INVESTMENT PROPOSAL

SALE OF STATE PART OF SHARES OF JIZZAX PLASTMASSA JSC TO FOREIGN INVESTORS

Jizzax City, 2015
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I. RESUME OF JOINT-STOCK COMPANY

GENERAL INFORMATION

1. Name of enterprise: Jizzax Plastmassa Joint-Stock Company.

2. Postal and legal address of the enterprise: 130100, Republic of Uzbekistan, Jizzax Region, Jizzax City, Tashkent Street, 5.


4. Main type of activities: processing plastic masses.

5. Structure of assets: share of state property — 61,04%, of O’zkimyosanoat JSC — 25%.


7. Name, telephones, faxes of enterprise’s administration:
   
   Chairman — Turaqulov E. S.
   Chief Engineer — Soatov A. U.
   Chief Accountant — Holmatov S. H.
   Tel: +998 72 223 26 60,
   Fax: +998 72 223 26 76
   Web-site: http://www.jizplast.uz
Location, availability and accessibility of production and transport infrastructure and working force

The factory is located in the south-eastern part of Jizzax City. The plant was designed in the sixties and was put into operation in 1972. In terms of output the plant ranked second among the four largest plants of the USSR.

For most of its history the plant remained the main supplier of film and pipes for the agricultural and construction sectors in Uzbekistan. The enterprise is also focused on the production of consumer goods. The total area of Jizzax Plastmassa JSC with industrial and non-industrial facilities is 14.9 hectares.

Catering of workers is provided in existing canteens, as well as in rooms, where dining rooms are provided for.

TARGETS AND TASKS

In accordance with the Decree of the President of the Republic of Uzbekistan dated 28.04.2015 #2340 "On measures to increase the share and value of private property in the economy", in order to promote foreign investment, dramatically increase the level and the role of private property in the national economy by deepening the processes of privatisation and sale to private investors, primarily to foreign ones, of the state's share of assets in the authorised capitals of enterprises and on this basis to ensure the modernisation and technological renovation of production, organisation of production of competitive on the domestic and external markets products, Jizzax Plastmassa JSC is approved the list of joint-stock companies in which the share of state and economic management bodies is to be sold to strategic foreign investors.
On the basis of the Decree of the Cabinet of Ministers of the Republic of Uzbekistan #145 dated 6th June 2014 "On approval of the programmes -"road maps" for financial and economic recovery of unprofitable, economically insolvent and low-profit enterprises," and in accordance with the Edict of the President of the Republic of Uzbekistan #4707 dated 4th March 2015 "On the program of measures for structural reformation, modernisation and diversification of production in 2015-2019", the enterprise implements the projects "Organisation of polyethylene film production with 3000-mm width", "Organisation of polyethylene pipes with 50 ÷ 250 mm and 710 ÷ 1200 mm exterior diameter".

Implementation of the projects will increase the volume and range of polymer products manufactured by the enterprise, reduce energy consumption and thus reduce production costs of Jizzax Plastmassa JSC's goods. In the context of increasing consumption of polymer products due to increased construction and reconstruction of water supply and sewerage systems of the country, the implementation of the above-mentioned projects by of modernisation and replacement of morally and physically obsolete equipment is of great importance in the development of Jizzax Plastmassa JSC and the entire chemical industry of the state.

**II. DESCRIPTION OF JOINT-STOCK COMPANY**

Jizzax Plastmassa JSC was established in 1972. First polyethylene pipes were obtained in 1972. In March 1976 — 1978 was launched production of PE film of various thickness and wide range of consumer products.

The Order of the State Property Committee of the Republic of Uzbekistan #425k-PO dated 18.06.1996 transformed Jizzax Plastics Plant to Jizzax Plastmassa OJSC.

In accordance with the Law of the Republic of Uzbekistan "On amendments and complements to the Law of the Republic of Uzbekistan "On joint-stock companies and protection of shareholders' rights" dated 06.05.2014 #370 was changed the organisational-legal form of the enterprise — Jizzax Plastmassa Joint-Stock Company.

**MAIN EVENTS**

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1972</td>
<td>launch of pipes workshop</td>
</tr>
<tr>
<td>1976</td>
<td>launch of polyethylene films workshop</td>
</tr>
<tr>
<td>1978</td>
<td>launch of moulding products workshop</td>
</tr>
<tr>
<td>1999</td>
<td>launch of polyethylene film workshop for cotton mulching</td>
</tr>
<tr>
<td>2008</td>
<td>modernisation of polyethylene pipes workshop with installation of 315—630 mm pipe line</td>
</tr>
</tbody>
</table>
2010 | launch of equal-size fittings section
---|---
2012 | modernisation of plastic consumer goods workshop with installation injection moulding machines (3 units)
2015 | expansion of fittings section with installation of unequal-size fittings equipment (3 units)

**Authorised (registered) fund of the enterprise** — 706 169 000,00 sums. The authorised fund is split into 230 398 000 ordinary registered shares.

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>Quantity</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>State:</td>
<td>140626</td>
<td>61,04</td>
</tr>
<tr>
<td>Uzkimyosanoat SJSC</td>
<td>57600</td>
<td>25,0</td>
</tr>
<tr>
<td>Employees</td>
<td>9394</td>
<td>4,08</td>
</tr>
<tr>
<td>Other</td>
<td>22778</td>
<td>9,88</td>
</tr>
<tr>
<td><strong>TOTAL:</strong></td>
<td><strong>230398</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Number of registered shareholders: legal entities — 3, physical entities — 736, including shareholders listed as having right to take part in annual general meeting — 739.

**ORGANISATIONAL-LEGAL STRUCTURE**

Organisational-legal structure of Jizzax Plastmassa JSC is a three-step management structure, led by General Meeting of Shareholders (diagram is attached).

Structure of enterprise management: the supreme person in executive body of society management is the Chairman of the society, whose targets and tasks are defined in accordance with the requirements of the Supervisory Board and the General Meeting of shareholders.

As of 01.01.2015, the average number of enterprise employees is 193 persons (for reference, average registered number for the reporting period is 204 persons, column 1, line 101 of 1-mehnat shakli report for 2014).

**Number of employees for 2014 per categories**
Average salary for 2014 was 525 642 sums, including for December 2014 — 792 840 sums.

<table>
<thead>
<tr>
<th>№</th>
<th>Personnel category</th>
<th>Registered number</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Managerial personnel</td>
<td>29</td>
</tr>
<tr>
<td>2.</td>
<td>Production personnel – managers</td>
<td>4</td>
</tr>
<tr>
<td>3.</td>
<td>Production personnel – workers</td>
<td>91</td>
</tr>
<tr>
<td>4.</td>
<td>Specialists</td>
<td>31</td>
</tr>
<tr>
<td>5.</td>
<td>Technical personnel</td>
<td>13</td>
</tr>
<tr>
<td>6.</td>
<td>Servicing personnel</td>
<td>32</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>200</strong></td>
</tr>
</tbody>
</table>

Salaries level per categories for 2014

<table>
<thead>
<tr>
<th>№</th>
<th>Personnel category</th>
<th>Average salary for 2014 (sums)</th>
<th>Average salary for December 2014 (sums)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Managerial personnel</td>
<td>808000</td>
<td>878000</td>
</tr>
<tr>
<td>2.</td>
<td>Production personnel – managers</td>
<td>735000</td>
<td>798180</td>
</tr>
<tr>
<td>3.</td>
<td>Production personnel – workers</td>
<td>650000</td>
<td>618645</td>
</tr>
<tr>
<td>4.</td>
<td>Specialists</td>
<td>716000</td>
<td>787600</td>
</tr>
<tr>
<td>5.</td>
<td>Technical personnel</td>
<td>592400</td>
<td>621640</td>
</tr>
<tr>
<td>6.</td>
<td>Servicing personnel</td>
<td>418 535</td>
<td>459800</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>525692</strong></td>
<td><strong>792840</strong></td>
</tr>
</tbody>
</table>

For the last 5 years the volume of produced commercial output increased by 2,5 times from 6,5 bn. sums in 2009 to 16,02 bn. sums in 2014.
Main financial indicators of Jizzax Plastmassa for 2009-2014

<table>
<thead>
<tr>
<th>Name</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial output</td>
<td>6500.7</td>
<td>7001.1</td>
<td>4551.4</td>
<td>3083.2</td>
<td>3187.7</td>
<td>16022.0</td>
</tr>
<tr>
<td>Sales</td>
<td>5919.2</td>
<td>4708.6</td>
<td>5101.7</td>
<td>1906.1</td>
<td>4291.7</td>
<td>8709.7</td>
</tr>
<tr>
<td>Costs of sold products</td>
<td>4495.0</td>
<td>3169.3</td>
<td>3382.4</td>
<td>836.7</td>
<td>3068.7</td>
<td>3082.7</td>
</tr>
<tr>
<td>Gross profit</td>
<td>1424.1</td>
<td>1539.3</td>
<td>1719.3</td>
<td>1069.4</td>
<td>1223.0</td>
<td>5627.0</td>
</tr>
<tr>
<td>Operational costs</td>
<td>1200.4</td>
<td>1280.0</td>
<td>1494.5</td>
<td>1162.6</td>
<td>1132.7</td>
<td>4854.4</td>
</tr>
<tr>
<td>Other income from main activities</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>130.9</td>
<td>228.7</td>
</tr>
<tr>
<td>Balance of financial activities</td>
<td>-82.9</td>
<td>-51.0</td>
<td>-162.7</td>
<td>-237.1</td>
<td>-208.8</td>
<td>-177.0</td>
</tr>
<tr>
<td>Profit before taxes</td>
<td>140.8</td>
<td>208.3</td>
<td>62.0</td>
<td>-330.3</td>
<td>12.4</td>
<td>824.3</td>
</tr>
<tr>
<td>Profit tax</td>
<td>67.5</td>
<td>69.8</td>
<td>44.5</td>
<td>0</td>
<td>10.7</td>
<td>372.4</td>
</tr>
<tr>
<td>Net profit</td>
<td>73.3</td>
<td>138.7</td>
<td>17.5</td>
<td>-330.3</td>
<td>1.7</td>
<td>451.9</td>
</tr>
</tbody>
</table>
III. ORGANISATION OF PRODUCTION

Technologies
Manufacture by injection moulding and blow moulding method. There are also sites for waste crushing and preparation of the composition.
The technological process of manufacturing by injection moulding is as follows:
- Preparation of the composition - the product can be produced as painted, and not painted. For colouring raw materials is prepared the composition of polymeric materials and masterbatch (or pigment) at the site for the preparation of the composition in the mixer.
- Casting products - material in the form of granules is poured into the hopper of injection moulding machines (BL-780 BL -250, HXF-480), from where it is uniformly and continuously captured by doser-plasticizer. The mass is heated, plasticised and moved in a front region of the heating cylinder, where it melts and transforms into plastic state and under pressure is fed into the casting mould, where the goods are formed. The moulds are equipped with a water cooling system.
- Removal of the gate - after removal of the product from the mould, the sprue is removed by mechanical means
- Control of the quality department
- Packaging products
- Delivery of finished products to the warehouse.
The technological process of manufacturing of blowing is the following: In case of dying products is prepared the composition of polymer raw materials and masterbatches (or pigment) in the area for the preparation of the composition in the mixer. The composite mixture is loaded into hopper of blowing equipment AB-60. Under the action of electric heaters and movement of the worm the mixture migrating along the cylinder is melted, homogenised, condensed and fed into a mould in the form of billets. Blowing - tubular billet is distributed over the height of the mould, the form closes. In the inside of the mould the air is supplied into billets and blows the preform by the internal contour. The formed product is cooled inside the mould to a certain temperature.
- After removing the product from the mould, the articles must be mechanically processed.
- Control of quality department.
- Delivery of finished products to the warehouse.

Equipment for the production of polyethylene film by continuous screw extrusion followed by blow:
1. SJ 65x28-BL 1600 - 20 units; manufacturer - China; features:
   - a film as sleeve, half-sleeve and the web;
   - width of sleeve 200 to 1500 mm;
   - thickness of film from 8 to 200 microns

Production of the film is carried out by continuous screw extrusion from linear low-density polyethylene, if necessary, with addition of stabilizers, slipping additives, antistatic and modifying additives and dyes of different colours.
The technological process of polyethylene film production is as follows:
- Raw material preparation - preparation of raw materials is performed in the intermediate storage, where, if necessary, mixed with additives and dyes. Ready raw material is fed pneumatically to the workshop to the hopper of the extruder.
- Extrusion of film billets - polyethylene, moving along the heated cylinder under the action of the rotating screw, is transforms from the bulk into the plastic state and in the form of a sleeve is extruded through the annular gap of the forming head.
- Blowing air sleeves by air, drawing, cooling - tubular billet is subjected to blowing by compressed air fed through the hole in the mandrel head into the cavity of the sleeve. When the sleeve is blown, the film is oriented in the longitudinal and transverse directions. Film blowing is performed by rotating the receiving-pulling rollers. During film passage between the two pulling rollers the film is oriented in the longitudinal direction. Film cooling is performed by feeding cooled air into the blower ring. Film winding into roll is carried out on a winder.
- Control of quality department
- Packaging, labelling
- Delivery to the warehouse.

Production of polyethylene pipes by continuous screw extrusion:

1. pipe lines:
   - LT 90x25-75 / 160-1 unit, LT 125x25-80 A - 1 unit; manufacturer – Bolshevik, Ukraine; possibilities – pipes with outer diameter of 75 to 160 mm, the pipes with outer diameter from 225 to 315 mm
   - SL120 x 33 - 1 unit; manufacturer - China, possibilities – pipes with outer diameter from 315 mm to 630 mm, the annual capacity – 3700 t / year.

Production of pipes in the workshop 4 is produced by a continuous screw extrusion. Raw materials for manufacture of polyethylene pipes: linear polyethylene of Shurtan Gas and Chemical Complex of pipe brand PY-342.

The pipes are made of different sizes from 16 mm to 630 mm.

The technological process of polyethylene pipes is as follows:
- Preparation of raw materials – during manufacture of pipe is used low density polyethylene produced by Shurtan Gas and Chemical Complex or other polyethylene similar to the above-mentioned with the addition of black masterbatch, produced in Korea in amounts ranging from 1,5 to 2,5%.
- Pipe extrusion is carried out as follows – polyethylene is loaded into the hopper of an extruder. Rotating by a screw in a stationary heated cylinder, the polyethylene moves along the cylinder, where it is homogenized, compacted and masticated. Having passed mesh bag, the material flows around the torpedo and is extruded in the form of billets through the annular gap between the mouthpiece and the mandrel. Then tubular billet, extruded through the annular gap, is served in the calibre of the nozzle where the pipe is calibrated on the outside diameter. Cooling water pipes made in immersion baths. Pipe is pulled by pulling device. Cutting pipes is performed on the cutting device, winding of small pipe diameters (from 25-75mm) is made on the winder.
- Control of quality department.
- Delivery to the warehouse.
The following new technological equipment is to be purchased in 2015-2017 at Jizzax Plastmassa JSC:
- to produce polyethylene pipes – 3 units in 2015 (Presidential Decree #4707)
- to produce polyethylene films – 1 unit in 2015 (Presidential Decree #4707)
- to produce blow items – 2 units in 2015-2016 (with International Development Association funds)

**INFRASTRUCTURE**

**Existing capacities**
There are 3 main functioning workshops, whose capacities are used in production:
1. Capacities of polyethylene pipes production – 3 972 tonnes per year.
2. Capacities of polyethylene film production – 6 861.7 tonnes per year.
3. Capacities of injection moulding production – 582 tonnes per year.

<table>
<thead>
<tr>
<th>Name of capacities</th>
<th>Designed capacity</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>tonnes</td>
<td>в %</td>
</tr>
<tr>
<td>Polyethylene pipes</td>
<td>3972,0</td>
<td>34,2</td>
</tr>
<tr>
<td>Polyethylene film</td>
<td>6861,7</td>
<td>59,1</td>
</tr>
<tr>
<td>Moulding production</td>
<td>582,0</td>
<td>5,0</td>
</tr>
<tr>
<td>Fittings</td>
<td>200</td>
<td>1,7</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td><strong>11615,7</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

**Water supply**
The source of Jizzax Plastmassa JSC water supply are two artesian wells, located on the territory, one of which is for backup. The depth of the artesian well is 50 m, performance 246 200 m$^3$ per year.

Water use is permitted at fresh water intake of no more than 53 000 m$^3$ per year, or 63 m$^3$ per hour.

Composition of artesian water
- Calcium – 80,16 mg/l
- Magnesium - 42,56 mg/l
- Hardness - 10 mg-equiv/l
- pH – 8,75 mg/l
- Chlorides – 28,33 mg/l
Sulphates – 496.27 mg/l  
Nitrates – 0.045 mg/l  
Potassium – 2.2 mg/l  
Sodium – 140.4 mg/l  
Ammonium – 0.4 mg/l  
Dry residue – 978.3 mg/l  
Suspended matter – 86.0 mg/l  
Oxidation – 8.58 mg.equiv/l  
Zinc – 0.512 mg/l  

Two water-circulation cycles function at the enterprise:  
1-cycle of cooled water. Temperature of cooled water is 28°C. Temperature of heated water is 40°C.  
2-cycle of chilled water. Temperature of chilled water is 8°C. Temperature of heated water is 15°C.  

It is allowed to use 254 300 m³ per year or 807 300 m³ per day or 0.0069 m³ per second in water-circulating systems.  

**Power supply**  
The source of Jizzax Plastmassa OJSC power supply is Jizzax substation. The following is installed at the plant:  
- main step-down transformer TDN 16000/110/10 (1 piece)  
- main step-down transformer TDN 10000/110/10 (1 piece)  

Two step-down transformers TVT-110 220/5A are fed from each of the above-mentioned transformers. There are 9 substations at the plant with the following equipment. Substation 1 — two main transformers TS 3 630/10; substation 2 — two main transformers TS 3 1000/10; substation 4 — two main transformers TS 3 1000/10; substation 5 — two main transformers TS 3 1000/10; substation 6 — two main transformers TS 3 1000/10; substation 7 — two main transformers TS 3 1000/10; substation 8 — two main transformers TS 3 1000/10; substation 9 — two main transformers TM 100.  

**Wastewater**  
At the plant there is a production and sewage drainage, to which are diverted household and industrially clean waste water. From there, waste water goes to the city network of household sewage. Rain and snowmelt waste water from the roofs of the building and from the site of the plant are discharged by open surface method. Permitted discharge into city sewerage is 33 320 m³ / year of wastewater or 91.28 m³ per day. Power supply is provided from external networks of 110 kV; 35 kV; 6 kV. The supplier is Navoiy PTES. The declared capacity is 245 MW.  

**Power supply**  
Jizzax Plastmassa JSC is powered by six main step-down substations of 110/6 kV from NGRES and Himiya PS by radial configuration by typical separate double-chain air lines of power transmission 110 kV on metal supports. Jizzax Plastmassa JSC is
considered the 1st category of power supply reliability, which are fed from two independent sources – Himiya PS and NGRES 17.

5 lines come from the Himiya substation to Jizzax Plastic JSC, from NGRES — 6 lines, taps from of them go to the substation TVS of NMMC.

6 main substations are in work. Total installed capacity is 812 MV•A. Total consumer capacity (average) – 170 MV•A.

1st transformers are connected to 110 kV lines of NGRES and 2nd transformers are connected to 110 kV lines of Himiya PS.

**Heat supply**

Heat (steam) supply is carried out by own capacities of 194-230 tonnes / hour and of Navoiy PES JSC in the amount of 150-268 tonnes / hour depending on the period of year.

Jizzax Plastmassa JSC consume the steam of 13 kgf/cm², T = 300°C and of 21 kgf/cm², T= 340°C. Steam condensate of Jizzax Plastmassa JSC is returned to NTES.

**Gas supply**

Gas is supplied by mains from Kagan through gas-distributing station GRS-1 with the pressure of 6 and 25 kgf/cm² in the volume of 68 000 m³ per hour by two collectors: GP-25 with the pressure of 25 kgf / cm², and GP-6 with the pressure of 6 kgf / cm². The supplier is Uztransgaz JSC.

**Water supply**

The system of water circulation consists of 8 water circulation cycles (WCC). Pumping stations with tanks for hot and cold water, cooling towers for cooling water, relevant pipelines and auxiliary equipment function on WCC. Water circulation systems is serviced by water supply workshop 31.

To fill the water circulation cycles and to replenish, to compensate for the loss of circulating water through evaporation, wind drifting, blowing and other purposes, clarified river water (process water) is used, which comes to the enterprise from industrial area networks from the 2nd ascent of ECO NMMC by three conduits (two sluices DU 800 mm and one sluice 1400 mm) at a pressure of minimum 3,5 kgf / cm².

Process water is supplied to the territory of the enterprise by four inputs DU 700 and DU 1000-500-400 (input №5).

For reception, storage and distribution of water to enterprise's consumers for drinking needs and fire-fighting is designed the pumping station of the second lift with two tanks. Fire-fighting and household (drinking) water comes from networks of OES NMMC by two pipelines DU 300 vessels into tanks with V = 3000 m³ (2 units). From there by pumps 12E-9M at a pressure of maximum 3.0 kgf / cm² it is supplied by four water pipes DU 300, which are connected to each other on the territory of enterprise, to consumer workshops.

To 3-line networks of the enterprise is connected additional input of potable water DU 300 from two water pipelines DU 500 (L-1, L-2).
RAW MATERIAL BASE

Main raw material to produce polyethylene product is polyethylene granules supplied from Shurtan Gas and Chemical Complex (GCC).

Currently Shurtan GCC produces linear polyethylene of the following grades:

- PY-342 – pipe grade
- BY-460 – blowing grade
- F-0220 S – film grade
- F-0120 – film grade.
- I-0525 – moulding grade
- I-1561 – moulding grade
- I-1625 – moulding grade
- I-0760 – moulding grade

It is planned to open a GCC on the basis of Surgil deposit, Republic of Qaraqalpaqstan, to produce ramified-structured polyethylene and polypropylene.

To dye the polymer is used masterbatch of various colours, produced in Korea, dyestuff for polymers "Modern trans service", Tashkent City.

Inspection of raw materials incoming to the plant is carried out according to TS 17642168-04: 2013.

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

Implementation of input control of raw materials is assigned to Department of Technical Control. Central plant laboratory is accredited by Uzstandard Agency. Certificate of accreditation — UZ.AMT.07.MAI. 436. Also, some types of tests of product, subject to incoming inspection, are included into accreditation area.

In its activities Department of Technical Control is guided by applicable regulatory documents of standardisation system of the Republic of Uzbekistan, "Regulations on the testing laboratory of technical control department of Jizzax Plastmassa JSC".

Testing of products, subject to incoming inspection, is carried out in accordance with the requirements of regulatory documents to the relevant products.

The purpose of the input control is to identify products, non-conforming with requirements, established for the purchased products and to prevent its use in production.

If in the process of monitoring inadequate raw materials are detected, according to the Procedure of management of discrepancies, corrective and preventive actions, the conclusion of non-compliance during an input control is transferred to the workshop to make decision on further use of the product or to submit claim to the supplier.
ECOLOGY AND ENVIRONMENTAL IMPACT

In accordance with the Decree of the Cabinet of Ministers of the Republic of Uzbekistan dated 31.12.2001 № 491 "On approval of the state environmental expertise in the Republic of Uzbekistan" the enterprise is classified as II category of risk.

Measures to protect the environment and rationally use natural resources are annually developed and implemented. Funding of all activities related to the improvement of the ecological environment and increase of ecological security is carried out at the expense of own funds of Jizzax Plastmassa JSC.

IV. PRODUCTS OF THE ENTERPRISE

Polyethylene film
GOST 10354-82

Produced with the following physical-mechanical parameters:

- tensile strength, MPa (kgf/cm²), minimum
  - 14.7 (150) in longitudinal direction
- tensile strength, MPa (kgf/cm²), minimum
  - 13.7 (140) in transverse direction
- relative elongation at rupture, %, minimum
  - 300 in longitudinal direction
- relative elongation at rupture, %, minimum
  - 400 in longitudinal direction

Polyethylene pipe
GOST 18599-2001

Produced with an outer diameter of 25 mm to 630 mm. Depending on SDR they maintain pressure from 0.32 MPa to 2.0 MPa. Pressure pipes from polyethylene are intended for water pipelines, including drinking water supply at a temperature of 00 C to 400 C, as well as other liquid and gaseous substances.

Lifetime: 50 years.
**Fittings**

TS – 00203039 –002 -2014

Production of fittings comprises mitre cutting of polyethylene pipes of predetermined size and welding of workpieces by butt welding. The fittings are used during installation of polyethylene pipes for water and sanitation from 50 to 630 mm.

**Consumer goods**

OZ Dst 936:2009

Consumer goods (basins – 6L, 14L, 20L, 25L, buckets - 1L, 10L, 10L with lid, box without a lid, a box for fruits and vegetables, etc.) are made according to the OZ Dst 936:2009 and meet all requirements of the standard.

**Blowing products "Barrel 60 l for magnesium chlorate defoliant**

Tsh 64-00203039-003:2007

It is produced by technical requirements, duly developed and approved, to transport chemicals, liquids, potable water etc. from 20 to 60 l.
INTEGRATED MANAGEMENT SYSTEM

In accordance with phased programme of development, implementation and certification of quality management system in accordance with the requirements of the international standard ISO 9001: 2000, approved on 19.09.2002 by the Prime Minister of the Republic of Uzbekistan, our company has developed and implemented a quality management system.


Certification was carried out by international and national accreditation systems (respectively obtained certificates № HU07/2522 dated 23.04.07 and №UZ.SMT.04.005.0077 dated 23.04.07).

Implementation of the QMS has enabled deepening the systematisation of enterprise management and more detailed approaching the assessment of activity and its management processes. In its turn it made possible to more efficiently allocate resources, and a more detailed approach to the planning of activities in general.

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

Based on the experience of the QMS, as well as due the increasing demands for environmentally clean enterprises, the top management of our enterprise decided to develop and implement the integrated management system (IMS) consisting of:

- Quality Management System - O'zDST ISO 9001:2009 № UZ.SMT. 04.001.00774
- Ecological management system - O'zDST ISO 14001:2004 № UZ.SMT. 04.001.00775
- Occupational safety and health management system - O'zDST OHSAS 18001:2011 № UZ. SMT. 04.001.00776

During the implementation and operation of the QMS specialists of the enterprise were trained on a foreign course “To manager to increase the effectiveness of the management system and quality economics by ISO 9001. Strategic management, BSC, Lean Production”.

At the moment, ISM is being constantly improved - new methods of analysis of the functioning of processes are implemented, constant evaluation of customer satisfaction is performed, internal auditors are trained, personnel qualification increases, members of senior management are also are trained on relevant courses.

V. ANALYSIS OF PRODUCTS MARKET
Plastics processing is a special area of modern chemical technology, which combines achievements of polymer chemistry and materials science, chemical engineering, and automation of complex, hard-controlled processes.

There is a trend in the world towards increased consumption of plastics; one of the indicators of economic development of the state is the level of consumption of plastics per capita. In industry - replacement of metal elements in products for plastics became irreversible. Plastic is easier, does not corrode and is not susceptible to chemicals. By machining it is possible to manufacture parts of any shape.

At present Jizzax Plastmassa JSC produces the following products:

Polyethylene film is used in agriculture, land reclamation and water management construction, as a packaging material in various sectors of the economy, for the manufacture of consumer goods and other purposes.

Every year, according to the Decree of the Cabinet of Ministers #1958 dated April 19, 2013 "On additional measures to ensure the unconditional implementation of the State Program on improvement of irrigated land and water management for 2013-2017" Jizzax Plastmassa JSC provides farms with 700 to 1,000 tonnes of watering kits and screen film on water saving technology.

Polyethylene pipes are issued in accordance with the international standard 18599-2001 by continuous screw extrusion. They are designed for the construction of pipelines transporting water, including for drinking purposes, and other liquid and gaseous substances.

According to the Decree of the Cabinet of Ministers #337 dated November 30, 2012 "On measures to further the comprehensive development and modernization of water and sewage systems of the Republic of Uzbekistan for 2013-2015" and in accordance with the Decree of the President of the Republic of Uzbekistan #1707 dated 10.02.2012, "On measures of implementing the project "Reconstruction and construction of sewerage networks in Andijon City. Improvement of water supply in settlements of Jizzax and Horazm regions, as well as of the Republic of Qaraqalpaqstan" with the participation of the Asian Development Bank pipes and fittings (with equal and unequal passages) sold to construction companies and retail outlets.

Consumer goods:
A) made by injection moulding of polyethylene, polypropylene and other thermoplastic materials.
B) products obtained by welding of polyethylene film: bags of different sizes for packaging food products, as well as for the packaging for industrial products.

Every year, domestic demand increases for all grades of polyethylene. This means that every year consumer demand for polyethylene products increases. Further on, market growth within the country for large pipe products will acquire up the pace, because a large amount of construction of water and sewer systems is planned in 2014-2020.

Forecast sales for 2015.
In 2015 it is planned to deliver finished products in the amount of 17,082.8 M sums.
In the domestic market of the Republic of Uzbekistan the main consumers of polyethylene pipes are:
- Construction organisations, engaged in installing water pipes, replacing old transmission lines.
- Construction organisations, paving the water and sewage systems in residential and industrial buildings.
- Communication enterprises for cable insulation.
- Trade organisations for sale to the public (mainly pipe diameters from 20mm to 75mm).

Other polyethylene film is widely used in agribusiness organisations to cover the greenhouses, by industrial enterprises to package their own products, for cotton mulching etc.

Consumer goods - buckets and basins of different sizes, crates and boxes, jar of 60 litres and a wide range of dishes are produced for consumer needs of the population of the country. Implementation of plastic products is carried out through trade organisations, private entrepreneurs, retail trade and shops of the plant.

Fitting products are in demand among construction companies of the country, performing installation of water pipelines, replacement of old transmission lines, as well as paving the water and sewage systems in residential and industrial buildings.

On water saving technologies in 2013 was introduced the production of irrigation kits, which include film to cover row-spacings and flexible garden hoses with fittings that are widely used in agriculture for land reclamation. In accordance with the Decree of the President of the Republic of Uzbekistan #1958 dated 19 April 2013 "On measures on further improvement of irrigated land and water management for 2013-2017" the enterprise in 2015 plans to supply 714 tonnes of irrigation kits to the agriculture.

**Marketing strategy and distribution of products**

It should be noted that the acquired technology of pipe production is currently the most widespread in the world, as it allows producing the whole range of consumable pipe products with the lowest cost, which is its advantage in comparison with other technologies. The enterprise is located at the crossroads connecting various regions of not only of our country but also of neighbouring countries where high demand for pipe products exists. For example, if we consider that the main capacities for pipe production in Kazakhstan are located in the western part, they transportation is hampered by the absence of direct railway lines, as well as is not effective due to high cost of large-diameter pipes transportation.

To sell the products, the enterprise plans to rent shops in the markets and restore the network of branded stores in the country, improve the work with trade bases of Qishloqxo'jalikkimyo (agricultural chemistry) JSCs.

**VI. FINANCIAL PLANT**
<table>
<thead>
<tr>
<th>Name</th>
<th>Year's beginning</th>
<th>Year's end</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>M sums</td>
<td>%</td>
</tr>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I. Non-negotiable assets</td>
<td>4 462,7</td>
<td>36,5</td>
</tr>
<tr>
<td>1.1 Fixed assets and intangible assets</td>
<td>3 929,3</td>
<td>32,1</td>
</tr>
<tr>
<td>1.2 Other non-negotiable assets</td>
<td>533,4</td>
<td>4,4</td>
</tr>
<tr>
<td>II. Negotiable assets</td>
<td>7 776,4</td>
<td>63,5</td>
</tr>
<tr>
<td>2.1 Inventories</td>
<td>1 778,6</td>
<td>14,5</td>
</tr>
<tr>
<td>2.2 Accounts receivable</td>
<td>2 638,4</td>
<td>21,5</td>
</tr>
<tr>
<td>2.3 Short-term financial investments</td>
<td>0</td>
<td>0</td>
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<tr>
<td>2.4 Monetary funds</td>
<td>14,0</td>
<td>0,1</td>
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<tr>
<td>2.5 Other negotiable assets</td>
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<td>0</td>
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<tr>
<td><strong>Total by section II</strong></td>
<td>7 776,4</td>
<td>63,5</td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td>12 239,1</td>
<td>100,0</td>
</tr>
<tr>
<td>IV. Capital and reserves</td>
<td>1 283,9</td>
<td>10,5</td>
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<tr>
<td>4.1 Authorised capital</td>
<td>706,2</td>
<td>5,8</td>
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<tr>
<td>4.2 Additional and reserve capital</td>
<td>811,2</td>
<td>6,6</td>
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<tr>
<td>4.3 Special funds</td>
<td>95,1</td>
<td>0,8</td>
</tr>
<tr>
<td>4.4 Undistributed profit</td>
<td>-328,5</td>
<td>-2,7</td>
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<tr>
<td>V. Long-term liabilities</td>
<td>1 781,4</td>
<td>14,5</td>
</tr>
<tr>
<td>VI. Short-term liabilities</td>
<td>9 173,8</td>
<td>75,0</td>
</tr>
<tr>
<td>6.1 Borrowed funds</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>6.2 Accounts payable</td>
<td>9 173,8</td>
<td>75,0</td>
</tr>
<tr>
<td><strong>Total borrowed funds</strong></td>
<td>10 955,2</td>
<td>89,5</td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td>12 239,1</td>
<td>100,0</td>
</tr>
</tbody>
</table>
Structure of balance's assets for 2014:

- Spares: 46.00%
- Main means and nonmaterial assets: 22.10%
- Bankrolls: 31.00%
- Debtor indebtedness: 16.80%
- Other notcirculating assets: 12.00%

Structure of balance's liabilities for 2014:

- Long-term liabilities: 40.20%
- Debtor indebtedness: 36.50%
- Additional and reserve capital: 4.50%
- Authorized capital: 3.80%
- Notportioned profit special funds: 1.20%
- Zаемные средства: 13.80%
ANALYSIS OF BUSINESS ACTIVITIES

<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>Coefficient of assets turnover</td>
<td>0.60</td>
<td>0.50</td>
<td>0.16</td>
<td>0.35</td>
<td>0.60</td>
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<tr>
<td>Coefficient of circulating (mobile) assets turnover</td>
<td>0.67</td>
<td>1.12</td>
<td>0.62</td>
<td>1.35</td>
<td>0.54</td>
</tr>
<tr>
<td>Coefficient of inventories turnover</td>
<td>1.25</td>
<td>0.95</td>
<td>0.16</td>
<td>0.71</td>
<td>0.81</td>
</tr>
<tr>
<td>Coefficient of accounts receivable circulation</td>
<td>1.78</td>
<td>1.99</td>
<td>0.76</td>
<td>1.49</td>
<td>2.76</td>
</tr>
<tr>
<td>Coefficient of accounts payable circulation</td>
<td>0.52</td>
<td>0.47</td>
<td>0.09</td>
<td>0.32</td>
<td>0.93</td>
</tr>
</tbody>
</table>

CALCULATION OF PROFITABILITY INDICATORS

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profitability of sales</td>
<td>2.9%</td>
<td>0.3%</td>
<td>0%</td>
<td>0.04%</td>
<td>5.2%</td>
</tr>
<tr>
<td>Profitability of sales from calculation of gross profit</td>
<td>9.0%</td>
<td>1.01%</td>
<td>0%</td>
<td>0.14%</td>
<td>8.0%</td>
</tr>
<tr>
<td>Profitability of main activities</td>
<td>53.5%</td>
<td>7.8%</td>
<td>0%</td>
<td>0.8%</td>
<td>45.1%</td>
</tr>
<tr>
<td>Profitability of assets</td>
<td>1.8%</td>
<td>0.2%</td>
<td>0%</td>
<td>0.01%</td>
<td>3.1%</td>
</tr>
<tr>
<td>Profitability of own capital</td>
<td>15.0%</td>
<td>1.7%</td>
<td>0%</td>
<td>0.2%</td>
<td>26.0%</td>
</tr>
<tr>
<td>Profitability of main capital (fixed assets)</td>
<td>5.0%</td>
<td>0.5%</td>
<td>0%</td>
<td>0.03%</td>
<td>7.3%</td>
</tr>
<tr>
<td>Profitability of working capital</td>
<td>2.2%</td>
<td>0.3%</td>
<td>0%</td>
<td>0.02%</td>
<td>3.8%</td>
</tr>
<tr>
<td>Profitability of borrowed capital</td>
<td>1.7%</td>
<td>0.2%</td>
<td>0%</td>
<td>0.01%</td>
<td>2.8%</td>
</tr>
</tbody>
</table>
### VII. MARKET VALUE OF ACTION OF PACKAGES

<table>
<thead>
<tr>
<th>№</th>
<th>Name</th>
<th>USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>State stake 61,04%</td>
<td>7 176 881</td>
</tr>
<tr>
<td></td>
<td>Cost of one action</td>
<td>51,04</td>
</tr>
<tr>
<td>2</td>
<td>Economic stake of 25,0% (stake of propulsion module «Uzchemindust»)</td>
<td>1 913 621</td>
</tr>
<tr>
<td></td>
<td>Cost of one action</td>
<td>39,96</td>
</tr>
</tbody>
</table>
VIII. ATTACHMENTS

1. Copy of registration certificate
2. Copy of charter
3. Copy of obtained licences and certificates
4. Diagram of organisational structure
5. Resumes of main managers of the enterprise