



«APPROVED.»

by the General Annual Meeting of Shareholders of
«CHIRCHIQ TRANSFORMATOR ZAVODI» JSC

Minutes of the Minutes of the General Meeting of
Shareholders № _____
dated July 01, 2024

«APPROVED.»

by the Supervisory Board of
«CHIRCHIQ TRANSFORMATOR ZAVODI»
JSC

Minutes of the meeting of the Supervisory Board
dated November 30, 2023

BUSINESS PLAN FOR 2024
of
«CHIRCHIQ TRANSFORMATOR ZAVODI»
JOINT-STOCK COMPANY



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1. COMPANY INFORMATION

1.1 Business Plan Summary

CHIRCHIQ TRANSFORMATOR ZAVODI JSC is the largest enterprise in the Republic of Uzbekistan for production and supply of distribution, power and special transformers, transformer substations and high-voltage component parts.

The company was established about 82 years ago and successfully operates in the market of mechanical engineering, producing power, traction transformers with capacity from 25 to 63 000 kVA of voltage classes 10, 35, 110 and 220 kV, complete transformer substations and repairs transformers of various configurations.

The main types of products manufactured by the Company are:

1. Power oil and dry-type transformers:
2. Complete transformer substations:
3. High voltage component parts:

The products manufactured by the plant work reliably in electric power distribution systems, at the enterprises of oil, gas, coal, mining, metallurgical, transportation industries, agriculture and in the private sector of the country's economy.

Safety and quality of the plant's products are confirmed by certificates of conformity of state certification bodies of the Republic of Uzbekistan. The Company's quality system is certified in accordance with ISO 9001 international standard.

In the manufacture of products technologies, component devices and units of leading European manufacturers of high-voltage equipment, such as ABB, SIEMENS, ALSTOM, etc. are used.

Today the Company is one of the largest enterprises of electrotechnical industry of the Republic of Uzbekistan, Central Asia and CIS countries, with established traditions in the field of quality, with a high degree of reliability of products and staffed by a highly qualified team of specialists.

This business plan provides for a forecasted increase in production volume and growth rate of 116.19%, net profit by 153.6% in the amount of 26.278 billion soums, labor productivity will increase to 577.037 million soums.

It is envisaged to increase the volume of product shipment in 2024 to 720.142 billion soums.

In 2023, «CHIRCHIQ TRANSFORMATOR ZAVODI» JSC actually sold products worth 619.76 billion soums. The plan of realization of products for 2024 will be fulfilled by 116.19%.

A number of factors, particularly the energy crisis in the first quarter of 2023, negatively impacted economic performance in the first half of the year, resulting in a negative growth rate for the company compared to 2022 as of August 2023

The management of «CHIRCHIQ TRANSFORMATOR ZAVODI» JSC took urgent measures in the 3rd quarter, a «catch-up» schedule was developed and as early as on 01.11.2023 the enterprise reached positive growth rates compared to 2022, and in December conditions were created for exceeding the forecast indicators set out in the Business Plan (648 billion soums).

In the 4th quarter, the company reached positive net profit values.

In 2023, the company increased its export potential to 29,039.9 thousand US dollars.

The main actual technical and economic indicators for the last 3 years are shown below:

1.2 Key financial and economic indicators for 2021-2023 and forecast for 2024

Table 1



№	Name of indicator	Unit of measurement	Period			
			2021	2022	2023	Forecast 2024
1	Production volume	million soums	458 122	632 888	676 531,1	720 142,5
2	Sales volume	million soums	465 222	549 082	619 764	720 142,5
3	Profit before tax	million soums	2 180	37 739	17 119	26 138
4	Capital investment in equipment	million soums	39 456	5 772	20 898	37 145,8
5	Exports	thousand dollars	14 827	27 130	29 039,9	23 207,9
6	Average headcount	person	1 360	1 274	1 222	1 248

As of today, the enterprise has at its disposal fixed assets at the initial cost of 239,873 million soums, including machinery and equipment in the amount of 222,336.97 million soums, which is 92.7% of all fixed assets of the enterprise.

At the enterprise today there are 743 units of technological equipment, which in turn is subdivided into types.

The gradation of the equipment fleet by type and age is shown below:

1.3 Technological equipment of the enterprise by service life for 2024

Table
2

№	Name of equipment	Number of equipment units	Equipment in service, by period of their commissioning, (units)			
			Over 25 years	10 to 24 years	4 to 10 years	Less than 3 years
Machine park						
1	Technological equipment	195	140	29	17	9
2	Forging and pressing equipment	120	99	17	3	1
3	Metal cutting equipment	137	123	11		3
4	Power equipment	65	14	17	8	26
5	Coating equipment	5		2	2	1
Machine park, total						



Lifting devices						
6	Bridge cranes	35	35			
7	Gantry cranes and gantry cranes	27	27			
8	Transporter carts (from 5 to 30tn)	12	12			
Other equipment						
10	Welding equipment	47	-	42	1	4
11	Ventilation equipment	100	97		1	2
	TOTAL					

The largest amount of equipment (547 units of the total fleet) has been in operation for more than 25 years. Including 362 units of machine tools (66%) are physically worn out. The average age of operation of this group exceeds 35 years. The major share of obsolete equipment is accounted for by forging and pressing equipment - presses, sheet benders and drawing machines of old type. Lathe and milling machines, drilling machines purchased in the years of the former USSR are also badly worn out.

In terms of equipment cost, the largest share (93%) falls on the machine park, among which the largest specific weight falls on technological equipment (62%), including equipment with the highest specific weight: Drawing lines model SO 180-S3-AT1 - 16,871 million soums, horizontal winding machines BFOP 2500 - 2 units for 14,502 million soums, cross cutting machine model BFCL-800 - 22,636 million soums, radiator production line for power transformers - 18,450 million soums, crushing plant model H30x25/4LM03/2x2000/BR - 5,654 million soums.

Also, 22% of the machine park of equipment falls on the equipment for coating, including: painting booth with paint drying furnace, powder coating line, coating line, coating-drying chamber, polymer powder coating equipment with total book value of 49,323 million soums.

The company's workshops are 6% equipped with modern, high-speed and high-precision equipment used at the main stages of the technological process: metal cutting lines, bending equipment, machining equipment that meet the highest requirements. However, along with this, equipment is also used that requires replacement due to its physical and moral deterioration.

For the normal functioning of the enterprise, as well as to reduce the cost of production and increase its competitiveness requires timely modernization of equipment.

The following section will present investments commensurate with the enterprise's capabilities required to replace physically and morally worn-out fixed assets, as well as to further modernize and increase production volumes as a source of covering the costs associated with capital expenditures.

2. INVESTMENTS.

In accordance with the regulations in force in Uzbekistan, the linear method of depreciation calculation is in force. With depreciation rates for equipment of 20% in 2024, the calculation of funds for depreciation should exceed 33.713 billion soums. It is planned to allocate the funds of depreciation charges for equipment renovation and overhaul of technological equipment with long service life.

In 2024, capital investments are planned for the purchase of main and auxiliary equipment, capital repairs of buildings and structures in the amount of 16,000 million soums

2.1 Investments for equipment purchase

Table 3

No	Name of equipment	Packs	Supplier or model	Purpose of purchase	Cost (approximate)



1	Machinery and equipment			Improvement of the production process	14,998.19 million soums
2	1C 8.3 software			Improvements to the accounting program	50 million soums
3	Computer equipment			Computerization of new workplaces and renewal of equipment	50 million soums
4	Overhaul of buildings and structures				901.81 million soums
	Total million soums				16 000,0

3. PRODUCTION PROGRAM

The production program is based on a preliminary order book, which includes production volumes for export and domestic market:

As part of the development of the Business Plan, the capacity of the production sites to produce this volume has been assessed.

Calculations show that the estimated production capacity in 2024 will reach 4.15 GVA at the end of the year, with 3.5 GVA of output projected for 2024.

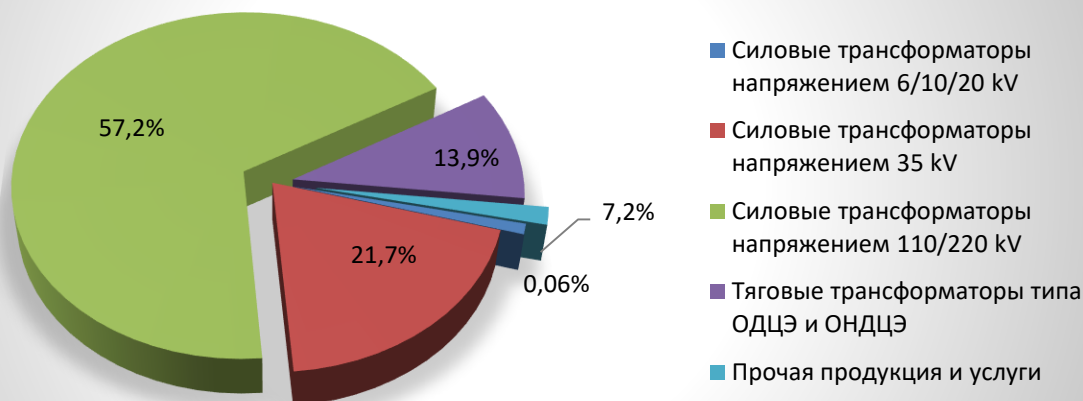
3.1 Output by nomenclature groups. Structure

Table 4

Product Name	Sales volume, million soums	Packs	Specific weight of products, %
6/10/20kV power transformers	397,82	2	0,06%
35kV power transformers	156 156,15	96	21,7%
Power transformers for 110 and 220 kV	412 150,42	68	57,2%
Traction transformers of ODCE and ONDCE types	99 863,26	174	13,9%
Other products and services	51 574,85	21	7,2%
Total volume	720 142,5	361	100%



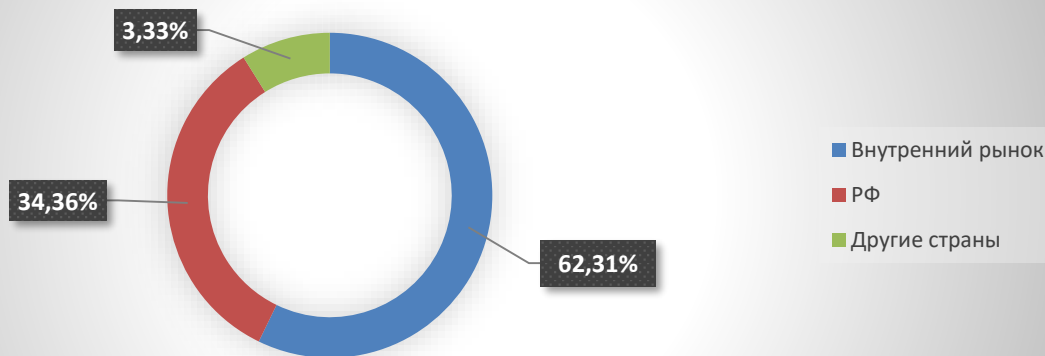
Production by nomenclature groups



4. MARKET AND MARKETING CONCEPT

The enterprise positions itself as the largest power transformer manufacturer in Uzbekistan. Having long-term experience and formed image the plant plans to take a worthy place in the external market in the segment of realization of power transformers of voltage class 6;10;35;110;220 kV.

The target sales audience continues to be domestic fuel and energy companies and fuel and energy, mining and railway enterprises of the Russian Federation.



The main partners of the products planned for production in 2024 are «Энергопартнер» LLC (Russia), «ВЛК» LLC (Russia), «Электробалт» (Russia), «Свердловэлшит» (Russia), «Цуп чэаз» (Russia), «Hududiy elektr tarmoqlari» JSC (Uzbekistan), «O`zbekiston milliy elektr tarmoqlari» JSC (Uzbekistan), «Узэлектроаппарат-Электроцит» JSC, «Toshelectroapparat» JV LLC, NGMK (Navoi Mining and Metallurgical Plant), AGMK (Almalik Mining and Metallurgical Plant) and others.

The key end customers in the Russian Federation will remain Russian Railways and Rosneft.

“Hududiy elektr tarmoqlari” JSC, “O`zbekiston milliy elektr tarmoqlari” JSC, «Узэлектроаппарат-Электроцит» JSC remain traditional partners in the domestic market, and work to intensify and strengthen relations with them will continue in 2024.

In the Business Plan it is planned that the amount of production stored in the finished goods warehouse during 2024 will remain at the same level. Thus, the volume of sales revenue will be equal to the volume of production and will amount to 720,142.5 million soums. Of these, the volume of products



for export is planned to be 292,419.54 million soums, which is 37.5% of the total proceeds from sales. The volume of receipt of foreign currency funds from export is planned in the amount of 23,208 million soums.

Forecast sales volume by order book for 2024

Table 5

Forecasted sales volume in 2024	including			
	1 quarter	Q2	Q3	Q4
sales, million soums	sales, mln. soums	sales, mln. soums	sales, mln. soums	sales, mln. soums
720 142,5	143 265,3	198 180,6	186 415,8	192 280,9

5. PERSONNEL PLAN

Selection of the Company's personnel is carried out on a competitive basis: preference is given to specialists with the appropriate level of education and extensive work experience. A system of personnel rotation has been put into practice, advanced training of production workers is carried out in a timely manner. The system of professional training, retraining and advanced training is continuous.

5.1 Information on the number and salaries of personnel for 2024

Table 6

Name of indicator	total for 2024	including			
		1 quarter	Q2	Q3	Q4
Total headcount	1248	1248	1248	1248	1 248
including:					
Management personnel	168	168	168	168	168
Specialists	123	123	123	123	123
Technical staff	67	67	67	67	67
Service personnel	80	80	80	80	80
Production personnel	810	810	810	810	810
including key production personnel	537	537	537	537	537
Labor remuneration fund, million soums					
Total payments	82005	18637	18637	20500	24231
including:					
Management personnel	18270	4152	4350	4785	4785
specialists	8925	2028	2028	2231	2638
technical staff	4200	955	955	1050	1240
Service personnel	3570	811	811	892	1056
Production personnel	47040	10691	10691	11760	13898

6. FINANCIAL PLAN

6.1 Financial condition of the Company for 2021-2023

Economic analysis is performed in order to develop the Company's development strategy, elaborate solutions for optimization of price parameters of products, optimal allocation of funds for advertising



campaign, targeted development of sales activity. Successful participation in tenders, including international ones.

The current financial condition of the Company is characterized by the data of financial analysis, which was carried out on the basis of the latest balance sheet reports on the results of business activities for 2021-2023.

Statement of Financial Position.

Table 7

№	Name of indicator	2021 (as of 01.01.2022)		2022 (as of 01.01.2023)		2023 (as of 01.01.2024)	
		million soums	%	million soums	%	million soums	%
I.	Total assets	770 164	100	766 452	100	855 656	100
1.	Non-current assets	205 977	27	159 676	21	154 719	18
2.	Current assets	564 187	73	606 776	79	700 937	82
II.	Total liabilities	770 164	100	766 452	100	855 656	100
1.	Sources of own funds	314 428	41	345 592	45	361 183	42
2.	Current liabilities	455 737	59	420 860	55	494 473	58

Statement of Financial Performance.

Table 8

№	Name of indicator	2021		2022		2023	
		million soums	%	million soums	%	million soums	%
1	Net proceeds from sales of products (goods, works and services)	464 441	130%	549 083	118%	619 764	113%
2	Cost of sales (goods, works and services)	415 726	139%	461 916	111%	500 415	108%
3	Gross profit (loss) from sales of products (goods, works and services)	48 714	84%	87 167	179%	119 349	137%
4	Expenses of the period	49 562	120%	65 573	129%	85 127	130%
5	Other operating income	6 113	429%	23 954	389%	5 529	0,23%
6	Profit (loss) from operating activities	5 266	29%	45 548	893%	39 752	0,87%
7	Income from financing activities	21 679	100%	118 794	548%	31 576	0,27%
8	Expenses from financing activities	17 742	56%	111 718	630%	54 208	0,49%
9	Profit (loss) before taxes (payments) from income	9 202	109%	52 623	588%	17 119	0,33%



10	Income tax and other mandatory payments from profits	7 022	257%	14 885	231 %	2705	0,18%
11	Net income (loss) for the reporting period	2 180	41%	37 739	17 ,4%	14 414	0,38%

The sales volume for 2023 is 619,764 million soums, with a growth rate of 113% by 2022.
 The volume of fulfillment of export parameters amounted to 29.04 million US dollars.
 Actual merchant production capacity at the end of 2023 was approximately 3,608 GVA.
 Labor productivity per employee amounted to 507.17 million soums.
 Net profit for 2023 amounted to 14,414 million soums

Key performance indicators

Table 9

№	Indicator	Norma	2020	2021	2022
1.	Fulfillment of net sales revenue forecast, million soums	2020 - 405752	357 680	464 441	549 083
		2021 - 530240			
		2022 -526800			
2.	Fulfillment of net profit (loss) forecast, million soums	2020 - 18,927	5 722	2 180	37 739
		2021 - 57,333			
		2022 -18,339			
3.	Return on assets	>0,05	0,02	0,03	0,07
4.	Coverage ratio (solvency)	>1,25	1,23	1,29	1,44
5.	Financial independence ratio	>1	0,75	0,8	0,82
6.	Export parameters fulfillment indicator, in % of the set task	100	164	138	217
7.	Absolute liquidity ratio	>0,2	0,02	0,013	0,103
8.	Loan debt turnover, day	<90	242	286	248
9.	Accounts receivable turnover, day	<90	161	313,7	135,9
10.	Depreciation rate of fixed assets	<0,5	0,38	0,4	0,34
11.	Labor productivity, million soums/person	-	273,66	341	417,8
12.	Fixed assets renewal ratio	-	0,33	0,33	0,09
13.	Funds yield	-	2,67	2,67	3,25
14.	Personnel training costs, per employee, million soums	-	0,15	0,15	0,18
15.	Staff turnover rate	>1	0,94	0,94	0,78
16.	Energy efficiency (share of energy costs in the product cost structure)	-	0,02	0,02	0,009

Note: parameters are calculated based on the annual balance sheet.

In 2023, the Company exceeded the export parameters, and due to the commissioning of new technological equipment, it has a good indicator of renewal of its own fixed assets.

At the same time, practically all indicators of the Company's financial stability show the presence of large financial risks, such as lack of profitability on assets and absolute liquidity, etc. The presence of overdue accounts receivable or accounts receivable by maturity leads to an unreasonable increase in



accounts payable. Presence of overdue accounts receivable or accounts receivable in terms of payment terms leads to unreasonable increase in accounts payable.

6.2 . Financial plan of the enterprise for 2024

The projected return on sales is set at 5.6% of net sales, taking into account the costs of social guarantees for personnel and social responsibility to them.

Financial economic indicators are discussed in Annexes 1-6.

In 2024, in order to increase labor productivity and rational use of production workers' working time, the approximate wages of the winding section of Shop 107 and the welding section of Shop 103 were analyzed. It is planned to switch from piece-rate labor payment to piece-premium labor payment for this section and gradual transition of other sections.

Mastering and introduction in production of transposed winding wires for manufacturing of transformers of 110; 220 kV voltage class with reduced dimensions and weight.

Taking into account the need for modernization and replacement of power transformers in the Republic, as well as the need for transformers for new facilities, it is necessary to optimize production processes and ensure stable output of products.

Within the framework of the ISO 9001:2015 quality management system in place at the enterprise, it is forecasted that during the year a list of priority suppliers will be approved with the conclusion of long-term contracts and the supply of materials and components will be synchronized with the production output.

For qualitative and timely accounting of nodal write-off of materials and parts in production it is planned to develop and implement software allowing to introduce daily accounting of material balances.

The planned activities will significantly increase production volumes, including labor productivity, and this in turn will improve the social status of the plant's employees, in particular, to increase wages.

7. Conclusion

Thus, the economic and social development of the Company as a whole is conditioned by the solution and realization of all the main tasks set out in this draft business plan for 2024.

The main risks in the implementation of this business plan are significant changes in the competitive environment, lack of own working capital, outflow of highly qualified specialists and consequent reduction of human resources, as well as possible changes in technical regulations.

There is also a catastrophic lack of funds for technological re-equipment with new and modern equipment for production shops and equipment for transformer testing.