

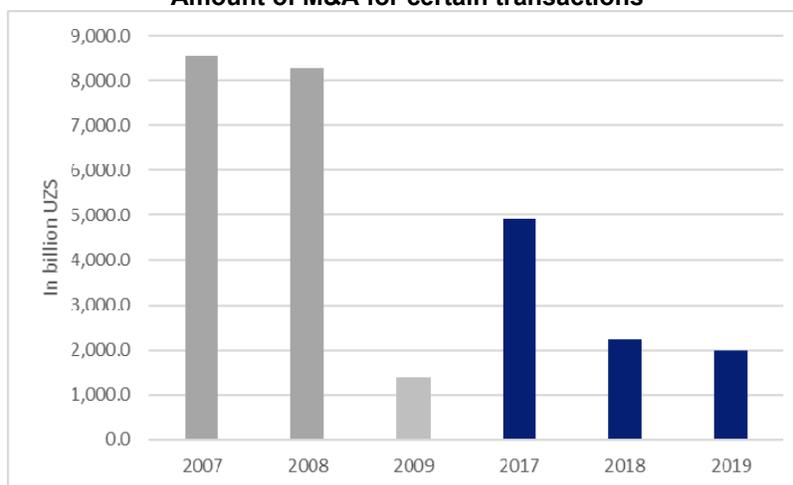
M&A market in 2017-2019

Methodology: for the purposes of this study, we examined transactions in which the parties exchanged more than 10% of the capital and/or in value more than 1 billion UZS as an M&A transaction. Main sources of information on such transactions became the official publications and news, which practically do not cover the private segment, where the sufficient part of the GDP of the country is produced. Information about volume of transactions could be found only in 45% of cases from all land transactions.

- Amounts decreased comparing with 10-years back period;
- Share of the local investors sufficiently increase due to massive government investments in banking and other sectors, but now the share of private investments should increase;
- Share of deals with getting the control is decreased, but could increase on the next stage of market development;

The number of discovered mergers and acquisitions (M&A) by legal entities and individuals over the past 3 years (2017-2019) reached 89 transactions. Compared with period 2007-2009 it is less by 19 deals. Particularly in 2017 there were 22 transactions, 32 in 2018 and 35 in 2019. The source of capital for these transactions was from 14 countries of the world such as Great Britain, Indonesia, Georgia, Canada, China, Korea, Russia, Singapore, the USA, Turkey, Oman, France, Switzerland and sufficient part of local investments. During the study, it was not possible to identify transaction volume of more than a half of the deals. Only for certain 40 transactions, the volume in 3 years reached 9.09 trillion UZS, which suggests that the total volume for all transactions can be exceeded for 15 trillion UZS.

Amount of M&A for certain transactions



(For \$1, taken 9550 UZS for the entire period)

Over the last 3 years, the largest number of transactions falls on local investments (57 transactions) and investors from such countries as the UK (10), Singapore (8), Russia (3) and Switzerland (2) and others one deal each.

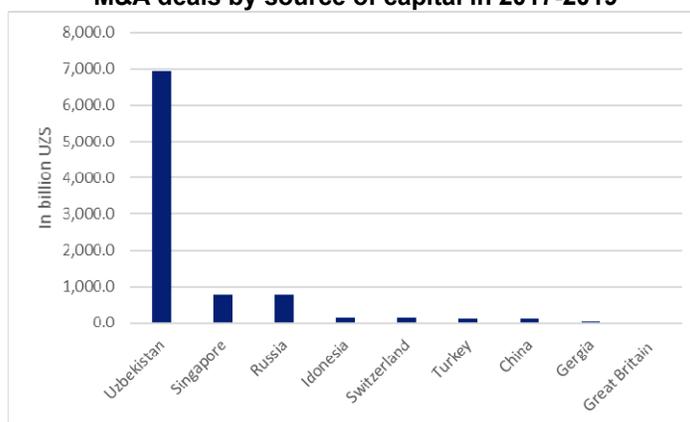
From the graphs below it is seen that the total volume of M&A transactions decreased by 2.5-3 times, and the number of transactions decreased by 17.5%. As it is seen from the

graphs, local investors and Government in particular became the most active player on the market covering more than 75% of the transaction value for 2017-2019 years. Ten years ago, the share of government was sufficiently lower.

Number of deals by countries in 2007-2009 and in 2017-2019



M&A deals by source of capital in 2017-2019



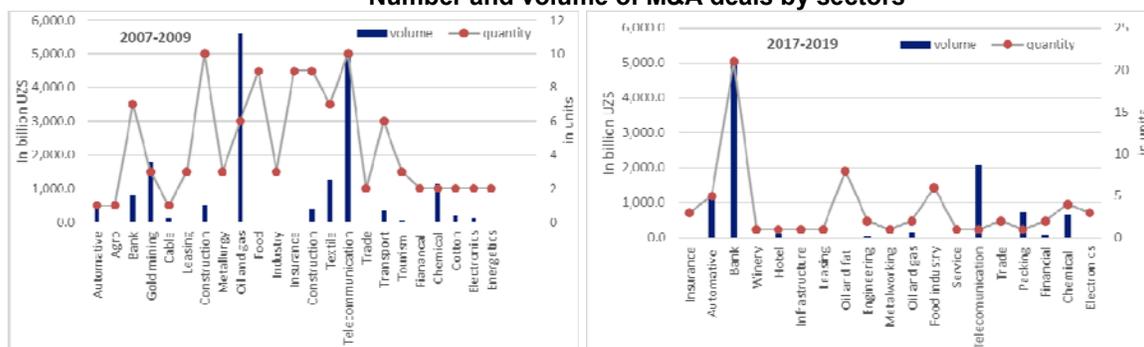
Over the last 3 years majority of M&A deals by volume and quantity took place in automotive, banking, telecommunication, packing and chemical industries. Particularly, in automotive industry Uzavtosanoat JSC brought its stake to 100% in GM Uzbekistan in December 2018. Another significant deal was acquiring blocking package of JV “Man-Auto Uzbekistan” by chinese truck company “Sinotruck” in the amount of 115.5 bln UZS.

The only sector which increased M&A deals by volume and quantity for last 10 years was banking. Total volume of transactions in the sector equaled to more than 5 trln. UZS in 21 deals. About 95.5% of the volume came from Fund for Recunstruction and Development of Uzbekistan. Ther Fund prvided additional equity for banking sector for more than \$500 million, including NBU (\$51 mln), Asaka (\$70 mln), UzPSB (\$71 mln), Xalqbank (\$65 mln), QQB (\$46 mln), Ipotekabank (\$60 mln), Microcreditbank (\$30 mln), Agrobank (\$100 mln) and Turonbank (\$7 mln). The Fund financed the equity of these banks to increase the liquidity in banking system during the transition period before currency liberalization. The rest of the deals come to legal foreign local entities and individuals.

The second by volume industry comes to telecommunication. Only one deal was made in the setor for the last 3 years. State Property Committee aquired controlling stake (94%) of UCell (Telia) for the amount of 2.05 trln. UZS (\$215 mln).

One of the biggest M&A deals occurred in packaging sector where Russian Nicola Pack increased it’s share in JSC Angren Pack from 28% to 53%. The amount of deal equaled 715 bln. UZS (\$75 mln) in the form of investment liability.

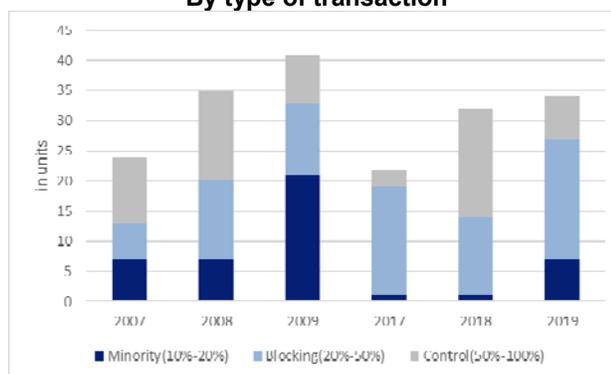
Number and volume of M&A deals by sectors



Chemical industry accounted for 4 deals accumulating 679.5 bln. UZS - the significant one was privatization of controlling stake (95.54%) in JSC Kokand Superphosphate Plant by Indorama Holdings (Singapore) in the amount of 668.5 bln. UZS. Indorama wants to expand production capacity of the plant - it is expected that the updated plant will be commissioned in the fall of 2021.

Other material M&A deals became purchasing of controlling stake of Ferghana Oil Refinery by PT Trans Asia Resources (Indonesia), for the amount of 152.8 bln. UZS (\$16 mln.) where seller was State Asset Management Agency. Company will attract about \$875 million of investments within next 4 years. Also worth noting deals is acquiring of 100% of Afrasiyob Palace Hotel by LLC Exim Invest Ple (Great Britain) for the amount of 114.6 bln. UZS (\$12 mln.) in the form of investment liability. The buyer should create here a modern hotel complex with 280 rooms and the status of a four-star hotel.

By type of transaction



Most of the new deals are made with purchase of blocking rights, while ten year ago the most of investors were intended to buy the controlling stakes. We believe that Uzbekistan now is at the stage when investors are still researching the market and evaluation the perspectives after sufficient changes in governance, so the next stage should include much more strategic deals.

Shodlik Nazarov,
Shodlik.nazarov@avestagroup.com

Karen Srapionov,
Karen.srapionov@avestagroup.com

CONTACTS

Avesta Investment Group

Postal address: Uzbekistan, 100015, Tashkent city, Avliyo-Ota str., 9

Tel: +998 (71) 252-2224

Fax: +998 (71) 252-3363

E-mail: info@avestagroup.com

Web: <http://www.avestagroup.com>

The information and opinions in this report were prepared by Avesta Investment Group or one of its affiliates (collectively "Avesta"). The information herein is believed by Avesta to be reliable and has been obtained from public sources believed to be reliable, but Avesta makes no representation as to the accuracy or completeness of such information. Important Information Regarding Our Independence. The research analysts responsible for the preparation of this report receive compensation that is based upon, among other factors, Avesta's overall revenues. Avesta may engage in securities transactions in a manner inconsistent with this research report and with respect to securities covered by this report, will sell to or buy from customers on a principal basis. Disclosures of conflicts of interest, if any, are discussed at the end of the text of this report or on the Avesta Investment Group's website at <http://www.avestagroup.com>.

Opinions, estimates and projections in this report constitute the current judgement of the author as of the date of this report. They do not necessarily reflect the opinions of Avesta and are subject to change without notice. Avesta has no obligation to update, modify or amend this report or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate, or if research on the subject company is withdrawn. Prices and availability of financial instruments also are subject to change without notice. This report is provided for informational purposes only. It is not to be construed as an offer to buy or sell or a solicitation of an offer to buy or sell any financial instruments or to participate in any particular trading strategy in any jurisdiction. The financial instruments discussed in this report may not be suitable for all investors and investors must make their own investment decisions using their own independent advisors as they believe necessary and based upon their specific financial situations and investment objectives. If a financial instrument is denominated in a currency other than an investor's currency, a change in exchange rates may adversely affect the price or value of, or the income derived from, the financial instrument, and such investor effectively assumes currency risk. In addition, income from an investment may fluctuate and the price or value of financial instruments described in this report, either directly or indirectly, may rise or fall. Furthermore, past performance is not necessarily indicative of future results. Unless governing law provides otherwise, all transactions should be executed in the investor's home jurisdiction. Additional information relative to securities, other financial products or issuers discussed in this report is available upon request.

This report may not be reproduced, distributed or published by any person for any purpose without Avesta prior written consent. Please cite source when quoting.