoring the increasing contribution of float-based earnings.

UzEX follows a shareholder-friendly distribution approach, with management publicly targeting an ~80% dividend payout ratio, which is higher than UzNIF's portfolio baseline. Based on supervisory board communications, UzNIF expects to receive more than USD 9m in dividends from UzEX this year. These dividend payments, which have already been approved by the shareholders of UzEX, underscore the exchange's strong cash generation and consistent return profile.

Figure 14.4: UzEX trading volume and revenue

Trading volume (in USD m)	Key financials (USD m)





Source: Company presentation; Exchange rate: USD/UZS: 2021 = 10,601, 2022 = 11,043, 2023 = 11,731, 2024 = 12,645, 2025 = 12,579.

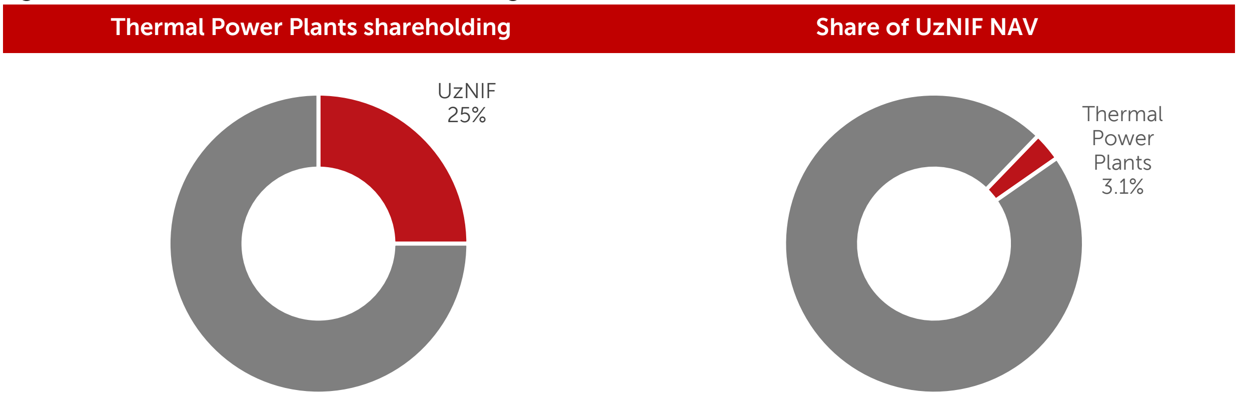
Thermal Power Plants – Powering the local economy

Thermal Power Plants, or Issiqlik Elektr Stansiyalari (IES), was formed in 1994 to support reforms in Uzbekistan's energy sector and was unbundled from Uzbekenergo and re-established in its current structure in 2019. Today, the company operates five thermal power stations and three power cogenerations centres, producing electricity and heat. Seven plants primarily use natural gas, and one plant is coal-fired, with fuel oil serving as a secondary fuel across all plants.

The company has an installed capacity of 6.7 GW, representing about 45% of national thermal capacity and 33% of total installed capacity. The plants generated 27bn kWh of electricity and 10.9m Gcal of thermal energy in 2024. According to management, despite rising solar and wind penetration, IES remains essential for system balancing, seasonal peaking, and fast-ramping support to manage renewable intermittency.

UzNIF holds a 25% equity stake in IES. Based on valuation reports prepared by a Big Four independent valuer, using financial reporting dates ranging from 30 Sep 2025 to 31 Dec 2025, UzNIF's holding was valued at USD 75m[1] as of 31 May 2026, representing 3.1% of UzNIF's total net asset value.

Figure 15.1: Thermal Power Plants shareholding structure[1]



Source: Company presentation, Note: 1. Based on valuation reports prepared by a Big Four independent valuer as of 31 May 2026.

Fuel supply and backup

IES sources its natural gas through the state gas transmission company, under the same pricing and contractual framework applied to wholesale industrial customers. There are no dedicated subsidies or preferential pricing mechanisms for the company. At the station level, gas pricing is broadly aligned with the general wholesale industrial tariff and specific contract terms, which are confidential. At the national level, Uzbekistan now imports roughly 10% of its gas needs, which affects the broader system's supply mix.

IES has a key operational advantage as the plants have dual-fuel capability, enabling them to switch to fuel oil as a backup option when gas pressure falls during the winter season. This capability enhances reliability during peak-demand months, although fuel-oil usage has been limited and used sparingly in the most recent winter due to better gas-supply stability. The dual-fuel architecture helps ensure that IES can maintain output even under constrained gas-supply conditions.

Management remains focused on maintaining an appropriately flexible thermal fleet that can provide the balancing and ramping capability required to support the country's rapid build-out of solar and wind capacity. This positioning aligns with the broader national strategy: renewables dominate energy expansion, while thermal remains the stability anchor of the grid.

Recent changes in utilisation, revenue, and perimeter

IES underwent a major structural change in 2022, when three large facilities were transferred out of the group, resulting in a substantially smaller operational perimeter. Following this change, volume dynamics were driven by two main factors.

First, utilisation rates declined (source: euronews) largely reflecting the rising penetration of renewables, which increasingly displace thermal dispatch during mid-load hours. This trend is consistent with the system's shift toward solar-driven daytime generation, leaving thermal plants to operate more selectively and in more flexible duty cycles.

Second, tariff adjustments implemented in 2024 helped offset the volume impact of lower utilisation. These tariff increases provided a meaningful recovery in contribution margins and supported a return to positive net profitability, stabilising the company's financial trajectory despite softer generation volumes.

Capex, projects and decommissioning

IES is in the middle of a multi-year transformation of its generation fleet. The flagship project is the new 1.1 GW combined-cycle gas-turbine (CCGT) unit at Talimarjan, which is nearing commissioning. The project was started a few years ago and c. USD 950m has already been invested. Once operational, this unit is expected to significantly improve fleet-wide efficiency and reduce the system's heat-rate profile.

In parallel, the company is evaluating the decommissioning of around 1.2 GW of older, less-efficient capacity at Syrdarya. These units face rising maintenance costs and are less suited to the fast-ramping needs of a system with increasing renewable penetration.

Long-term investment decisions will ultimately be guided by the government's evolving power-sector master plan, which is expected to emphasise modern, flexible, gas-based capacity to complement intermittent renewable inputs.

Debt and financing structure

The company's capital structure is dominated by project finance-style debt sourced from international financial institutions (IFIs). These loans typically have 20- to 30-year tenures and are priced at thin margins, reflecting the strategic nature of Uzbekistan's energy projects and the involvement of development finance partners.

Historically, IES has also accessed local concessional funding, generally priced at around 5% in UZS, provided through the Ministry of Economy and Finance. In our view, the blend of IFI-backed funding and domestic concessional lines creates a financially stable platform for long-term asset redevelopment.

Company thermal power plants

Figure 15.2: Thermal power plants, 2024

Power plant	Region	Capacity
Syrdarya Thermal Power Plant	Shirin, Syrdarya Region	3.2 GW
Tolimarjon Thermal Power Plant	Nishan district, Kashkadarya Region	1.7 GW
Turakurgan Thermal Power Plant	Turakurgan district, Namangan Region	0.9 GW
Angren Thermal Power Plant	Angren city, Tashkent Region	0.4 GW
Fergana Thermal Power Centre	Fergana city, Fergana Region	0.3 GW
Muborak Thermal Power Centre	Mubarek Industrial Zone, Kashkadarya Region	60 MW
Tashkent Thermal Power Centre	Tashkent city	0.1 GW
Tashkent Heat Centre	Tashkent city	4,580 Gcal (heat capacity, 65% stake)

Source: Company website (Company group), company management

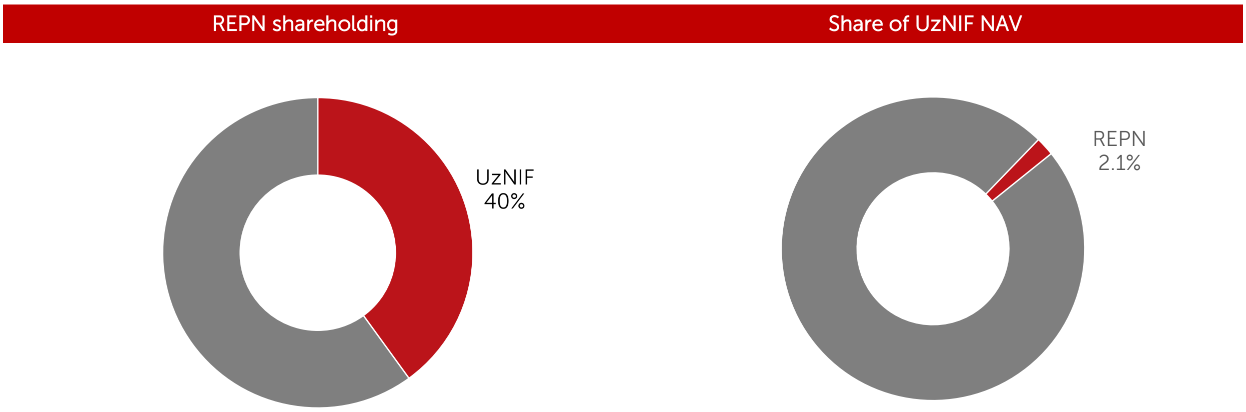
Regional Electric Power Networks – Connecting end users

Regional Electric Power Networks (REPN) is Uzbekistan's monopoly electricity distributor and the single largest interface between the power system and end users. It was formed in 2019 following the unbundling of Uzbekenergo to support the government's broader energy sector reform. Its primary objective was to modernise the country's ageing and inefficient distribution network, reducing technical and commercial losses.

The company operated 14 Distribution System Operators (DSOs), ~260,000 km of low- and medium-voltage lines (0.4–10 kV lines) and ~97,000 transformer substations as of Nov 2025. It supplied 64.1 TWh of electricity in 2024 to ~7.8 million households and 0.5 million corporate entities. The company had ~25,000 employees as of Nov 2025.

UzNIF holds a 40% stake in REPN. Based on valuation reports prepared by a Big Four independent valuer using the latest available financial information, REPN was valued at USD 50m[1] in UzNIF as of 31 May 2026, or 2.1% of UzNIF's value.

Figure 16.1: REPN shareholding structure[1]



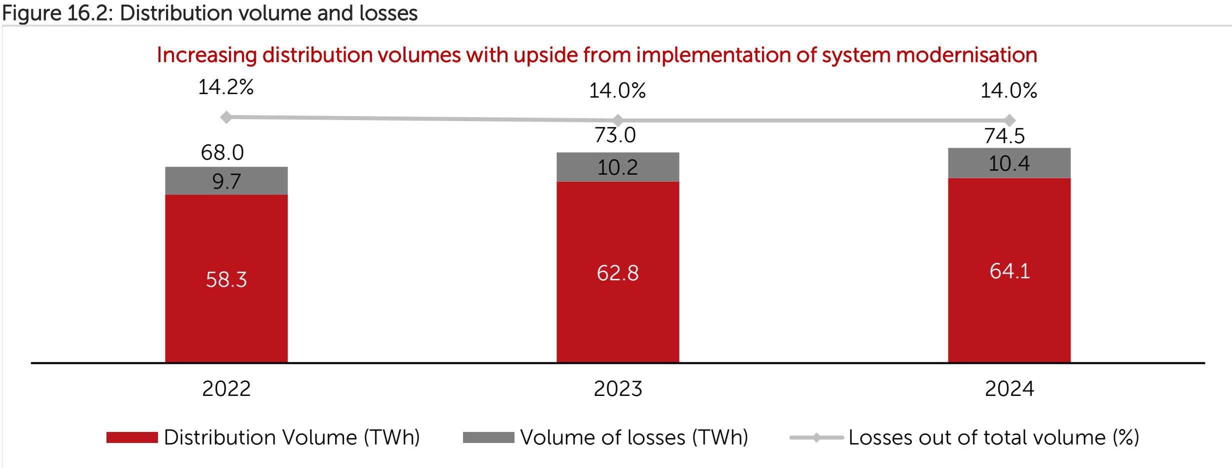
Source: Company presentation; Note: 1. Based on valuation reports prepared by a Big Four independent valuer as of 31 May 2026.

REPN's well-established network in urban areas helped solid volume growth

REPN's distribution volume has grown steadily, increasing from ~58.3 TWh in 2022 to ~64.1 TWh in 2024, reflecting rising household and commercial consumption, continued electrification, and network expansion. This underlying demand momentum positions the company on a clear upward trajectory, in our view. The company has a strong concentrated distribution network in Tashkent city, Tashkent region and Navoi, which together account for 40% of total distributed volumes.

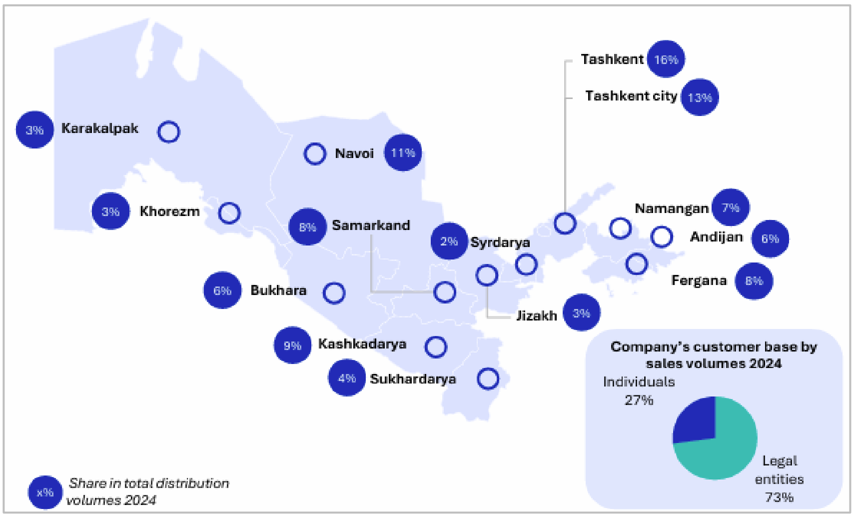
These areas have stronger network infrastructure and support both higher volumes and comparatively low technical losses. Beyond these hubs, most regions contribute modest shares to total consumption, reflecting the geographic spread and lower load density across the rest of the country. Additionally, the load mix is anchored by legal entities (73% of volumes), reflecting the increasing importance of industrial and commercial consumers.

Figure 16.2: Distribution volume and losses



Source: Company presentation

Figure 16.3: REPN's operational footprint, 2024



Source: Company presentation

Losses elevated compared to developed markets

However, REPN's volume losses remain substantially above those of developed-market peers, underscoring the structural efficiency challenge embedded in Uzbekistan's distribution network. Losses are driven by a combination of technical factors, including an ageing asset base with over 30-year-old lines and transformers, and commercial factors, primarily electricity theft and billing leakages.

REPN's total loss is approximately 14%, with some regions exceeding 30%. This compares unfavourably with EU benchmarks of c. 7%. Electrica, operating in Romania, is the closest peer in terms of operational profile and regional context, with loss levels of around 10%.

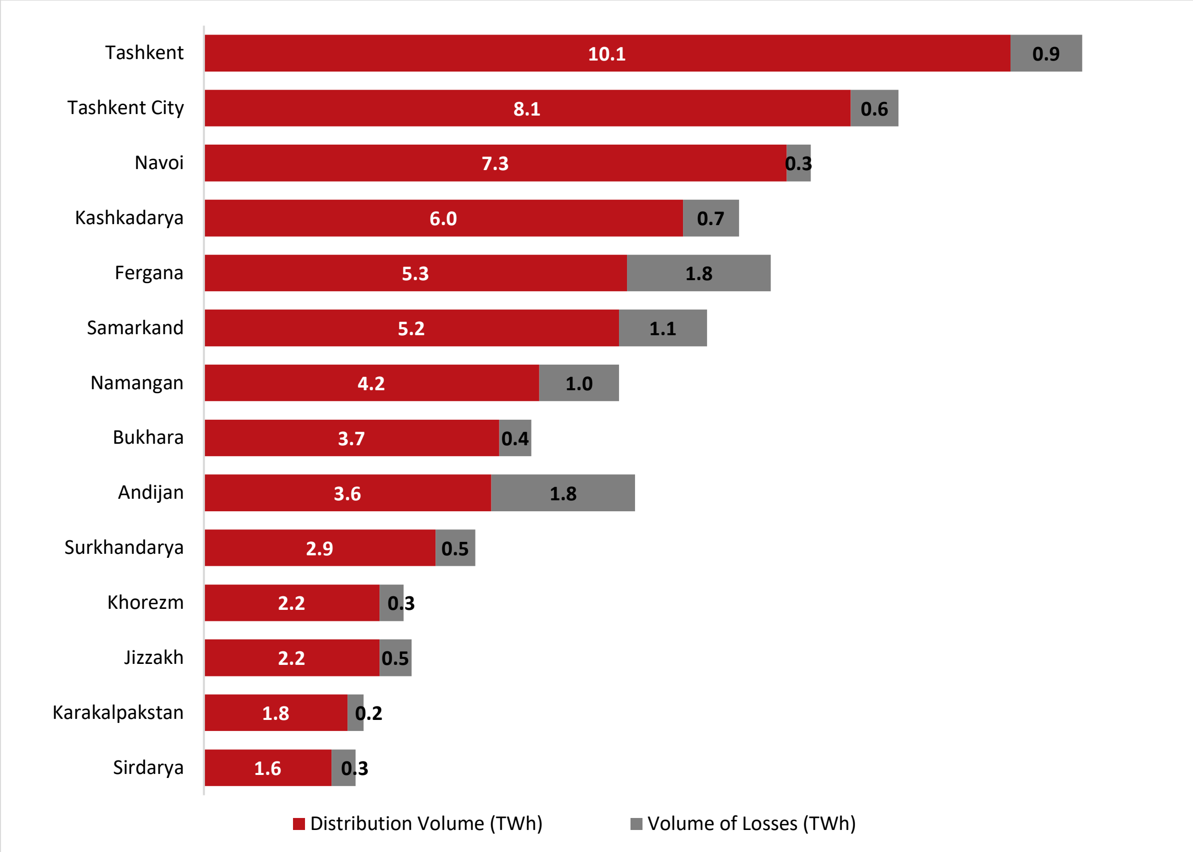
Regional losses higher in rural areas

Overall, the company's regional distribution landscape presents a dual structure: high-volume, low-loss urban anchors and high-loss rural regions. Urban areas operate with <10% operational losses, but the difficulties intensify in several rural provinces where losses rise sharply (>10%), with Andijan, Fergana, and Namangan recording some of the highest levels in the country, exceeding 30%. These elevated losses stem from ageing distribution lines, overloaded transformers, dispersed customer clusters, and persistent commercial losses, making these regions priority territories for operational intervention.

Recognising this loss imbalance, REPN and the government are directing targeted investment and external technical support to upgrade infrastructure, expand metering coverage, and deploy balancing systems in high-loss areas. At the same time, the system's demand profile is increasingly shaped by industrial and commercial consumers, who account for nearly three-quarters of total electricity volumes and drive the need for improved reliability and power quality.

With near-universal electrification already achieved, incremental volume growth is no longer tied to new household connections but to the scaling needs of generation companies, industrial parks, and economic clusters. This puts greater emphasis on operational performance, loss reduction, and network modernisation, rather than customer expansion.

Figure 16.4: Distribution of losses by region 2024 (i)



Source: Company presentation

Figure 16.5: Distribution of losses by region 2024 (ii)

Region	Share in total distribution, %	Distribution volumes (TWh)	Volume of losses (TWh)	Losses/ total volume
Tashkent	16%	10.1	0.9	8%
Tashkent City	13%	8.1	0.6	7%
Navoi	11%	7.3	0.3	4%
Kashkadarya	9%	6.0	0.7	10%
Fergana	8%	5.3	1.8	25%
Samarkand	8%	5.2	1.1	17%
Namangan	7%	4.2	1.0	19%
Bukhara	6%	3.7	0.4	10%
Andijan	6%	3.6	1.8	33%
Surkhandarya	4%	2.9	0.5	15%
Khorezm	3%	2.2	0.3	13%
Jizakh	3%	2.2	0.5	18%
Karakalpakstan	3%	1.8	0.2	12%
Sirdarya	2%	1.6	0.3	16%

~40% of distributed volume concentrated around Tashkent and Navoi, where distribution losses are low

Source: Company presentation

Figure 16.6: REPN comparison with peers

			Western European Peers				Eastern European and Central Asian peers			
Company			nationalgrid	elia group	redeia	Terna Driving Energy	electrica		KEGOC	
Geography		Uzbekistan	UK, USA	Belgium, Germany	Spain, Brazil, Chile, Peru	Italy	Romania	Romania	Kazakhstan	Kazakhstan
Activities		Electricity distribution	Electricity transmission Electricity distribution Gas transmission[1] Gas distribution[1]	Electricity transmission	Electricity transmission	Electricity transmission	Electricity distribution	Electricity transmission	Electricity transmission	Electricity transmission Electricity distribution
Transmission lines in km (2024)		–	16,905	19,741	45,592	~75,000	–	8,834	27,800	6,170
Distribution lines in km (2024)		260,000	230,000	–	–	–	204,607	–	–	
Elec. Transmission volume in TWh (2024)		–	502[2]	174	249	312	–	43	94[3]	3
Elec. Distribution volume in TWh (2024)		64		–	–	–	18	–	–	
Network losses in TWh (2024)		10	16	4	2	6	2	1	3	n.a.
Network losses% (2024)		~14%	~3%	~2%	~1%	~2%	~10%	~2%	~3%	n.a.
Market capitalisation in USDm (27.02.2026)		n.a.	93,067	17,369	10,044	24,186	2,401	1,710	807	n.a.
2024	PPE (USDm)	1,873	87,028	18,317	8,532	19,916	162	1,233	1,791	109
	Sales (USDm)	3,777	24,949	4,075	1,793	3,954	2,297	1,719	684	51
	Dividend yield, %	n.a.	5.80%	2.70%	5.60%	4.50%	0.90%	0.70%	10.60%	n.a.
Shareholder structure		60% state-owned 40% UzNIF	100% instit. & retail	~32% state-owned ~68% instit. & retail	~20% state-owned ~80% instit. & retail	~30% state-owned ~70% instit. & retail	~50% state-owned ~50% instit. & retail	~59% state-owned ~41% instit. & retail	85% Samruk Kazanya JSV 15% instit. & retail	100% instit. & retail

Source: Company presentation; Capital IQ, company annual reports, company information, IFRS financial statements; Exchange rate: USD/UZS: 2024 = 12,645; (1) Exclusively in the US; (2) National Grid reports system demand by jurisdiction (UK: 299 TWh; US: 203 TWh), which serves as the total load supported by its integrated transmission and distribution wires; (3) KEGOC splits 2024 volumes into Transfer (19.0 TWh) and Use of NPG/NES (74.9 TWh) following Kazakhstan's market reform in July 2023.

Ongoing operational efficiency plan

REPN is now moving toward a more integrated, data-driven operating model that links digitalisation, collections, automation, and emergency response into a unified efficiency programme. The next phase focuses on scaling business-segment metering (currently 70–75%) and closing remaining coverage gaps and enabling two-way communication modules that strengthen real-time oversight of consumption patterns.

This builds on approximately 98% household smart-meter penetration, automated metering (ASCEM/ASM), and remote prepay disconnection systems in Tashkent, which enable disconnection upon non-payment and reconnection following top-up.

Expanded use of digital balancing meters would allow the company to pinpoint loss pockets (technical vs commercial) with far greater accuracy, while AI-enabled analytics would direct loss-reduction brigades and guide targeted field interventions. Parallel enhancements include near-real-time transformer telemetry to enable predictive maintenance and condition-based planning, reducing downtime and improving reliability across weaker parts of the network.

REPN is also improving outage management by using smart-meter event data to accelerate restoration times and prioritise emergency response routing. Taken together, these next-stage initiatives are designed to deliver a measurable step-change in system efficiency, loss control, and operational resilience.

The scale and persistence of losses highlight the importance of REPN's ongoing digitalisation drive, expansion of smart metering, installation of balancing meters, and field-level enforcement to reduce non-technical losses. Management aims to drive a structural shift toward a stable, modern, and financially sustainable distribution operator by reducing system losses, completing end-to-end digitalisation, and positioning REPN for predictable, RAB-based returns.

With more than half of the network more than 30 years old and technical losses still around 13%, the company is accelerating metering, balancing, and automation to compress losses and stabilise EBITDA (Source: Worldbank.org). This operational transformation directly aligns with the government's objective to modernise electricity distribution, improve financial viability, and enable integration of large-scale renewable capacity. As these initiatives progress, we think loss reduction will play a crucial role in margin expansion, regulatory alignment under the forthcoming RAB model, and long-term financial sustainability.

Figure 16.7: Operational initiatives

	Achieved	What's next
DIGITALISATION	• High penetration of smart meters in the household segment (98%[1]) • Partial coverage of lines of various voltages by balancing meters • Automated System for Control and Energy Metering (ASCEM) collects all data in one place • Integration of GenCo data, manual integration of NEGU data	• Roll out metering in business segment (70-75%[1] penetration), close any gaps, upgrade connection modules in existing meters; roll out digital balancing meters and integrate all value chain players in ASCEM
COLLECTIONS & LOSSES	• High collections and payment discipline in the household segment (prepayment system)	• Analytical tools (incl. AI-driven) to segregate technical and commercial losses • Use metering data to inform organisational measures and field brigades to fight commercial losses
AUTOMATION	• Use telemetry from transformers to plan overhaul & maintenance	• Leverage near-real-time telemetry to monitor overall condition and plan predictive maintenance
EMERGENCY RESPONSE		• Use smart-meter event and outage data to support emergency response and restoration activities • Enhance field operations with telemetry-driven prioritisation of routes and incident classification

Source: Company presentation; (1) As of November 2025.

Macro and regulatory tailwinds underpin REPN's growth

Steady population growth and rising household income

Uzbekistan's population is expected to grow at an approximately 2% CAGR, and household income is expected to rise, driving sustained increases in consumption across both residential and commercial users. Economic expansion further amplifies system load, with real GDP and GDP per capita expected to continue rising over the medium term. This combination of demographic momentum and economic growth creates a structurally rising demand base, requiring continuous reinforcement of distribution infrastructure and supporting long-term volume growth for REPN.

Electrification trends reshaping the market

The country's transition toward greater electrification, both in households and transport, is creating a step-change in consumption patterns. Household electricity use is projected to rise from 18.8 TWh in 2024 to 28.5 TWh by 2035[1], driven by appliance penetration, heating electrification, and higher living standards. The company disclosed these estimates, which are based on the projections prepared by a third-party consultant as of October 2025, along with a cautionary statement that forward-looking statements are not guarantees of future performance.

Transport electrification is expanding even faster, with electricity consumption expected to increase more than threefold (from 1.6 TWh in 2024 to 5.5 TWh in 2035[1], according to projections from a third-party consultant as of October 2025) as EV adoption accelerates. These structural shifts raise the importance of network reliability, low-voltage capacity upgrades, and smart meter-enabled load management, areas directly aligned with REPN's current investment plan.

Tariff tailwind

Uzbekistan's energy-sector reform agenda introduces a strong regulatory tailwind for REPN, supported by World Bank-backed policy measures aimed at opening the distribution sector to greater participation and improving financial sustainability. The transition from cost-plus tariffs to an RAB-based framework, expected to begin implementation in 2026, introduces predictable asset-linked returns and reduces historical cost under-recovery. Ongoing reforms also protect distribution companies as demand expands and help unlock external financing for grid modernisation.

Early discussions on the RAB framework indicate that it would operate in local currency, with an indicative WACC in the mid-teens (around 15%). The initial regulatory period is expected to be transitional rather than fully long-term. Tariff determination authority will rest with the Cabinet Level Tariff Commission, supported operationally by the Ministry of Economy and Finance's tariff department.

Rebuilding EBITDA and preserving RAB upside through conventional financing

The company's historical leverage appears elevated on simple ratio metrics, largely due to legacy local concessional debt (around 5% UZS) used to finance network connections in newly developed zones, though this is already improving as margins strengthened in 1H 2025 following tariff adjustments. Looking forward, management aims to rebuild EBITDA through the implementation of the RAB framework and further loss-reduction initiatives, while also exploring options such as partial capitalisation of selected loans before pursuing refinancing with conventional lenders or IFIs. Although the government has initiated PPP opportunities in parts of the REPN and gas sectors—such as the Samarkand concession, developed with IFC advisory support—management prefers to fund the core REPN business through traditional financing channels to retain full value from both the emerging RAB model and ongoing operational efficiency gains, rather than outsourcing these benefits via a concession structure

REPN investment case

In our view, REPN offers a compelling investment case as Uzbekistan's national distribution backbone, underpinned by essential infrastructure, strong demand growth, and near-universal digital metering that enhances revenue predictability. The company's transition to an RAB-based tariff model provides clearer cash-flow visibility and supports long-term bankability. With substantial operational upside from loss-reduction and grid-modernisation programmes, REPN looks well-positioned for sustained improvement in profitability and regulatory stability.

Note: 1. Projections were prepared by a third-party consultant as of October 2025.

Figure 16.8: REPN investment highlights

- Essential infrastructure with strategic position across key urban regions ensuring reliable power supply to households and businesses
- Strong demand growth outlook driven by economic growth, generation capacity expansion and consumer behaviour underpinning significant system expansion and investment into grid resilience and capacity
- High smart-meter penetration to enable accurate billing and improved revenue predictability through tighter control and collections
- Regulatory reform underpinning transition to a proven RAB-based model that will support predictable returns on investment
- Significant operational upside potential through loss reduction programme as well as delivery of modernisation programmes focused on automation and digitalisation of the network to support stronger profitability

Source: Company presentation

Uzbekinvest – Established insurers

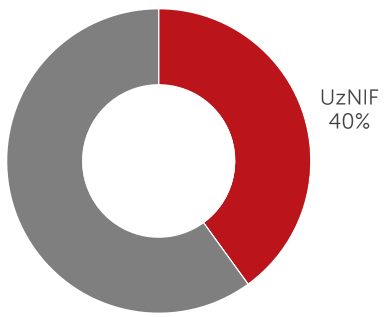
Uzbekinvest is one of Uzbekistan's most established insurers, founded in 1994, and now ranked among the top-two non-life players by gross premiums. The company operates through a multi-entity group structure anchored in its domestic non-life franchise, with subsidiaries including Uzbekinvest Hayot in life insurance and a London-based entity that provides political-risk coverage through a joint underwriting arrangement with AIG Uzbekinvest Limited. Uzbekinvest broadened its market presence with a listing of 14.1m preferred shares on the Tashkent Stock Exchange in November 2023, enhancing transparency and capital-market visibility.

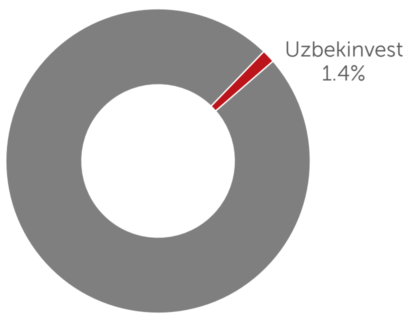
The company's operating model is characterised by scale, reach, and strong execution: it consistently settles over 90% of claims, is licensed for 17 general insurance classes, and maintains one of the deepest physical footprints in the sector, with 200+ territorial divisions (as per the 2024 NAPP report). This branch density underpins its penetration across retail, SME, and compulsory lines such as motor TPL and reinforces its role in supporting Uzbekistan's formalisation of insurance usage.

UzNIF holds a 40% equity stake in Uzbekinvest, accounting for 1.4% of its total net asset value. Based on valuation reports prepared by a Big Four independent valuer (using the latest financial information dated between 30 Sep 2025 and 31 Dec 2025), UzNIF's stake was valued at USD 35m[1] as of 31 May 2026.

Figure 17.1: Uzbekinvest shareholding structure[1]

Uzbekinvest shareholding	Share of UzNIF NAV





Source: Company presentation; Note: 1. Based on valuation reports prepared by a Big Four independent valuer as of 31 May 2026.

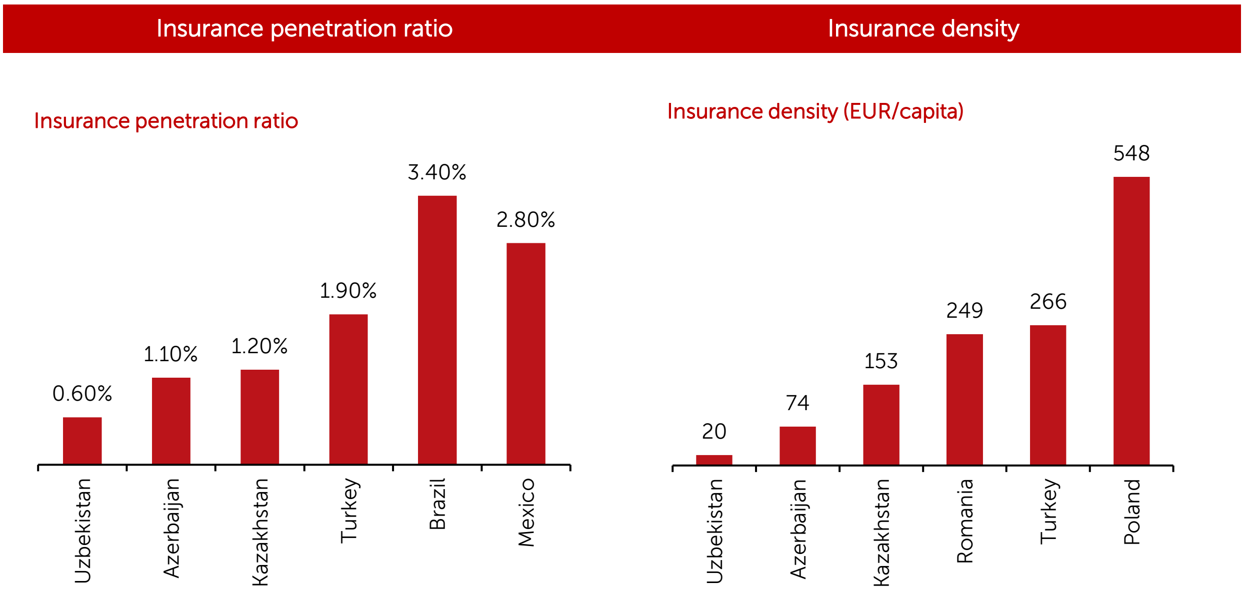
Domestic tailwinds: Under-penetration driving long-term growth

Uzbekistan's insurance sector remains deeply underpenetrated, with insurance penetration at ~0.6% of GDP and a density of roughly EUR 20 per capita, indicating substantial room for long-term catch-up as the economy formalises.

Against this backdrop, Uzbekinvest has already demonstrated strong traction, in our view, with gross premiums more than tripling between 2021 and 2024, signalling accelerating adoption of protection products as reforms take hold. We believe the combination of a still-nascent market and ongoing regulatory modernisation creates a durable runway for expansion across property, construction and engineering, motor TPL, health, and life-insurance offerings through the Hayot subsidiary.

Relative to regional peers, Uzbekistan sits at the very bottom of the insurance penetration curve, with ~0.6% penetration compared with 1.1–1.9% in Azerbaijan, Kazakhstan and Turkey, and above 3% in more mature markets such as Brazil and Mexico. Insurance density shows an even wider gap: Uzbekistan's EUR ~20 per capita compares with EUR 74–249 across neighbouring countries and EUR 548 in countries like Poland. These disparities highlight Uzbekistan's early stage of insurance market development and underscore the long-term growth runway for insurers operating at scale, positioning Uzbekinvest to benefit as coverage levels gradually converge toward regional norms.

Figure 17.2: Uzbekistan vs surrounding nations – insurance penetration comparison



Source: Company presentation, National Agency of Perspective Projects, National Statistics Committee of the Republic of Uzbekistan, Central Bank of the Republic of Azerbaijan, OECD, Xprimm insurance report 2024

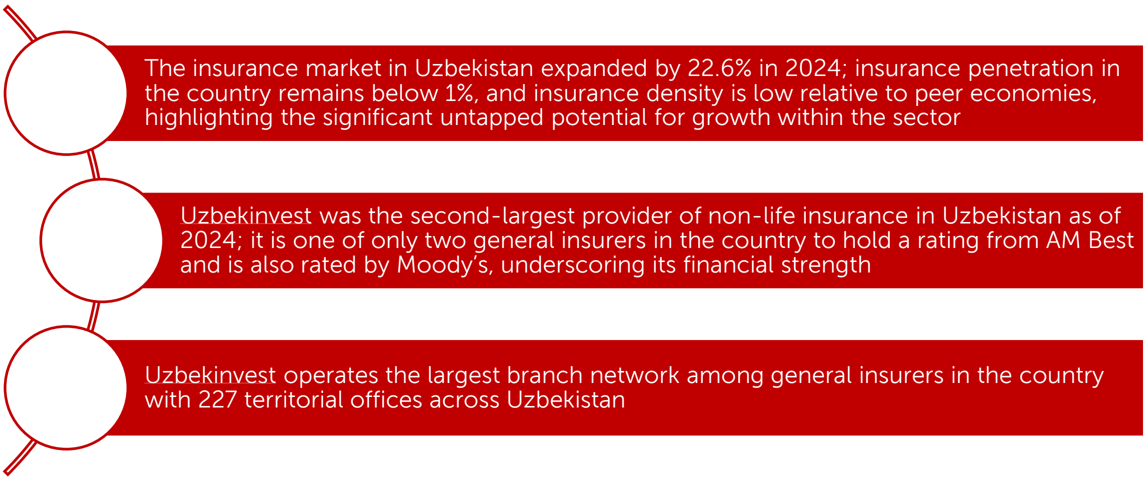
London branch – A strategic international arm

Beyond its domestic scale, Uzbekinvest's London-based subsidiary, AIG Uzbekinvest Limited, a wholly owned subsidiary of AIG and Uzbekinvest, acts as a strategic extension of the group. AIG Uzbekinvest provides export-credit and political-risk insurance through a joint underwriting arrangement with AIG. This platform brings international credibility in a niche where global standards matter, positioning Uzbekinvest to benefit from rising FDI, large-scale construction programmes and expanding cross-border trade, thereby aligning its growth trajectory with the government's broader economic development agenda.

The strength of this arm is reinforced by Uzbekinvest Moody's Ba2 rating with a Positive Outlook, a rarity among local insurers and a signal of strong solvency and governance, in our view. Together, we believe this international presence and rating profile position the company to capture rising demand for risk-mitigation products as foreign investment and cross-border economic activity continue to expand.

Uzbekinvest investment case

Figure 17.3: Uzbekinvest investment highlights



Source: Company presentation

TashBus – Capital public bus operator

Toshshahartransxizmat (TashBus) is the largest public bus operator in Uzbekistan and the primary provider of mass transit services in Tashkent. As of February 2025, the company operated a modern fleet of over 1,900 buses across 160+ routes and eight depots, transporting ~1.4 million passengers daily (roughly ~500 million passengers annually). The fleet comprises battery-electric, CNG and diesel buses with an average age of around five years.

Buses are equipped with GPS, onboard cameras and real-time operational monitoring, positioning TashBus as a critical component of urban mobility and citywide connectivity. The company is actively modernising its fleet, and plans to add ~1,000 green-fuelled buses in 2026-2027 to expand service across the municipality.

UzNIF holds a 25% equity stake in TashBus, accounting for 1% of its total net asset value, the second-smallest holding in its portfolio. Based on valuation reports prepared by a Big Four independent valuer (using the latest financial information dated between 30 Sep 2025 and 31 Dec 2025), UzNIF's stake was valued at USD 25m[1] as of 31 May 2026.

Figure 18.1: TashBus shareholding structure

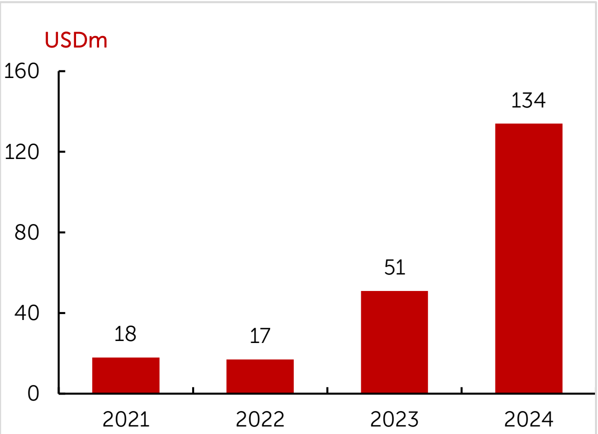
TashBus shareholding	Share of UzNIF NAV

Source: Company presentation; Note: 1. Based on valuation reports prepared by a Big Four independent valuer as of 31 May 2026.

Financial summary – TashBus

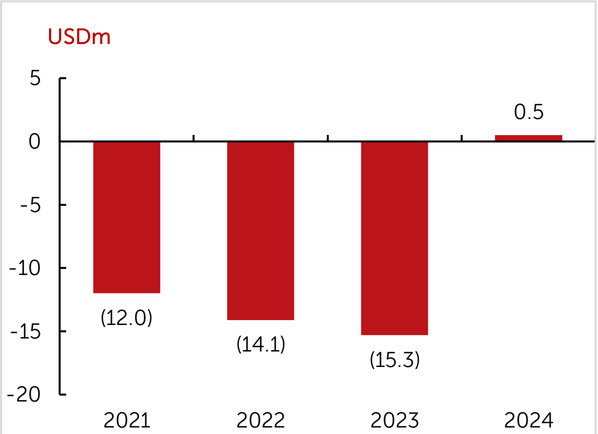
TashBus has undergone a significant financial turnaround since the introduction of the gross-contract model in 2023, which drove a three-fold increase in revenue and shifted the business from persistent losses in 2021–22 to stabilised, formula-driven profitability. Earnings have become significantly more predictable on the back of full cost recovery and a guaranteed margin framework. The company reported a net profit of USD 0.5m in 2024 compared to a loss of USD 15.3m in 2023.

Figure 18.2: TashBus revenue



Source: Company presentation; Exchange rate: USD/UZS: 2021 = 10,601, 2022 = 11,043, 2023 = 11,731, 2024 = 12,645

Figure 18.3: TashBus profit



Source: Company presentation; Exchange rate: USD/UZS: 2021 = 10,601, 2022 = 11,043, 2023 = 11,731, 2024 = 12,645

Gross contract model – A structural shift in TashBus economics

In 2023, due to continuous losses, TashBus moved away from the fare collection model and adopted a gross contract model. This has helped the company to reshape its earned revenue and manage financial risk. In this performance-linked service contract, the government becomes the primary payer for bus operations, similar to modern Western public transport franchising systems (e.g. London buses). Operators are paid to deliver service reliably, not to fill buses. Performance is verified digitally through GPS, cameras and control systems, and operators are rewarded for punctuality, availability and route coverage.

Under the gross contract, TashBus is compensated based on verified delivery of service, measured through GPS-confirmed kilometres, route completion and adherence to scheduled frequencies. The contract ensures:

- 100% cost recovery: All operating expenses, including wages, fuel, spare parts, tyres, depot running costs and maintenance, are reimbursed. The government assigns daily frequency requirements for each of the 160 routes, and fulfilling these requirements with the prescribed quality will qualify the operator for a full 100% completion score.
- Full debt service included: Principal and interest on fleet procurement loans are built into the cost formula, enabling long-term fleet renewal without pressuring cash flows.
- Guaranteed 10% net income margin: On top of cost recovery, a fixed profit margin mandated by the Cabinet of Ministers ensures stable earnings across operators.
- Performance-linked payouts: Payments depend on the operator meeting daily frequency and quality standards; partial completion reduces compensation.

The shift to gross contracts led to a 3x revenue uplift in 2023, transforming TashBus from a structurally loss-making entity (2021–22) into a financially stable operator with predictable earnings.

Non-transport revenue opportunities

TashBus has several clearly identified levers to expand ancillary revenue. The most immediate is fleet advertising, both internal and external, which can be scaled rapidly to over 1,900 buses. The company can also commercialise its workshops and maintenance facilities, using its technical expertise and depot network to service third-party operators.

As the electric fleet grows, EV charging-as-a-service becomes a monetisable asset, given TashBus already manages its own charging infrastructure. Also, as the company generates vast amounts of data daily, across routes, locations, performance, footage, and more, this creates strong future opportunities for data monetisation and growth in ancillary income.

Ancillary revenues are currently modest, reflecting their limited historical prioritisation by management. As the strategy evolves, the company intends to place greater emphasis on developing ancillary revenue streams to diversify revenues and enhance overall commercial efficiency.

Competitive landscape – A structural moat for TashBus

TashBus operates in a largely fragmented market where small private operators typically operate less than five routes each, limiting their scale, fleet investment and digital capabilities. In contrast, TashBus remains the dominant citywide operator with the largest fleet, full depot network and superior digitisation, enabling higher reliability and service coverage. Its role as the primary public operator under the gross-contract framework reinforces its position as the only player with the capacity to expand, modernise and monetise data at scale. In our view, this creates a structural competitive moat that private operators cannot replicate under current market conditions.

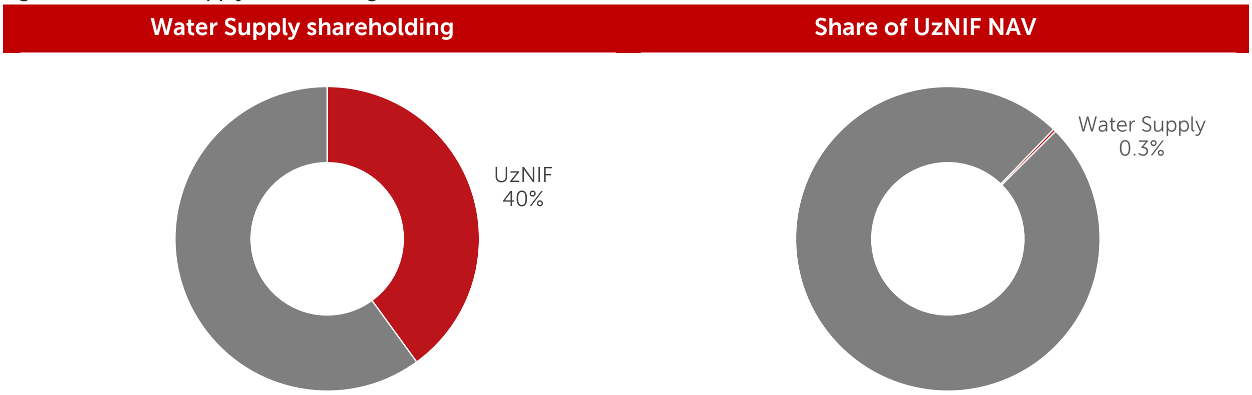
Water Supply – National monopoly for water services

Established in 2020 as a national drinking water supply and wastewater operator, Uzsuvta'minot (Water Supply) was established to provide centralised potable water supply and wastewater services across the Republic of Uzbekistan. The group operates as a fully integrated national utility, overseeing 14 regional water companies spanning all regions, Tashkent city and Karakalpakstan.

This integrated structure is designed to unify standards, accelerate service modernisation and create a single operational backbone for the country's water sector. Over the past eight years, the company has delivered one of the largest infrastructure expansion programmes in the Uzbekistan utility landscape. Around 3,600 facilities have been built or reconstructed, and over 40,000 km of pipelines has been laid across the country. As of October 2025, national drinking water coverage has reached around 82%, positioning the platform as a key execution agent for the government's nationwide water access goal.

UzNIF holds a 40% equity stake in Uzsuvta'minot, accounting for 0.3% of its total net asset value, the lowest in its portfolio. Based on valuation reports prepared by a Big Four independent valuer (using the latest financial information dated between 30 Sep 2025 and 31 Dec 2025), UzNIF's stake was valued at USD 7m[1] as of 31 May 2026.

Figure 19.1: Water Supply shareholding structure



Source: Company presentation; Note: 1. Based on valuation reports prepared by a Big Four independent valuer as of 31 May 2026.

Multilateral financing is driving infra upgrades

Uzsuvta'minot is benefiting from sizeable multilateral-backed investment programmes. The active project portfolio includes projects financed by the Asian Development Bank, the Asian Infrastructure Investment Bank (two projects, source: aiib.org) and the World Bank (two projects, source: worldbank.org). These programmes are primarily focused on network rehabilitation, wastewater treatment upgrades, rural water supply and digital metering rollout. These programmes are primarily focused on water and wastewater modernisation.

Near-term operational improvement levers

Non-revenue water (NRW) stands high at ~30%, driven by both technical losses (leakages, poor metering accuracy) and commercial losses (illegal connections, billing inefficiencies). Addressing these gaps through targeted network optimisation, improved metering and tighter operational controls represents a key near-term efficiency opportunity, in our view.

At the regulatory level, a new tariff framework is under review, with Uzbekistan transitioning from a cost-based approach toward an RAB model. In the interim, end-user tariff increases are capped broadly around CPI, with any gap absorbed through budget support to avoid sharp retail price shocks.

Key risks

Delayed or weaker reform delivery

Timing delays or weaker delivery of reforms could weigh on individual portfolio values. Under its "Uzbekistan 2030" strategy, the country is implementing broad market liberalisation. The key sectors are still transitioning toward more commercial pricing frameworks. This especially affects the energy and transport sectors, where tariff reform implementation is expected in 2026-30, along with the gradual phasing out of subsidies. Overall, the new market structure is expected to be more aligned with international standards and market-based mechanisms with reduced state participation. If these reforms are delayed, diluted or implemented less consistently than expected, the cash flow and terminal value assumptions used in portfolio company valuations could be significantly affected.

Macro and geopolitical risks

Global market volatility remains a relevant risk. UzNIF's portfolio is concentrated in economically sensitive sectors such as infrastructure, transportation, and energy. Equity and commodity markets may continue to face periods of elevated volatility driven by political, geopolitical and macroeconomic uncertainty, including weaker global growth, slower trade volumes, supply chain disruptions and rising protectionism. In addition, Uzbekistan's economic links with Russia and China mean that regional conflicts and sanctions risk, particularly relating to the Russia-Ukraine and Middle East tensions, could indirectly affect trade flows, domestic economic activity and, in turn, the operating and financial performance of portfolio companies. A softer global macro backdrop would add to this pressure, potentially weighing on demand, pricing and valuation assumptions across the portfolio.

Liquidity risks

UzNIF faces liquidity risk because its portfolio is concentrated in Uzbek equity holdings, many of which are unlisted or trade on local exchanges with limited trading depth. This means that positions may not be readily realisable at carrying value or within short timeframes. Liquidity is also seasonally uneven, as dividend inflows from portfolio companies are concentrated in the second half of the year, which could create potential funding gaps earlier in the year. At the same time, we highlight that UzNIF has taken steps to manage its liquidity risks. Management expects this risk to be mitigated through: (i) higher dividend income as more portfolio companies move toward IFRS-based distributions, (ii) portfolio rebalancing into more listed assets, (iii) the planned use of a short-term credit facility, and (iv) a medium-term liquidity uplift from the IPO pipeline across six portfolio companies.

Taxation policy risks

UzNIF is exposed to Uzbekistan's evolving tax regime, where frequent legislative changes and differing interpretations by tax authorities may affect the taxation of key income streams. Under the current tax framework, domestic dividends are generally subject to withholding tax. On the other hand, realised capital gains are typically included in the corporate income tax base, although unrealised gains and losses are not taxed until disposal. The tax authorities may review filings for up to five years, which means there remains a risk that existing tax positions or interpretations could be challenged, potentially resulting in additional liabilities.

Concentration risk

UzNIF is exposed to concentration risk because a large share of its value is tied to a relatively small number of portfolio companies and sectors. Sector-wise, UzNIF's portfolio has significant exposure to transportation (33%), energy production (19%), telecommunications (15%), utilities (15%), and financial services (18%). This makes overall performance highly sensitive not only to the operating results of a limited number of major holdings, but also to broader sector conditions and possibly to spillover effects across interconnected industries, where stress in one sector could affect several portfolio companies at the same time. The risk is amplified by the portfolio's limited liquidity profile, given that most of the investments are unlisted (66%) and the remainder, while listed, remain relatively illiquid.

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