

INDEPENDENT AUDITOR'S REPORT

**Forwarded to: shareholders and management of "KAFOLAT"
Insurance Enterprise Joint Stock Company.**

We carried out an audit of the financial statements of KAFOLAT Insurance Enterprise Joint Stock Company (hereinafter referred to as the Company), prepared in accordance with International Financial Reporting Standards, and consisting of the following: a statement of financial position as of December 31, 2018, a statement of profit or loss and other total income for 2018, statement of changes in equity for 2018 and cash flow statement for 2018, as well as information on the main provisions of the accounting policies and other explanatory information.

Auditor's opinion

In our opinion, the financial statements attached to this Opinion reflect reliably in all material aspects the financial position of KAFOLAT Insurance Enterprise Joint-Stock Company as of December 31, 2018, as well as its financial results and cash flows for 2018 in accordance with International Accounting Standards.

Basis for audit opinion

We carried out our audit in accordance with International Standards on Auditing (ISA).

Our responsibilities in accordance with these standards are described later in the Auditor's Responsibility for the Audit of Financial Statements section of our report. We are independent in relation to the Company in accordance with the Code of Ethics of Professional Accountants of the Council for International Ethics Standards (CIES Code), as well as with the ethical requirements that apply to our audit of financial reporting in the Republic of Uzbekistan, and we have fulfilled other ethical obligations in accordance with these requirements. We believe that the audit evidence obtained by us during the audit is sufficient and reliable to provide a basis for expressing our opinion.

Responsibility of the Company's management for financial statements

The Company's management is responsible for preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS). This responsibility includes development, implementation and maintenance of the internal control system related to preparation and fair presentation of financial statements that do not contain material misstatements due to fraud or errors, choice and application of proper accounting policies, reasonableness of estimates. When preparing financial statements, the management of the Company is responsible for disclosing relevant information regarding the Company's ability to continue uninterrupted operations. Those responsible for corporate governance are responsible for overseeing preparation of the Company's financial statements.

Auditor's responsibility for auditing financial statements

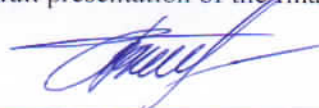
Our responsibility is to express an opinion on the presented financial statements based on our audit.

We carried out our audit in accordance with International Standards on Auditing (ISA). These standards require compliance with applicable ethical standards, as well as planning and conducting an audit in such a way as to obtain reasonable assurance that the attached financial statements are free from material misstatements.

The audit involves conducting audit procedures to obtain audit evidence supporting the amounts in the financial statements and disclosing information therein.

The choice of audit procedures is the subject of our judgment, which is based on assessment of material misstatements in the financial statements, either due to fraud or errors.

In the process of assessing this risk, the auditor considers aspects of internal control in relation to preparation and submission of reliable financial statements by the Company in order to select appropriate audit procedures, but not to express an opinion on effectiveness of internal control. The audit also includes evaluating acceptability of the selected accounting policies and reasonableness of accounting estimates made by the management, as well as evaluating overall presentation of the financial statements.



We carried out informational interaction with persons responsible for corporate governance of the Company, bringing to their attention, among other things, information about the planned volume and terms of the audit, as well as significant remarks on the audit results, including deficiencies of the internal control system that we identify in the audit process.

As part of the audit, we apply professional judgment, competence and independence. The audit evidence we obtained is sufficient and appropriate to provide reasonable assurance that the financial statements are free from material misstatement. To ensure confidence, we are busy with the following:

- we gain understanding of the internal control system that is relevant for the audit with a view to developing audit procedures that are appropriate to the circumstances, but not to express effectiveness of the company's internal control system;
- we identify and evaluate the risks of significant disturbance of financial statements caused by fraud and error, develop and conduct audit procedures in response to these risks, we obtain sufficient audit evidence that is a reliable basis for expressing our opinion;
- we evaluate proper nature of the accounting policies used and reasonableness of the educated estimates and corresponding disclosures of information by the management of the company;
- we conclude about legitimacy of the management's assumptions, as well as make conclusion about whether there is a significant uncertainty in connection with events or conditions that may result in significant doubts on the Company's ability to continue uninterrupted operations. Our findings are based on audit evidence obtained prior to the date of our conclusion, however, future events or conditions may result in the Company losing its ability to continue uninterrupted operations;
- we evaluate the presented financial statements as a whole, its structure and content, including information disclosures, as well as whether the financial statements include the underlying operations and events so that their reliable presentation is ensured.

Director General

T.A.Chursina.

Auditor Qualification Certificate No. 005350 dated November 07, 2015.

April 30, 2019. Republic of Uzbekistan.

AUDITED ENTITY:

“KAFOLAT” INSURANCE COMPANY JSC

Certificate of the Ministry of Justice of the Republic of Uzbekistan № 999 of Jun 19, 2015.

License of the Ministry of Finance of the Republic of Uzbekistan № 00222 of March 25, 2007.

TIN – 202 288 236, CCEA 65120

Republic of Uzbekistan, 100000, Tashkent c, Mirabad district, Amir Timur Ave., 13-13A

INDEPENDENT AUDITOR:

«Audit income» LLC

Certificate of the Ministry of Justice of the Republic of Uzbekistan № 399 of July 24, 1997.

License of the Ministry of Finance of the Republic of Uzbekistan AF № 00743 of March 29, 2019. TIN – 202344775, CCEA 69202.

Republic of Uzbekistan, Tashkent city, Sarabuston 3-A st., building 2/15.

«KAFOLAT INSURANCE COMPANY» JOINT-STOCK COMPANY

FINANCIAL SITUATION REPORT

FOR YEAR COME TO A CLOSE 31 DECEMBER 2018

(Uzbek Thousand Soms)

	Note	31 December 2018	31 December 2017	31 December 2016
ASSETS				
Cash and cash equivalents	5	1 511 122	1 442 607	613 343
Deposits in banks	6	8 533 955	15 354 426	23 074 074
Investment securities available for sale	7	48 556 736	27 403 754	18 660 563
Investment securities retained until repayment	8		500 000	
Loans receivable and other accounts receivable	9	9 266 087	14 347 029	2 167 511
Arrearages of the insureds	10	8 990 933	12 265 206	1 267 019
Advance payments	11	1 164 120	1 353 384	
Share of the reinsurers in reserved unearned premium	16	6 847 515	14 715 247	17 192 453
Share of the reinsurers in reserved losses	16	1 992 495	1 005 384	2 103 088
Deferred acquisition costs	12	15 563 880	5 183 995	8 521 628
Deferred assets of the income tax	23	799 666		618 799
Fixed assets	13	57 306 741	63 465 690	25 583 057
Intangible assets	14	67 181	70 456	163 403
Inventories	15	1 006 957	639 973	
Other floating assets	17	6 904 061		8 776 133
TOTAL ASSETS		168 511 449	157 747 151	108 741 071
LIABILITIES				
Liabilities of the insurance operations	16	(4 934 553)	(8 806 690)	(4 988 170)
Reserve of the unearned premium	17	(24 594 320)	(39 846 961)	(34 113 420)
Reserve of the losses	17	(12 408 357)	(8 435 348)	(6 613 644)
Reserve of the other insurance liabilities	17	(8 512 165)		
Other accounts payable	16	(4 829 153)	(5 441 898)	(1 603 897)
Deferred tax liabilities	16	(1 719 805)	(1 254 273)	
TOTAL LIABILITIES		(56 998 353)	(63 785 170)	(47 319 131)
NET WORTH				
Stock capital	20	(33 571 169)	(32 912 552)	(29 930 481)
Surplus capital		(73 105)	(73 105)	(73 105)
Reserve capital from revaluation of the fixed assets	20	(27 545 413)	(28 424 667)	
Stabilization reserve		(20 597 093)		(11 137 694)
Undivided profit (unrecovered loss)		(29 726 316)	(32 551 657)	(20 280 660)
Net assets payable in favour of the owners		(111 513 096)	(93 961 981)	(61 421 940)
TOTAL NET WORTH		(111 513 096)	(93 961 981)	(61 421 940)
TOTAL LIABILITIES AND NET WORTH		(168 511 449)	(157 747 151)	(108 741 071)

On behalf of Administration:



Nasretidinov S. S.
Chairman of the board

30 April 2019.
Tashkent, Uzbekistan.

Isxakova E.N.
Assistant Chief Accountant

30 April 2019.
Tashkent, Uzbekistan.

«KAFOLAT INSURANCE COMPANY» JOINT-STOCK COMPANY

REPORT OF PROFIT AND LOSS AND OTHER AGGREGATE INCOME

FOR YEAR COME TO A CLOSE 31 DECEMBER 2018

(Uzbek Thousand Soms)

	Note	31 December 2018	31 December 2017	31 December 2016
Gross insurance premium	20	88 818 006	80 704 016	75 114 489
Insurance premium of reinsurance contracts receivable	20	(20 442 419)	(11 620 994)	(24 454 375)
Insurance premium of reinsurance contracts payable		17 273 814		
Insurance premium of the net reinsurance		85 649 401	69 083 022	50 660 114
Fluctuations of the unearned premium reserve	18,20	3 774 110	(5 733 541)	(5 085 047)
Fluctuations of the share of the reinsurers in reserved losses		(247 747)		
Fluctuations of the share of the reinsurers in reserved unearned premium	18,20	(6 276 641)	(2 477 206)	7 095 962
Earned insurance premium of the net reinsurance		82 899 123	60 872 275	52 671 029
Insurance payments reconciled	20	(28 621 743)	(24 367 642)	(14 553 188)
Compensations of the payments of the risks receivable in reinsurance	20	6 741 091	8 440 908	4 857 654
Fluctuations of the reserved losses	18,20	(3 973 008)	(1 821 704)	(1 398 193)
Fluctuations of the share of the reinsurers in reserved losses	18,20	987 110	(1 097 704)	814 457
Actual losses of the net reinsurance		(24 866 550)	(18 846 142)	(10 279 270)
Commission incomes	20	1 303 371	2 963 632	7 468 052
Acquisition costs	12,21,20	(15 563 881)	(6 409 061)	(14 338 455)
Insurance outcome		43 772 063	38 580 704	35 521 356
Administrative costs and other operational costs	22	(50 878 773)	(34 409 594)	(31 027 750)
Interest incomes	22	1 516 800	1 886 439	2 183 304
Dividend incomes	22	14 946 854	3 945 285	2 263 394
Other financial incomes	22	172 541	67 452	143 090
Incomes from differences of the exchange rates			2 401 323	202 780
Other incomes	23	1 897 138	1 515 597	2 246 958
Other net investment costs		(1 373 914)	(3 303 417)	(218 280)
Other operational costs	22		(402 306)	(1 827 577)
Losses from differences of the exchange rates	22	(29 951)	(220 320)	
Profit before tax	24	10 022 758	10 061 163	9 487 275
Income tax	24	(250 420)	(881 168)	(433 273)
Other taxes and other compulsory payments from profit	24	(799 666)	(331 590)	
Deferred income tax	24	367 719	431 631	
Net profit for year		9 340 391	9 280 036	9 054 002

On behalf of Administration:



(Signature)
Nasretdinov S. S.
 Chairman of the board
 30 April 2019.
 Tashkent, Uzbekistan.

(Signature)
Isyakova E.N.
 Assistant Chief Accountant
 30 April 2019.
 Tashkent, Uzbekistan.


«KAFOLAT INSURANCE COMPANY» JOINT-STOCK COMPANY
CAPITAL FLUCTUATION REPORT FOR YEAR, COME TO A CLOSE 31 DECEMBER 2018

(Uzbek Thousand Soms)

	Registered capital	Surplus capital	Reserve capital from revaluation of fixed assets	Stabilization reserve	Undivided profit (unpaid losses)	Total
Balance on 01.01.2017	29 930 481	73 105	0	11 137 694	20 280 660	61 421 940
Aggregate income / loss				1 254 273	8 025 763	9 280 036
Other aggregate income (Loss) / profit for year				0	0	0
Total aggregate income for year	29 930 481	73 105	0	12 391 967	28 306 423	70 701 976
Operations with the shareholders:						
Increase of registered capital	2 982 071				-2 982 071	0
Dividend payments					-1 588 818	-1 588 818
Total operations with the shareholders	2 982 071	0	0	0	-4 570 889	-1 588 818
Total aggregate income for year			28 424 667		-3 575 844	24 848 823
Balance on 01.01.2018	32 912 552	73 105	28 424 667	12 391 967	20 159 690	93 961 981
Correction of the opening balance						
Stabilization reserve				1 928 485	12 391 967	14320452
Property amortization from assessed value					(2 716 626)	(2 716 626)
Writing-off decommissioned property reserve			(1 416 641)			(1 416 641)
Total balance on 01.01.2018	32 912 552	73 105	27 008 026	14 320 452	29 835 031	104 149 166
2018 total aggregate income				6 276 641	3 063 750	9 340 391
Operations with the shareholders:						
Increase of registered capital and reserve capital from profit	658 617		537 387		(1 196 004)	0
Declared dividends					(1 976 461)	(1 976 461)
Total operations with the shareholders	658 617	0	537 387	0	(3 172 465)	(1 976 461)
Balance on 31.12.2018	33 571 169	73 105	27 545 413	20 597 093	29 726 316	111 513 096

On behalf of Administration:


Nasretidinov S. S.
 Chairman of the board
 30 April 2019.
 Tashkent, Uzbekistan.



Isxakova E.N.
 Assistant Chief Accountant
 30 April 2019.
 Tashkent, Uzbekistan.



«KAFOLAT INSURANCE COMPANY» JOINT-STOCK COMPANY
CASH FLOW REPORT FOR YEAR COME TO A CLOSE 31 DECEMBER 2018

	(Uzbek Thousand Soms)		
	31 December 2018	31 December 2017	31 December 2016
Operational cash flows			
Cash inflow from insurance premiums of contracts of insurance and coinsurance	80 172 910	55 354 943	48 597 496
Cash inflow from insurance premiums of reinsurance contracts	1 438 405	1 132 565	757 733
Cash inflow in favour of insurance brokers, adjusters, surveyors	4 890 856	1 679 894	2 626 072
Cash outflow from insurance premiums of reinsurance contracts and retrocession	(90 299)	(56 486)	(188 790)
Cash outflow from insurance compensations of contracts insurance and coinsurance	(24 294 334)	(18 609 218)	(14 654 711)
Payments in favour of insurance brokers from remunerations for conclusion of the contracts of insurance, coinsurance and reinsurance	(14 257 572)	(7 113 695)	(1 169 091)
Payments in favour of actuaries, adjusters, surveyors, assistants	(414 301)	(1 283 770)	(1 223 571)
Cost for the preventive measures	(1 404 563)	(446 766)	(292 201)
Payments in favour of employees and on behalf of these employees	(25 395 190)	(16 964 645)	(16 458 693)
Received interest	2 700 899	2 700 899	1 975 237
Paid taxes except profit tax	(10 356 361)	(7 958 858)	(5 259 915)
Paid income tax	(927 897)	(469 596)	(206 750)
Other cash inflow and operational payments	(11 680 883)	(15 745 274)	(13 534 134)
Net operational cash	(2 319 229)	(7 780 007)	968 682
Investment cash			
Purchase and sale of fixed assets	(1 680 025)	(1 002 312)	(633 247)
Purchase and sale of intangible assets	17 350 000	22 848 690	(15 600 000)
Sale of long-term and short-term investments	(13 226 302)	(13 289 248)	14 872 000
Purchase of long-term and short-term investments	218 733	290 116	50 579
Received dividends	1 388 131		
Received investment interest	106 729	(107 084)	70 847
Other cash inflow and investment payments	4 157 266	8 740 162	(1 239 821)
Invested net cash	4 157 266	8 740 162	(1 239 821)
Financial cash			
Paid dividends	(1 778 531)	(1 429 937)	(468 614)
Other net cash inflow		783 636	
Financial net cash	(1 778 531)	(646 301)	(468 614)
Effects from fluctuations of the exchange rates on cash and cash equivalents	9 009	515 410	80 480
Net increment of cash and cash equivalents	68 515	829 264	(659 273)
Cash and cash equivalents on beginning of year	1 442 607	613 343	1 272 616
Cash and cash equivalents on closing of year	1 511 122	1 442 607	613 343

On behalf of Administration:


Nasretdinov S. S.
Chairman of the board

30 April 2019.
 Tashkent, Uzbekistan


Isxakova E.N.
Assistant Chief Accountant

30 April 2019.
 Tashkent, Uzbekistan.