

Based on the results of the operation of Almalyk Mining-and-metallurgical Integrated Works For the first half of 2017

Implementing the most important priorities of the program for social and economic development, the collective body of Almalyk mining-and-metallurgical integrated works for the first half of 2017 ensured production of the marketable products:

- in current prices - 101.1%,
- in comparable prices - 100.9%.

The growth rate of the output of marketable products in comparable prices by the corresponding period of 2016 amounted to 103.4%.

The crop of copper ore was 100.7% of the set target, output of copper products was 102.0%, including 100.0% of own raw materials, 127.6% of metal zinc, including from own raw materials - 101.6%, sulfuric acid - 117.1%, molybdenum trioxide - 118.8%, refined gold - 100.0% and refined silver 100.3%.

Processed copper raw materials were 100.4% of the targeted, growth rate was 102.8%.

According to the Program for Development and Reproduction of Mineral and Raw Materials Base for the first half of 2017, fulfillment of the main actual volumes was as follows: penetration of underground mine workings - 1.8 thousand mln or 130.3% of the planned, drilling works -101.0%, penetration of surface mining workings -102.4% or 17.3 billion Soums were spent.

For the first half of 2017 109.1% of products for export were sold, including products of Scientific Production Associations (molybdenum in the form of sintered briquettes and molybdenum trioxide). New types of products were exported: ZAC alloy (zinc - 95%, aluminum - 4%, copper - 1%) and portland cement.

Through the exchange trading of UzRTSB JSC for the first half of 2017 copper products, metal zinc, zinc powder, portland cement and ZAC alloy were sold.

In order to saturate the domestic market the plant produced consumer goods to the amount of 6.9 billion Soums (excluding VAT) or 108.8% of the targeted, growth rate was 100%.

According to the resolutions of the President of the Republic of Uzbekistan of December 23, 2016. No. PP-2697 JSC Almalyk mining-and-metallurgical integrated works JSC is implementing 18 projects with a volume of capital investments of 577.6 billion Soums.

The disbursement for the first half of 2017 was 135.0 billion Soums, or 104.9% of the forecast.

The application of funds was carried out in the following order:

(mln. Soums)

№	Description	Plan	Fact	Output %
1.	Construction of an underground mine at the Samarchuk site on the basis of existing Kyzyl-Alma deposit	7 322,5	9 909,3	135,3
2.	Construction of a cement plant in the Sherabad district of Surkhandarya region	89 896,6	92 122,0	102,5
3.	Organization of production of door locks and hinges in Syrdarya branch of "Jizzakh" free-trade zone, FTZ			
4.	Development of the Dalneye field in Tashkent region	11 730,3	12 943,8	110,3

№	Description	Plan	Fact	Output %
5.	Organization of production of zinc oxide (zinc oxide) in Tashkent region		31,5	
6.	Organization of production handles for faucets on the territory of Syrdarya branch of «Jizzakh» free-trade zone, FTZ			
7.	Organization of production of contacts and terminals for switches and sockets on the territory of Syrdarya branch of «Jizzakh» free-trade zone, FTZ			
8.	Organization of production of brass fittings on the territory of Syrdarya branch of «Jizzakh» free-trade zone, FTZ		110,0	
9.	Organization of production of mixers with zinc housing on the territory of Syrdarya branch of «Jizzakh» free-trade zone, FTZ			
10.	Construction of a lead manufacturing factory	213,3	427,7	200,5
11.	Organization of production of finished products from rare metals (hard-metal products, drilling rolling cutter bits, etc.) Chirchik city	177,7	180,7	101,7
12.	Creation of a research and production complex for processing rare-earth metals combine of refractory and heat-resistant metals			
13.	Organization of production of 70 units for coal briquettes production plants (Almalyk)			
14.	Technical re-equipment of the compressor station at the copper smeltery	35,5	127,3	358,0
15.	Reconstruction of the filtration and drying section of copper and gold-containing concentrates in Tashkent region	8 353,4	8 085,3	96,8
16.	Expansion of production of high-temperature ceramic products in the city of Chirchik.	177,7	180,1	101,4
17.	Reconstruction and technical re-equipment of ahydrometallurgical workshop for production of molybdenum salts from molybdenum concentrate in Tashkent region.	177,7	178,1	100,2
18.	Acquisition of equipment to place of worn equipment	10 663,9	10 717,0	100,5
	TOTAL	128 748,7	135 012,8	104,9

According to the Decree of the President of the Republic of Uzbekistan of December 26, 2016. No. PP-2698 "On measures for further implementation of prospective localization projects for production of finished products, components and materials for 2017-2019," Almalyk mining-and-metallurgical integrated works JSC is carrying out implementation of 32 projects totaling 18.2 billion Soums.

During the first half of 2017, localized products were produced for 9.0 billion Soums, or 134.8% of the forecast have been produced.

According to the Decree of the President of the Republic of Uzbekistan No. PP-2298 of 11.02.2015 "On Localization Program for Production of Finished Products of Components and Materials for 2015-2019", it is envisaged to fulfill the target parameters of import reduction through localization of production and expansion of inter-branch industrial cooperation for 2017 in the amount of \$ 22.6 million.

In the first half of 2017 implementation amounted to \$ 12.4 million, or 108% of the forecast.

"Almalyk mining-and-metallurgical integrated works" JSC signed 172 contracts for supply of spare parts and component materials for a total of 227.9 billion Soums at the International Industrial Fair and Cooperative Exchange.

In the first half of 2017, components and spare parts were purchased in the amount of 109.6 billion Soums, or 100.2% of the forecast. By import goods and materials were purchased for \$ 41.8 million.

A complex of organizational and technical measures to reduce the cost of production for 2017 has been developed, which involves reducing the cost of production by 6.8%.

The expected result of implementation of a set of measures to reduce production costs for the first half of 2017 amounted to 71.3 billion Soums, or 6.3%, compared to 5.5% of the targeted, including a production cost of 60.6 billion Soums or 5.4% against 4.3% of the targeted amount.

According to the Decree of the President of the Republic of Uzbekistan No.PP-2692 of December 22, 2016 "On additional measures for accelerated renovation of physically worn out and outdated equipment, as well as reduction of production costs of enterprises in the industries", in 2017, 144 units of technological equipment are to be replaced. For the first half of 2017, 55 units of equipment were replaced at the amount of \$ 3.7 million.

The plant carried out measures to improve management, strengthen the financial and economic situation and monitor reduction of receivables and payables.

Expected accounts receivable as of 01.07.2017 was 105.0 billion Soums without formation of overdue debts, accounts payable - 157.2 billion Soums, including overdue debt 3.1 billion Soums.

Debts to the budget and on wages are not available.

The measures to reduce fuel and energy resources for 2017 were developed and approved by Almalyk Mining and Metallurgical Integrated Works, due to which the expected savings in fuel and energy resources for the first half of 2017 were as follows:

- electricity - 68.7 million kW/h;
- fuel - 17.8 million m³;

The economy of fuel and energy amounted to a total of 17.5 billion Soums.

In order to improve the system of corporate governance in

Almalyk mining-and-metallurgical integrated works JSC in accordance with the issued decree of the President of the Republic of Uzbekistan in 2017:

In order to improve the system of corporate governance in Almalyk mining-and-metallurgical integrated works JSC in accordance with the Decree issued by the President of the Republic of Uzbekistan in 2017 the following activities shall be carried out:

In order to comply with the recommendations, Code of Corporate Governance, approved at the meeting of the Commission on increasing the efficiency of joint-stock companies and improving the corporate governance system of December 31, No. 9, Almalyk Mining and Metallurgical Integrated Works JSC held a competitive selection to conduct an evaluation of the corporate governance system in 2016. The corresponding announcement was posted in the mass media (in the print edition of Biznes Daily Exchange dated March 21, 2017 No. 32 (2203), in the Unified Portal of Corporate Information www.openinfo.uz, official website of "Toshkent" Stock Exchange www.uzse.uz and "Almalyk mining-and-metallurgical integrated works" JSC www.agmk.uz).

A protocol decision of the Supervisory Board of Almalıy Mining and Metallurgical Integrated Works determined to choose "Konsaudit" LLC, an independent Audit organization.

In May this year the assessment was carried out and according to the results, the system of corporate management of Almalıy mining-and-metallurgical integrated works JSC was awarded a high score based on the questionnaire of the corporate governance assessment.

The results of the assessment were reviewed on June 29, 2017 at the meeting of the Supervisory Board and at the annual general meeting of shareholders of Almalıy Mining and Metallurgical Integrated Works in 2016.

Seven experts of the respective services have increased their knowledge and skills in "Corporate Governance: Principles, Mechanisms and Implementation" and "HR-personnel management" training courses organized by the Scientific and Educational Center for Corporate Governance.

For the purpose of detailed study and introduction of up-to-date methods of corporate governance at the proper level, Scientific and Educational Center for Corporate Governance of the Republic of Uzbekistan (Tashkent) together with Almalıy Mining-and-Metallurgical Integrated Works prepared a training manual (120 copies).), containing all regulatory and local acts adopted in the recent years to improve the corporate governance system in joint-stock companies, history of the emergence of corporate governance, principles of corporate governance, world experience of foreign countries, a set of recommendations for further development of the corporate governance system.

In accordance with the Order of the Cabinet of Ministers of the Republic of Uzbekistan No. 512-f of May 7, 2017 nominees of four specialists of Almalıy Mining and Metallurgical Integrated Works JSC are represented as participants in the training courses on modern corporate management methods organized by the Scientific and Educational Center for Corporate Governance and European School of Management and Technology (Germany), with possible internships in the leading companies of Germany, which successfully implemented and widely used in practice the advanced methods of corporate governance and modern management.

In accordance with the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan of July 28, 2015 No. 207 "On implementation of criteria for assessing the performance of joint-stock companies and other business entities with a share of the state" in June 2017 "Konsauditinform" LLC audit organization carried out verification of the correctness and reliability of calculation of key performance indicators (KPI) and integrated coefficient of efficiency of the executive body of Almalıy Mining and Metallurgical Integrated Works for 2016 and an audit report was submitted on correctness of calculations of the forecasted key performance indicators and integrated efficiency coefficient of the executive body of Almalıy Mining and Metallurgical Integrated Works for 2016.

In accordance with the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan of 28.07.2015 № 207 "On introduction of criteria for assessing the performance efficiency of joint-stock companies and other economic entities with a share of the state" in accordance with the Regulation "On application of the key performance indicators of Almalıy Mining and Metallurgical Integrated Works JSC" approved by the Supervisory Board of Almalıy Mining and Metallurgical Integrated Works following the results of 2016, an assessment was carried out based on the criteria for assessing the efficiency of the plant's operations. According to the results of the first quarter of 2017, the integrated efficiency coefficient (IEC) of Almalıy Mining and Metallurgical Integrated Works amounted to 415% (performance efficiency of the executive body was recognized as high if the value of the IEC exceeds 100%).

In compliance with the scheduled planned work for June of the current year the executive body of Almalıy mining-and-metallurgical integrated works" JSC published in the mass media (the Unified Portal of Corporate Information, an official website of "Toshkent" Stock Exchange and "Almalıy Mining-and-Metallurgical Integrated Works" JSC) a Financial Reporting based on the results of 2016 made in compliance with the International and Auditing Standards of financial statements.

According to the Program for Creating New Vacancies for 2017, 252 new jobs were planned to be created, including 192 for development of the industry and 60 jobs under the investment program.

In the first half of 2017 127 new jobs were created, including 107 for development of the industry and 20 places under the investment program.

In accordance with the program for technical training of workers, 2,269 people were trained to upgrade their skills, 768 people passed retraining and mastering a second profession, 988 people raised the level of skills and retrained as managers and specialists, including, apart from the production.

137 people are trained on a paid contract basis, 14 people are studying at the masters course of "MISiS" NRTU by correspondence. Expenses for payment of contracts amounted to UZS 754 million.

Almalyk Mining-and-Metallurgical Integrated Works JSC has carried out a complex of activities on cooperation with seven professional colleges assigned to the plant, strengthening of cooperation ties on organizing production practice of graduates. According to the measures, structural subdivisions of the plant are sponsored to equip training workshops and laboratories. Specialists of the plant held training sessions, seminars and lectures in colleges for students and teachers on special disciplines and for masters of industrial training.

During the first half of 2017, 2,349 students of vocational colleges passed industrial practice in the plant's subdivisions, including passing of production practice by 1,078 second-year students and pre-graduate practice by 1,271 third-year students.

During the first half of 2017, 487 college graduates and 249 graduates of higher education institutions were employed.

For introduction of information and communication technologies the official web site has been updated at Almalyk Mining and Metallurgical Integrated Works, materials are published in 3 languages (Uzbek, Russian, English). The expertise of information security is carried out in the established order.

The existing Corporate Information System for Financial Accounting is being modernized. An interface has been developed to update the initial information on the movement of financial resources, to enter and adjust the initial balance of the bank accounts and an interface for obtaining reports on the recording cash inflow of Almalyk Mining and Metallurgical Integrated Works, AMMIW. The information system "Organization of cargo operations on the railways of AMMIW" was developed and put into commercial operation. The system is designed for operative management of loading and unloading operations on the railways of the Almalyk Mining and Metallurgical Integrated Works and analysis of the quality of the performed cargo operations.

The qualification was improved according to the Minimum Computer Literacy in the field of IKT by 21 people.

At "Almalyk mining-and-metallurgical integrated works" JSC the activities to expand use of alternative energy sources are carried out. In 2017 it is planned to commission a solar installation at railway shop-2 A&LQ and railway shop -3 A&LQ of the Industrial Railway Administration. For the first half of 2017 40 solar collectors were put into operation and annual savings from the operation of the equipment amounted to 8 million Soums.

At "Almalyk mining-and-metallurgical integrated works" JSC 32 events were planned and approved for the amount of 6.8 billion Soums for implementation of "Year of Dialogue with the People and Human Interests" State Program in the five priority areas of development. During the first half of 2017 17 the events were completed for the total amount of 3.8 billion Soums.

In order to meet the needs of the workers of the plant and to saturate the city's market with meat and dairy products and agricultural products for the first half of 2017 agricultural products in the amount of 34.4 tons, meat products in the amount of 22.2 tons and dairy products in the amount of 996 tons were produced.

In order to fulfill the forecast parameters of production of the main types of food and agricultural products for 2017, as well as measures to create new subsidiary farms, the plant specialists negotiated the issue of establishment of a joint venture for processing fruit and vegetable products with the

capacity of 5,000 tons per year. At present, the protocol of intentions for establishment of a joint venture is being formalized.

A pig-breeding complex was commissioned for 300 animals per year. 174 pigs were supplied.

During the whole period the work was carried out to introduce a reporting system and control implementation of documents in the established timeframe, study implementation of the Laws, acts of the President of the Republic of Uzbekistan and Governmental decisions at places according to the plan of work of the plant; protocols are being prepared with formulation of analytical references.

In order to timely execute orders of higher authorities, improve the system of control of executive discipline the service for monitoring execution of orders of higher organizations (Order No. 322 of April 26, 2017) was established as part of the Central Office of Almalyk Mining and Metallurgical Integrated Works; the order of systematic and critical analysis of the state of the performing discipline has been set.

The Regulations on the functional responsibilities of a General Director, Chief Engineer and Directors in the supervised areas of the central apparatus were developed and agreed with the Cabinet of Ministers of the Republic of Uzbekistan.

In pursuance of Presidential Decree No.PP-2881 of April 11, 2017 "On Personal Responsibility of the State Councilors of the President of the Republic of Uzbekistan, Heads of the Cabinet of Ministers and its complexes, state and economic management bodies, as well as khokimiyats of all levels for effective and efficient execution of acts and Instructions of the President of the Republic of Uzbekistan, as well as for strengthening executive discipline" and Regulation on application of disciplinary measures to officials of the Cabinet of Ministers, Heads of the State and Economic Administration, Council of Ministers of the Republic of Karakalpakstan, regional, municipal and district khokimiyats approved by the Resolution of the Cabinet of Ministers of May 10, 2017 No.264 Regulation "On the Procedure for Applying Disciplinary Measures to Officials of "Almalyk mining-and-metallurgical integrated works" JSC was approved and enacted.

A systematic work is carried out to critically analyze implementation of own decisions, identify shortcomings and develop specific measures to eliminate them.

To ensure an open dialogue with citizens, careful consideration and settlement of complaints at the plant the Service for Control and Coordination of Work with Applications of Individuals and Legal Entities was established. Daily reception of citizens has been organized.

During the first half of 2017 2,144 applications were received, 797 of them were written, 867 were oral, 509 came were entered through a virtual reception and 21 were entered through the Integrated Portal for Interactive Public Services. According to 88 applications, measures were taken, in 1900 events the situation was clarified, 115 applications are under consideration and 91 applications were rejected.

The nature of the applications is provision of material assistance, employment, medical treatment, utilities, restoration to work, transfer to other parts of the plant, as well as transport problems and others.