

**Joint-stock company**

**“O’ZTRANSGAZ”**

**Joint-stock company**

**«ELEKTROGAZ»**

# **INVESTMENT OFFER**

**REALIZATION OF 15 % STOCKS OF  
JSC «ELEKTROGAZ»  
TO FOREIGN INVESTORS**

**Tashkent – 2016**

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## **I. Summary of joint-stock company**

### **1.1. General information**

1. Business name: The Joint-stock company «ELEKTROGAZ», according to state registration certificate of legal person dated 22.10.2014 № 06-000115.

Postal and legal address of the company: 100154, Uzbekistan, Tashkent, Proektnaya Street, Sergely district, south industrial zone.

2. Subordination of the company, higher-level agency: The Joint-stock company «O'ztransgaz».

3. Core business: construction-and-assembling, commissioning and start-up, repair works, routine maintenance on modernization and technical reequipment of electro objects for gas industry of the Republic of Uzbekistan

4. Asset profile as of 01.01.2016:

- JSC «O'ztransgaz» share – 26%;
- Subsidiary enterprise «Urgenchtransgaz» – 25%;
- JSC «FOYKON» - 10%;
- LLC «TARIF ELEKTR QURILISH» - 10%
- staff and other physical bodies – 29%.

According to the Resolution of the President of the Republic of Uzbekistan dated December 21, 2015 № 2454 «On additional measures on foreign investors' attraction into joint-stock companies» the 15% realization of additional stocks issue of JSC «ELEKTROGAZ» is specified to foreign investor.

#### **5. Bank Details:**

ID 200799242, OKOHX 61124

Local currency account 20210000200102226001

Sergely Joint-stock bank «InFinBank»

IBAN code/Bank Code: 01070

#### **6. Names, telephones, fax of the company administration:**

Chairman of the board – B.O. Orzikulov.

Chief engineer – Cacko B.M.

Chief accountant – Klishina L.I.

tel: (+99 871) 258-92-01, 257-58-07, 257-70-15, fax: (+99 871) 258-92-01;

web site: elektrogaz.uz

Health staff maintenance is provided in existing health units, located at the production area of the company.

Public staff catering is provided in existing canteen and as well as personnel facilities where rooms for eating are provided.

## **1.2. Goals and tasks**

According to the Resolution of the President of the Republic of Uzbekistan dated December 21, 2015 № 2454 «On additional measures on foreign investors' attraction into joint-stock companies».

### **1.3. Expedience verification of business development**

The company strengthens its competitive advantages by service scope expansion and new services introduction.

The company aims at full and timely discharging of obligations on concluded contracts that it proves about positive evaluation of organization activity, position in oil-gas industry. This evaluation assists to financial capacity development and trusting growth to the company among «Customers».

### **1.4. Financing requirement**

Requirement for additional financial resources attraction consists in necessity of production expenditures development for the following main goals:

- development and introduction of new technologies and equipment;
- increasing of works and services providing;
- procurement of special technology;
- procurement of office equipment for tasks implementation, specified by the Resolution of the President of the Republic of Uzbekistan № 2158 «About measures on further introduction information and communication technologies in real economy sectorB».

### **1.5. Realizable share of industry to investor**

JSC «ELEKTROGAZ» organized as joint-stock company. As of today the authorized fund of the company is 595 566 400 sum.

Authorized fund of the company is divided into 572 660 stocks nominal value of 1040 sum.

№	Name of stockholder	Share of stockholder	
		(thousands sum)	(%)
1	JSC «O`ztransgaz»	154 835,2	26
2	Subsidiary enterprise «Urgenchtransgaz»	148896,8	25
3	JSC «FOYKON»	59 560,8	10
4	LLC «TARIF ELEKTR QURILISH»	59 560,8	10
5	Labour collective and other physical bodies	172 712,80	29
	<b>TOTAL</b>	<b>595 566,4</b>	<b>100%</b>

According to the Resolution of the President of the Republic of Uzbekistan dated December 21, 2015 № 2454 «On additional measures on foreign investors' attraction into joint-stock companies» the 15% realization of additional stocks issue of JSC «ELEKTROGAZ» is specified to foreign investor.

Total volume of stocks is subject to realization to foreign investor in amount of 101 060 (15%) stocks by estimated value is 598 275 USD.

#### **1.6. Summary of the marketing plan**

Under conditions of improvement of competition as well as mastering of new segments is required implementation of an active marketing development strategy. Marketing strategy of the company is considered taking into account expected changes on services market and is geared to strengthen of company position in services market, competitive recovery on bill of quantities, services net expansion and quality improvement, personnel recruitment of the company with professionals and young specialists.

- Main tasks of marketing strategy of the company are directed in providing of profitable work in frequently changing conditions, in competitiveness of the company for the purpose of safeguarding interests of Customers, public image maintaining, maximal customer's satisfaction on volume, structure and quality of services that creates conditions for business relations stability.

- In addition the company has already set a task on competitive recovery which is supposed advertising activity enhancement, creation of additional rendering services units, introduction of the new information technologies.

- Realization of set tasks estimates as quiet real, in view of sufficient support from the shareholders and relative high profitability of the company.

## **1.7. Forecast of the main financial performance**

### **Forecast of yield income and profit for 2015 – 2020.**

Taking into account the growth trend of construction-assembly works and services over the last 5 years and taking into account set strategic objectives before the company, total volume of income is forecasted in 2020 at the rate of 10 710 million sum or for 1,2 % more than in 2015, total volume of income is forecasted in 2020 at the rate of 464,0 million sum or for 1,5% more than in 2015.

Forecast of investments and incomes for 2015-2020.

Volume of investments of the company in 2020 will be 1 599, 4 million sum.

Average annual income to committed facilities for the period 2015-2020 will be 31, 9 %.

Further development and activization of investment activity of the company

Realization of this trend will bring into action by means of:

- use of funds from stocks realization of the company of new issue in financial large and credible domestic banks;
- increasing volume of works and services;
- strengthening of monitoring and activity analysis of Customers, for whom the company performs works and services.

### **Forecast of clear profit for 2015-2020.**

It is forecasted that clear profit 2015-2020 will increase in 1,5 (half as much again) and increase from 309 million sum in 2015 till 464 million sum in 2020.

## **1.8. Main project advantages and risks**

Taking into account the positive perspectives of company development the main advantages for the strategic investors of the company are:

- Availability of the corporate governance system, making possible the maximum transparency of the company activity and adequately assess risks;
- Availability at the company of production areas, through the company is in fact represented in all regions of the republic;
- Historical company strategic base;
- Financial stability and paying capacity of the company are guaranteed by the essential requirements of the regulating authority, incurs of availability of high rating and by high emitters category;
- Sound liquidity of stocks enables for the stockholder freely manage by them and drop out of the company of oneself;
- Just reputation and formed image of the company among the clients and Customers.

In addition the main project risks factors, in the opinion of the company are the following:

- ✓Corporative risks;
- ✓Risks of termination of licenses;
- ✓Risks regarding to changing of works volumes and services cost;
- ✓Risks specified by inflation;
- ✓Social risks;
- ✓Liquidity risks.

To minimize and decrease the impacts of above mentioned risks, the strategic and tactical decisions are developed in the company excluding creation of risks situations.

## **1.9. Main aspects of project investment appeal**

To main aspects defining investment appeal of potential investors participation in capital of JSC «ELEKTROGAZ», can refer:

- as one of the leading building company JSC «O`ztransgaz»;
- long-term sustainable growth of the main performance indicators of the company;
- availability of reputation of stable and responsible partner for the most of the large individual customers;
  - legal organizational form of the company, providing the exposure and transparency for investors and stockholders;
  - authority and high business reputation of the main stockholders of the company, such as Joint stock company «O`ztransgaz»;
  - availability of formed authorized fund JSC «ELEKTROGAZ» in 595 566 thousand sum.
- implementation of the policy by the company, in priority order, directed in regional network extension and range of its activity;
  - level of financial stability and paying capacity of the company for the last 4 years remains above specified value in 1,4 times;

## **2. Joint-stock description**

JSC «ELEKTROGAZ» has been operating since 1979; since 1984 – organization department composed of Joint Stock Company «O`ztransgaz» is the leading specialized enterprise of gas industry of Uzbekistan in assembling, commissioning and start-up, maintenance and services of electrical equipment, construction and repair of electric power line, range of works performance on cathodic protection of underground and above ground structures.

Thirty years old experience of JSC «ELEKTROGAZ» activity in the gas industry system of Uzbekistan, high mobility, continuous development of production bases, successful development of new technologies, high qualification of administrative staff and technical staff – main component elements of stable operation of our joint-stock company allows looking forward for sure.

Specialists of JSC «ELEKTROGAZ» participated in assembling and commissioning and start-up of electrical equipment on many unique in scale and meaning vapor-transport system in the territory of the Republic of Uzbekistan.



More than 200 technical and engineering employees of different qualifications, who have high professional skills, work in our enterprise.

Production area of JSC «ELEKTROGAZ» has been equipped with modern home and imported equipment, instrumentation pool. Our specialists can solve the most difficult technical tasks, quickly master of new technologies and operating procedures that allow implementing assuming obligations under a treaty at the stated time и с permanently high quality.

Specialists of the company retrain in assembling, investigation, exploitation and service maintenance of electrical equipment at the relevant training centers of Uzbekistan. Curriculums and programs of the centers were developed taking into account the requirements of International standards. Training is based on using of training modules in assembling, investigation, exploitation area, warranty and post-warranty service as well as service maintenance of electrical equipment.

The main task of JSC «ELEKTROGAZ» is assembling, maintenance, commissioning and start-up, routine maintenance, precautionary maintenance and service maintenance of electrical equipment as well as range of works on electrometric pipelines survey, cathodic protection of underground and above-ground structures.

Solving of this task provides power supply without failures of gas production, vapor-transport and gas-processing enterprises, proper functioning of the Unified gas supply system of the Republic of Uzbekistan.

Sphere of activity of our enterprise covers the following work items:

- assembling, commissioning and start-up, general maintenance of electrical equipment in gas production, transport and gas processing objects, including assembling and commissioning and start-up in cells and electric power substations with voltage 110кV;

- technical equipment diagnostics voltage 6-110кV;
- routine maintenance and repair works on electrical equipment;
- general maintenance of electrical equipment, transformers;
- construction of power supply line, cathodic protection facilities of gas pipe lines and other communications;
- integrated electrometric survey of pipelines;
- maintenance and rewind of electric motor to 100kW;
- implementation of design and estimate documentation.

To implement above mentioned works JSC «ELEKTROGAZ» has necessary licenses.

JSC «ELEKTROGAZ» includes several production areas. They locate in the regions of Uzbekistan where the main objects of gas industry of the republic are focused – Mubarek, Shurtan, Gazly and others in the territories of Bukhara, Samarkand, Fergana, Andijan regions.

Regional principle of production areas location allows implementing works in the objects of our customers – JSC «Uztransgaz», LLC «Mubarekoilgas», LLC «Mubarek gas processing plant», LLC «Shurtanoilgas», subsidiary enterprise «Gaslineftegazkazibchikarish», JSC «Bukharaneftegazparmalash», JSC «KashpI», LLC «NEFTGAZMONTAJ», as well as different geological exploration crews – in optimal terms and by means of less expenditures.

To main achievements which our staff can be proud for the years of its activity are the following:

- development of cost estimating documents and introduction into the industry of mobile and stationary block transformer substations with voltage 110/35/6кW, power 25x2 MBA, 16x2 MBA, 10x2 MBA, 6,3x2 MBA;

- assembling of electric power substations 35/6, 6/04, indoor switchgear-6кW, switchgear - 0.4кW, commissioning and start-up service maintenance of equipment in place;

- commissioning and start-up in compressor stations to 10 mW.

During the last twenty years within the framework of reforming and modernization of the company the purposeful work was conducted which is caracherised by the following main steps:

First, the new methodological base was developed, maked amendments in and additions into internal and founding documents, the new statutes were developed regulating labour relationships directed in increasing of personal responsibility of staff and работников and strenghten of economy discipline. The inventory of all working regulations and optimization of its conditions has been conducted.

Secondly, the personnel development pogram was conducted, beginning from top management and finishing at the average executive level to know modern work methods, market mechanism to satisfy Customer requirements.

Thirdly, the investment work on principle new level was organised, directed in effective use of available resources.

The fourth, the operation on work quality development was organised to provide the financial stability and paying capacity of the company.

## 2.1. Information about stockholders of the company

№	Name of the stockholder	Share of the stockholder	
		(thousand sum)	( %)
1	JSC «O`ztransgaz»	154 835,2	26
2	Subsidiary enterprise «Urgenchtransgaz»	148896,8	25
3	JSC «FOYKON»	59 560,8	10
4	LLC «TARIF ELEKTR QURILISH»	59 560,8	10
5	Labour collective and other physical bodies	172 712,8	29
	<b>TOTAL</b>	<b>595 566,4</b>	<b>100%</b>

## 2.2. . Legal organizational structure

- Organizational structure of JSC «ELEKTROGAZ» specified in annex.

### Management:

-Management structure of JSC «ELEKTROGAZ»:

Chairman of the board: Orzikulov Begmamat Otakulovich

tel: 0 (371) 258 92 01

Chief engineer: Cacko Vladimir Mihailovich

tel: 0 (371) 257 58 07

### Human resources

-Number of specialists breakdown by categories;

- Salary level breakdown by categories.

**Number of specialists for 2015  
breakdown by categories**

№	Personnel category	Accountable strength
1.	Executive staff	5
2.	Operational personnel - managers	11
3.	Operational personnel - labors	149
4.	Specialists	33
5.	Technical staff	42
6.	Service personnel	19
	<b>Total</b>	<b>259</b>

Average salary for 2015 was 980 216 sum including for December 2015 was 1 033 191 sum.

**Salary level by categories for 2015**

№	Personnel category	Average salary for 2015 (sum)	Average salary for December 2015 (sum)
1.	Executive staff	2 213 514	1 704 692
2.	Operational personnel - managers	1 275 783	1 836 677
3.	Operational personnel - labors	951 418	1 037 622
4.	Specialists	1 303 331	1 420 837
5.	Technical staff	832 829	876 076
6.	Service personnel	444 005	469 478
	<b>Total</b>	<b>980 216</b>	<b>1 033 191</b>

### 2.3. Main financial performance for 2011 – 2015

(in million sum)

Performance name	2011	2012	2013	2014	2015
Net profit from sales of goods	8 678	8 020	6 872	8 356	8 279
Cost of sales	6 946	6 480	5 239	6 500	6 396
Gross profit	1 731	1 540	1 633	1 856	1 883
Other expenditures total	966	880	921	1 120	1 541
Other operating income	-	16	7	22	-
Income from operations	485	363	392	395	342
Income from financial operations	0,2	0,2	0,2	0,2	-
Expenditures from financial operations	0,2	-	-	-	-
Profit from general economy activity	485	363	393	395	342
Clear profit	376	291	313	321	285
Actual personnel (person)	278	273	246	251	265

-amount of clear profit in 2015 was 285 million sum. Thus the stable profitability providing of the company is continued with the annual payment of dividends;

-the new methodical and methodological base of the company operation which is relevant to market competition was formed, managing principles of adequate financial stability level were introduced on the basis of dynamic growth of authorized fund.

- continuous growth of number of company's units to carry out the activity in the all regions of the republic.

## 2.4. Financial situation performances of the enterprise

<b>Performance name</b>	<b>accepted value</b>	<b>for 01.01.14</b>	<b>for 01.01.15</b>	<b>Conclusions to performances</b>
1. Current ratio (payable)	Current ratio > 1,25	1,97	2,03	The company able to pay
2. Utilization factor own operating assets	Utilization factor own operating assets > 0,2	0,49	0,57	The company has own operating assets
3. Return on expenditures revenue	Return on expenditures revenue > 0,05	0,09	0,08	Return on expenditures revenue within normative and stable
4. Return on assets	Return on assets > 0 ,05	0,06	0,06	Return on revenue within normative, paying enterprise
5. Coefficient of concordance of own funds and borrowing costs	Coefficient of concordance of own funds and borrowing costs > 1	0,97	1,09	High financial risk
6. Coefficient of waste	Coefficient of waste < 0,5	0,75	0,78	Waste of permanent assets within the rate

### CALCULATION OF PROFITABILITY PERFORMANCE

<b>Performance</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Profitability of the main activity	14,71	12,63	14,65	12,99	12,85
Total profitability level	9,43	7,89	9,94	8,06	9,1
Return on assets	0,10	0,09	0,08	0,07	0,07
Profits margin	4,33	3,62	4,56	3,85	3,96

Name of items	beginning of the year		end of the year	
	thousand sum	%	thousand sum	%
<b>ASSETS</b>				
<b>I. Capital asset</b>	<b>1 163 947</b>	<b>16,9</b>	<b>887 895</b>	<b>13,2</b>
1.1 Permanent assets and intangible assets	1 163 595	16,9	887 543	13,2
31,91.2 Other non-current assets	352	-	352	-
<b>II. Current assets</b>	<b>5 720 899</b>	<b>83,1</b>	<b>5 835 515</b>	<b>86,8</b>
2.1 Resources	2 299 911	33,4	1 963 747	29,2
2.2 Debts receivable	3 166 599	45,9	3 624 344	53,9
2.3 Short-term investments	-	-	-	-
2.4 Cash assets	254 389	3,8	65 855	1
2.5 Other current assets			181 569	2,7
<i>Total section II</i>				
<b>BALANCE</b>	<b>6 884 846</b>	<b>100</b>	<b>6 723 410</b>	<b>100</b>
<b>LIABILITIES</b>				
<b>IV. Capital and reserves</b>	<b>3 986 892</b>	<b>57,9</b>	<b>4 140 667</b>	<b>61,6</b>
4.1 Authorized fund	595 566	8,6	595 566	8,9
4.2 Additional reserve fund	2 275 238	33,0	2 281 177	33,9
4.3 Special-purpose receipts	-	-	-	-
4.4. Undistributed profits	1 116 088	16,3	1 263 924	18,8
<b>V. Long term liabilities</b>				
<b>VI. Short-term liabilities</b>	<b>2 897 954</b>	<b>42,1</b>	<b>2 582 743</b>	<b>38,4</b>
6.1 Borrowing costs				
6.2 Creditor indebtedness	2 897 954	42,1	2 582 743	38,4
<b>Total of borrowing costs</b>				
<b>BALANCE</b>	<b>6 884 846</b>	<b>100</b>	<b>6 723 410</b>	<b>100</b>

### 3. Organization of production

#### 3.1. Technologies

Name of item	Number of equipment pieces.	deterioration of equipment 50%	deterioration of equipment 80%	deterioration of equipment 100%
Cars and equipment	282	619 676	61 499	996 037
Transport means	69	113 701	223 730	1 299 899

#### 3.2. Business assets, capacity, infrastructure

Capacity of the company: joint stock company has 5 production areas located practically in all regions of the republic, metal fabrication plant to build power supply line.

#### 3.3. Necessity of vehicle establishment modernization

- purchase out of profits from fund of technical modernization of construction technology and special equipped vehicle for laboratory.

№	Name	Item	Number	Cost (million sum)
1	Bus ISUZU	piece.	1	200,0
2	KAMAZ – ETL -35	piece.	2	1000,0
3.	KAMAZ -4118 KS - 4574	piece.	2	800,0
4.	KAMA3 - Yamobur	piece.	2	800,0
5.	UAZ – cargo-and-passenger	piece.	2	180
6.	Diesel weld HYUNDAI	piece.	1	62,7
7.	Small truck JAC	piece.	1	14,0
	<b>Total</b>		<b>11</b>	<b>3 056</b>

#### 3.4. Raw material base

- concrete poles SB – 110x3,5;
- anodic earth lead (Russia);
- cable AC-35, A-50, AC-70;



- structural materials Foundation enterprise «Transgastechnicbutlash»;
- roller bit (Russia);
- cable production;
- insulators;
- metal structure.

### **3.5. Enterprise impact on environment**

According to developed and agreed project requirements of maximum allowable discharge with the maximum allowable discharge Ministry of Ecology of the Republic of Uzbekistan.

Increasing of established quota for disposable ingredients are not providing during the strong control of technological processes.

## **4. Description of works and services**

### **4.1. Name of Production**

The company suggests the following main services and works for customers (clients):

JSC «ELEKTROGAZ» conducts the construction-assembly works, commissioning and start-up, maintenance and repair works and service maintenance of electrical equipment including construction-assembly works and commissioning and start-up in cells;

- technical diagnosis of equipment voltage 6-110кW;
- routine and repair maintenance of electrical equipment
- general maintenance of electrical equipment and transformers;
- power supply line construction, cathodic protection of gas pipe lines and other communications;
- complex electrometric investigation of pipe lines;
- repair and rewind of electrical motors voltage to 100кW;
- implementation of design and estimate documentation.

### **4.2. Appropriation and range of use**

Construction-assembly works are close connected with all industries of national economy especially with industry. From the one side the increasing of construction-assembly works volumes depends on industry development, which provides it with all necessary tools (cars, materials, constructions, power supply and other). From the other side implementing for many industries of national economy the construction-assembly works on the basis of construction contracts, building organizations are closely

connected with the activity of customers. The industries of the national economy regard to construction as suppliers as customer of construction production.

#### **4.3. Main characteristic**

JSC «ELEKTROGAZ» consists of the following production areas:

- area № 1 МГПЗ Mubarek;
- area № 2 Bukhara, Gazli;
- area № 3 Mubarek;
- area № 4 Shurtan;
- area № 5 Aktash;
- area № 6 УПТОиК Tashkent.

#### **Goals and activity of the company**

The main aim of the company to join economic interests, intellectual capacity, material and non material resources, staff and financial resources of its stockholders to carry out the economic activity directed in receiving of profit conducting the construction-assembly works including completion materials production for its need.

The main directions of the activity are:

carrying out of construction-assembly works, commissioning and start-up maintenance and repair works in internal market;

carrying out the technical and technological production modernization of joint stock company

#### **4.4. Distinctive features, customers' advantage**

The main features characterizing the services quality provided by JSC «ELEKTROGAZ» are the following:

-High professional level of key specialists of the company as in the part of contract execution and concluding of agreements with Customers;

-Quality of performances in short terms

#### **4.5. Availability and necessity of licensing**

JSC «ELEKTROGAZ» has the following licenses:

License № 001129 dated 03.07.2012 to carry out the activity in construction and exploitation of high risks objects and possible dangerous productions issued by the Cabinet of Ministers of the Republic of Uzbekistan;

(Copy of license is enclosed)

Certificate of authority № 03/16-0885 dated 05.06.2015 in exploitation of technical tools during construction of dangerous production objects, on construction of power supply lines to 110 kW in the objects «Uzbekgasoil» under supervisory «Sanoatgeokontexnazorat» issued **выдано** by State inspection on geological survey recourse control with secure implementation of works in industry, mining and public industries sector in the Cabinet of Ministers of the Republic of Uzbekistan «Sanoatgeokontexnazorat»

(Copy of license is enclosed)

#### **4.6. Degree of finishing to production output and realization**

JSC «ELEKTROGAZ» is the fully operational company, including all legal, human resources, material and technical, technological and methodological components for full implementation of works and services.

Within the Governance structure of the company the customer (clients) group is functioned which if it is necessary can redesign the work of the company in new objects in short terms.

#### **4.7 Necessity and capacity of production modernization (works/services)**

The modernization capacity of production is applied to works and services only in review part of agreement conditions of works and services in accordance to customers (clients) excluding such works and services agreements the conditions of which are established by law.

In specific cases the review of work and services agreement conditions is required to make amendments in earlier consigned in regulating authority standard procedures of works and services on its confirmation.

#### **4.8. Warranty and service**

JSC «ELEKTROGAZ» guarantees to its Customers (clients) to provide works and services according to law requirements and agreement conditions.

Satisfying requirements of payable capacity established by law, is carried out by means of supporting of relevant standards within the framework of established parameters, and this information is provided quarterly in the regulating authority

### **5. Market review**

#### **5.1. General analysis of work and services market**

The main Customer of JSC AO«ELEKTROGAZ» is JSC «O`ztransgaz». As a rule the customer determines the amount necessary to carry out the general maintenance or power supply line construction by itself, in its turn the project institute builds up the budget, determine the work volume, and calculates necessary materials, cars and mechanisms for maintenance and construction.

From the side of customers it is necessary timely providing of the confirmed projects and budgets where the project strategy is clearly determined, its economical efficiency and step funding for timely purchase of construction materials, equipment, salary for workers, and reimbursement of expenses of the contracting organization. And with implementation of already concluded agreements for 2016 for construction and general maintenance of major pipelines for the enterprises industry we are seeking for opportunities of works and services performance to customers of the organizations.

## **5.2. Market segmentation, analysis of market capacity, saturation and dynamics of market segment**

Further development of works and services providing in the construction area firstly is connected with volume services decreasing to domestic and foreign enterprises by means of introduction of new technology and technologies, service infrastructure expansion, including decreasing number of specialists and i.e. as well as public awareness efforts in all regions of the country, for the purpose of popularization of benefits of priding works and services.

## **5.3. Competitive environment analysis**

JSC «ELEKTROGAZ» implements construction-assembly works, commissioning and start-up, maintenance and repair works and service maintenance of electrical equipment, complex electrometrical maintenance of pipe lines construction and general maintenance of cathodic protection of pipe lines generally for JSC «O`ztransgaz».

## **5.4. Strategy of marketing and works and services sales**

The main regulation of works and services sales traditionally is own advertising review. In spite of introduction into JSC «ELEKTROGAZ» web site, realization through the new channels remains very insignificant.

The realization of the main works and services volume is provided through the corporate bodies.

Under conditions of improvement of competition supporting of strong position JSC «ELEKTROGAZ» in the market as well as the investigation of new segments is required carrying out the active marketing development strategy. Marketing strategy of the company is analyzed with expected changes in the market of services and orients on strengthen the position of the company in the services market, increasing competitive ability on budgets and rates, development of units and improvement of the quality of rendering services, recruitment of the company with professionals and young specialists.

-The main tasks of marketing strategy of the company are directed in providing the profitable work in regularly changing conditions, competitiveness of the company for the purpose of keep interests of Customers, supporting of public image, on maximum satisfaction of requirements of Customers (clients) on volume, structure and quantity of services that makes the conditions to stability of business relations.

### 5.5. Marketing analysis of company strengths and weaknesses

In the earlier years during buildings construction our company has oriented in central funding, objects, which were included in address building program.

The increasing of installation of gas service of settlements, building construction, general maintenance of gas pipe-lines is planning for 2016. From the customers' side is necessary timely providing of confirmed projects and budgets where the project strategy is specified, its economic efficiency and step financing to timely purchase construction materials, equipment, salary staff and reimbursement of the other production expenses of contracting organization.

Together with implementation of already concluded agreements for 2016 for construction and general maintenance of major pipelines, the company is seeking for the opportunities to conclude agreements on direct contracts for customers not including in holding system.

<b>Competitive advantages</b>	<b>Competitive disadvantages</b>
Availability of production area in all regions of the republic	Average material and technical base in production areas of the company
Availability of qualified staff in key positions in headquarters and regional units	Deficit of qualified staff, high flow of staff in the regional units.
Наличие опыта по осуществлению всех оказываемых видов работ и услуг	Deficit of enough experience in carrying out the work and services in the international market
Shareholding structure of the company and supporting from them	Limited during operational solving of the matters connected with changing of company structure
High production capacity, financial stability and reliability	Decreasing liquidity of investments of the company
Universality	
Available of the customers group (having long term partner relationships with the company )	
Wide introduction of modern information communicative technologies in the company activity	
<b>Opportunities</b>	<b>Threats</b>
Increasing income level of staff and the company	Strengthen inflation processes (price increase on the main materials )
Growth of demand on services in view of expected crediting activization to purchase vehicles	Loss of clients due to unfair competition

## **6. Financial plan**

### **6.1. Offers used during construction of financial model**

During construction of the financial model the range of performances and factors were used, having an effect on final result, on the basis of market condition, expected demand, supposed cost of rendering services, achieved arrangements with key Customers (clients), planning marketing measures and i.e.

The groups of performances are the following:

- human recourses (need for staff, salary expenses, operation mode);
- financial (need for financing, sources and conditions of investments attraction);
- tax (tax rate must be payed in budgets of all levels);
- marketing (cost of agreements and changing prices forecast);
- investments (purchasing equipment, purchase of techniques, capital expenses for buildings construction) and others.

Operational expenses connected with economic activity of the company are taking into account including the expenses on amortization and taxes. The operational expenses are the following:

- variable (services of other organizations);
- general expenses (salary, expenses on equipment and building maintenance and other regular expenses);
- commercial connected with realization and development of services insurance;
- administrative.

The sources of investment attractions took into attention, volumes and periods of funds attraction and paying back.

The calculation of the operational profit of the company, before income tax, income tax and clear profit is carrying out.

The information about the company has been analyzed in relevant period, in section of profitability of operational activity, financial and material position of the company.

### **6.2. Structure of financing of the company**

Total of own funds and income from outside are in company's disposal and mean to discharge of financial engagements, financing of current expenditures is the financial recourses of the company.

Availability of financial resources in the right amount as well as its efficiency managing is supposed the financial well being of the company, financial stability, payable capacity, balance liquidity. The main source of financing is own funds. Own funds of the company form (profit, at company's disposal, amortization charges).

External sources (these are additional funds into authorized fund, additional emission and stocks realization, other external sources of forming of own financial resources).

Profit is the main source of funds of dynamically development company.

At the balance are the following:

- 1) in real type — as retained income;
- 2) in veiled type — as reserve fund formed out of profits

The amount of profit depends on many factors and one of the main is balance income and expenditures.

Profit is the main source of forming of reserve capital (fund), which is to reimbursement of contingent loss and possible loss from economical activity. The order of forming of reserve capital is specified in regulatory documents which regulate the activity of the company as well as its statutory documents.

### Forecast of incomes and expenditures

JSC «ELEKTROGAZ» for 2016-2020

million sum

№	Name of expenditures	Forecast				
		2016	2017	2018	2019	2020
<b>1</b>	<b>TOTAL INCOME:</b>	8550	8807	9071	9343	9623
	<b>including: construction-assembly work</b>					
	construction-assembly works	<b>8550</b>	<b>8807</b>	<b>9071</b>	<b>9343</b>	<b>9623</b>
<b>2</b>	<b>TOTAL EXPENDITURES:</b>	<b>8150</b>	<b>8377</b>	<b>8611</b>	<b>8853</b>	<b>9113</b>
	<b>including:</b>					
<b>2.1.</b>	<b>Production cost</b>	<b>6560</b>	<b>6710</b>	<b>6901</b>	<b>7100</b>	<b>7300</b>
<b>2.2.</b>	<b>Expenditures of the period</b>	<b>1590</b>	<b>1667</b>	<b>1710</b>	<b>1753</b>	<b>1813</b>
2.2.1.	Maintenance cost AVII	346	367	410	425	450
2.2.2.	Other operational expenditures	1244	1300	1300	1328	1363
<b>3</b>	<b>Balance profit</b>	<b>400</b>	<b>430</b>	<b>460</b>	<b>490</b>	<b>510</b>
<b>4</b>	<b>Clear profit</b>	<b>325</b>	<b>355</b>	<b>382</b>	<b>412</b>	<b>430</b>

### 6.3. Results of project financial model

#### Results of project financial model

Planned profit amount of the company can be corrected if:

- increasing of amount of work completed;
- saving of payments level;

-cost reduction

Provided performances are the actual as of the date of rendering. Possibility of relevance of received result by the company forecasting parameters will be depend on possible, market condition and changes in the market in applicable legislation, thus established by the company aims of development and efficiency are modified. Actual development of the company will follows to planned parameters.

#### **6.4. Analysis of project investment appeal**

For the last period the policy directed to develop of the regional network is considered as priority direction of the company activity. From the moment of its forming the company actively has been participating in organizing of developed service market in the country and regularly expanding the scale of its activity.

Achieved performances provide the financial stability and payable capacity of the company at high level. Thus for the last 4 years the payable capacity of the company is above than established by the State inspection of the Republic of Uzbekistan standard in 1,5 - 2 times and has positive growth dynamic. This is the guarantee of implementing by the company taking the requirements before customers, partners and stockholders. As well as performance bond of the company before partners serves the guarantee reserves, forming from received profit. The dynamical improvement of operational performances of the activity and ramified units, in forward positions to provide works and services. Finally this evaluation enables to expand the financial opportunities and trust growth to the company among the clients.

According to planning business plan for 2016-2020 performance expectations of profitability of authorized fund, profitability of assets and earnings per share are the following:

<b>Performance name</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Profitability of authorized fund	0,5	0,6	0,6	0,7	0,7
Earnings per share (sum)	220	230	250	270	270

#### **6.5. Sensitivity analysis and scenario analysis**

During business planning the sensitivity analysis is conducted i.e. the impact of changing of initial parameters in its final result is evaluated.

The technology of sensitivity analysis implementation conducts in changing selected parameters in the sensitivity analysis within certain limits sensitivity analysis upon condition that the other parameters stay without changing. This type of analysis allows determining the most critical variables which extremely can impact in implementation and efficiency of business plan.

As varied initial variables are the following:

- yield income volume;
- expenditures;
- operational expenditures and its components;
- level of inflation;



-specific of creation of reserves and others.

As a resultant performance the following:

1. Effectiveness performance

- margin of profit

- pay-back period

- investment profitability

2. Annual performance

- balance profit

- clear profit

-balance accure genuine money.

Absolute sensitivity analysis allowed defining number deviation of resulting performances during the changing of original variable.

Scenario analysis of project development allowed evaluating the influence on business plan of possible simultaneous changing of some variables through the possibility of each scenario

## **7. Main risks analysis**

### **7.1. Main risks characteristics**

#### **✓Corporate risks**

This category of risks is connected with possible deterioration of financial situation of the company as a result of negative changes which can be occurred as a result of its activity as well as in affined with it structures. The company has all opportunities of direct impact on possibility of occurrence of these negative changes as well as maximum decreasing the possible negative impact in its financial situation as a result of these changes.

#### **✓Risks of termination of licenses**

As of today the company has the license to carry out its activity. Licenses are without fixed terms. Carrying out the activity in accordance to license without violation of license norms and rules, timely providing the reports into relevant authorities allows the company to minimize of these risks.

#### **✓Risks connected with changing of market volume and services cost.**

This risk is generating by the results of operational activity of the company, determining the decreasing of the level and amount of its profit. The reasons of such risks appearance can be the following: capacity decreasing of provided services, falling of demand on its works and services, income decreasing of the company as incomes in conditions of completion increasing and range of other similar factors. In consequence of income decreasing of the company and relevant deterioration of its financial situation can be threat decreasing of dividend payments on equity issues. These risks of the company are evaluated as soft.

#### **✓Risks are determined by inflation, loss of value and bank interest rates**

The activity of the company is incurred to inflation risks as the company put the available funds at the bank clearing account.

## **7.2. Risks incidence analysis on economic effectiveness for various project participants and variants of specified risks minimization**

To minimize and decrease of impact of above mentioned risks the tactic decisions are developed by the company, excluding occurrence of the risk situations. Decision on particular risk refusal can be accepted as at the stage of decision preparedness and by means of refuse from the activity where the company hasn't already participated, if the actual risk is higher than of supposed risk. As well as to minimize risks the special attention is paying to the following methods:

1. Assumption of risk is a management decision to take some risk level (available and planning), not making arrangements for its decreasing, usually by technical and value reasons. In the case of assumption of risk it is necessary to take into account possible loss : - constant loss, which can be easily forecasted; - possible loss caused by singular and static risks. As a rule, such risks are connected with significant loss.

The feature is in that they don't yield to static evaluation.

2. Decreasing of possible loss which is achieved by means of development of loss accuracy prediction on the one side and on the other side by means of fuller use of available knowledge in this area.

## **7.3. Conclusions and recommendations**

Taking into account the positive perspectives of company development the main advantages for the strategic investors of the company are:

- Availability of the government share in authorized fund
- Availability of the corporate governance system, making possible the maximum transparency of the company activity and adequately assess risks;
- Historical company strategic base;
- Financial stability and paying capacity of the company are guaranteed by the essential requirements of the regulating authority, incurred of availability of high rating being in official exchange listing in the highest emitters' category;
- Sound liquidity of stocks enables for stockholder to manage them freely and drop out of the company at its own wish;
- Well-deserved reputation and formed image of the company among clients.

## **8. Annexes**

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**Additional materials:**

- Copy of registration certificate;
- Copy of charter;
- Copy of license, certificates;
- Photos of buildings and equipment, special technology and cars;
- Structure scheme;
- Resumes of general managers.