



Georgian Railway Promising Outlook

Georgia | Transportation
Georgian Railway
September 9, 2015

S&P BB- / Fitch BB-

With GR's recent release of FY14 Management Discussion and Analysis, we offer an in depth analysis of FY14 performance and our outlook. GR performed well amidst the regional economic slowdown, falling oil prices, and weaker GEL. Focus shifted from crude oil to more profitable oil products - a welcome diversification. We expect the top line to remain flat in FY15 on the back of weak rail volumes and slower GDP growth across the region. Lower operating expenses helped sustain profitability, while a hike in finance costs depressed the bottom line. Net debt-to-adjusted EBITDA improved to 2.7x, creating comfortable headroom up to the Eurobond covenant. We expect the ratio to come down further to 2.5x by the year-end. The Baku-Tbilisi-Kars (BTK) line is expected to bring new freight from Turkey-CIS traffic starting in 2016. The modernization project is proceeding at a slower pace, while a final decision on the bypass project is expected in September 2015.

Improved operating performance

Despite the slowing regional economies and declining rail volumes, GR's revenue grew 0.4% y/y in FY14. Revenue breakdown changed considerably, as crude oil lost its position to the more profitable oil products. A 6.5% y/y increase in dry cargoes largely offset a 6.9% y/y drop in liquid cargoes. In FY15, we expect the top line to remain flat, before rebounding in FY16 on the back of new business from the BTK line. Operating expenses decreased 4.5% y/y in FY14; with a major portion fixed, we expect them to decline slightly in FY15.

FY14 adjusted EBITDA grew 1.8% y/y to reach US\$ 143.8mn. Likewise, adjusted EBITDA margin climbed to 49.6% from 48.9% in the previous year. We project largely flat adjusted EBITDA in FY15. Due to the 6.2% y/y weakening of GEL against US\$ in FY14, GR booked a considerable, albeit an unrealized non-cash FX loss, undercutting net income. As a result, the net profit margin contracted to 7.7% from 13.6% in FY13. A significant further weakening of GEL against US\$ in 1H15 leads us to project another substantial FX loss in FY15, pushing net income into negative territory.

Limited capex schedule

Modernization is the only ongoing project currently requiring investing outflows, which should be relatively minor on an annual basis as the project stretches through 2019. Tbilisi Railway Bypass project is under review, with a final decision expected in September 2015. The new Baku-Tbilisi-Kars rail line is funded through the Georgian government-owned SPV with no involvement from GR.

In compliance with Eurobond covenants

FY14 net debt-to-adjusted EBITDA recovered to 2.7x from 3.0x in FY13, below the 3.5x Eurobond covenant. The improvement was due to a flat debt balance and a surge in operating cash, which boosted the cash balance 34.2% y/y. We expect the FY15-end net debt-to-adjusted EBITDA to improve to 2.5x due to moderate capital spending.

A promising outlook

We remain confident in GR's mid-term outlook due to a well-diversified freight portfolio and expected new shipments from the Baku-Tbilisi-Kars (BTK) line. In addition, the modernization project should gradually facilitate traffic and reduce expenses.

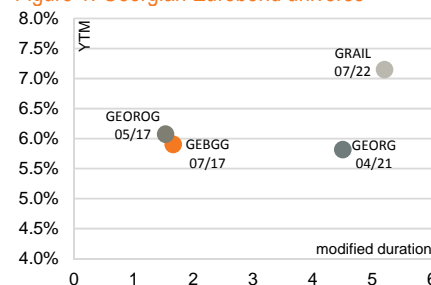
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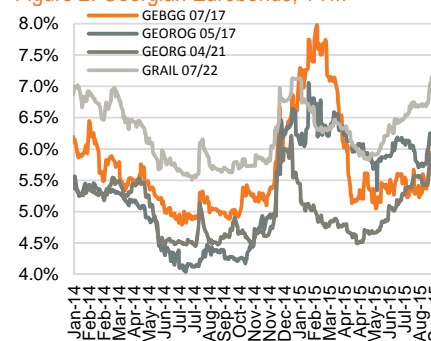
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Figure 1: Georgian Eurobond universe



Source: Bloomberg, Galt & Taggart Research

Figure 2: Georgian Eurobonds, YTM



Source: Bloomberg, Galt & Taggart Research

Table 1: Key financials (US\$ '000) and margins

| | FY14 | FY15F | Change, y/y |
|------------------------|-------------|-------------|-------------|
| Revenue | 289,700.7 | 290,265.7 | 0.2% |
| EBITDA | 141,591.3 | 143,704.2 | 1.5% |
| EBITDA margin | 48.9% | 49.5% | +60 bps |
| Adjusted EBITDA | 143,776.1 | 145,914.2 | 1.5% |
| Adjusted EBITDA margin | 49.6% | 50.3% | +70 bps |
| EBIT | 81,984.0 | 83,559.0 | 1.9% |
| EBIT margin | 28.3% | 28.8% | +50 bps |
| Net income | 22,247.6 | (31,990.9) | -243.8% |
| Net profit margin | 7.7% | -11.0% | -1870 bps |
| Assets | 1,592,820.9 | 1,347,073.0 | -15.4% |
| Equity | 838,565.7 | 661,328.6 | -21.1% |
| Liabilities | 754,255.2 | 685,744.4 | -9.1% |

Source: Company data, Galt & Taggart Research

| US\$-GEL | FY11 | FY12 | FY13 | FY14 | Beyond FY14 |
|----------|------|------|------|------|-------------|
| Year-end | 1.67 | 1.66 | 1.74 | 1.86 | 2.26 |
| Average | 1.69 | 1.65 | 1.66 | 1.77 | 2.22 |

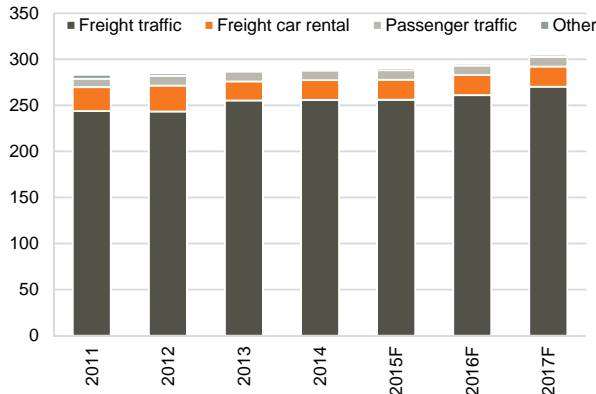
Source: NBG, Galt & Taggart Research



Top line stable

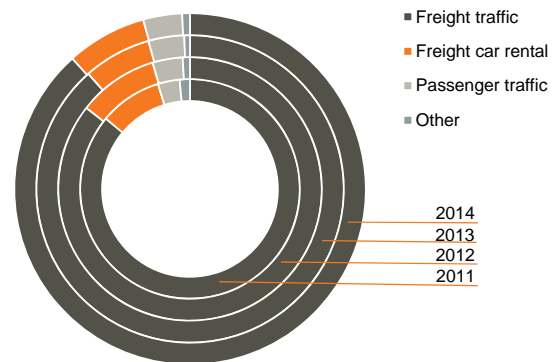
GR's FY14 revenue stayed largely flat at US\$ 289.7mn (US\$ 288.5mn in FY13), growing 0.4% y/y (up 1.4% y/y in FY13). The top line growth was padded by the consolidation of a freight forwarding subsidiary, Trans Caucasus Terminals, which generated US\$ 2.2mn in FY14. Previously, that revenue had been included in other income instead of revenue. In GEL terms, revenue reached GEL 511.6mn (GEL 479.8mn in FY13), increasing 6.6% y/y (up 2.1% y/y in FY13). We expect the top line to remain flat in FY15 on the back of weak rail volumes and slower GDP growth across the region.

Figure 3: Revenue, US\$ mn



Source: Company data, Galt & Taggart Research

Figure 4: Revenue composition

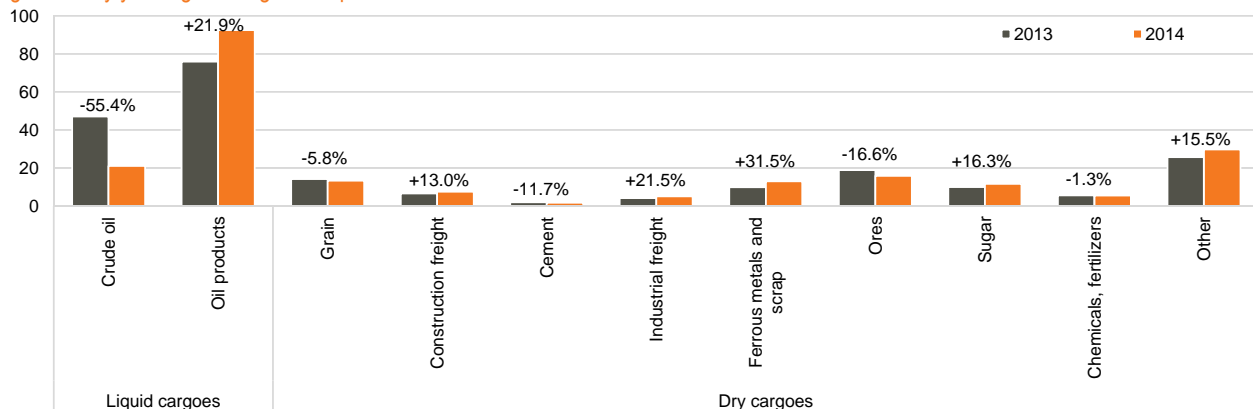


Source: Company data, Galt & Taggart Research

Freight traffic was flat in FY14 thanks to 7.5% y/y growth (up 18.0% y/y in FY13) in freight handling, as it compensated for the 1.0% y/y drop (up 3.0% y/y in FY13) in freight transportation. Freight transportation and freight handling settled on US\$ 216.7mn (US\$ 218.9mn in FY13) and US\$ 39.1mn (US\$ 36.4mn in FY13), respectively. We see further upside potential in freight handling from Trans Caucasus Terminals, a subsidiary which operates dry bulk terminals in Batumi and Poti and is building another dry bulk terminal in Vale.

In freight transportation, a 6.5% y/y increase (down 10.3% y/y in FY13) in dry cargoes to US\$ 103.2mn (US\$ 96.9mn in FY13) largely offset a 6.9% y/y decrease (up 16.7% y/y in FY13) in liquid cargoes to US\$ 113.5mn (US\$ 121.9mn in FY13). Additional dry cargo volumes, stemming from Turkey (via the BTK) and western China, create further upside potential.

Figure 5: % y/y change in freight transportation revenue

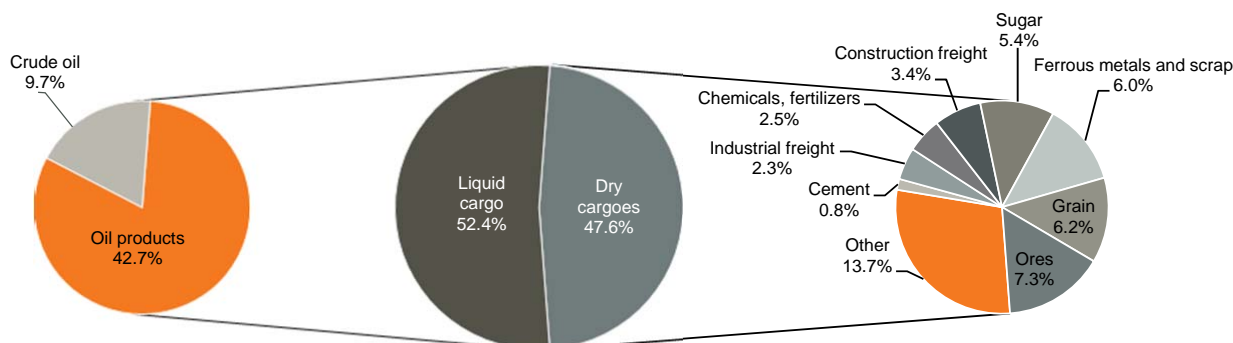


Source: Company data, Galt & Taggart Research



GR's FY14 freight mix improved as crude oil lost position (9.7% of freight in FY14 vs 20.2% in FY13) to the more profitable oil products category (42.7% of freight in FY14 vs 35.5% in FY13). With the diversification of the freight mix, the share of dry cargoes in total freight increased from 44.3% in FY13 to 47.6% in FY14.

Figure 6: FY14 freight transportation revenue composition



Source: Company data, Galt & Taggart Research

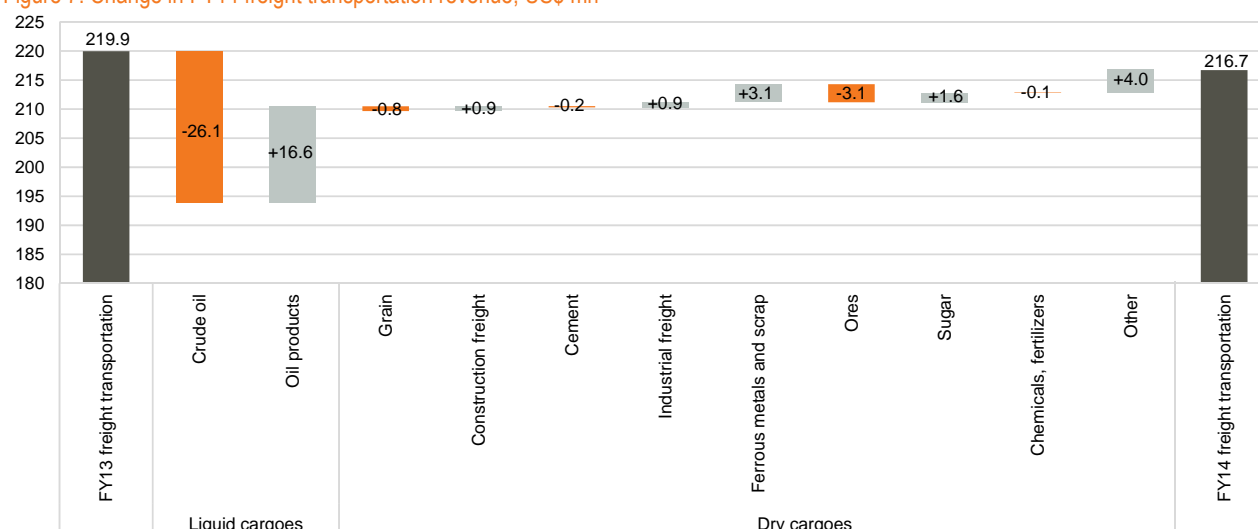
A point of concern was a 52.5% y/y drop (down 0.7% y/y in FY13) in crude oil transportation to US\$ 21.0mn (US\$ 44.2mn in FY13), resulting from the expansion of the Caspian Pipeline Consortium (CPC) pipeline. The CPC absorbed Tengiz field shipments from Kazakhstan that had previously been transported through Georgia (approx. US\$ 23.5mn or 2.0mn tonnes per year). However, production is expected to resume at the giant Kashagan field in Kazakhstan in early 2017, creating some upside potential. In addition, rail holds an edge in shipment of high-quality crude oil, which is not suitable for pipelines. Crude oil volumes transported by rail through the Caucasus region are comprised mostly of high grade Azeri-light oil from Azerbaijan (about 55.0% in FY14) and crude oil from Kazakhstan (about 42.0% in FY14).

Oil products, currently the main component of liquid cargo, went up 19.1% y/y (up 29.7% y/y in FY13) to US\$ 92.5mn (US\$ 77.7mn in FY13), boosted by transportation of gasoil from Azerbaijan and heavy fuel oil from Kazakhstan. Oil products are mainly transported by rail as there is practically no competition from pipelines. Oil products mostly originate from large refineries in Kazakhstan, Azerbaijan, and Turkmenistan.

Grain transportation accounted for US\$ 13.4mn (US\$ 14.2mn in FY13), dropping 5.8% y/y (down 14.5% y/y in FY13), as Kazakhstan redirected its grain supply to China and GR-transported volumes were mostly for Georgian and Armenian consumption. Increased construction activities in Georgia spurred construction freight transportation growth of 13.0% y/y to US\$ 7.5mn. Increased cement clinker volumes transported in the higher-yielding Azerbaijan direction generated a rebound in industrial freight, increasing 21.5% y/y to US\$ 5.0mn. Cement diminished 11.7% y/y to US\$ 1.7mn, largely due to lower volumes to Azerbaijan, which became the largest cement producer in the South Caucasus as it opened new cement plants in July 2014.



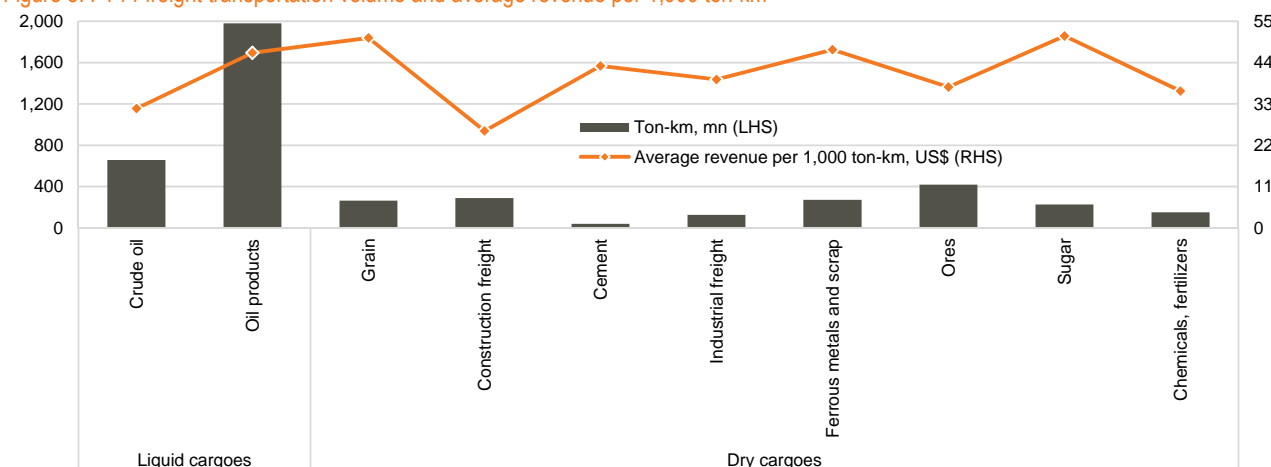
Figure 7: Change in FY14 freight transportation revenue, US\$ mn



Source: Company data, Galt & Taggart Research

Ferrous metals and scrap rose 31.5% y/y (down 10.1% y/y in FY13) on the back of increased volumes and more profitable directions (Azerbaijan and Armenia), contributing US\$ 13.0mn (US\$ 9.9mn in FY13). As low aluminum prices led to production cuts, revenue from ores transportation dropped 16.6% y/y (down 16.2% y/y in FY13) to US\$ 15.8mn (US\$ 18.9mn in FY13). Decreased volumes from Ukraine also played a role. Sugar transportation expanded 16.3% y/y (down 5.8% y/y in FY13) to US\$ 11.6mn (US\$ 10.0mn in FY13), due to increased demand from Azerbaijan's confectionery manufacturers. Chemicals and fertilizers, which are mainly exported from Georgia through Black Sea ports, stayed largely flat at US\$ 5.5mn. Low production levels could be attributed to lower global prices of ammonium nitrate fertilizer, Georgia's main fertilizer export product.

Figure 8: FY14 freight transportation volume and average revenue per 1,000 ton-km

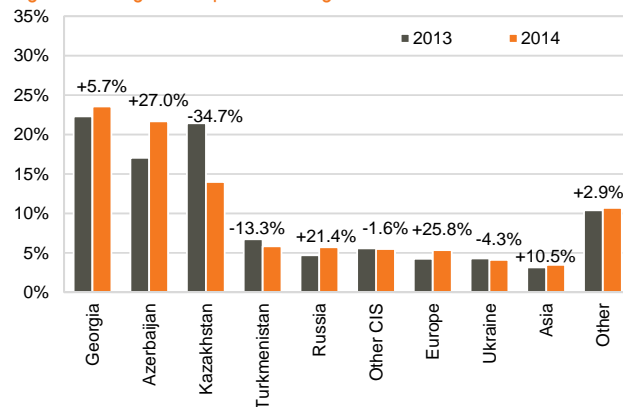


Source: Company data, Galt & Taggart Research

Increased oil products traffic from Azerbaijan coupled with decreased crude oil from Kazakhstan tilted GR's business further towards Azerbaijan as about 37.0% of FY14 transportation revenue was earned on cargo going to or from Azerbaijan. Freight flow between Georgian and Armenian railways accounted for about 15.0% of FY14 transportation revenue.

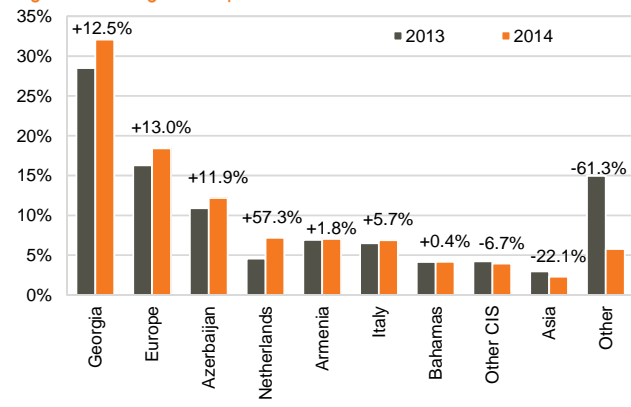


Figure 9: Freight transportation origin



Source: Company data, Galt & Taggart Research

Figure 10: Freight transportation destination

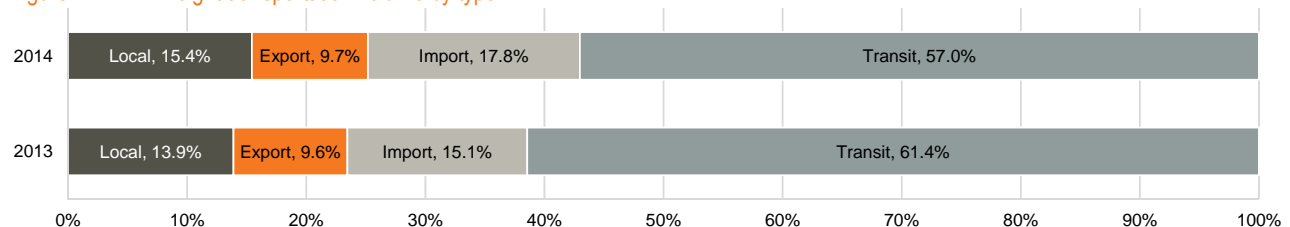


Source: Company data, Galt & Taggart Research

China is one of GR's promising directions as FY15 saw the first freight from China to Georgia. As transportation by rail is five times faster than by sea, the new route should facilitate cargo flows between China and Europe/Turkey.

Triggered by weaker GEL against US\$ in 1H15, GR reduced US\$-denominated tariffs for local and export freight transportation by 20% on July 1 2015, leaving them largely the same in GEL terms. We are not expecting a major effect on GR's performance as local and export freight transportation accounts for around 8.0% of revenue and 11.0% of freight traffic revenue.

Figure 11: FY14 freight transportation volume by type



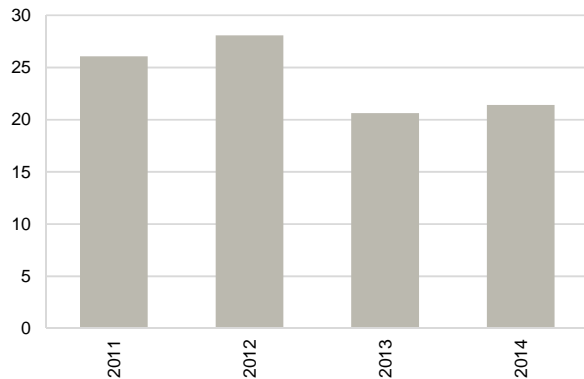
Source: Company data, Galt & Taggart Research

Freight car rental, the second-largest revenue stream with a 7.4% share (7.1% in FY13), showed a recovery, growing 3.8% y/y (down 26.6% y/y in FY13) to US\$ 21.4mn (US\$ 20.6mn in FY13). The increase is largely due to the increased freight car rental days as Turkmenistan Railway experienced delays on the Afghanistan border. We expect freight car rental to move largely in line with cargo volumes.

Passenger traffic, with a 3.6% (3.8% in FY13) share in revenue, slipped 4.4% y/y (up 2.8% y/y in FY13) to US\$ 10.4mn (US\$ 10.8 in FY13). As GR cancelled some lower-yielding routes for regional transportation, the share of higher priced seats increased, but not sufficiently to prevent a drop in revenue.

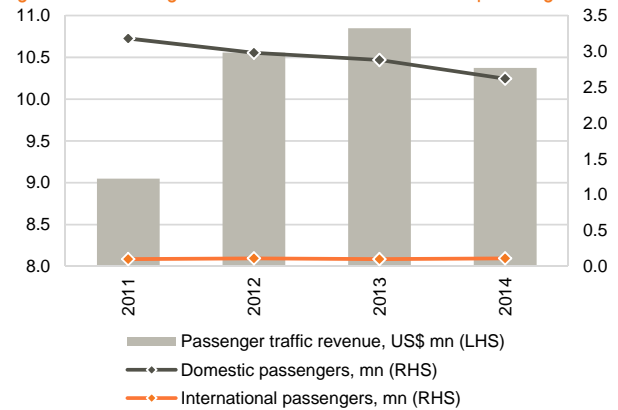


Figure 12: Freight car rental revenue, US\$ mn



Source: Company data, Galt & Taggart Research

Figure 13: Passenger traffic revenue and number of passengers

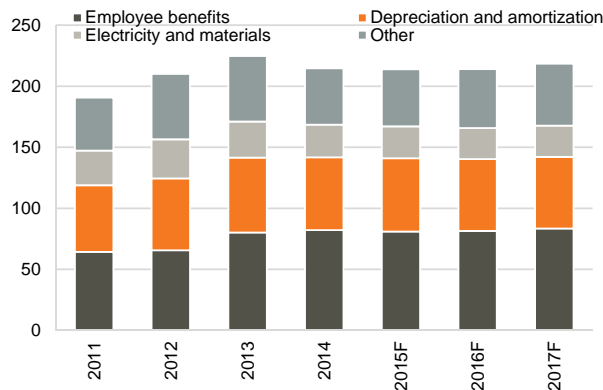


Source: Company data, Galt & Taggart Research

Operating expenses down due to weaker GEL

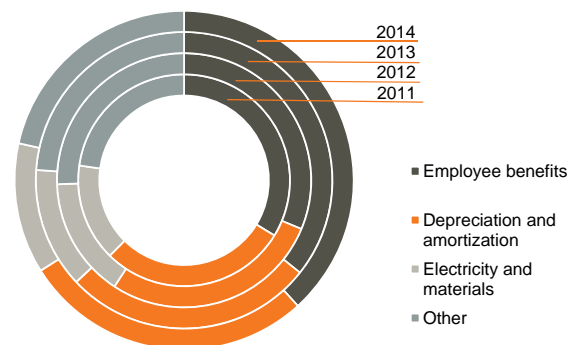
As they are mostly GEL-denominated, operating expenses dropped 4.5% y/y (up 7.0% y/y in FY13) in US\$ terms and settled on US\$ 214.7mn (US\$ 224.8mn in FY13). In GEL terms, operating expenses made up GEL 379.2mn (GEL 373.9mn in FY13), increasing 1.4% y/y (up 7.8% y/y in FY13). As a significant portion of GR's operating expenses is fixed, we expect them to grow at a slightly lower rate than revenue.

Figure 14: Operating expenses, US\$



Source: Company data, Galt & Taggart Research

Figure 15: Operating expenses composition

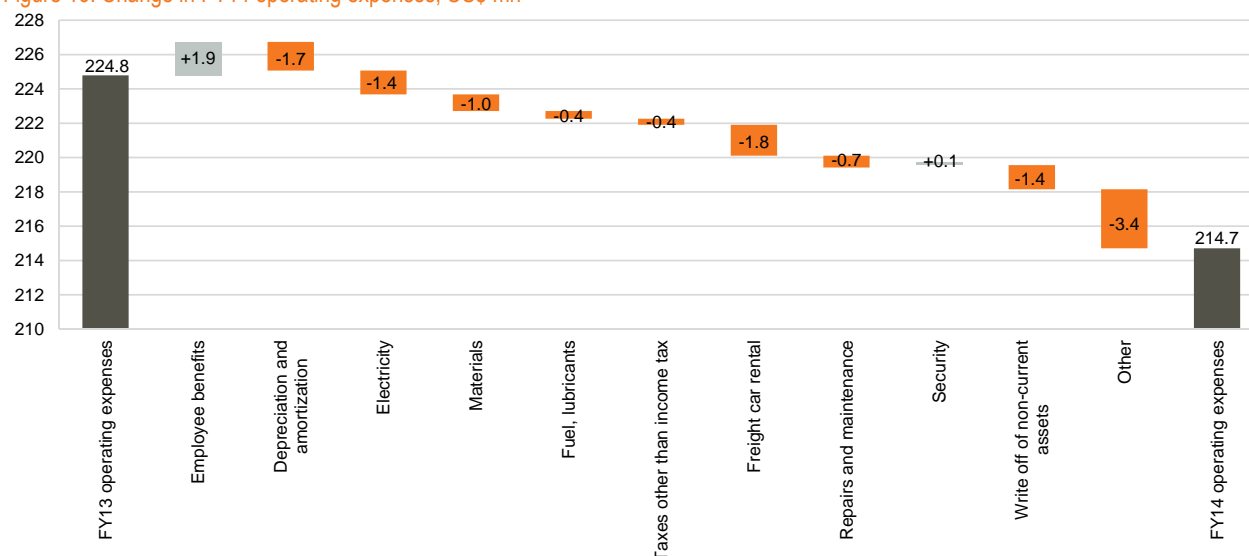


Source: Company data, Galt & Taggart Research

Employee benefits, the largest operating expense with a 38.3% share (35.7% in FY13), increased 2.4% y/y (up 22.2% y/y in FY13) and accounted for US\$ 82.2mn (US\$ 80.3mn in FY13). The increase was largely driven by high bonuses. Electricity and materials expenses shrank 9.5% y/y (down 7.9% y/y in FY13) to US\$ 26.8mn (US\$ 29.6mn in FY13), as electricity purchase price is fixed in GEL. Freight car rental expense decreased 13.8% y/y (down 13.4% y/y in FY13) to US\$ 11.3mn (US\$ 13.1mn in FY13), mainly due to decreased crude oil volumes, which were usually transported with Azerbaijan Railway's wagons.



Figure 16: Change in FY14 operating expenses, US\$ mn



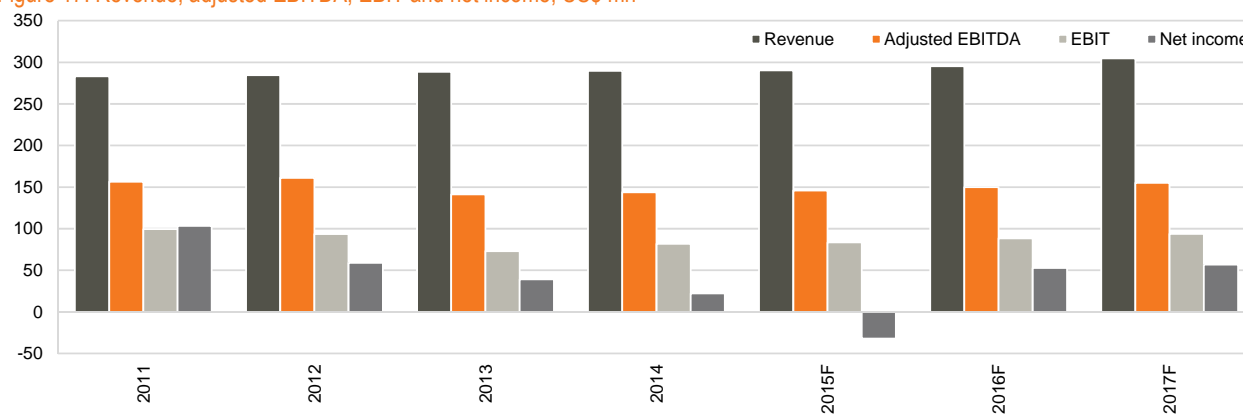
Source: Company data, Galt & Taggart Research

Mixed impact on profitability

Lower operating expenses pushed up FY14 adjusted EBITDA to US\$ 143.8mn (US\$ 141.2mn in FY13), up 1.8% y/y (down 12.3% y/y in FY13). In the same vein, EBIT increased by 12.4% y/y (down 22.2% y/y in FY13) to US\$ 82.0mn (US\$ 73.0mn in FY13).

FY14 net income settled on US\$ 22.2mn (US\$ 39.2mn in FY13), dropping 43.3% y/y (down 33.4% y/y in FY13). The drop was the result of a 82.2% y/y surge in finance costs to US\$ 63.0mn (US\$ 34.6mn in FY13), made up of two components - 1) interest expense on the Tbilisi Railway Bypass project was no longer capitalized in FY14, as the project is on hold; and 2) GR booked a US\$ 34.6mn (US\$ 20.7mn in FY13) FX loss in FY14, as GEL weakened 6.2% y/y against US\$ in FY14. However, the FX loss is an unrealized non-cash charge and not a cause for concern.

Figure 17: Revenue, adjusted EBITDA, EBIT and net income, US\$ mn

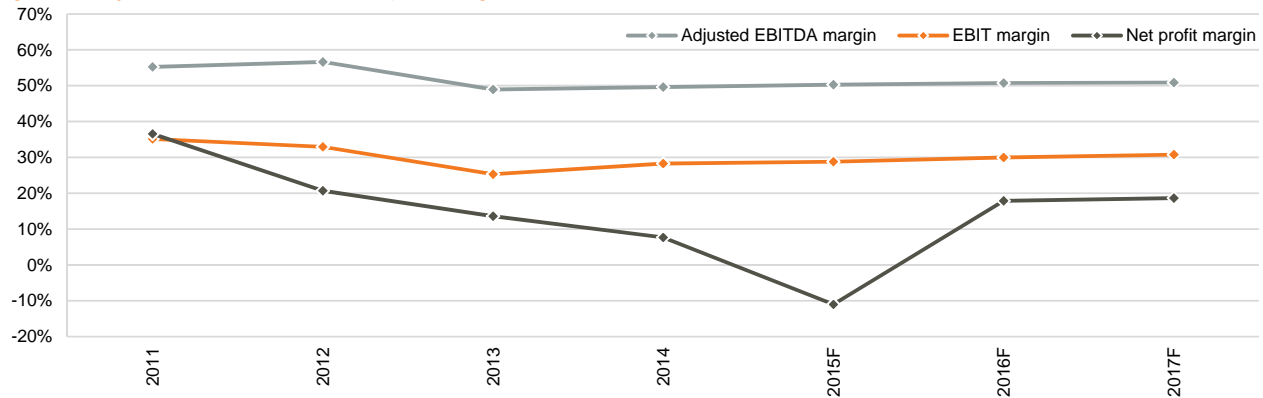


Source: Company data, Galt & Taggart Research

FY14 adjusted EBITDA margin increased to 49.6% compared to 48.9% in FY13. Likewise, the EBIT margin expanded to 28.3% from 25.3% in FY13. In contrast, the net profit margin contracted to 7.7% from 13.6% a year earlier.



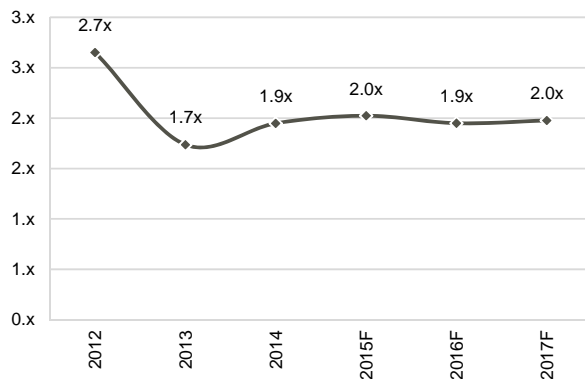
Figure 18: Adjusted EBITDA, EBIT and net profit margins



Source: Company data, Galt & Taggart Research

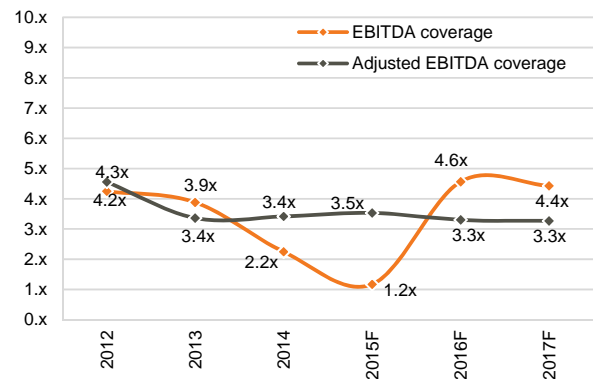
Improved operating performance led to an enhanced adjusted EBIT ratio of 1.9x (1.7x in FY13). We expect it to be stable for the coming years.

Figure 19: Adjusted EBIT coverage ratio



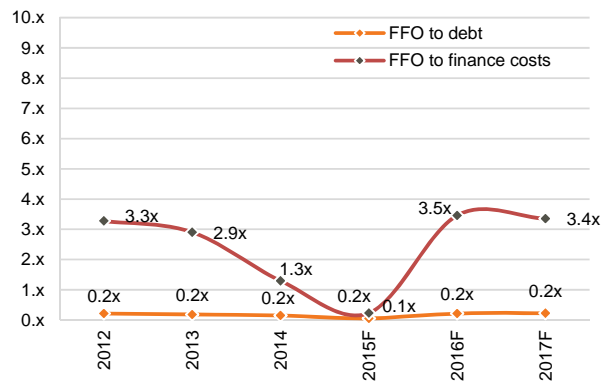
Source: Company data, Galt & Taggart Research

Figure 20: EBITDA and adjusted EBITDA coverage ratios



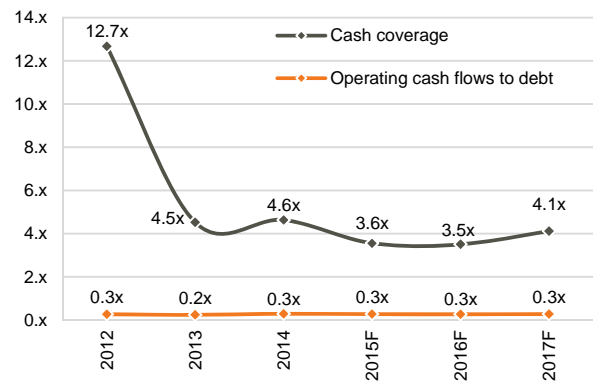
Source: Company data, Galt & Taggart Research

Figure 21: FFO coverage ratios



Source: Company data, Galt & Taggart Research

Figure 22: Cash coverage ratios



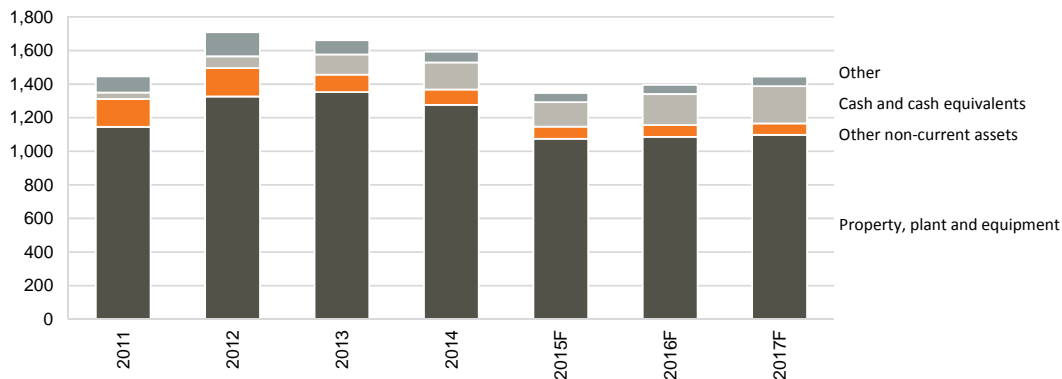
Source: Company data, Galt & Taggart Research



Solid balance sheet

GR's balance sheet is solid as of FY14. Despite an 85.9% share (87.7% in FY13) of capital being invested in non-current assets, a significant cash balance of US\$ 161.5mn (US\$ 120.4mn in FY13) provides a comfortable cushion against adverse developments. In the event of a cash crunch, GR can also resort to an untapped credit line of approximately US\$ 18.0mn. A 4.1% y/y decrease (up 27.4% y/y in FY13) in trade and other receivables in FY14 was a good sign.

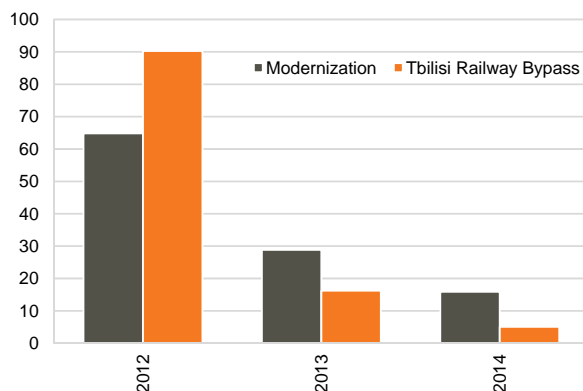
Figure 23: Asset composition, US\$ mn



Source: Company data, Galt & Taggart Research

Non-current assets increased relatively modestly in FY14 as the Modernization project was slowed down and the Tbilisi Railway Bypass project was suspended for further review.

Figure 24: Investing outflows on selected projects, US\$ mn

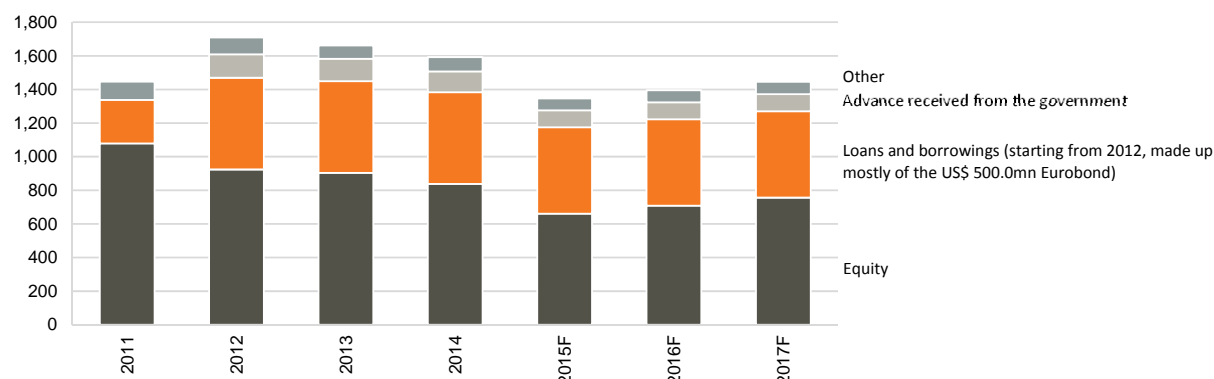


Source: Company data, Galt & Taggart Research

GR's capital structure remains largely stable from year to year with a tilt towards equity funding (equity to invested capital of 60.6%) versus debt (debt to invested capital of 39.4%).



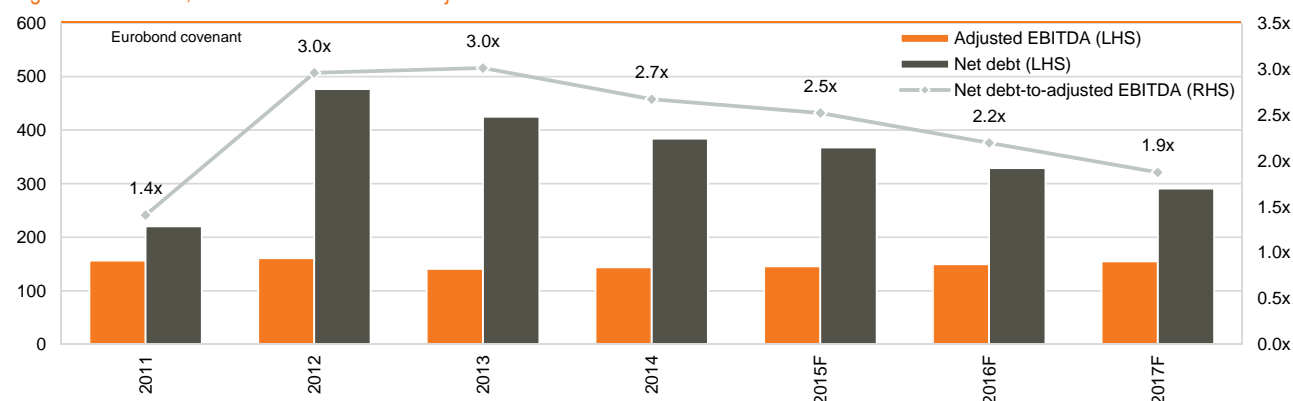
Figure 25: Equity and liabilities composition, US\$ mn



Source: Company data, Galt & Taggart Research

Net debt-to-adjusted EBITDA improved to 2.7x (3.0x in FY13) as operating cash surged 20.6% y/y (down 9.4% y/y in FY13), leading to a 34.2% y/y improvement (up 73.3% y/y in FY13) in the cash position. A largely stable debt profile and moderate capital expenditures ahead are likely to drive up the cash position, further improving the net debt-to-adjusted EBITDA ratio. We expect net debt-to-adjusted EBITDA to improve to 2.5x by FY15-end.

Figure 26: EBITDA, net debt and net debt-to-adjusted EBITDA



Source: Company data, Galt & Taggart Research

Slowed pace in capital projects

The Modernization project is underway, albeit at a slower pace, spanning through 2019. The main objectives of the project are:

- Optimisation of freight and passenger traffic;
- Optimisation of depots and infrastructure;
- Optimisation of freight and passenger rolling stock;
- Reduction of operational expenses;
- Improvement of operational safety;
- Improvement of social and environmental safety;
- Increase in train speeds;
- Introduction of a clear and defined maintenance program.

The Modernization project is primarily focused on the mainline railroad that runs from Tbilisi to the Black Sea terminals. As part of the project, GR is modernising the railroad and electric supply infrastructure between Tbilisi and Batumi (315 km). Modernization aims to achieve passenger train speeds of 80 km/h on the 40km mountainous gorge region in the central part of Georgia and 120 km/h on the rest of



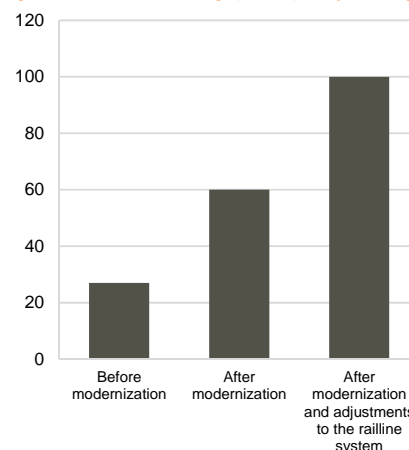
the mainline, compared to current speeds of 55 km/h and 90 km/h, respectively. Currently, GR is working on the gorge section, building two tunnels that will enable two-way rail line traffic. Modernization should more than double the annual freight throughput capacity to 60.0mn tonnes per year from the current 27.0mn tonnes. With potential adjustment of the alarm systems and centralization of blocking on all railway lines in the medium term, the annual throughput capacity would increase to around 100.0mn tonnes. Also, as railway transportation is streamlined, travel time for the Tbilisi-Batumi direction will be reduced by 10-20%. GR estimates the remaining construction costs for the project at around CHF 200.0mn.

Map 1: Modernization project



Source: Company data, Galt & Taggart Research

Figure 27: Annual throughput capacity of freight



Source: Company data, Galt & Taggart Research

Tbilisi Railway Bypass project is currently under review. A comparative study of the existing and the bypass line by a third party consultant in early 2015 concluded that the best option is maintaining only the current rail system on the existing mainline (demolishing supporting railway infrastructure, such as depots and intermediate stations, except the main terminal station) and constructing the Tbilisi Bypass line. This option would entail directing cargo from West to East via the Tbilisi main line and from East to West via the new Tbilisi Bypass line. Currently, GR is discussing the various scenarios with the Tbilisi City Hall. The final decision should be made by end-September 2015, when GR is expected to present the final project plan to the government of Georgia for approval.

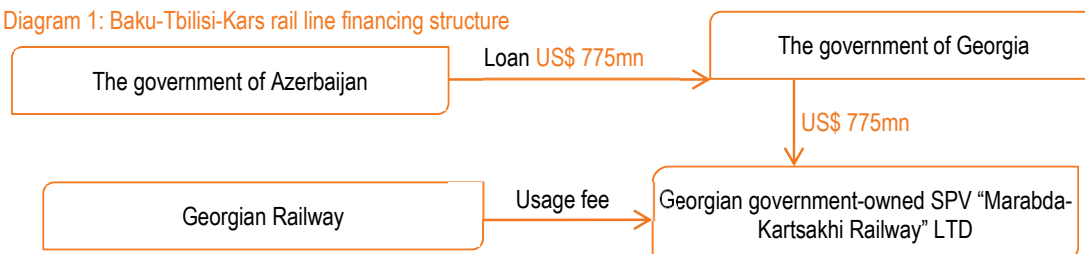
The construction of the Georgian section of the Baku-Tbilisi-Kars (BTK) rail line was completed in early 2015. Construction works on the Turkish section are underway and first freight is expected in 2016. The new line stretches 826 km (182km in Georgia) and connects 3 countries. We believe that BTK has the potential to develop into an important route in the region, connecting oil-rich Azerbaijan to oil-importing Turkey and Europe. In the initial stage, the new rail line will have the capacity to transport 5mn tons of freight (around 30.0% of freight in FY14), before increasing the capacity to 15mn tons. BTK will also attract freight from Turkey-CIS trade, mainly dry cargo, currently transported by trucks. We expect limited cannibalization as most of the freight will be new shipments from Azerbaijan-Turkey and China-Turkey trade. Importantly, GR has flexibility in setting tariffs on the Georgian section of BTK, mitigating potential impact on revenues from existing routes. Additionally, BTK has potential for passenger traffic between Azerbaijan and Turkey.

The government of Azerbaijan provided US\$ 775.0mn for construction in the form of a 25-year loan to the Georgian government, which in turn established an SPV - "Marabda-Kartsakhi Railway" LTD. The SPV owns the Georgian section of the railway for the construction period only and it will use free cash flow from the route to repay the loan. The SPV will retain ownership and GR will operate the rail line, paying



"Marabda-Kartsakhi Railway" a fee for usage. The details of the rail line ownership structure and operating rights post-construction remain to be finalized. Regardless of the specifics of the arrangement, there will be no BTK-related liability on GR's balance sheet.

Diagram 1: Baku-Tbilisi-Kars rail line financing structure



Map 2: Baku-Tbilisi-Kars rail line



Source: Company data, Galt & Taggart Research

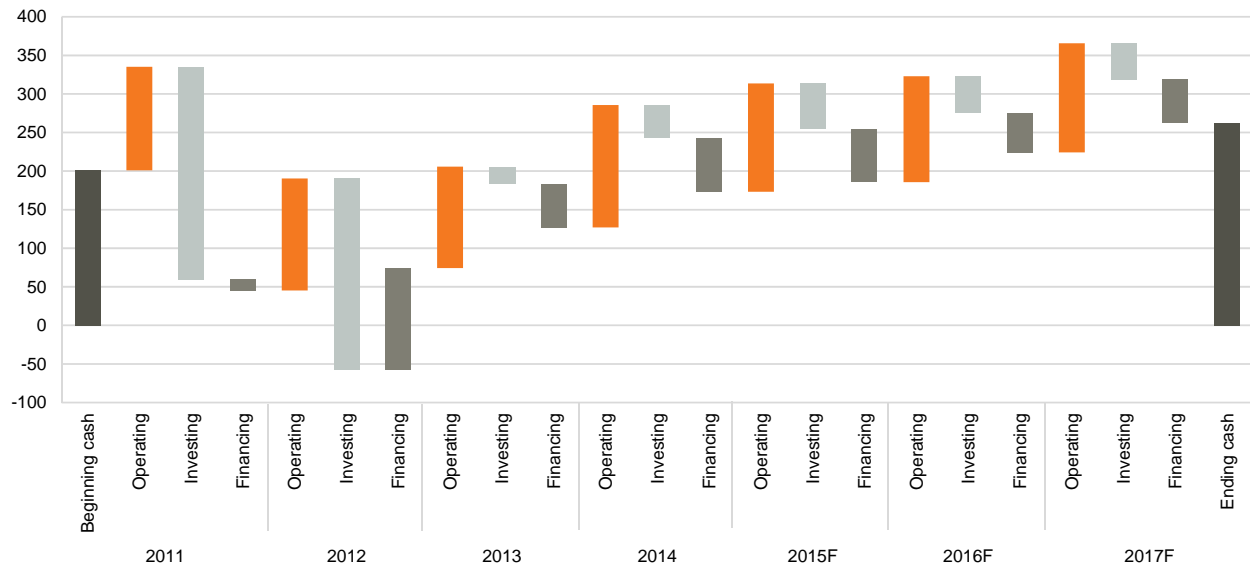
GR is implementing a new ERP system from SAP, a global market leader in railway maintenance systems. The new system is planned to be operational in January 2017 and should gradually reduce overheads.

Improved cash position

Cash from operating activities increased 20.6% y/y (down 9.4% y/y in FY13) to US\$ 158.6mn (US\$ 131.5mn in FY13), as GR used its prepayments and accumulated a VAT balance. In the same vein, cash balance improved 34.2% y/y (up 73.3% y/y in FY13) to US\$ 161.5mn (US\$ 120.4mn in FY13), as GR slowed down its investing activities. In addition, in FY15 GR paid down the remaining US\$ 27.5mn portion of the Eurobond issued in 2010. Future investment outflows depend on the final decision about the Tbilisi Railway Bypass project.



Figure 28: Cash flows, US\$ mn



Source: Company data, Galt & Taggart Research

FX rate

GR is exposed to US\$-GEL FX rate as most of the revenue is either denominated in or linked to US\$ (except freight car rental revenue which is denominated in CHF and passenger and other revenue, both of which are denominated in GEL) and most of the operating expenses are denominated in GEL (except freight car rental expense which is denominated in CHF and materials and fuels expenses, both of which are dependent on US\$-GEL FX rate).



Financial statements

Income statement

| | US\$, '000 | 2011 | 2012 | 2013 | 2014 | 2015F | 2016F | 2017F |
|--|------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Revenue | | 283,134.5 | 284,521.2 | 288,469.9 | 289,700.7 | 290,265.7 | 295,292.4 | 304,851.3 |
| Freight transportation | | 206,948.5 | 212,483.6 | 218,860.8 | 216,740.1 | 213,572.7 | 217,790.7 | 225,150.4 |
| Liquid cargoes | | 102,785.0 | 104,465.6 | 121,917.6 | 113,542.6 | 111,010.6 | 114,184.8 | 118,265.5 |
| Crude oil | | 42,288.4 | 44,572.0 | 44,246.2 | 21,009.6 | 10,040.3 | 8,289.0 | 7,045.7 |
| Oil products | | 60,496.7 | 59,893.6 | 77,671.4 | 92,533.0 | 100,970.4 | 105,895.8 | 111,219.8 |
| Dry cargoes | | 104,030.6 | 108,038.6 | 96,908.9 | 103,179.4 | 102,562.1 | 103,605.9 | 106,884.9 |
| Grain | | 24,732.5 | 16,593.4 | 14,187.7 | 13,364.6 | 12,347.8 | 11,529.0 | 10,952.6 |
| Construction freight | | 8,955.9 | 6,601.0 | 6,612.9 | 7,475.1 | 7,620.9 | 7,714.7 | 7,907.6 |
| Cement | | 2,194.5 | 2,119.6 | 1,923.7 | 1,698.9 | 1,353.1 | 1,356.5 | 1,383.6 |
| Industrial freight | | 25,088.3 | 5,753.2 | 4,148.1 | 5,040.0 | 5,218.6 | 5,282.9 | 5,441.4 |
| Ferrous metals and scrap | | 11,802.8 | 10,961.3 | 9,859.2 | 12,968.2 | 14,977.0 | 15,161.4 | 15,616.3 |
| Ores | | 15,776.6 | 22,588.8 | 18,936.9 | 15,799.7 | 12,584.2 | 10,512.9 | 8,936.0 |
| Sugar | | 1,957.2 | 10,598.0 | 9,979.5 | 11,609.1 | 11,835.5 | 11,864.9 | 12,102.2 |
| Chemicals, fertilizers | | 8,362.8 | 6,661.6 | 5,590.9 | 5,549.7 | 4,420.3 | 4,127.1 | 3,920.8 |
| Other | | 5,160.0 | 26,222.4 | 25,730.2 | 29,730.6 | 32,204.7 | 36,056.4 | 40,624.6 |
| Freight handling | | 36,767.2 | 30,840.1 | 36,388.3 | 39,102.3 | 42,356.3 | 43,294.1 | 45,025.9 |
| Freight car rental | | 26,071.1 | 28,088.8 | 20,625.0 | 21,412.3 | 21,829.8 | 21,669.5 | 21,886.2 |
| Passenger traffic | | 9,049.0 | 10,556.8 | 10,847.5 | 10,372.9 | 10,327.3 | 10,352.9 | 10,560.0 |
| Other | | 4,298.8 | 2,552.0 | 1,748.2 | 2,073.2 | 2,179.7 | 2,185.1 | 2,228.8 |
| Other income | | 7,132.1 | 19,350.7 | 9,289.3 | 6,995.5 | 7,131.9 | 7,208.6 | 7,413.5 |
| Operating expenses | | (190,749.6) | (210,123.0) | (224,790.8) | (214,712.2) | (213,838.7) | (213,992.9) | (218,456.6) |
| Employee benefits expense | | (64,347.7) | (65,687.3) | (80,261.8) | (82,211.6) | (80,933.5) | (81,452.9) | (83,407.8) |
| Electricity | | (14,341.3) | (14,005.7) | (12,766.5) | (11,377.5) | (11,055.6) | (10,648.5) | (10,648.5) |
| Materials | | (8,213.9) | (12,571.0) | (11,885.2) | (10,918.2) | (10,696.3) | (10,615.8) | (10,825.4) |
| Fuel, lubricants | | (5,773.3) | (5,503.7) | (4,905.6) | (4,455.6) | (4,329.6) | (4,170.1) | (4,170.1) |
| Property tax | | (4,845.1) | (6,100.8) | (7,244.7) | (7,300.8) | (7,733.9) | (7,758.7) | (7,917.5) |
| Land tax | | (5,425.1) | (5,661.7) | (5,535.0) | (5,790.4) | (5,903.3) | (6,739.4) | (7,808.0) |
| Other taxes | | (202.8) | (790.9) | (1,380.3) | (717.5) | (731.5) | (996.8) | (1,341.5) |
| Freight car rental expense | | (13,878.6) | (15,163.0) | (13,132.6) | (11,321.4) | (10,279.7) | (10,350.0) | (10,610.8) |
| Repairs and maintenance | | (6,583.5) | (4,680.7) | (6,342.4) | (5,663.5) | (5,819.1) | (5,887.6) | (6,098.6) |
| Security | | (4,374.1) | (4,333.7) | (4,674.1) | (4,810.7) | (5,019.4) | (4,996.4) | (5,071.5) |
| Write off of non-current assets | | (2,428.2) | (8,953.8) | (3,596.8) | (2,184.8) | (2,210.0) | (2,387.4) | (2,621.9) |
| Other | | (5,689.1) | (7,878.2) | (11,790.2) | (8,352.9) | (8,981.5) | (9,025.2) | (9,235.7) |
| Operating expenses excluding depreciation and amortization | | (136,102.7) | (151,330.3) | (163,515.1) | (155,104.9) | (153,693.4) | (155,028.8) | (159,757.5) |
| EBITDA | | 154,163.9 | 152,541.5 | 134,243.5 | 141,591.3 | 143,704.2 | 147,472.2 | 152,507.3 |
| Adjusted EBITDA | | 156,453.9 | 161,091.3 | 141,199.0 | 143,776.1 | 145,914.2 | 149,859.6 | 155,129.2 |
| Depreciation and amortization expense | | (54,646.9) | (58,792.6) | (61,275.6) | (59,607.3) | (60,145.3) | (58,964.1) | (58,699.1) |
| Buildings and constructions | | (2,528.4) | (2,728.8) | (2,675.2) | (2,167.2) | (2,093.9) | (2,013.6) | (2,064.9) |
| Rail track infrastructure | | (21,445.5) | (21,888.1) | (25,044.2) | (24,580.1) | (24,374.3) | (23,978.4) | (23,788.3) |
| Transport, machinery, equipment and other | | (30,593.5) | (34,003.1) | (33,380.7) | (32,649.9) | (33,677.1) | (32,972.1) | (32,845.9) |
| Results from operating activities | | 99,517.0 | 93,748.9 | 72,967.8 | 81,984.0 | 83,559.0 | 88,508.1 | 93,808.2 |
| Finance income | | 16,035.2 | 11,570.5 | 7,414.9 | 6,606.4 | 6,785.5 | 5,828.5 | 7,369.9 |
| Finance costs | | (6,222.9) | (35,918.0) | (34,580.0) | (63,011.3) | (122,335.4) | (32,305.5) | (34,430.1) |
| Net finance costs | | 9,812.3 | (24,347.4) | (27,165.1) | (56,404.9) | (115,549.8) | (26,477.1) | (27,060.2) |
| Profit before income tax | | 109,329.4 | 69,401.5 | 45,802.7 | 25,579.1 | (31,990.9) | 62,031.0 | 66,748.0 |
| Income tax expense | | (5,884.2) | (10,527.1) | (6,588.2) | (3,331.5) | - | (9,304.5) | (10,012.4) |
| Profit and total comprehensive income for the year | | 103,445.2 | 58,874.4 | 39,214.4 | 22,247.6 | (31,990.9) | 52,726.6 | 56,735.6 |



Common size income statement

| | 2011 | 2012 | 2013 | 2014 | 2015F | 2016F | 2017F |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Revenue | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| Freight transportation | 73.1% | 74.7% | 75.9% | 74.8% | 73.6% | 73.8% | 73.9% |
| Liquid cargoes | 36.3% | 36.7% | 42.3% | 39.2% | 38.2% | 38.7% | 38.8% |
| Crude oil | 14.9% | 15.7% | 15.3% | 7.3% | 3.5% | 2.8% | 2.3% |
| Oil products | 21.4% | 21.1% | 26.9% | 31.9% | 34.8% | 35.9% | 36.5% |
| Dry cargoes | 36.7% | 38.0% | 33.6% | 35.6% | 35.3% | 35.1% | 35.1% |
| Grain | 8.7% | 5.8% | 4.9% | 4.6% | 4.3% | 3.9% | 3.6% |
| Construction freight | 3.2% | 2.3% | 2.3% | 2.6% | 2.6% | 2.6% | 2.6% |
| Cement | 0.8% | 0.7% | 0.7% | 0.6% | 0.5% | 0.5% | 0.5% |
| Industrial freight | 8.9% | 2.0% | 1.4% | 1.7% | 1.8% | 1.8% | 1.8% |
| Ferrous metals and scrap | 4.2% | 3.9% | 3.4% | 4.5% | 5.2% | 5.1% | 5.1% |
| Ores | 5.6% | 7.9% | 6.6% | 5.5% | 4.3% | 3.6% | 2.9% |
| Sugar | 0.7% | 3.7% | 3.5% | 4.0% | 4.1% | 4.0% | 4.0% |
| Chemicals, fertilizers | 3.0% | 2.3% | 1.9% | 1.9% | 1.5% | 1.4% | 1.3% |
| Other freight | 1.8% | 9.2% | 8.9% | 10.3% | 11.1% | 12.2% | 13.3% |
| Freight handling | 13.0% | 10.8% | 12.6% | 13.5% | 14.6% | 14.7% | 14.8% |
| Freight car rental | 9.2% | 9.9% | 7.1% | 7.4% | 7.5% | 7.3% | 7.2% |
| Passenger traffic | 3.2% | 3.7% | 3.8% | 3.6% | 3.6% | 3.5% | 3.5% |
| Other | 1.5% | 0.9% | 0.6% | 0.7% | 0.8% | 0.7% | 0.7% |
| Other income | 2.5% | 6.8% | 3.2% | 2.4% | 2.5% | 2.4% | 2.4% |
| Operating expenses | 67.4% | 73.9% | 77.9% | 74.1% | 73.7% | 72.5% | 71.7% |
| Employee benefits expense | 22.7% | 23.1% | 27.8% | 28.4% | 27.9% | 27.6% | 27.4% |
| Electricity | 5.1% | 4.9% | 4.4% | 3.9% | 3.8% | 3.6% | 3.5% |
| Materials | 2.9% | 4.4% | 4.1% | 3.8% | 3.7% | 3.6% | 3.6% |
| Fuel, lubricants | 2.0% | 1.9% | 1.7% | 1.5% | 1.5% | 1.4% | 1.4% |
| Property tax | 1.7% | 2.1% | 2.5% | 2.5% | 2.7% | 2.6% | 2.6% |
| Land tax | 1.9% | 2.0% | 1.9% | 2.0% | 2.0% | 2.3% | 2.6% |
| Other taxes | 0.1% | 0.3% | 0.5% | 0.2% | 0.3% | 0.3% | 0.4% |
| Freight car rental expense | 4.9% | 5.3% | 4.6% | 3.9% | 3.5% | 3.5% | 3.5% |
| Repairs and maintenance | 2.3% | 1.6% | 2.2% | 2.0% | 2.0% | 2.0% | 2.0% |
| Security | 1.5% | 1.5% | 1.6% | 1.7% | 1.7% | 1.7% | 1.7% |
| Write off of non-current assets | 0.9% | 3.1% | 1.2% | 0.8% | 0.8% | 0.8% | 0.9% |
| Other other expenses | 2.0% | 2.8% | 4.1% | 2.9% | 3.1% | 3.1% | 3.0% |
| Operating expenses excluding depreciation and amortization | 48.1% | 53.2% | 56.7% | 53.5% | 52.9% | 52.5% | 52.4% |
| EBITDA | 54.4% | 53.6% | 46.5% | 48.9% | 49.5% | 49.9% | 50.0% |
| Adjusted EBITDA | 55.3% | 56.6% | 48.9% | 49.6% | 50.3% | 50.7% | 50.9% |
| Depreciation and amortization expense | 19.3% | 20.7% | 21.2% | 20.6% | 20.7% | 20.0% | 19.3% |
| Buildings and constructions | 0.9% | 1.0% | 0.9% | 0.7% | 0.7% | 0.7% | 0.7% |
| Rail track infrastructure | 7.6% | 7.7% | 8.7% | 8.5% | 8.4% | 8.1% | 7.8% |
| Transport, machinery, equipment and other | 10.8% | 12.0% | 11.6% | 11.3% | 11.6% | 11.2% | 10.8% |
| Results from operating activities | 35.1% | 32.9% | 25.3% | 28.3% | 28.8% | 30.0% | 30.8% |
| Finance income | 5.7% | 4.1% | 2.6% | 2.3% | 2.3% | 2.0% | 2.4% |
| Finance costs | 2.2% | 12.6% | 12.0% | 21.8% | 42.1% | 10.9% | 11.3% |
| Net finance costs | 3.5% | 8.6% | 9.4% | 19.5% | 39.8% | 9.0% | 8.9% |
| Profit before income tax | 38.6% | 24.4% | 15.9% | 8.8% | 11.0% | 21.0% | 21.9% |
| Income tax expense | 2.1% | 3.7% | 2.3% | 1.1% | - | 3.2% | 3.3% |
| Profit and total comprehensive income for the year | 36.5% | 20.7% | 13.6% | 7.7% | 11.0% | 17.9% | 18.6% |



Statement of changes in equity

| | US\$, '000 | 2011 | 2012 | 2013 | 2014 | 2015F | 2016F | 2017F |
|---|------------|--------------------|--------------------|-------------------|-------------------|------------------|------------------|------------------|
| Share capital, 1 January | | 555,830.3 | 598,972.0 | 633,639.8 | 604,777.4 | 564,607.2 | 466,442.9 | 466,442.9 |
| Common capital issued for property, plant and equipment | | - | - | 194.8 | - | - | - | - |
| Net non-cash contributions by and distributions to owners | | (2,007.7) | 29,848.7 | - | 1,204.5 | - | - | - |
| Cash contributions by and distributions to owners | | 10,955.8 | - | - | - | - | - | - |
| Transfer of retained earnings to share capital | | - | - | - | - | - | - | - |
| FX rate translation adjustment | | 34,193.5 | 4,819.0 | (29,057.1) | (41,374.7) | (98,164.3) | - | - |
| Share capital, 31 December | | 598,972.0 | 633,639.8 | 604,777.4 | 564,607.2 | 466,442.9 | 466,442.9 | 466,442.9 |
| Non-cash owner contribution reserve, 1 January | | 19,970.7 | 22,776.1 | 19,118.1 | 18,241.7 | 18,359.1 | 15,167.1 | 15,167.1 |
| Net non-cash contributions by and distributions to owners | | 1,565.2 | (3,857.7) | - | 1,439.0 | - | - | - |
| FX rate translation adjustment | | 1,240.3 | 199.6 | (876.5) | (1,321.5) | (3,192.0) | - | - |
| Non-cash owner contribution reserve, 31 December | | 22,776.1 | 19,118.1 | 18,241.7 | 18,359.1 | 15,167.1 | 15,167.1 | 15,167.1 |
| Retained earnings, 1 January | | 345,363.8 | 457,104.7 | 271,247.7 | 280,699.8 | 255,599.4 | 179,718.6 | 227,172.5 |
| Profit and total comprehensive income for the year | | 103,445.2 | 58,874.4 | 39,214.4 | 22,247.6 | (31,441.6) | 52,726.6 | 56,735.6 |
| Dividends to equity holders | | - | (231,530.2) | (15,029.3) | (28,501.7) | - | (5,272.7) | (8,510.3) |
| Net non-cash contributions by and distributions to owners | | (13,743.4) | (15,700.1) | (1,338.8) | - | - | - | - |
| Cash contributions by and distributions to owners | | - | (1,878.0) | - | - | - | - | - |
| Transfer of retained earnings to share capital | | - | - | - | - | - | - | - |
| Total transactions with owners, recorded directly in equity | | (13,743.4) | (249,108.3) | (16,368.1) | (28,501.7) | - | (5,272.7) | (8,510.3) |
| FX rate translation adjustment | | 22,039.1 | 4,376.9 | (13,394.2) | (18,846.2) | (44,439.3) | - | - |
| Retained earnings, 31 December | | 457,104.7 | 271,247.7 | 280,699.8 | 255,599.4 | 179,718.6 | 227,172.5 | 275,397.7 |
| Total equity | | 1,078,852.9 | 924,005.6 | 903,718.8 | 838,565.7 | 661,328.6 | 708,782.5 | 757,007.8 |



Common size statement of changes in equity

| | 2011 | 2012 | 2013 | 2014 | 2015F | 2016F | 2017F |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Share capital, 1 January | 51.5% | 64.8% | 70.1% | 72.1% | 85.4% | 65.8% | 61.6% |
| Common capital issued for property, plant and equipment | - | - | 0.0% | - | - | - | - |
| Net non-cash contributions by and distributions to owners | 0.2% | 3.2% | - | 0.1% | - | - | - |
| Cash contributions by and distributions to owners | 1.0% | - | - | - | - | - | - |
| Transfer of retained earnings to share capital | - | - | - | - | - | - | - |
| FX rate translation adjustment | 3.2% | 0.5% | 3.2% | 4.9% | 14.8% | - | - |
| Share capital, 31 December | 55.5% | 68.6% | 66.9% | 67.3% | 70.5% | 65.8% | 61.6% |
| Non-cash owner contribution reserve, 1 January | 1.9% | 2.5% | 2.1% | 2.2% | 2.8% | 2.1% | 2.0% |
| Net non-cash contributions by and distributions to owners | 0.1% | 0.4% | - | 0.2% | - | - | - |
| FX rate translation adjustment | 0.1% | 0.0% | 0.1% | 0.2% | 0.5% | - | - |
| Non-cash owner contribution reserve, 31 December | 2.1% | 2.1% | 2.0% | 2.2% | 2.3% | 2.1% | 2.0% |
| Retained earnings, 1 January | 32.0% | 49.5% | 30.0% | 33.5% | 38.6% | 25.4% | 30.0% |
| Profit and total comprehensive income for the year | 9.6% | 6.4% | 4.3% | 2.7% | 4.8% | 7.4% | 7.5% |
| Dividends to equity holders | - | 25.1% | 1.7% | 3.4% | - | 0.7% | 1.1% |
| Net non-cash contributions by and distributions to owners | 1.3% | 1.7% | 0.1% | - | - | - | - |
| Cash contributions by and distributions to owners | - | 0.2% | - | - | - | - | - |
| Transfer of retained earnings to share capital | - | - | - | - | - | - | - |
| Total transactions with owners, recorded directly in equity | 1.3% | 27.0% | 1.8% | 3.4% | - | 0.7% | 1.1% |
| FX rate translation adjustment | 2.0% | 0.5% | 1.5% | 2.2% | 6.7% | - | - |
| Retained earnings, 31 December | 42.4% | 29.4% | 31.1% | 30.5% | 27.2% | 32.1% | 36.4% |
| Total equity | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |



Statement of financial position

| | US\$, '000 | 2011 | 2012 | 2013 | 2014 | 2015F | 2016F | 2017F |
|--------------------------------------|------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Assets | | | | | | | | |
| Property, plant and equipment | | 1,145,420.0 | 1,326,272.1 | 1,351,832.6 | 1,276,147.2 | 1,074,079.6 | 1,085,666.2 | 1,097,854.9 |
| Investment property | | 4,093.9 | - | - | - | - | - | - |
| Deferred tax assets | | - | 939.8 | 896.7 | 835.5 | 690.2 | 690.2 | 690.2 |
| Other non-current assets | | 165,263.1 | 169,544.3 | 104,191.7 | 91,323.2 | 72,664.1 | 70,202.3 | 68,037.4 |
| Non-current assets | | 1,314,777.0 | 1,496,756.2 | 1,456,921.0 | 1,368,306.0 | 1,147,434.0 | 1,156,558.7 | 1,166,582.5 |
| Inventories | | 14,211.2 | 21,471.0 | 24,799.3 | 18,248.6 | 16,369.2 | 17,767.0 | 19,288.2 |
| Current tax assets | | 305.9 | - | 6,732.1 | 5,861.8 | 4,842.6 | 4,455.2 | 4,098.8 |
| Trade and other receivables | | 16,377.3 | 23,693.5 | 30,180.3 | 28,946.1 | 24,391.7 | 24,164.5 | 24,647.8 |
| Prepayments and other current assets | | 16,592.2 | 37,211.3 | 22,708.6 | 9,952.2 | 8,276.0 | 8,333.3 | 8,394.0 |
| Term deposits | | 45,769.6 | 60,554.7 | - | - | - | - | - |
| Cash and cash equivalents | | 38,625.4 | 69,461.0 | 120,368.6 | 161,506.2 | 145,759.5 | 184,297.7 | 222,513.5 |
| Current assets | | 131,881.7 | 212,391.5 | 204,788.9 | 224,514.9 | 199,639.0 | 239,017.7 | 278,942.2 |
| Total assets | | 1,446,658.7 | 1,709,147.7 | 1,661,710.0 | 1,592,820.9 | 1,347,073.0 | 1,395,576.5 | 1,445,524.7 |
| Equity and liabilities | | | | | | | | |
| Share capital | | 598,972.0 | 633,639.8 | 604,777.4 | 564,607.2 | 466,442.9 | 466,442.9 | 466,442.9 |
| Non-cash owner contribution reserve | | 22,776.1 | 19,118.1 | 18,241.7 | 18,359.1 | 15,167.1 | 15,167.1 | 15,167.1 |
| Retained earnings | | 457,104.7 | 271,247.7 | 280,699.8 | 255,599.4 | 179,718.6 | 227,172.5 | 275,397.7 |
| Total equity | | 1,078,852.9 | 924,005.6 | 903,718.8 | 838,565.7 | 661,328.6 | 708,782.5 | 757,007.8 |
| Loans and borrowings | | 247,897.4 | 525,704.1 | 525,942.5 | 498,697.7 | 498,697.7 | 498,697.7 | 498,697.7 |
| Advance received from the government | | - | 139,791.2 | 133,382.5 | 123,082.7 | 101,683.2 | 101,683.2 | 101,683.2 |
| Trade and other payables | | 26.9 | 31.4 | 29.9 | 27.9 | 23.1 | 23.1 | 23.1 |
| Deferred tax liabilities | | 36,475.5 | 34,588.0 | 33,655.5 | 32,194.7 | 26,597.2 | 27,395.1 | 28,217.0 |
| Non-current liabilities | | 284,399.8 | 700,114.7 | 693,010.4 | 654,003.0 | 627,001.2 | 627,799.1 | 628,620.9 |
| Loans and borrowings | | 11,139.9 | 20,172.6 | 19,436.2 | 46,860.9 | 14,660.9 | 14,660.9 | 14,660.9 |
| Trade and other payables | | 27,512.4 | 49,281.7 | 32,345.2 | 42,112.0 | 35,486.1 | 36,195.8 | 36,919.8 |
| Liabilities to the government | | 7,895.6 | 7,820.4 | 6,863.4 | 4,543.4 | 3,753.4 | 3,753.4 | 3,753.4 |
| Provisions | | 12,137.3 | 2,494.1 | 3,544.3 | 3,459.4 | 2,000.6 | 1,400.4 | 1,428.4 |
| Other taxes payable | | 16,085.1 | - | - | - | - | - | - |
| Current tax liabilities | | - | 930.8 | - | - | - | - | - |
| Other current liabilities | | 8,635.6 | 4,327.9 | 2,791.6 | 3,276.5 | 2,842.1 | 2,984.2 | 3,133.5 |
| Current liabilities | | 83,406.0 | 85,027.5 | 64,980.7 | 100,252.2 | 58,743.2 | 58,994.8 | 59,896.0 |
| Total liabilities | | 367,805.8 | 785,142.2 | 757,991.1 | 754,255.2 | 685,744.4 | 686,793.9 | 688,516.9 |
| Total equity and liabilities | | 1,446,658.7 | 1,709,147.7 | 1,661,710.0 | 1,592,820.9 | 1,347,073.0 | 1,395,576.5 | 1,445,524.7 |



Common size statement of financial position

| | 2011 | 2012 | 2013 | 2014 | 2015F | 2016F | 2017F |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Assets | | | | | | | |
| Property, plant and equipment | 79.2% | 77.6% | 81.4% | 80.1% | 79.7% | 77.8% | 75.9% |
| Investment property | 0.3% | - | - | - | - | - | - |
| Deferred tax assets | - | 0.1% | 0.1% | 0.1% | 0.1% | 0.0% | 0.0% |
| Other non-current assets | 11.4% | 9.9% | 6.3% | 5.7% | 5.4% | 5.0% | 4.7% |
| Non-current assets | 90.9% | 87.6% | 87.7% | 85.9% | 85.2% | 82.9% | 80.7% |
| Inventories | 1.0% | 1.3% | 1.5% | 1.1% | 1.2% | 1.3% | 1.3% |
| Current tax assets | 0.0% | - | 0.4% | 0.4% | 0.4% | 0.3% | 0.3% |
| Trade and other receivables | 1.1% | 1.4% | 1.8% | 1.8% | 1.8% | 1.7% | 1.7% |
| Prepayments and other current assets | 1.1% | 2.2% | 1.4% | 0.6% | 0.6% | 0.6% | 0.6% |
| Term deposits | 3.2% | 3.5% | - | - | - | - | - |
| Cash and cash equivalents | 2.7% | 4.1% | 7.2% | 10.1% | 10.8% | 13.2% | 15.4% |
| Current assets | 9.1% | 12.4% | 12.3% | 14.1% | 14.8% | 17.1% | 19.3% |
| Total assets | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| Equity and liabilities | | | | | | | |
| Share capital, 31 December | 41.4% | 37.1% | 36.4% | 35.4% | 34.6% | 33.4% | 32.3% |
| Non-cash owner contribution reserve, 31 December | 1.6% | 1.1% | 1.1% | 1.2% | 1.1% | 1.1% | 1.0% |
| Retained earnings, 31 December | 31.6% | 15.9% | 16.9% | 16.0% | 13.3% | 16.3% | 19.1% |
| Total equity | 74.6% | 54.1% | 54.4% | 52.6% | 49.1% | 50.8% | 52.4% |
| Loans and borrowings | 17.1% | 30.8% | 31.7% | 31.3% | 37.0% | 35.7% | 34.5% |
| Advance received from the government | - | 8.2% | 8.0% | 7.7% | 7.5% | 7.3% | 7.0% |
| Trade and other payables | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Deferred tax liabilities | 2.5% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% |
| Non-current liabilities | 19.7% | 41.0% | 41.7% | 41.1% | 46.5% | 45.0% | 43.5% |
| Loans and borrowings current | 0.8% | 1.2% | 1.2% | 2.9% | 1.1% | 1.1% | 1.0% |
| Trade and other payables current | 1.9% | 2.9% | 1.9% | 2.6% | 2.6% | 2.6% | 2.6% |
| Liabilities to the government | 0.5% | 0.5% | 0.4% | 0.3% | 0.3% | 0.3% | 0.3% |
| Provisions | 0.8% | 0.1% | 0.2% | 0.2% | 0.1% | 0.1% | 0.1% |
| Other taxes payable | 1.1% | - | - | - | - | - | - |
| Current tax liabilities | - | 0.1% | - | - | - | - | - |
| Other current liabilities | 0.6% | 0.3% | 0.2% | 0.2% | 0.2% | 0.2% | 0.2% |
| Current liabilities | 5.8% | 5.0% | 3.9% | 6.3% | 4.4% | 4.2% | 4.1% |
| Total liabilities | 25.4% | 45.9% | 45.6% | 47.4% | 50.9% | 49.2% | 47.6% |
| Total equity and liabilities | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |



Statement of cash flows

| US\$, '000 | 2011 | 2012 | 2013 | 2014 | 2015F | 2016F | 2017F |
|---|--------------------|--------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Cash flows from operating activities | | | | | | | |
| Cash receipts from customers | 285,199.7 | 285,130.4 | 285,830.1 | 298,360.5 | 293,362.4 | 299,170.7 | 308,152.9 |
| Cash paid to suppliers and employees | (133,252.8) | (148,975.2) | (144,522.3) | (138,081.4) | (152,881.1) | (153,844.7) | (157,816.4) |
| VAT refund from the state | - | 13,928.7 | 4,508.8 | - | - | - | - |
| Cash flows from operations before income tax | 151,946.9 | 150,084.0 | 145,816.6 | 160,279.1 | 140,481.3 | 145,326.0 | 150,336.5 |
| Income tax paid | (17,946.8) | (4,978.0) | (14,278.4) | (1,656.4) | - | (8,119.1) | (8,834.1) |
| Net cash from (used in) operating activities | 134,000.1 | 145,106.0 | 131,538.2 | 158,622.7 | 140,481.3 | 137,206.9 | 141,502.4 |
| Cash flows from investing activities | | | | | | | |
| Acquisition of property, plant and equipment | (258,610.2) | (242,946.3) | (89,482.6) | (49,141.0) | (66,363.1) | (53,832.3) | (54,700.7) |
| Proceeds from sale of property, plant and | - | 1,836.2 | 111.8 | - | - | - | - |
| Acquisition of subsidiary | - | - | (28.9) | - | - | - | - |
| Decrease/(increase) in term deposits | (22,791.8) | (14,456.8) | 57,426.9 | - | - | - | - |
| Finance income | 5,861.7 | 6,843.3 | 10,078.0 | 6,525.4 | 6,785.5 | 5,828.5 | 7,369.9 |
| Net cash from (used in) investing activities | (275,540.4) | (248,723.7) | (21,894.7) | (42,615.6) | (59,577.6) | (48,003.8) | (47,330.8) |
| Cash flows from financing activities | | | | | | | |
| Proceeds from borrowings | 678.5 | 239,926.8 | - | - | - | - | - |
| Repayment of borrowings | (282.9) | (384.6) | (19.2) | - | (27,066.4) | - | - |
| Interest paid | (25,550.9) | (13,877.3) | (41,940.1) | (41,241.2) | (41,288.6) | (45,392.1) | (47,445.6) |
| Dividends to equity holders | - | (91,278.7) | (15,029.3) | (28,501.7) | - | (5,272.7) | (8,510.3) |
| Contribution of cash by owners | 11,862.1 | - | - | - | - | - | - |
| Distribution of cash to owners | (906.3) | (1,878.0) | - | - | - | - | - |
| Net cash from (used in) financing activities | (14,199.5) | 132,508.4 | (56,988.7) | (69,742.9) | (68,355.0) | (50,664.8) | (55,955.9) |
| Net increase in cash and cash equivalents | (155,739.8) | 28,890.6 | 52,654.8 | 46,264.2 | 12,548.7 | 38,538.3 | 38,215.7 |
| Cash and cash equivalents, 1 January | 201,074.7 | 38,942.5 | 66,276.6 | 112,146.4 | 133,426.3 | 145,759.5 | 184,297.7 |
| Effect of FX rate fluctuations on cash and cash | (6,709.5) | 1,627.9 | 1,437.2 | 3,095.6 | (215.5) | - | - |
| Cash and cash equivalents, 31 December | 38,625.4 | 69,461.0 | 120,368.6 | 161,506.2 | 145,759.5 | 184,297.7 | 222,513.5 |



Common size statement of cash flows

| | 2011 | 2012 | 2013 | 2014 | 2015F | 2016F | 2017F |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Cash flows from operating activities | | | | | | | |
| Cash receipts from customers | 100.7% | 100.2% | 99.1% | 103.0% | 101.1% | 101.3% | 101.1% |
| Cash paid to suppliers and employees | 47.1% | 52.4% | 50.1% | 47.7% | 52.7% | 52.1% | 51.8% |
| VAT refund from the state | - | 4.9% | 1.6% | - | - | - | - |
| Cash flows from operations before income tax | 53.7% | 52.7% | 50.5% | 55.3% | 48.4% | 49.2% | 49.3% |
| Income tax paid | 6.3% | 1.7% | 4.9% | 0.6% | - | 2.7% | 2.9% |
| Net cash from (used in) operating activities | 47.3% | 51.0% | 45.6% | 54.8% | 48.4% | 46.5% | 46.4% |
| Cash flows from investing activities | | | | | | | |
| Acquisition of property, plant and equipment | 91.3% | 85.4% | 31.0% | 17.0% | 22.9% | 18.2% | 17.9% |
| Proceeds from sale of property, plant and equipment | - | 0.6% | 0.0% | - | - | - | - |
| Acquisition of subsidiary | - | - | 0.0% | - | - | - | - |
| Decrease/(increase) in term deposits | 8.0% | 5.1% | 19.9% | - | - | - | - |
| Finance income | 2.1% | 2.4% | 3.5% | 2.3% | 2.3% | 2.0% | 2.4% |
| Net cash from (used in) investing activities | 97.3% | 87.4% | 7.6% | 14.7% | 20.5% | 16.3% | 15.5% |
| Cash flows from financing activities | | | | | | | |
| Proceeds from borrowings | 0.2% | 84.3% | - | - | - | - | - |
| Repayment of borrowings | 0.1% | 0.1% | 0.0% | - | 9.3% | - | - |
| Interest paid | 9.0% | 4.9% | 14.5% | 14.2% | 14.2% | 15.4% | 15.6% |
| Dividends to equity holders | - | 32.1% | 5.2% | 9.8% | - | 1.8% | 2.8% |
| Contribution of cash by owners | 4.2% | - | - | - | - | - | - |
| Distribution of cash to owners | 0.3% | 0.7% | - | - | - | - | - |
| Net cash from (used in) financing activities | 5.0% | 46.6% | 19.8% | 24.1% | 23.5% | 17.2% | 18.4% |
| Net increase in cash and cash equivalents | 55.0% | 10.2% | 18.3% | 16.0% | 4.3% | 13.1% | 12.5% |
| Cash and cash equivalents, 1 January | 71.0% | 13.7% | 23.0% | 38.7% | 46.0% | 49.4% | 60.5% |
| Effect of FX rate fluctuations on cash and cash equivalents | 2.4% | 0.6% | 0.5% | 1.1% | 0.1% | - | - |
| Cash and cash equivalents, 31 December | 13.6% | 24.4% | 41.7% | 55.7% | 50.2% | 62.4% | 73.0% |

Note: Financial statements have been prepared by translating company-reported audited GEL numbers into US\$ (using year-end and average annual FX rates, whichever more appropriate). In certain cases, the statements might not be true representative of the performance in US\$.



Financial ratios

| | 2011 | 2012 | 2013 | 2014 | 2015F | 2016F | 2017F |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Profitability | | | | | | | |
| Return on Revenue | | | | | | | |
| EBITDA margin | 54.4% | 53.6% | 46.5% | 48.9% | 49.5% | 49.9% | 50.0% |
| Adjusted EBITDA margin | 55.3% | 56.6% | 48.9% | 49.6% | 50.3% | 50.7% | 50.9% |
| EBIT margin | 35.1% | 32.9% | 25.3% | 28.3% | 28.8% | 30.0% | 30.8% |
| EBT margin | 38.6% | 24.4% | 15.9% | 8.8% | -11.0% | 21.0% | 21.9% |
| Net profit margin | 36.5% | 20.7% | 13.6% | 7.7% | -11.0% | 17.9% | 18.6% |
| Return on Investment | | | | | | | |
| Operating ROA / Basic earning power | 6.9% | 5.5% | 4.4% | 5.1% | 5.7% | 6.5% | 6.6% |
| Return on assets (ROA) | 7.2% | 3.4% | 2.4% | 1.4% | -2.2% | 3.8% | 4.0% |
| Operating ROE | 9.2% | 10.1% | 8.1% | 9.8% | 11.1% | 12.9% | 12.8% |
| Return on equity (ROE) | 9.6% | 6.4% | 4.3% | 2.7% | -4.3% | 7.7% | 7.7% |
| Return on common equity | 17.3% | 9.3% | 6.5% | 3.9% | -6.2% | 11.3% | 12.2% |
| Return on capital employed (ROCE) | 7.7% | 6.3% | 4.5% | 5.3% | 6.0% | 6.7% | 6.9% |
| Return on invested capital (ROIC) | 7.7% | -11.7% | 1.7% | -0.5% | -2.5% | 4.0% | 3.9% |
| Solvency | | | | | | | |
| Component percentage / debt ratios | | | | | | | |
| Liabilities to assets | 25.4% | 45.9% | 45.6% | 47.4% | 50.9% | 49.2% | 47.6% |
| Liabilities to invested capital | 27.5% | 53.4% | 52.3% | 54.5% | 58.4% | 56.2% | 54.2% |
| Liabilities to equity | 34.1% | 85.0% | 83.9% | 89.9% | 103.7% | 96.9% | 91.0% |
| Liabilities to EBITDA | 2.39x | 5.15x | 5.65x | 5.33x | 5.01x | 4.65x | 4.51x |
| Debt-to-assets | 17.9% | 31.9% | 32.8% | 34.3% | 38.1% | 36.8% | 35.5% |
| Debt-to-invested capital | 19.4% | 37.1% | 37.6% | 39.4% | 43.7% | 42.0% | 40.4% |
| Debt-to-equity | 24.0% | 59.1% | 60.3% | 65.1% | 77.6% | 72.4% | 67.8% |
| Debt-to-EBITDA | 1.68x | 3.58x | 4.06x | 3.85x | 3.68x | 3.48x | 3.37x |
| Net debt-to-assets | 15.2% | 27.9% | 25.6% | 24.1% | 27.3% | 23.6% | 20.1% |
| Net debt-to-invested capital | 16.5% | 32.4% | 29.3% | 27.7% | 31.3% | 26.9% | 22.9% |
| Net debt-to-equity | 20.4% | 51.6% | 47.0% | 45.8% | 55.6% | 46.4% | 38.4% |
| Net debt-to-EBITDA | 1.43x | 3.12x | 3.17x | 2.71x | 2.62x | 2.36x | 2.03x |
| Net debt-to-adjusted EBITDA | 1.41x | 2.96x | 3.01x | 2.67x | 2.52x | 2.20x | 1.87x |
| Long-term debt-to-assets | 17.1% | 30.8% | 31.7% | 31.3% | 37.0% | 35.7% | 34.5% |
| Long-term debt-to-invested capital | 18.5% | 35.8% | 36.3% | 36.0% | 42.5% | 40.8% | 39.3% |
| Long-term debt-to-equity | 23.0% | 56.9% | 58.2% | 59.5% | 75.4% | 70.4% | 65.9% |
| Long-term debt-to-EBITDA | 1.61x | 3.45x | 3.92x | 3.52x | 3.47x | 3.38x | 3.27x |
| Financial leverage (equity multiplier) | 1.34x | 1.85x | 1.84x | 1.90x | 2.04x | 1.97x | 1.91x |
| Coverage | | | | | | | |
| EBITDA coverage | 24.77x | 4.25x | 3.88x | 2.25x | 1.17x | 4.56x | 4.43x |
| Adjusted EBITDA coverage | 6.25x | 4.56x | 3.36x | 3.42x | 3.53x | 3.30x | 3.27x |
| EBIT coverage | 15.99x | 2.61x | 2.11x | 1.30x | 0.68x | 2.74x | 2.72x |
| Adjusted EBIT coverage | 3.98x | 2.65x | 1.74x | 1.95x | 2.02x | 1.95x | 1.98x |
| FFO to debt | 0.61x | 0.22x | 0.18x | 0.15x | 0.05x | 0.22x | 0.22x |
| FFO to finance costs | 25.41x | 3.28x | 2.91x | 1.30x | 0.23x | 3.46x | 3.35x |
| Liquidity | | | | | | | |
| Current ratio | 1.58x | 2.50x | 3.15x | 2.24x | 3.40x | 4.05x | 4.66x |
| Quick ratio (acid test) | 1.41x | 2.25x | 2.77x | 2.06x | 3.12x | 3.75x | 4.34x |
| Cash ratio | 0.46x | 0.82x | 1.85x | 1.61x | 2.48x | 3.12x | 3.71x |
| Cash flow | | | | | | | |
| Cash flow to revenue | 47.3% | 51.0% | 45.6% | 54.8% | 48.4% | 46.5% | 46.4% |
| Cash return on assets | 9.7% | 9.2% | 7.8% | 9.7% | 9.6% | 10.0% | 10.0% |
| Cash return on capital | 10.6% | 10.3% | 9.0% | 11.2% | 11.0% | 11.4% | 11.4% |
| Cash return on equity | 13.4% | 14.5% | 14.4% | 18.2% | 18.7% | 20.0% | 19.3% |
| Cash flow to operating income | 134.7% | 154.8% | 180.3% | 193.5% | 168.1% | 155.0% | 150.8% |
| Cash flow to debt | 51.8% | 36.1% | 24.1% | 29.1% | 26.5% | 26.7% | 27.6% |
| Free cash flow to operating cash flows | -129.7% | -85.8% | 14.4% | 59.4% | 71.9% | 25.1% | 26.4% |
| Interest coverage | 6.89x | 12.68x | 4.52x | 4.63x | 3.55x | 3.51x | 4.11x |
| Debt repayment | 473.65x | 377.34x | 6837.59x | - | 5.19x | - | - |
| Dividend payment | - | 0.63x | 8.75x | 5.57x | - | 26.02x | 16.63x |
| Reinvestment | 0.52x | 0.60x | 1.47x | 3.23x | 2.12x | 2.55x | 2.59x |
| Investing and financing | 0.46x | 1.25x | 1.67x | 1.41x | 1.10x | 1.39x | 1.37x |
| Retained cash flows to net debt | -1.04x | 0.09x | 0.11x | 0.10x | -0.04x | 0.11x | 0.12x |



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