

**Project investment opportunity
for the production of large
steel products in Uzbekistan**



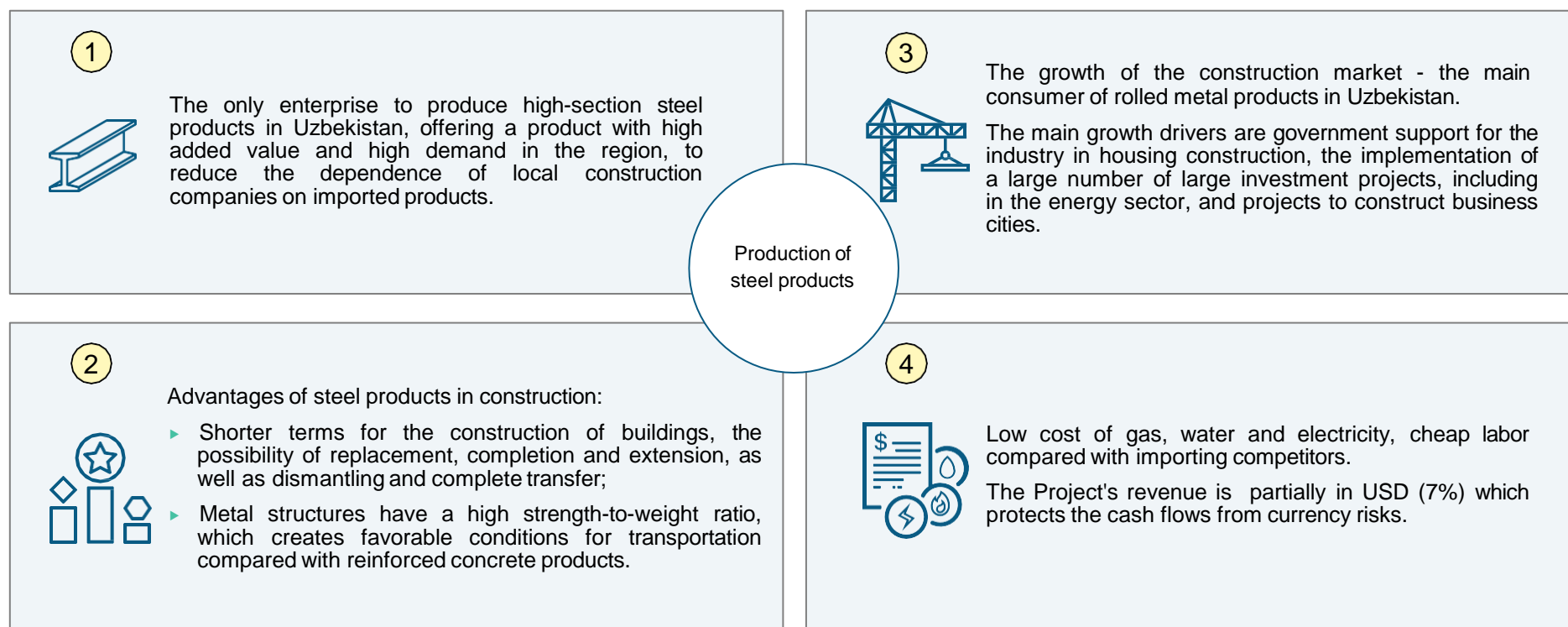
Investment opportunity overview

This investment opportunity to produce steel products was developed by EY in cooperation with the Ministry of Investment, Industry and Trade of the Republic of Uzbekistan (hereinafter "MIIT") as part of a project aimed to increase direct investment in Uzbekistan.

Along with this document, a Business Plan is being prepared in which, in addition to industry experts from EY, owners of the technology to produce steel products and technical expertise profiling in this industry are involved.

This document is intended for potential investors. If there is interest, further discussions to promote this project with the support of MIIT will occur.

Key Success Factors for the implementation of production of large-section steel products (hereinafter "Project")



Next Steps

Signing the Memorandum of Understanding by the Potential investor and MIIT upon the expression of interest

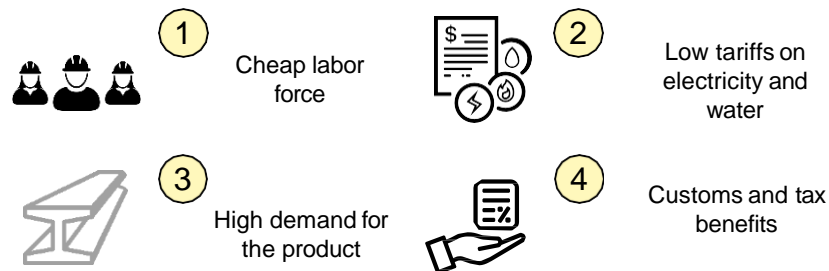
Development of a technical and economic feasibility study

Negotiations based on the feasibility study and the signing an investment agreement

Investment opportunity overview

Additional success factors of the Project

Advantages of Project implementation



Financial and specific indicators of the Project

Project products			
Name	Capacity, ton/ year	Height	Length
I-beam	136,000	140-300 mm	6-24 m
Corner	68,000	80-200 mm	6-24 m
Channel	136,000	120-300 mm	6-24 m

Preliminary indicators of the investment project	
Initial production capacity	400 ths tonnes
CAPEX (including VAT)	392 mln USD
NPV	399 mln USD
IRR	23.6%

Potential regions of the Project location



Establishing a production facility is in the Tashkent region is the preferred option. The area of the projected site (within conditional boundaries) is 100 hectares.

Demand for metal products in Uzbekistan

Domestic capacities of steel plants are not always able to fully cover domestic demand:

- Uzbekistan almost completely covers the demand for the entire range of long products, except for large sections, as well as the demand for pipe products.
- The demand for current products is fully covered by imports.

3.5 mln ton
Demand for metal products in Uzbekistan in 2020



The major raw materials for the production of long products are scrap metal, ferrous metal waste and HBI. The supplier of these raw materials will be Lebedinsky GOK, which is the leading iron ore producer in Russia and the only HBI producer in the CIS. The company opened a representative office in Uzbekistan, which makes it possible to ensure the continuity of supplies and price stability, as well as the purchase of raw materials in local currency.

Also, work is currently underway in the country on the detailed design of an enrichment plant at the Tebinbulak deposit in the Republic of Karakalpakstan with a capacity of up to 1.8 million tons of DRI per year. The launch of the plant in 2026 will ensure the localization of raw materials.

Time to invest in Uzbekistan



In recent years, Uzbekistan has been undergoing an enormous transformation through the implementation of various business reforms. Currently, the Government's policy is aimed at easing regulation and improving the investment environment, which is expected to unlock the country's hidden competitive advantages.

“Market liberalization efforts and major institutional reforms make Uzbekistan attractive to investors”

“Rich natural resources alongside a highly skilled, low-cost labor force are key competitive advantages”



Trade and infrastructure

- ▶ Uzbekistan is in the heart of Central Asia serving as a strategic trade and transit hub between Asia and Europe.
- ▶ It has one of the most developed transport infrastructures in the region offering 8 major international transport corridors (both rail and road).



Benefits and incentives for investors

- ▶ Different regions and industries offer certain preferential policies and wider benefits to foreign investors that have established credentials in innovative and high-tech industries and produce export-oriented goods.



Positive tax system reforms

- ▶ Recent amendments to the tax code reduced the tax burden, eased taxation on non-resident legal entities, and optimized tax types by harmonization and unification.



Exchange rate developments

- ▶ In 2017, the government devalued the currency, matching the official rate to the market. This removed currency restrictions and eliminated the black market.
- ▶ Unrestricted operations with foreign currencies and unrestricted profit repatriation were introduced.



Transparent market pricing

- ▶ The metallurgical industry experienced positive reforms backed by the Government. Recent steps allow efficient sales mechanisms through a commodities exchange.



Natural resources

- ▶ Uzbekistan possesses over 1,800 mineral reserves.
- ▶ Large amounts of resources imply that local manufacturers have a competitive advantage with the low-cost energy supplies (natural gas and electricity).



Highly skilled and educated, low-cost labor force

- ▶ Uzbekistan has the largest workforce in the region with more than 18 mln people at a relatively low cost and relatively low salaries (average monthly salary of 250 USD). General literacy of the population is at 97% which is on par with Singapore.

Key figures in Uzbekistan

4.6%	8.6 bln USD	42.1 bln USD	17 th place	15 th place	34 mln
Average GDP growth in 2017-2021	FDI in 2021	Trade turnover in 2020	In natural gas production	In gold reserves in the world	Population of Uzbekistan