INVESTMENT OFFER

IMPLEMENTATION OF STATE SHARE STAKE of JSC «FARG’ONAAZOT» to FOREIGN INVESTORS

Ferghana - 2015
TABLE OF CONTENTS

I Summary of the company 3
  General information 3
  The location, availability and accessibility of production and transport infrastructure, labor 4
  Goals and objectives 5

II Description of the Company 7
  Organizational and legal structure 8
  The number of employees and salaries 10
  Production figures for 2009-2014 11
  Key financial indicators for 2010-2014 12

III Organization of production 14
  Unified ammonia unit AM-76 15
  The workshops concentrated nitric acid AK-72M 16
  Production of ammonium nitrate AC-72M 17
  Urea production 18
  Production of sodium chlorate and magnesium chlorate defoliant 19
  Production of cellulose esters 20
  Production of acetate yarn 21
  Infrastructure 22
  The base of raw material 24
  Ecology and environmental impacts 26

IV Products of company 27
  The main products and their specifications 27
  Integrated management system 33

V Market Analysis of the product 35
  The fertilizer market in 2013/14 and global supply trends 36
  The price situation on the world market in 2014 38
  Global trends 42
  Prospects for the global urea production 44

VI Financial Plan 46
  Indicators of financial condition of the company 47
  Financial and economic recovery 54

VII Appendix 55
I. Summary of the company

General information

1. Name of Company: Joint Stock Company «Farg’onaazot»

2. Postal and legal address of company: 150108, Sanoat street 222, Ferghana city, Ferghana region, Republic of Uzbekistan.

3. Subordination of enterprises, higher authority: Joint-Stock Company «O’zkimyosanoat»

4. The main activity: The production of mineral fertilizers, defoliants and cellulose acetate (for acetate fibers and acetate yarn).

5. Sharing structure as of 01.05.2015:
   - Government shares – 72,5%,
   - JSC «O’zkimyosanoat» - 26,46%,
   - Others – 1,04%.

(In order to increase foreign investment, dramatically put up the level and role of private property in the economy 48,05% shares of JSC «Farg’onaazot» are set to implement a foreign investor.


7. Administration of the company:
   Chairman of the Board – Salijanov A. T
   Chief Engineer - Pak D. G
   Chief Accountant - Djamalov A.D
   Phone: 242-59-95, fax: 241-04-02
   web site: www.azot.uz
The location, availability and accessibility of production and transport infrastructure, workforce.

JSC «Farg'onaazot» is located in the industrial hub of Kyrgili and is positioned on three floors. Industrial site number 1 and 3 are located on the left bank of river Isfayramsay, which is situated approximately 50-100 meters away from the western side of Kirguli railway station. Industrial site number 2 is located on the right bank of river Isfayramsay, on the southern part of benzo-lubrication workplace (FNPZ).

Sanitary - protective zone of the sources of emissions of JSC «Farg'onaazot» to the residential area is 1000 meters. The company JSC «Farg'onaazot» removed from residential areas to a distance of over 2 km.

To all of the industrial sites railways are summed that are adjacent to the railway station of Kirgili SJSRC "Uzbekistan Railways."

Health care for workers of production is provided in the existing health center, located in the premises of gas safety station.

Alimentation for workers is provided in the existing dining rooms, as well as in domestic premises, which is provided as a dining room.
Goals and Objectives

In accordance with the Decree of the President of the Republic of Uzbekistan from 28.04.2015 with number PP-2340 "On measures to increase the proportion of the value of private property and the economy" in order to promote foreign investment, the level and the role of private ownership in the national economy was dramatically increased by deepening the processes of privatization and sale to private investors, primarily foreign, and the state's share of assets in the authorized capital of enterprises and on this basis to ensure the modernization and technological renovation of production, organization of production of competitive products on the domestic and external markets, JSC «Farg'onaazot» approved the list of joint stock companies in which the share of state and economic management bodies are subject to realization by strategic foreign investors.

Based on the Decree of the President of the Republic of Uzbekistan with number PP-1623, dated October 4, 2011 "On the Program of priority measures to increase the volume of production and the development of new types of competitive products", as well as in accordance with the Decree of the President of the Republic of Uzbekistan PP-2264 from November 17, 2014 , "On investment program of Uzbekistan for 2015", the company has been implementing the project "Reconstruction and modernization of urea and ammonium nitrate."

The project will increase the capacity of production of nitrogen fertilizers, reduce energy consumption and thereby reduce their cost, ensure the competitiveness of fertilizer production of JSC«Farg'onaazot».

In the environment of the increasing consumption of fertilizers in the country and in the world, the implementation of the above project at the expense of modernization and replacement of morally and physically obsolete nodes is of great importance in the development of JSC«Farg'onaazot», and the whole chemical industry of the republic.
Marketing Plan

JSC «Farg'onaaazot» is one of the major suppliers of nitrogenous fertilizers and the only supplier of defoliants in the Republic. The enterprise produces more than 25 kinds of products.

The main part of the products are exported to CIS and other countries. The remaining volumes sold on the domestic markets.

The defined marketing strategy of sales:
- Studying world market prices for the same products produced by the company.
- Manufacture and promotion of new products, as well as import-substituting products. (Ethyl acetate, liquid nitrogen fertilizers, sodium sulfate, etc.).
- Wide information to customers about the products through the mass media, television and the Internet.
- Carrying out brand management.
- enter to new market segments, obtaining new markets.
- Increase the production of products.
- The organization of feedback from consumers, questioning, analyzing and synthesis of received information in order to check the satisfaction and wishes of the consumer
- Increase quality; expand the range of grades and modifications of products based on customer feedback.
II. Description of the company

JSC«Farg'onaazot» was founded in 1962. The first production facilities for the development of nitric acid and ammonium nitrate were put into operation in 1962. In 1964, first plant of production of ammonia was constructed and the company started working at its full technological scheme.

Since 2005, the company was transformed into an OPEN JOINT-STOCK COMPANY«Farg'onaazot», followed by a change in 2014 as a JOINT STOCK COMPANY«Farg'onaazot».

**HISTORICAL EVENTS**

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1962</td>
<td>Production of ammonium nitrate in combination with the production of nitric acid</td>
</tr>
<tr>
<td>1964</td>
<td>The first plant of ammonia production</td>
</tr>
<tr>
<td>1964</td>
<td>Air separation plant</td>
</tr>
<tr>
<td>1965</td>
<td>According to the “Gosniihlorproject” (Moscow) on production of sodium chlorate and magnesium chlorate defoliant were put into operation</td>
</tr>
<tr>
<td>1968</td>
<td>According to the project of GIAP (Moscow) the second plant of production of ammonia and the second plant of production of ammonium nitrate in combination with units of production of nitric acid were put into operation</td>
</tr>
<tr>
<td>1978-80 y.</td>
<td>Reconstruction of magnesium chlorate defoliant</td>
</tr>
<tr>
<td>1980</td>
<td>According to the project of the Institute of Chirchik &quot;Uzkimesanoatloyiha&quot; the unique technological design purchased from the company “Tehnimont”, Italy, the production of acetate and cellulose diacetate was put into operation</td>
</tr>
<tr>
<td>1982</td>
<td>Built and commissioned a large-capacity unit of ammonia AM-76</td>
</tr>
<tr>
<td>1985</td>
<td>Was put into operation the usage of urea production technology of the company “Stamicarbon” Netherlands</td>
</tr>
<tr>
<td>2002</td>
<td>Completion of the reconstruction of the production of sodium chlorate and magnesium chlorate defoliant, in tandem with the supply of technology and equipment from &quot;Technip E-ECI&quot; France, with the creation of a unified system of aggregate production process with an automated control system</td>
</tr>
<tr>
<td>2003</td>
<td>Commissioned environmentally friendly production of ammonium nitrate concentrated nitric acid</td>
</tr>
<tr>
<td>2009-10 y.</td>
<td>Reconstruction with elements of the overhaul and refurbishment of large-scale machine AM 76</td>
</tr>
<tr>
<td>2010</td>
<td>Chemical yarns plant joined. (Ferghana chemical yarns Plant)</td>
</tr>
<tr>
<td>2012-15 y.</td>
<td>Implementation of the project &quot;Reconstruction and modernization of urea and ammonium nitrate&quot;</td>
</tr>
</tbody>
</table>
Authorized capital -78 698 655 640 sum. The authorized fund is divided into 31 106 188 units. 2530 shares with a nominal sum, including 30 783 424 ordinary shares and 322 764 preference shares.

Among them: The share of JSC «O'zkimyosanoat» (26,46%) – 8 230 524 units of ordinary shares. Share SUE «Davlat aktivlarini boshqarish markazi» (72,5%) – 22 552 900 units of ordinary shares. Other shareholders (1.04%) – 322 764 units of preferred shares.

The number of shareholders registered in the register - 5172 (6 of them legal), including: The number of shareholders included in the list of shareholders entitled to participate in the Annual General Meeting- 5172.

Information on the major shareholders holding who own more than 5% of the voting shares of the company - the GKI of Uzbekistan. Share of SUE «Davlat aktivlarini boshqarish markazi» (72,5%) – 57 058 837 000 sum. Share of JSC «O'zkimyosanoat» (26,46%) – 20 823 225 720 sum. The government representatives - SUE «Davlat aktivlarini boshqarish markazi» and GAK «O'zkimyosanoat».

Organizational and legal structure

Organizational and legal structure of JSC «Farg'onaazot» is a three-tier management structure, which is headed by General Meeting of Shareholders.

The structure of the company's management

The highest person in the executive body of the Company is the Chairman of the Management Board, aims and objectives of which are determined in accordance with the Supervisory Board and the General Meeting of Shareholders.

Management now is carried out by the Management Board.

The Board consists of:
- Chairman of the Board;
- First Deputy Chairman of the Board;
- The director of marketing, sales, procurement and international cooperation;
- Production Director;
- Director of Finance;
- Director of Logistics;
- Director of Social Welfare Officer;
- Chief Accountant;
- Head of Treasury and Finance;
- Head of the Department for Social Welfare Officer;
- Counsel.

Audit of financial and economic activity of the enterprise is carried out by the internal audit service. The Internal Audit Service reports to the Supervisory Board.

The above administrative directors report to the First Deputy Chairman.

Chief Accountant, Head of Treasury and Finance report to the Director of Finance.

Head of the Department for Social Welfare Officer submits the reports to the Director of Social Welfare Officer.

Chief Legal Counsel obeys to the head of legal service. The Legal Service obeys to the Chairman of the Board.

Service director of marketing, sales, procurement and international cooperation consists of: Sales Department, the Office for the procurement, brand management and advertising, warehousing.

Service Director of Operations consists of: The service of production control of industrial safety of hazardous production facilities; Coordination Division and localization; Division of scientific and technological development; Service for labor protection, technical safety and the environment; chief mechanic; energetic; office of Information and communication technologies (ICT), automated process control system (APCS) and metrology; quality control and compliance with standards; Office of Capital Construction and repair of buildings, structures; Design and engineering department; Technical Supervision Division; industrial and technological plants.

Service Director of Finance consists of: Service of the Treasury and Finance, Economic Analysis, organization of labor and wages, monitoring contractual obligations, the Strategic Planning and Business Development, Accounts.

The department for Logistics consists of: logistics division, railway workshop, motor workshops, and automobile gas-filling stations.
Service Director for the regime and work with the staff consists of custodial department, militarized guard (MG), the First Division, Second Division, and the Service of Human Resources.

The department for Social Welfare consists of the Division for Social Welfare and work with the public, the newspaper printing, the Culture center, Hostels, Children's Health Center (summer camp), Medical diagnostic department, Livestock, Household department, Administrative service department, Public Catering, women's councils.

To the Chairman of the Board of Directors except the general director obeys: Management of Development and Investment, Management of corporate relations with shareholders, quality control department, the Legal Service, the Service for Civil Protection and Emergency Situations, representative office in Tashkent, the department control over executive discipline, Office-Manager, Concierge.

As of 01.01.2015, the average number of employees is 7,767 people.

<table>
<thead>
<tr>
<th>№</th>
<th>Category</th>
<th>Headcount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Management staff</td>
<td>305</td>
</tr>
<tr>
<td>2.</td>
<td>Production personnel - managers</td>
<td>550</td>
</tr>
<tr>
<td>3.</td>
<td>Production personnel - workers</td>
<td>5,569</td>
</tr>
<tr>
<td>4.</td>
<td>Specialists</td>
<td>675</td>
</tr>
<tr>
<td>5.</td>
<td>Technicians</td>
<td>257</td>
</tr>
<tr>
<td>6.</td>
<td>Servicing staff</td>
<td>411</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>7,767</strong></td>
</tr>
</tbody>
</table>

The average salary for 2014 amounted to 746,585 UZS, including December of 2014 is 877,917 UZS.
The level of wages by category for 2014

<table>
<thead>
<tr>
<th>№</th>
<th>Category</th>
<th>Average salary for 2014(UZS)</th>
<th>The average salary for December 2014(UZS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Management staff</td>
<td>1 823 514</td>
<td>2 068 250</td>
</tr>
<tr>
<td>2.</td>
<td>Production personnel - managers</td>
<td>991 212</td>
<td>1 163 950</td>
</tr>
<tr>
<td>3.</td>
<td>Production personnel - workers</td>
<td>667 088</td>
<td>819 832</td>
</tr>
<tr>
<td>4.</td>
<td>Specialists</td>
<td>902 330</td>
<td>1 004 765</td>
</tr>
<tr>
<td>5.</td>
<td>Technicians</td>
<td>486 774</td>
<td>621 299</td>
</tr>
<tr>
<td>6.</td>
<td>Servicing staff</td>
<td>439 684</td>
<td>526 747</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>746 585</strong></td>
<td><strong>877 917</strong></td>
</tr>
</tbody>
</table>

Over the past 5 years, the gross output of enterprise grew to 2.6 times from 170.9 billion sums in 2009 to 400.5 billion sums in 2014.

The project of reconstruction of ammonia production on the "Reconstruction with elements of the overhaul and refurbishment of
production AM-76" in January 2010 has increased the daily output of ammonia from 900 tons to 1230 tons. The increase in the production of ammonia will fully meet the production of ammonium nitrate and urea.

### Financial Highlights
for 2010-2014 years.

<table>
<thead>
<tr>
<th>№</th>
<th>Name</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Production</td>
<td>206 568</td>
<td>294 587</td>
<td>309 780</td>
<td>286 060</td>
<td>440 458</td>
</tr>
<tr>
<td>2</td>
<td>Sales</td>
<td>193 720</td>
<td>287 309</td>
<td>331 719</td>
<td>285 962</td>
<td>383 276</td>
</tr>
<tr>
<td>3</td>
<td>Cost of sales</td>
<td>147 549</td>
<td>201 027</td>
<td>249 461</td>
<td>262 042</td>
<td>316 345</td>
</tr>
<tr>
<td>4</td>
<td>Gross profit</td>
<td>46 172</td>
<td>86 282</td>
<td>82 258</td>
<td>23 920</td>
<td>66 931</td>
</tr>
<tr>
<td>5</td>
<td>Expenses of the period</td>
<td>44 251</td>
<td>69 292</td>
<td>60 071</td>
<td>76 355</td>
<td>71 410</td>
</tr>
<tr>
<td>6</td>
<td>Expenses from financing</td>
<td>670</td>
<td>15 589</td>
<td>20 698</td>
<td>-15 118</td>
<td>-6 089</td>
</tr>
<tr>
<td>7</td>
<td>Profit before tax</td>
<td>1 251</td>
<td>1 401</td>
<td>1 488</td>
<td>0</td>
<td>1 609</td>
</tr>
<tr>
<td>8</td>
<td>Income tax</td>
<td>516</td>
<td>632</td>
<td>636</td>
<td>0</td>
<td>620</td>
</tr>
<tr>
<td>9</td>
<td>Net income</td>
<td>735</td>
<td>769</td>
<td>852</td>
<td>-37 316</td>
<td>989</td>
</tr>
</tbody>
</table>
2013 for JSC «Farg'onaazot» turned out to be extremely difficult. At the end of February 2013 unexpectedly broke down feedwater heater position N-603 of ammonia unit AM-76. In March of 2013 nitric acid production was stopped due to poor technical condition of the turbine. As a result, in March and April the production of fertilizer was practically stopped. Unloaded work of ammonia unit led to the increase of the consumption of raw materials and energy resources for the production of ammonia and, accordingly, increased the cost of the production. A major overhaul in January 2014 with the replacement of feedwater heater position N-603 of aggregate stabilized the ammonia production activity of the enterprise. As a result, in 2014 the forecast of 420.2 billion sums of production of goods was increased to the amount of 440.5 billion sums (104.8% of the plan). The growth rate of the corresponding period last year amounted to 135.5%. It posted a net profit of $ 989 mln.
III. Organization of production

The company is divided into 3 main complexes:


2. Production of sodium chlorate and magnesium chlorate defoliant;

3. Production of cellulose esters and acetate filament.

In addition, plants producing nitrogen-phosphorus fertilizer AFD, UAN liquid fertilizer, liquid nitrogen and calcium fertilizer, fertilizer for greenhouses "Darmon", sodium nitrate, sodium bicarbonate, plastic bags for packaging of fertilizers and others are operating.

There are also workshops and units dealing with the fuel and energy supply and repair of these basic industries.

According to the resolution of the Cabinet of Ministers on April 19, 2012 №115 on enterprises JSC «O’zkimyosanoat» a systematical implementation of the projects on decommissioning and renewal of obsolete equipment with replacement of the modern and proven globally is occurring.

In 2014, JSC «Farg'onazot» performed a replacement of 237 units of equipment in the amount 8.4 million US dollars.

In 2015, the company planned to replace 176 units of equipment in the amount of 5.0 million US dollars.
Manufacturing is built on the large mounting aggregate AM-76, which is a single integrated processing line.

The installed capacity of aggregate is 400 thousand tons per year.

Technological equipment is made from domestic and partially imported. The turbine compressor natural gas steam reforming unit with steam generation system delivered from Czech Republic. The compressor nitric liquid DOC 100/40 was imported from Japan, part of the equipment, fittings for pipelines supplied by the French firm «Masoneilan». All other equipments are domestic.

The basic production steps are as follows:
- Compression of natural gas;
- Desulphurization;
- Conversion of methane;
- Conversion of carbon monoxide;
- Methyldiethanolamine purification;
- Methanation;
- Compression of the liquid of nitric;
- The synthesis of ammonia.
The production of non-concentrated nitric acid AK-72M

The starting of operation year is 2003.
Production capacity of monohydrate is 360 tones / year.
General Designer is JSC "Uzkimyosanoatloyiha", Chirchik.
The raw material for nitric acid is ammonia coming from the ammonia unit AM-76.
The principle of obtaining nitric acid based on the catalytic oxidation of ammonia under pressure 2,5 ÷ 3,7 kgf / cm² PGM catalyst to nitrogen oxides with subsequent absorption of oxides of nitrogen (nitrous gases) in water columns with sieve trays.
Technological scheme of production of nitric acid consists of the following steps:
Preparation of raw materials;
Contact the oxidation of ammonia to nitric oxide;
Processing of nitrogen oxides into the nitric acid;
Catalytic purification of exhaust gases from the residual nitrogen oxides.
Production of ammonium nitrate AC-72M

The design capacity of the plant is 450 thousand tons/year.
The manufacturing process of granulated ammonium nitrate from gaseous ammonia and nitric acid comprising the steps of:

Neutralization of nitric acid (HNO₃ - at least - 57%) with gaseous ammonia in the apparatus IOT;
Before the neutralization of ammonium nitrate and the introduction of magnesia or calcium-containing additive;
Evaporation of received mixture to the state of the high-concentration melt and pump the melt to the top of granulation tower;
Melting of granulation followed by cooling the pellets in a fluidized bed apparatus;
The process of obtaining ammonium nitrate;
Production of Urea

Production was put into operation in 1985.
The projected capacity is 330 thousand tons / year.
The synthesis of urea is carried from the liquid ammonia and carbon dioxide at the temperature and pressure 1830S 134-144 atm.
Complex for the production of urea consists of one unit (one technological line) obtaining carbamide (urea) Delivered from the Czech Republic (the company "Chemoprojekt"). Technological process is developed by the Dutch company "Stamicarbon".
The process consists of the following steps.
- Compression of the liquid ammonia.
- Compression of carbon dioxide.
- The synthesis of urea.
- Rectification and recycling of urea liquid.
- Evaporation of the urea liquid, a reception and storage of CFS.
- Granulation of liquid urea.
- Warehousing, classification, packaging and shipment of urea.
- Absorption, desorption and hydrolysis.
Production of sodium chlorate and magnesium chlorate defoliant

Production capacity:
Magnesium chlorate defoliant (100%) - 11.8 thousand tons / year;
Sodium chlorate - 6.5 thousand tons / year;
Starting year of the operation is 2002.
General Designer is JSC "Uzkimyosanoatloyiha", Chirchik.
Equipment and technology were installed by the company "Technip E-ECI", France.

The basis of the process of production of sodium chlorate is put electrochemical method for producing sodium chlorate, based on passage of a direct electric current through an aqueous salt solution, resulting in its decomposition.

The main stages of the process of obtaining sodium chlorate and magnesium chlorate defoliant:
- Chemical and ion exchange treatment of the brine.
- Electrolysis of brine to produce sodium chlorate.
- Crystallization of sodium chlorate.
- Processing and hydrogen sulfate.
- Preparation of magnesium chlorate.

The process of preparing a solution of magnesium chloride MgCl2 is carried out in two stages:
- Preparing a solution of magnesium chloride concentration of 35% in the reactor 60K01, 60K02;
- Filtering the solution of magnesium chloride in the filter key 60G01 to remove mechanical impurities in the starting Bishofite.
- Pouring into plastic barrels.
Production of cellulose esters (PCEs), purchased from the Italian firm "Montedisson", has been working since 1980.

Production consists of the following departments:
1. Workshop of cellulose ethers with power:
   Diacetate cellulose - 15.0 tones/year;
   Triacetate cellulose - 28.0 thousand tones/year;
2. Shop recovery of acetic acid with capacity of 220232 thousand tones/year.
3. Shop acetic anhydride with capacity of 79434 thousand tones/year.
4. Ammonium refrigeration compressor sector with cooling capacity of 25 million Kkal/h.

Process of obtaining cellulose ester (cellulose diacetate and cellulose triacetate) is as follows. Wood cellulose, pre-activated with glacial acetic acid, is subjected to acetylation with acetic anhydride in the presence of sulfuric acid catalyst, sulfuric acid and perchloric acid. The resulting liquid (syrup) is saponified to the desired content of bound acetic acid. Further syrup precipitated 3% acetic acid, washed with a weak solution of acetic acid and demineralised water up to neutral pH, dried and pressed to a moisture content of not more than 3%, averaged and supplied to packaging and storage of finished products.
Production of acetate yarn

Production capacity is 6600 tons per year.

Technological process of acetate yarn is as follows:
- Storage and blending of cellulose acetate.
- Preparation of mixture for stranding (cellulose acetate dissolved in acetone, multiple venting and filtering the obtained mixture).
- Spinning (spinning of the liquid).
- Textile yarn processing and storage of finished products.
- Regeneration, storage and return of acetone production.

The main technological processes are carried out in a chemical workshop and acetate yarn workshop (spinning, textile department and regeneration of acetone).
INFRASTRUCTURE

**Power Supply**
External power supply is provided from the network grid of the enterprise at 110 kV, 35 kV, 6 kV voltage.
- From Fergana «FIEM» - 110 kV;
- From p / st 220/110/10 kV overhead line -110kV Fergana;
- From p / st 220/110/10 kV Sokin; 110 kV overhead line;
- Branch line from the lines and substations of 110 kV between 220/110/10 "Fergana" and 110/35/6 kV "Kuvasay";
- From p / st Kuvasay 110/35/6 kV power station and p / st 110/35/6 kV. Oibek; 35 kV overhead lines;

**Heating system**
Supply heat energy (steam) of the three operating industrial sites is as follows:
- Site №1 (old) is supplied with heat energy (steam) with JSC "FIEM" from two steam pipes TAC-1, TAC-2 DN 700 mm with the pressure at the point of selection at P = 11 and 270-280 ° C.
- Site №2 (Urea) is provided with thermal energy from the boiler workshop of the enterprise, located at the site. In the boiler workshop there are 4 operating boilers, 3 boilers type of BKZ 75/39, GMA, 1 boiler type of BKZ 75/39, GMA-2c.
- Site №3 acetate yarn: is provided with the thermal energy (steam) by JSC "FIEM" through routine switching node (RP) steam pipes of 1 P-18, 2 P-18 and steam pipe line from the №2boiler workshop site.
- District heating and hot water for sanitary needs is provided by boiler plant using steam condensate formed by the technology.
Gas supply
Gas supply of the enterprise is carried out via two main gas pipelines:
The main DN 700 mm
Reserve DN 500 mm
Length of 17.5 km each

Water supply
The supply source of the water is an underground type. Water supply of the sites for the industrial, household and drinking, firefighters need and leave to other organizations is carried out by 4 intakes located:

Yarmazarsky withdrawal - industrial water
1) 16 artesian wells - Fergana.

Besh - Alysh withdrawal - industrial water
2) 47 artesian wells - Tashlak district of Ferghana region.

Auval withdrawal - industrial water
3) 35 artesian wells - the village Auval of Fergana region.

Besh - Bolinsk withdrawal - water for household drinking and firefighting.
5 artesian wells - the village Chimkishlak Fergana district of Fergana region.
Source of raw materials

The main raw material for the production of nitrogen fertilizer is natural gas, supplied from the external network via two main gas pipelines.

In addition, there is a list of raw materials purchased in the local market and imported for the production of fertilizers and other products.

<table>
<thead>
<tr>
<th>№</th>
<th>Name of primary materials (GOST, Type and brand)</th>
<th>Unit</th>
<th>Annual demand</th>
<th>Country of Origin</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Local Market</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Synthetic acetic acid GOST 19814-74</td>
<td>tones</td>
<td>2100</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Hydrochloric acid GOST 857-95</td>
<td>tones</td>
<td>789</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Formalin 37% GOST 1625-86</td>
<td>tones</td>
<td>1200</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Sulfuric Acid GOST 2184-77</td>
<td>tones</td>
<td>7460</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Cotton Cellulose 70TSh 6.19.39-2003</td>
<td>tones</td>
<td>1300</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Soda Ash GOST 5100-75, type A</td>
<td>tones</td>
<td>2500</td>
<td>Republic of Uzbekistan</td>
</tr>
<tr>
<td>11</td>
<td>Technical Salt TSh 205 213-94</td>
<td>tones</td>
<td>10000</td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>Granules of polyethylene PY-342 (for bags)</td>
<td>tones</td>
<td>1095</td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>Granules of polyethylene F0220 (for bags)</td>
<td>tones</td>
<td>220</td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>Granules of polyethylene BY-460 (for plastic barrels)</td>
<td>tones</td>
<td>620</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Import</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Caustic Soda (solid) CTO 00203275-206-2007</td>
<td>tones</td>
<td>4745</td>
<td>Russian Federation</td>
</tr>
<tr>
<td>3</td>
<td>Methyl-diethanolamine TY 2423-001-43009543-2001</td>
<td>tones</td>
<td>110</td>
<td>USA</td>
</tr>
<tr>
<td>5</td>
<td>Anti-caking agent for carabimde, type Novo Flow 165</td>
<td>tones</td>
<td>180</td>
<td>Holland</td>
</tr>
<tr>
<td>6</td>
<td>Anti-caking agent for nitrate, type Novo Flow 3047</td>
<td>tones</td>
<td>320</td>
<td>Holland</td>
</tr>
<tr>
<td>7</td>
<td>Magnesite powder DTM84,87 CTO72664728-003-2008</td>
<td>tones</td>
<td>2025</td>
<td>Russian Federation</td>
</tr>
<tr>
<td>8</td>
<td>Technical magnesium chloride, (bischofite)</td>
<td>tones</td>
<td>6390</td>
<td>Russian Federation</td>
</tr>
<tr>
<td>10</td>
<td>Technical Acetone GOST 2768-84</td>
<td>tones</td>
<td>1300</td>
<td>Russian Federation</td>
</tr>
<tr>
<td>11</td>
<td>Lubricant TY 2484-002-05744685-2002</td>
<td>tones</td>
<td>96</td>
<td>Russian Federation</td>
</tr>
</tbody>
</table>
Inward inspection of incoming raw materials to the company conducted in accordance with GOST 24297-87 "Inward control of products. The main provisions”

Types of products subject to incoming inspection, set in the developed catalog, with the name of product, controlled parameters, norms, volume control, performers which are approved by the head engineer.

Implementation of inward control of raw materials looked after by the technical control department (TCD). The OCD laboratory is accredited by the Agency "Uzstandard" the certificate of accreditation is under № UZ.AMT.07.MAI. 376. Also, some types of analysis are subject to incoming inspection of products made in the area of certification (certificate of attestation number 67 from 02.08.2011 for a period of 5 years, issued by the management of Fergana standardization and metrology)

In its activities guided by applicable regulatory documents of systematic accreditation of the Republic of Uzbekistan , "Regulations about the testing laboratory of technical control department of JSC" Farg’onaazot "». Testing of products are subject to incoming inspection which are carried out in accordance with the requirements of regulatory documents for the relevant products.

The purpose of the inward control is to identify non-compliant products among the purchased goods and to prevent its use in production. If in the process of monitoring there is a discovery of any inadequate raw material, according to the management procedures discrepancies, corrective and preventive actions (document code 02.00.02) the conclusion of non-compliance of inward control is transferred to the plant, production or technical department to decide on the further use of the product or to claim from the supplier.
Ecology and environmental impact

JSC «Farg’onaazot» is located outside of populated areas in Kirguliy industrial hub and consists of three sites.

Company in accordance with the decree of the Cabinet of Ministers dated on 31.12.2001 № 491 "On approval of the state environmental expertise in the Republic of Uzbekistan" refers to the I-st category of danger.

On JSC «Farg'onaazot» main production plants polluting the air are the production of ammonia (AM-76M), concentrated nitric acid, ammonium nitrate, carbamide (urea), cellulose esters, magnesium chlorate defoliant and acetate yarn.

Structure of pollutants emitted into the atmosphere is shown in:
- 1st and 2nd industrial sites - 50 ingredients, most important of which are: carbon monoxide, ammonia, nitrogen dioxide, dust, ammonium nitrate, nitric oxide, sulfur dioxide, dust, urea;
- The third industrial area - 23 ingredients, where the share of acetone for 98% of all emissions of pollutants.

Values of emission limits in 2011 are set to r / c and t / year by source and by ingredients. Thus, the total MPE for the company are:

- 1st and 2nd industrial sites - 4440.5 tonnes / year

On the 3rd industrial site – MPE is being finalized.

<table>
<thead>
<tr>
<th>№</th>
<th>Years</th>
<th>MPE (tones)</th>
<th>Actual emissions (tones)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2013r</td>
<td>4 440,5</td>
<td>1 210,242</td>
</tr>
<tr>
<td>2</td>
<td>2014r</td>
<td>4 440,5</td>
<td>1 288,736</td>
</tr>
</tbody>
</table>

Exceeding the limits of pollutant emissions was not observed.
IV. Products of the enterprise

Ammonia

**Anhydrous liquefied ammonia** is used mainly for the production of urea, ammonium nitrate, concentrated nitric acid in JSC«Farg‘onaazot» and by the enterprises of the Republic of Uzbekistan producing mineral fertilizers.

Ammonia liquefied poured into special rails and trucks, transported by rail as well as road.

Guaranteed use by date - one year from the date of manufacture.
Urea

Granulated Urea is used in agriculture as a nitrogen fertilizer and exported to countries such as Kyrgyzstan, China and Iran.

GOST 2081-2010

Urea CO (NH2) 2 - prilled contains 46.2% nitrogen in the amide form. Urea is designed for use in agriculture as a mineral nitrogen fertilizer.

Urea is transported in sacks in covered railway wagons and trucks. Urea can be transported unpackaged in special trucks or hoppers.

Urea should be stored in closed warehouses, protecting the product from atmospheric precipitation.

Guaranteed use by date is six months from the date of manufacture.
Ammonium nitrate

Ammonium nitrate granulated is used in agriculture as a nitrogen fertilizer and exported to Kyrgyzstan, Tajikistan, Kazakhstan, in the CIS countries.

**GOST 2-85 E rev. №3**

Ammonium nitrate $\text{NH}_4\text{NO}_3$ - is used as a nitrogen fertilizer, and in many industries.

Ammonium nitrate packed in polypropylene bags. Ammonium nitrate can be transported unpackaged in special trucks or hoppers.

Nitrate is transported in sacks in covered railway wagons and trucks.

Guaranteed use by date is six months from the date of manufacture.
Sodium chlorate

Crystalline sodium chlorate is mainly used to produce liquid magnesium chlorate defoliant and exported to Russia.

GOST 12257-93

Sodium chlorate - is used to get defoliants, chlorine dioxide is used in bleaching of cellulose, fabric and removal of impairment from water, also as a herbicide.

Package: solid sodium chlorate packed in bags with liners of polyethylene film put into the barrel according to GOST 5044 from galvanized steel, polyethylene sealed. In coordination with the consumer packaging of solid sodium chlorate in plastic bags M10 - 0,220 according to GOST 17811.

Product (in bags) weight is 50 kg.

It is transported by rail in covered wagons.

Solid sodium chlorate (without packaging) is transported by rail in special tanks in accordance with the rules of carriage of goods, operating in this mode of transport and instructions on safety transportation of dangerous goods.

Guaranteed use by date is six months from the date of manufacture.
Magnesium chlorate defoliant

Magnesium chlorate defoliant liquid is discharged in the form of an aqueous solution containing chlorate, magnesium 36%.

Magnesium chlorate defoliant is used in agriculture for pre-harvest removal of leaves and drying plants (cotton, soybean, sunflower, potatoes) such as a defoliant and desiccant.

TSh 88.16-34:2010

Chemical formula - Mg(ClO3)2

Liquid magnesium chlorate is put into the airtight plastic containers with capacities ranging from 60 dm3 to 1000 dm3. The volume of the filling product must not exceed 0.9 volume of container.

Liquid magnesium chlorate is transported in covered railcars and trucks in accordance with the rules of the transportation of poisonous chemicals in the truck.

Guaranteed use by date - two years from date of manufacture
Acetate yarn

Acetate yarn - designed for silk, knitwear and textile haberdashery industry and is used for manufacturing a variety of consumer commodity in the textile industry.

The acetate yarn for machine knitting is transported by all modes of transport in covered vehicles to ensure safety from contamination and precipitation in accordance with the rules of carriage of goods, working in this mode of transport.

The manufacturer guarantees compliance of the acetate yarn for machine knitting with the current standard of the enterprise subject to the conditions of transportation and storage.

Guaranteed use by date - six months from date of manufacture.
Integrated Management System

In accordance with the program of phased development, implementation and certification of Integrated Management System in accordance with the requirements of international standard ISO 9001: 2000 approved 19.09.2002 by the Prime Minister of the Republic of Uzbekistan, in our company a quality management system has been developed, implemented and certified. The system is certified on September 10 of 2007 by internationally recognized certification authority TUV SERT (Germany), with the participation of the auditors OOO with UIK «SERT MANAGEMENT». The certificate covers the production of mineral fertilizers and defoliants.

Implementation of the QMS has enabled to deepen the systematic management of the enterprise and approach to the assessment of activity and its management processes in more details. That in turn made it possible to allocate resources more efficiently, and approach to the planning of activities in a more detailed way.

A certified quality management system (certificate) seriously increases the credibility of the enterprise, as in recent years good management - in particular the certified management system - one of the requirements in the world of business partnership has become increasingly important.

Based on the experience of the QMS, as well as the increasing demands for environmental clean enterprises, by the top management of our company was decided to develop and implement the company's integrated management system (IMS), which includes a quality management system in accordance with international standard ISO 9001 Version 2008 and the environmental management system in accordance with ISO 14001 version 2004. This system has been developed, implemented and successfully certified on June 20, 2011. During the development of the system scope of
production of mineral fertilizers, defoliants, and cellulose acetate has been expanded.

Implementation of the Quality Management System at the company JSC «Farg'onaazot», has significantly expand the geography of exports of mineral fertilizers to foreign countries. So in 2007-2008 products were mainly exported to Russia, Kazakhstan. By 2013-14 it totaled to 15 countries: Russia, Kazakhstan, Kyrgyzstan, Malaysia, UAE, Korea, Iran, the Philippines, Turkey, Lithuania, Moldova, Kenya, Cameroon, Sri Lanka, Japan.

The company during the implementation and operation of the QMS has trained more than 250 employees in various courses. The training was conducted on the territory of the enterprise and beyond (NIISMS, Cert Academy, etc.).

At the moment, constant efforts are performed to improve the ISM - implementing new methods of analysis of the functioning processes, constant evaluation of customer satisfaction is carried out, internal auditors are trained, increases the skills of the personnel, members of senior management of the company are also trained on relevant courses.
V. Market Analysis Products

Products of JSC «Farg'onaazot» are demanded from both the domestic and foreign markets.

On the domestic fertilizer market, the company sells to the national agricultural producers, including through specialized territorial joint-stock companies "Kishlokhujalikkimyo." Through these organizations, the company sells fertilizers and defoliants on the state order and for other needs of the farmers.

The main types of products exported by the company are urea, ammonium nitrate and sodium chlorate.

For many years, JSC«Farg'onaazot» successfully exports its products as well as strengthened its position in the Asian market for chemical products. The main exporting products are sent to the following places: Asian countries (Malaysia, United Arab Emirates, Sri Lanka, Korea, the Philippines, and Turkey) and the CIS countries (Russia, Kazakhstan, Kyrgyzstan, Turkmenistan).

In order to expand the range and increase the volume of export, as well as strengthen its position in emerging markets of chemical products it takes part in international exhibitions and fairs, in accordance with market conditions daily held online analysis of the foreign market for newly introduced products, of prices are compared and signed contracts with consumers.

The main exporting products of JSC «Farg'onaazot» are made via SJSFTC"Markazsanoatexport." In order to compete on world markets of chemical products together with SJSFTC "Markazsanoatexport" market research, the study of the price competitiveness in the above mentioned regions as well as the search for new markets is being conducted.
The fertilizer market in 2013/2014
and global supply trends

Global sales of fertilizers in 2013 were quite static. The demand for fertilizer was low in South Asia, showing a slight increase in East Asia and North America. At a time when demand is recovering in Europe, there is growing demand in Latin America, Africa and West Asia. Moreover, these days it was more favorable worldwide, which led to the increase of the crop production, boosted demand and lowered the prices. The main depressing factors were a variation in exchange rates and economic uncertainty in the world’s consumption of fertilizers.

Global sales for all uses in 2013 were estimated at 236 million tons in nutrients, an increase to 2% in 2012 of nitrogen fertilizer and potassium chloride production increased by 3.7 million tons, nitrogen at 0.8 million tons and respectively potassium, while the phosphorus fertilizers were at stagnation. World trade has improved for fertilizer urea and potassium, and because of the decreased requisition in India, the demand for DAP and phosphate has also declined.

In 2013, the combined capacity of ammonia, phosphoric acid and primary potash increased by 4% to 278 million tons of nutrients, compared with 267 million tons in 2012, on average fertilizer producers operate at 79% of installed capacity and 92% effective power: the producers of nitrogen (ammonia and urea) work for 94% of effective capacity. Manufacturers of phosphoric acid work at 95% and potassium at 81% of total usable capacity.

According to forecast of May 2014 IFA agricultural service «Fertilizer Demand Forecast According», the global demand for fertilizers in 2013 was estimated at 182.7 million tons for nutrients, representing a similar growth rate of 1.4%, compared with 1.3% for the year 2012.
Between 2013 and 2018 global fertilizer consumption will grow moderately, with an average annual growth rate of 1.8%, to 199.4 million tons for nutrients in 2018.

Global consumption of fertilizers
(In 2013-2018 years.)

<table>
<thead>
<tr>
<th>mln. tons per product</th>
<th>2013</th>
<th>2014</th>
<th>Expected-2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nitrogen fertilizer (N)</td>
<td>111,3</td>
<td>113,7</td>
<td>119,5</td>
</tr>
<tr>
<td>Phosphate fertilizer (P2O5)</td>
<td>41,8</td>
<td>42,2</td>
<td>45,9</td>
</tr>
<tr>
<td>Potash fertilizers</td>
<td>29,7</td>
<td>30,8</td>
<td>34,0</td>
</tr>
<tr>
<td>Total</td>
<td>182,8</td>
<td>186,7</td>
<td>199,4</td>
</tr>
</tbody>
</table>

Consumption growth is projected for all three major nutrients; with an average annual growth rate of 1.5% for nitrogen, 2.0% for phosphorus and 2.9% for potassium.

In 2018 global sales are project to reach 263 million tons for nutrients, which is 12% more than in 2013, with an annual growth rate at 2.3%. Sales of fertilizers in 2018 are expected to reach 200 million tons and constitute 76% of total sales. Other applications of non fertilizer products may reach 63 million tons the growth is expected to be on average at 3.9% in comparison with 2013 year.
The price situation of the world market in 2014

An analysis of the price of urea on the world market shows that prices after the peak in late January will decline to a minimum by July of this year and in view of the situation on the world market, a gradual increase by September.

According to the official of analytical-information publication (FERTECON Nitrogen Report from 16.10.2014.), the average price of urea on the ports are:
- Baltic - $ 315;
- Black - $ 314;
- Middle East - $ 343;
- Chinese port - $ 290.

Prices for urea in September were under some pressure because of the big depreciation which hit the market of urea and also the pressure from China. The desire to sell higher volumes led to lower offers from $ 340 / t. at the beginning of the month, to $ 305 / t.. Buyers in Latin America want lower prices, while in the US there is no need to acquire the excess urea from market. Currently, importers do not want to buy one-off volumes, prices in NOLA were under some pressure.

The Middle East has also been affected, mainly due to the lower prices for granulated urea in Brazil. Customers know that there are large amounts
of unclaimed urea, and they insisted on lowering prices, which resulted in a fall of prices by $30 since the start of September, and reached $360 CFR.

Lower prices will certainly affect the prices of prilled urea. There were signs of this in the Baltic Sea, towards the end of the month. Suppliers will have to compete with cheaper offerings from China to Latin America, while European interest at the moment is rather fragile and prices in the Baltics fell to $326 FOB.

In the South port prices were kept at the level mainly due to lack of supply, with a smaller presence of the consumption from countries such as Israel, Bulgaria and Turkey. Turkey continues to prefer much cheaper prices from China and Iran, but these weights are being targeted in the south and small industrial customers are still looking at the ports of the South and Romania. There are large reserves in the south and some importers proposed to export. The price is still too high.

In China stock is stored in ports, but India stepped in and bought 1.77 mln. t.. The price has settled to about $288 FOB China.

Egyptian granular levels tend to remain high with small volumes and sold at $390 FOB. Gas is still problematic and the proposed amounts may remain low in October. Algeria also suffered from a failure of technology and may lose a week. In the absence of wholesale sales for deliveries from Egypt, prices were changed at the end of the month so that it would reflect in the markets, such as France, where the buyers are not willing to enter into transactions at prices above $390.

Also, according to the world market forecast the prices of urea will not change until the end of the year.
Strengths and weaknesses of the company.

By geographical location Uzbekistan is located in Central Asia and for the JSC “Farg’onaazot” it is necessary to make the transit of goods through two or more countries to access to sea ports, which in turn leads to an increase in transport costs to 35-40% of the final export price (CFR) of urea transport costs. Transportation of goods of JSC “Farg’onaazot” on the main markets takes (45-60 days), which creates additional risks for buyers because of the price volatility in the markets of nitrogen fertilizers.

It is also necessary to take into account the instability of market conditions, such as long-term delivery time of the goods to the destination, the prices in the world markets can several times go up or down.

It should also be noted not competitiveness of Uzbek goods compared to manufacturers in Russia, Ukraine and other countries (for deliveries to the ports of the Black and Baltic Seas), as these manufacturers have an advantage in time and scope of supply and accumulation of ship parties of 12 000 to 40 000 tons of goods.

It should be taken into account the qualitative characteristics of Uzbek product. In particular, long-distance transportation route from Kirgili to ports for a given time product with respect to its initial form, it loses both its presentation (erased markings and labels on bags and etc) And physical properties (grinding granules caking due to moisture and others.).

However, the geographical location of the enterprise has significant advantages for the exports of mineral fertilizers in the direction of the near countries such as Kyrgyzstan, Kazakhstan, Tajikistan and Afghanistan. Large traders can not compete with the prices of the Uzbek manufacturers, due to high transportation costs to these markets. In this regard, the company has in the near future permanent markets in these regions.
<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Geographical location for export to the markets of near countries: Kyrgyzstan, Kazakhstan, Tajikistan and Afghanistan</td>
<td>1. Long distance from major markets.</td>
</tr>
<tr>
<td>2. State support for producers-exporters.</td>
<td>2. Cost of products</td>
</tr>
<tr>
<td>3. The quality of products which meets international standards.</td>
<td>3. Shipping charges.</td>
</tr>
<tr>
<td>5. Supply of agricultural producers of the Republic with nitrogen fertilizers. The basic implementation in the Ferghana Valley.</td>
<td>5. Lack of working capital of agricultural producers to purchase agricultural chemical products of the company.</td>
</tr>
<tr>
<td>6. Availability of raw materials.</td>
<td>6. Lack of financial assets (working capital, for financing the necessary policy initiatives).</td>
</tr>
<tr>
<td>7. The development of the internal market</td>
<td></td>
</tr>
<tr>
<td>8. Growing demand for nitrogen fertilizers in the world market.</td>
<td></td>
</tr>
<tr>
<td>9. The development of own raw material base.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The neighboring countries of Kyrgyzstan, Kazakhstan, Tajikistan and Afghanistan do not have producers of urea.</td>
<td>1. Economic instability in the countries - consumers of fertilizers</td>
</tr>
<tr>
<td>2. The only producer in the Republic of defoliants.</td>
<td>2. Tighter environmental legislation in consuming countries.</td>
</tr>
<tr>
<td>3. Recognizable brand.</td>
<td>3. Construction and increase of the capacity of similar producers in the world.</td>
</tr>
<tr>
<td>4. Long-term cooperation with major traders.</td>
<td>4. Intense competition in the prevalence of price indices.</td>
</tr>
<tr>
<td>5. Availability of vocational education and training.</td>
<td></td>
</tr>
</tbody>
</table>
global trends

1. Global growth potential: between 2013 and 2018, the activity of potential raw materials increased by 146 mln.t., which represents a total growth of 18% compared with 2013 year. Assuming that all the planned projects are implemented in accordance with the announced terms of the companies, growth will occur in all segments: including nitrogen + 18%; phosphate + 13%; and potassium + 22% in 2013.

2. The global increase in the efficiency of power: On the basis of historical performance and estimates of future development potential, the global supply of nitrogen, phosphoric acid and potassium will be expanding in the next five years, the overall rate of 18%, + 15%; and 31%, respectively. Fast incremental growth is expected in the production capacity of potash fertilizers, because of the mass input into manufacturing operation, which started in 2005-2010 and are currently scheduled to be put into operation in the period from 2014 to 2018 for investment programs.

3. Sectoral investments and jobs: about 200 new units projected to come on line between 2013 and 2018 around the world, in addition to 30 projects related to the extraction of phosphate rock. Based on the current cost of capital for new blocks and mines, nearly $110 billion will be invested in the industry between 2013 and 2018, as capital expenditures for the reconstruction of all projects planned by company. Looking at the work, including the construction period, which usually lead to the creation of objects of temporary jobs and investment in permanent direct jobs and assistance in a variety of indirect jobs. Based on estimates of jobs created per million tones of new capacity for the segment of the industry, our conservative estimates show that, over the next five years, at least 40,000 direct and 60,000 indirect jobs will be created after the commissioning of new facilities in the production of fertilizers.

4. The delay in the completion of projects because of the abundant emerging market of mineral fertilizers in all segments, financing has become more difficult, especially for small mining projects, while a few large
companies have revised their long-term investment strategy, and in many cases, postponed their strategic investments for phosphate and potash projects. These conditions have led to a slowdown number of projects, activities and projected growth of additional capacity in the medium term. Evaluation of all projects that were scheduled to be commissioned between 2013 and 2017 showed that there were significant delays and cancellations of projects in opposition to companies announced deadline. On average, the projects and the production of nitrogen and phosphate fertilizers has a lag of 6 to 12 months, and potash project from 12 to 24 months.

5. The scenario of slow growth and base: The main cause of these delays is the slow growth of capacity in the short run than expected in May 2013. In order to take into account the most probable deceleration of potential targets and slow growth scenarios were developed for urea, potassium, phosphoric acid and sulfur. The scenarios of slow growth in the production of fertilizers showed an overall reduction of the potential supply of nitrogen, phosphate and potash fertilizers, nearly to 5 million tons nutrient in 2018, compared to the baseline scenario.
Prospects for world production of urea

Urea has been experiencing the main industrial growth in the nitrogen industry. In 2013, the production of urea took 48% of the total production of nitrogen fertilizers. From the point of view of power, urea will contribute 68% of the projected increase of ammonia aptitude between 2013 and 2018.

According to the research by IFA, to increase the volume of urea production shows that about 60 new plants for the production of urea is to be commissioned between 2014 and 2018, Of which 25 plants are located in China. The bulk of China’s new plants will be installed between 2014 and 2016 years.

In May 2013, the IFA study on the potentials of urea referred that there should have been built 56 new plants in 2013 and 2017. However, about 25% of these projects have been detained for over 12 months and have been postponed to 2018 (11 projects has been postponed). This is the case for the projects announced in India, Uzbekistan and Pakistan. With the exception of China, deferred projects presented to 14 mln. t. of additional volume, which was initially planned to be completed in 2013 and 2017, in accordance with the announced schedule of companies. Up to 80% (12 mln. t.) of the declared amounts will not be implemented until 2019.
According to the IFA world research, global urea capacity will grow by a net 41 mln. t. from 2013 and 2018 (+20%), to 245 mln. t. in 2018, which corresponds to a compound annual growth rate of 3%. Three-quarters of the planned expansion will take place between 2014 and 2017.

New large-scale enterprises in China will add about 50 mln. t. capacity, a large sector of the plan will add 18 mln. t. new capacity. The restructuring of small and medium sector urea production in China will remove about 7 mln. t. of capacity between 2014 and 2018.

At the regional level, in the three regions will account for three-quarters of the overall growth of production capacity in the period from 2014 to 2018 - East Asia will contribute to 36% of the net increase in capacity, followed by Africa (22%) and North America (13%). Other regions will contribute at different levels: Latin America (9%), West Asia (8%) and Eastern Europe and the Caucasus (5%). Small changes are observed in other regions.
VI. Financial plan

Analysis of financial and economic activity of the enterprise in recent years shows that the company belongs to a group of economic risk.

The deterioration of the financial condition observed in 2013, which is caused by an unexpected failure of the feedwater heater position of 603 ammonia unit AM-76, resulting in the stop of fertilizer production in March and April of 2013, until the heater was replaced.

This period was extremely difficult for the enterprise. Unloaded work of ammonia plant resulted in the increase of the consumption of raw materials and energy resources for the production of ammonia. Unloading fertilizer production accordingly increased the cost of their production.

A major overhaul in January 2014 with the replacement of feedwater heater position of 603 of aggregate stabilized the ammonia production activity of the enterprise. As a result, in 2014 the forecast of 420.2 billion sums of production of goods was increased to the amount of 440.5 billion sums (104.8% of the plan). The growth rate of the corresponding period last year amounted to 135.5%. It posted a net profit of $ 989 mln.
## Financial Results Summary

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Acceptable values</th>
<th>By 01.01.2014</th>
<th>By 01.01.2015</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The coverage ratio (solvency) - CPL</td>
<td>CPL &gt; 1,25</td>
<td>0,90</td>
<td>1,10</td>
<td>Solvency partially</td>
</tr>
<tr>
<td>2. Return on equity, ROE</td>
<td>ROE &gt; 0,2</td>
<td>-0,11</td>
<td>-0,05</td>
<td>The Company does not provide its own working capital</td>
</tr>
<tr>
<td>3. Profitability of expenses</td>
<td>PE &gt; 0</td>
<td>-0,108</td>
<td>0,004</td>
<td>The return on the costs low</td>
</tr>
<tr>
<td>4. Return on assets, ROA</td>
<td>ROA &gt; 0</td>
<td>-0,04</td>
<td>0,0015</td>
<td>The return on assets is low</td>
</tr>
<tr>
<td>5. The ratio of debt to equity</td>
<td>RDE &gt; 1</td>
<td>0,22</td>
<td>0,33</td>
<td>Financial risk is high</td>
</tr>
<tr>
<td>6. Ratio of production capacity</td>
<td>RPC &gt; 0,5</td>
<td>0,53</td>
<td>0,74</td>
<td>The level increased</td>
</tr>
<tr>
<td>7. Ratio of wear (replacement),</td>
<td>ROW &lt; 0,5</td>
<td>0,37</td>
<td>0,39</td>
<td>Depreciation of operating in the normal range</td>
</tr>
<tr>
<td>Name of article</td>
<td>At the beginning of the year</td>
<td>At the end of the year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>------------------------------------------</td>
<td>------------------------------</td>
<td>------------------------</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>million soums</td>
<td>%</td>
<td>million soums</td>
<td>%</td>
</tr>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I. Non-current assets</td>
<td>419 715,4</td>
<td>41,2</td>
<td>436 225,8</td>
<td>38,2</td>
</tr>
<tr>
<td>1.1 Intangible assets</td>
<td>419 715,4</td>
<td>41,2</td>
<td>436 225,8</td>
<td>38,2</td>
</tr>
<tr>
<td>1.2 Other non-current assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>II. current assets</td>
<td>597 889,5</td>
<td>58,8</td>
<td>705 527,8</td>
<td>61,8</td>
</tr>
<tr>
<td>2.1 Inventories</td>
<td>210 683,2</td>
<td>20,7</td>
<td>255 083,0</td>
<td>22,3</td>
</tr>
<tr>
<td>2.2 Receivables</td>
<td>292 552,4</td>
<td>28,8</td>
<td>240 747,6</td>
<td>21,1</td>
</tr>
<tr>
<td>2.3 Short-term investments</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.4 Cash</td>
<td>24 164,7</td>
<td>2,4</td>
<td>17 017,3</td>
<td>1,5</td>
</tr>
<tr>
<td>2.5 Other current assets</td>
<td>70 489,2</td>
<td>6,9</td>
<td>192 679,9</td>
<td>16,9</td>
</tr>
<tr>
<td><strong>Total for section II</strong></td>
<td>597 889,5</td>
<td>58,8</td>
<td>705 527,8</td>
<td>61,8</td>
</tr>
<tr>
<td><strong>BALANCE SHEET</strong></td>
<td>1 017 604,9</td>
<td>100,0</td>
<td>1 141 753,6</td>
<td>100,0</td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IV. Capital and reserves</td>
<td>183 004,9</td>
<td>18,0</td>
<td>221 120,4</td>
<td>19,4</td>
</tr>
<tr>
<td>4.1 The authorized capital</td>
<td>40 829,8</td>
<td>4,0</td>
<td>78 698,7</td>
<td>6,9</td>
</tr>
<tr>
<td>4.2 Additional and reserve capital</td>
<td>178 584,3</td>
<td>17,5</td>
<td>177 327,9</td>
<td>15,5</td>
</tr>
<tr>
<td>4.3 Directed receipts</td>
<td></td>
<td></td>
<td>513,8</td>
<td>0,05</td>
</tr>
<tr>
<td>4.4. Retained earnings</td>
<td>- 36 409,2</td>
<td>- 3,5</td>
<td>- 35 419,8</td>
<td>- 3,1</td>
</tr>
<tr>
<td>V. Long-term liabilities</td>
<td>171 381,8</td>
<td>16,8</td>
<td>277 504,2</td>
<td>24,3</td>
</tr>
<tr>
<td>VI. Current liabilities</td>
<td>663 218,2</td>
<td>65,2</td>
<td>643 129,0</td>
<td>56,3</td>
</tr>
<tr>
<td>6.1 Borrowings</td>
<td>77 541,8</td>
<td>7,6</td>
<td>60 856,6</td>
<td>5,3</td>
</tr>
<tr>
<td>6.2 Accounts payable</td>
<td>585 676,4</td>
<td>57,6</td>
<td>582 272,4</td>
<td>51,0</td>
</tr>
<tr>
<td><strong>Total borrowings</strong></td>
<td>834 600,0</td>
<td>82,0</td>
<td>920 633,2</td>
<td>80,6</td>
</tr>
<tr>
<td><strong>BALANCE SHEET</strong></td>
<td>1 017 604,9</td>
<td>100,0</td>
<td>1 141 753,6</td>
<td>100,0</td>
</tr>
</tbody>
</table>
### Analysis of business activity

<table>
<thead>
<tr>
<th>Indicators</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset turnover ratio</td>
<td>0.38</td>
<td>0.47</td>
<td>0.46</td>
<td>0.32</td>
<td>0.35</td>
</tr>
<tr>
<td>Turnover ratio of current assets</td>
<td>0.69</td>
<td>0.84</td>
<td>0.82</td>
<td>0.55</td>
<td>0.59</td>
</tr>
<tr>
<td>Turnover ratio Inventories</td>
<td>1.56</td>
<td>1.72</td>
<td>1.75</td>
<td>1.43</td>
<td>1.36</td>
</tr>
<tr>
<td>Receivable turnover ratio</td>
<td>1.56</td>
<td>2.18</td>
<td>2.22</td>
<td>1.23</td>
<td>1.44</td>
</tr>
<tr>
<td>Capital turnover</td>
<td>1.57</td>
<td>1.66</td>
<td>1.48</td>
<td>1.44</td>
<td>1.9</td>
</tr>
<tr>
<td>Turnover ratio of borrowed funds</td>
<td>0.50</td>
<td>0.65</td>
<td>0.67</td>
<td>0.42</td>
<td>0.44</td>
</tr>
<tr>
<td>Accounts Payable Turnover Ratio</td>
<td>0.72</td>
<td>0.79</td>
<td>0.79</td>
<td>0.55</td>
<td>0.54</td>
</tr>
</tbody>
</table>
### PROFITABILITY RATIO

<table>
<thead>
<tr>
<th>Index</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross profit margin</td>
<td>76.2%</td>
<td>70.0%</td>
<td>75.2%</td>
<td>91.6%</td>
<td>82.5%</td>
</tr>
<tr>
<td>Profitability of sales</td>
<td>23.8%</td>
<td>30.0%</td>
<td>24.8%</td>
<td>8.4%</td>
<td>17.5%</td>
</tr>
<tr>
<td>Profitability of operating activities</td>
<td>31.3%</td>
<td>42.9%</td>
<td>33.0%</td>
<td>9.1%</td>
<td>21.2%</td>
</tr>
<tr>
<td>Return on assets (ROA)</td>
<td>0.2%</td>
<td>0.2%</td>
<td>0.2%</td>
<td>-3.8%</td>
<td>0.1%</td>
</tr>
<tr>
<td>Return on equity (ROE)</td>
<td>1.0%</td>
<td>0.7%</td>
<td>0.7%</td>
<td>-25.0%</td>
<td>0.7%</td>
</tr>
<tr>
<td>Return on fixed assets (ROFA)</td>
<td>0.5%</td>
<td>0.5%</td>
<td>0.5%</td>
<td>-9.7%</td>
<td>0.4%</td>
</tr>
<tr>
<td>Return on Capital Employed (ROCE)</td>
<td>0.4%</td>
<td>0.4%</td>
<td>0.3%</td>
<td>-6.2%</td>
<td>0.2%</td>
</tr>
<tr>
<td>Return on invested capital (ROIC)</td>
<td>0.6%</td>
<td>0.5%</td>
<td>0.5%</td>
<td>-7.9%</td>
<td>0.3%</td>
</tr>
</tbody>
</table>
Investment obligations in 2015-2020

For the development of the enterprise the infusion of $ 107.48 million of investment is needed.

Reconstruction and modernization of urea and ammonium nitrate plants
• Justification: The Presidential Decree of 04.10.2011 number PP 1623.
• The project cost of OTEC - 62.48 million US dollars.
• Investment liabilities - 30.48 million US dollars.

Upgrading outdated equipment
• Investment - 67.0 million US dollars.
• Project implementation period - 2016-2020.

The organization of manufacture of new products
• Justification: The need to diversify production.
• The cost of the project - 10.0 million US dollars.
• Investment obligations - 10.0 million US dollars.
• Project implementation period - 2015-2020.

Forecasts enterprise the next 5 years related to the implementation of the project "Reconstruction and modernization of urea and ammonium nitrate in accordance with the Decree of the President of the Republic of Uzbekistan with number PP-1623 dated October 4, 2011"
On the Program of priority measures to increase the volume of production and the development of new types of competitive products ", as well as in accordance with the Decree of the President of the Republic of Uzbekistan with number PP-2264 dated November 17, 2014" On investment program of Uzbekistan for 2015. ".

Developed by the Institute «O'zkimyosanoetloyiha» and approved by the Cabinet of Ministers of OTEC project and preliminary feasibility study of the project showed positive performance of the project.

The surplus cash flows of the company accompanied throughout the entire period since the implementation of the project.
Investment Analysis of Project

Performance indicators of the investment project:
- Net present value of the project (NPV) - 132,7 million USD.
- The index of profitability, or profitability (PI) -3,3 ;
- Internal rate of return (IRR) of the project - 28.4%;

Financial results for the entire period of the project:
- Net revenue from sales of products – 2559,2 million USD.
- Cost of sales – 1697,9 million USD.
- Gross profit – 861,3 million USD.
- Expenses of the period – 492,3 million USD.
- Expenses from financing activities – 31,8 million USD.
- Earnings before income taxes – 337,2 million USD.
- Income taxes, other taxes and fees from profit - 39.4 million USD.
- Net profit - 297.8 million USD.

Results of the project:
- Increase annual production of ammonia to 450.0 thousand tons, urea to 330.0 thousand tons, ammonium nitrate to 500.0 thousand tons, nitric acid to 396.0 thousand tones.
- Additional foreign currency income of $ 443.7 million US dollars.

Analysis of the main risks of the project:
- Technological risks
  The increase in production to designed capacity does not carry technological risks.

- Environmental risks
  Modernized production belongs to the first category of environmental risk (high risk).
  When all the environmental measures laid down in the draft, and compliance during operation with the environmental legislation of Uzbekistan, the degree of environmental risk in the operation of modernized production corresponds to the allowable value and the negative effects of the impact on the environment are assessed as moderate.
The operation of modernized production complex is also associated with the risk of accidents. On the projected production fires and explosions, a cloud of toxic gas, toxic liquids bottling, as well as injuries of staff are possible.

Estimated emergencies are not classified as potentially hazardous, and possible accidents are not considered large, except to the accident at the stock of liquid ammonia.

In the case of the destruction of liquid ammonia storage cloud of toxic gas could be spread to the nearby town (village Kirguli), it should be noted poison of people is expected to be without deaths. This emergency situation is classified as potentially hazardous, and an accident possibility is not considered as a major one.

**- Financial - economic risks**
Lack of own funds of the initiator of the project as a source of funding;
Increase in the cost and duration of construction;
Risks associated with non-attainment of the planned production volumes and revenues (change market prices for raw materials and components, the increase of production costs);
Force majeure risks associated with unforeseen political and economic developments in the global economy, changes in production and consumption.

Developed by the Institute «O'zkimyosanoetloyiya» and approved by the Cabinet of Ministers of OTEC project and preliminary feasibility study of the project showed positive performance of the project. The surplus cash flows of the company accompanied throughout the entire period since the implementation of the project.
Financial and economic recovery

Despite the significant improvement in financial performance of the enterprise compared with the year 2013, for financial and economic recovery of the enterprise in parallel in several directions, accompanied by government support operations are carried out.

Areas of economic and financial recovery of the company identified a set of measures for the implementation of the priority tasks in 2015, the main ones are:

1. Enforcement of the forecast of production volumes of chemical products with strong growth rates, performance forecast parameters of production and distribution of fertilizers in 2015, subject to timely overhaul of the main production enterprises, including modernization of KMA KMA-2-5 in the workshop AK-72M.

2. Implementation of the localization program for 2015.

3. The implementation of a set of measures to reduce production costs within the approved target forecast parameters in accordance with the Resolution of the Cabinet of Ministers of 22.01.2015 №8 «On additional measures to reduce the production costs and the cost of production of the industry."

4. Implementation of measures to upgrade the technological equipment on the conclusions of the technical audit conducted in accordance with the Resolution of the Cabinet of Ministers on 19.04.2012 №115.

5. Further development and implementation of information and communication technologies in the management of technological and production processes.

6. The production of new products and increased volume and range of consumer goods production by creating nomenclatures of different products by creating scientific and technical production the contract in the VII - republic fair of innovative ideas, technologies and projects.
APPENDIX

1. A COPY OF THE CERTIFICATE OF REGISTRATION.
2. A COPY OF THE CHARTER
3. A COPY OF THE LICENSES AND CERTIFICATES
4. THE ORGANIZATIONAL STRUCTURE.
5. SUMMARY OF KEY MANAGERS OF THE COMPANY