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Georgian Oil and Gas Corporation
New Highs from 2020

Georgia | Energy
Georgian Oil and Gas Corporation
August 16, 2019

S&P / B+ / Outlook Stable
Fitch / BB / Outlook Stable

GOGC released audited FY18 results. Reduced demand on natural gas due to mild winter decreased both, the revenue and expenses of the company. Revenue was down 5.3% y/y to US$ 253.6mn and operating expenses decreased 3.4% y/y to US$ 182.5mn. Notably, less favorable contractual terms for pipeline rentals and one-off legal fees weighed on profitability in 2018. Therefore, adjusted EBITDA decreased 7.4% y/y to US$ 86.8mn. Importantly, expected growth in gas consumption and related increase in gas purchase costs will temporarily deteriorate profitability metrics in 2019. Significant cash outflows related to the Gardabani 2 construction is another channel effecting negatively the net-debt-to-adjusted EBITDA ratio, which expected to reach 3.1x in 2019, still below Eurobond covenant of 3.75x. From 2020, Gardabani 2 commissioning and availability of increased cheap gas volumes from SCP are seen as major channels supporting significant improvement in GOGC's profitability. Notably, Fitch upgraded company's credit rating to BB in March 2019 matching that of Sovereign, backed by GOGC's solid financial position, diversified cash flow streams and strong monopoly in Georgia's energy sector.

Mild winter reduced revenue. FY18 revenue was down 5.3% y/y to US$ 253.6mn as gas sales volume reduced due to favorable weather conditions. Gas sales decreased 5.7% y/y in 2018, still remaining largest revenue item (56.3% of the total). Electricity sales made up 32.5% of total revenue and increased 3.6% y/y to US$ 82.5mn. Revenue from rent of pipelines dropped 30.4% y/y to US$ 16.6mn due to revised contractual terms, which are less favorable.

Lower gas purchases reduced operating expenses. Cost of gas, the largest operating expense category (79.4% of the total) was down 7.4% y/y to US$ 145.0mn in 2018. Operating expenses were down 3.4% y/y to US$ 182.5mn, driven by lower gas purchase costs, while one-off legal fees increased. Low demand limited gas purchase costs, with average prices remaining flat y/y at US$ 95.4/mcm in 2018. These flows resulted in 6.4% y/y reduction in adjusted EBITDA, which came in at US$ 86.8mn in 2018.

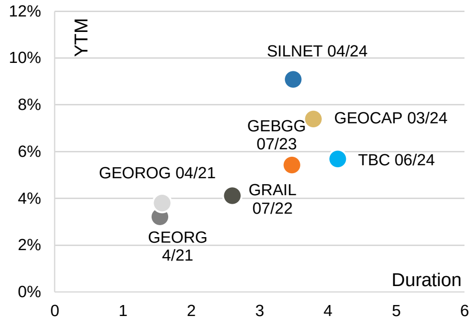
Expected gas demand growth to deteriorate profitability in 2019 before significant improvement from 2020. We expect the average gas purchase price to increase 13.0% y/y to US$ 107.9 in 2019 as enhanced SCP's throughput will be still insufficient to satisfy the growing gas consumption. As a result, 2019 adjusted EBITDA expected to slide to US$ 54.9mn compared to US$ 86.8mn in 2018. The trend is set to reverse from 2020, helped by increased share of cheap gas from SCP and launch of Gardabani 2.

Electricity will make up c. 45% of revenue from 2020. Commissioning of Gardabani 2 from 2020 expected to generate c. US$ 66.0mn in revenue from electricity sales and add c. US$ 26.0mn to 2020 EBITDA. This revenue stream and decreased cost of gas expected to significantly strengthen GOGC's financial position from 2020. We forecast adjusted EBITDA to rise to US$ 90.1mn and US$ 96.9mn in 2020-21, respectively.

KfW approved US$ 150mn loan for gas storage construction, which is expected to be finalized by 2023-24.

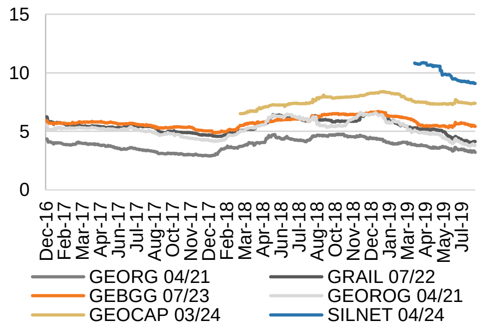
Temporary deterioration of the company's profitability and credit metrics will push net-debt-to adjusted EBITDA from 1.4x in 2018 to 3.1x in 2019. However, improved financial position from 2020 expected to bring the ratio back to around 1.5x over 2020-21.

Figure 1: Georgian Eurobond universe



Source: Bloomberg

Figure 2: Georgian Eurobonds



Source: Bloomberg

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

	FY17	FY18	Change, y/y
Revenue	267,710	253,557	-5.3%
Gross profit	111,191	108,571	-2.4%
Gross profit margin	*41.5%*	*42.8%*	*130bps*
EBITDA	96,923	86,770	-9.6%
EBITDA margin	*36.2%*	*34.2%*	*-200bps*
Adjusted EBITDA	93,761	86,846	-6.4%
Adjusted EBITDA margin	*35.0%*	*34.3%*	*-70bps*
EBIT	82,045	71,857	-11.5%
EBIT margin	*30.6%*	*28.3%*	*-230bps*
Net income	87,859	63,658	-26.8%
Net profit margin	*32.8%*	*25.1%*	*-770bps*
Assets	640,322	632,530	-1.2%
Liabilities	288,300	261,751	-9.2%
Equity	352,021	370,779	+5.3%

Source: Company data

US$-GEL	FY14	FY15	FY16	FY17	FY18
Period-end	1.864	2.395	2.647	2.592	2.677
Average	1.766	2.270	2.367	2.509	2.534

Source: NBG

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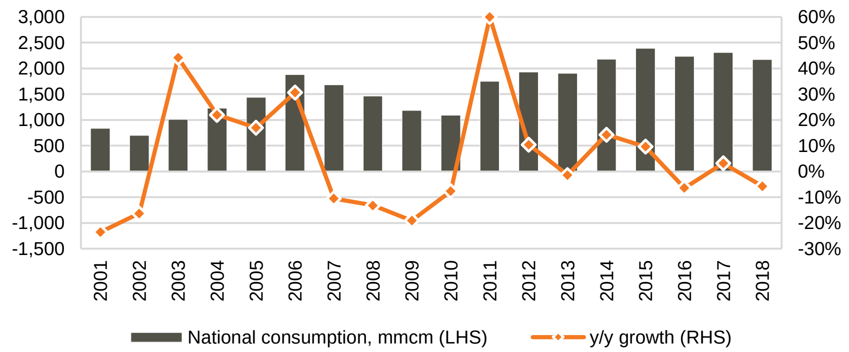
Gas market overview

2018 mild winter reduced gas consumption in Georgia. Demand on natural gas was down 2.2% y/y to 2.3bcm in 2018. Mild winter-related reduction in use of heating appliances decreased overall energy (electricity and gas) consumption in Georgia.

Figure 3: Annual natural gas consumption, mmcm

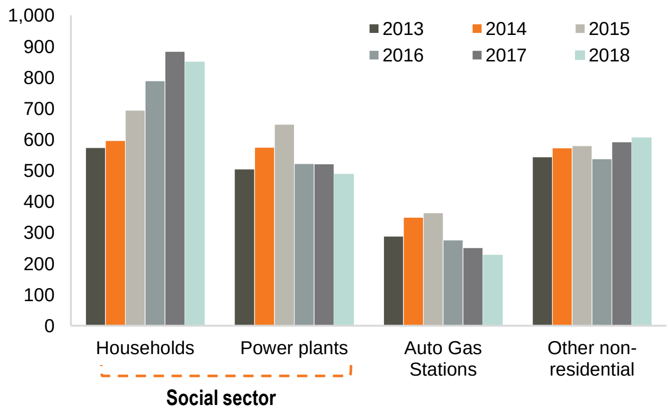


Source: GNERC, Galt & Taggart Research

Gas consumption declined in both social (households and TPPs) and commercial sectors. Gas consumption by households (accounting for 37.7% of total gas consumption), declined for the first time in the last 5 years, down 3.7% y/y to 851 mmcm in 2018. Notably, gas consumption per household was down 10.2% y/y to 711 mcm/household, while number of subscribers increased (c. 80,000 new users, +7.2% y/y)

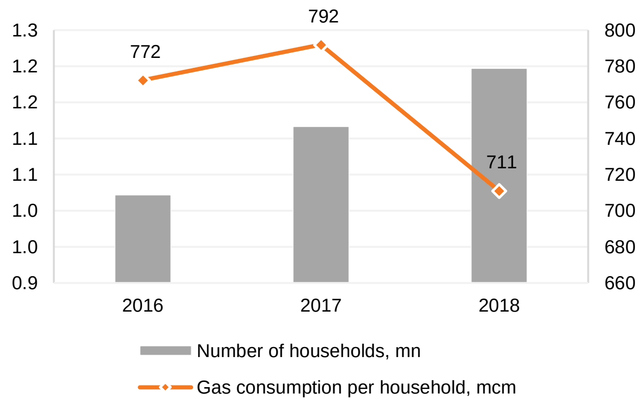
Mild winter also reduced electricity demand in 2018, down 5.3% y/y. As a result, gas used for power generation also declined 3.7% y/y to 489mmcm. Demand from commercial sector accounting for 37.0% of total gas consumption, was also down, entirely due to reduced demand from auto gas stations, while demand from other commercial sector increased in 2018.

Figure 4: Gas consumption by sources



Source: GNERC, Galt & Taggart Research

Figure 5: Number of subscribers



Source: GNERC, Galt & Taggart Research

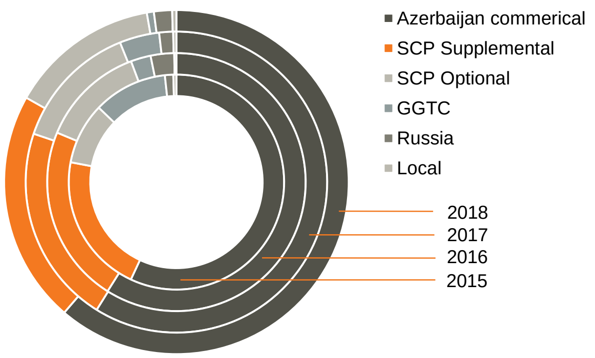
We expect overall social gas consumption to increase strongly up 21.7% y/y in 2019, due to increased consumption as well as the low base in 2018 after exceptionally mild winter in 2018. Households expected to drive the growth, with household consumption estimated to grow at a 6.1% CAGR over 2019-21. Due to growing electricity consumption in Georgia, demand on thermal generation is on the rise and TPPs are becoming an increasingly important source of energy supply. According to the gas balance approved by Ministry of Economy in May 2019, gas used in power generation is forecasted to grow significantly at 17.5% y/y in 2019.

Demand from auto gas stations is forecasted to decline as customers shifted to younger and environmentally friendly automobiles, encouraged by government measures. Government increased excise taxes on old cars and fuel in 2017 and rolled out a mandatory vehicle inspection program in 2018. At the same time, government encouraged ownership of environmentally friendly cars by imposing 60% lower excise taxes on 0-6 years old hybrids. As a result, consumer demand shifted to hybrid and electric cars, increasing their share from 1.6% (1.3k cars) of total car clearance in 2015 to 41.1% (26.2k cars) in 2018. Meanwhile, the share of cars using natural gas or petrol/natural gas decreased from 9.5% (8.1k cars) of total clearance in 2015 to 0.5% (297 cars) of total in 2018. This trend expected to continue and therefore demand on gas from auto gas stations will likely reduce going forward.

Azerbaijan remains major gas supplier for Georgia. 96.5% of total gas imports came from Azerbaijan in 2018, the rest was imported from Russia.

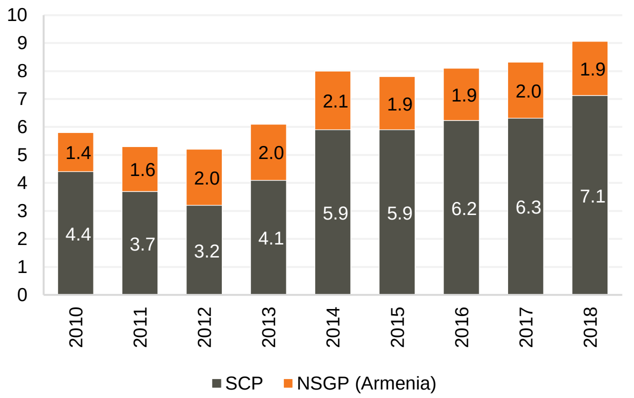
Gas transportation going through Georgia increased in 2018, up 9.0% y/y to 9.1bcm. The growth was entirely driven by the increased throughput (+12.8% y/y) in South Caucasus Pipeline (SCP), while the volume of gas going from Russia to Armenia through Georgia decreased 3.0% y/y. GOGC stopped receiving in kind fee for transportation of Russian gas to Armenia after the amendments to the agreement effective since 2018. The gas transit fee, which is 100% cash-based now goes to GGTC (government entity) and ultimately to the government, with payment details confidential.

Figure 6: Gas import sources in Georgia



Source: Company data, Galt & Taggart Research

Figure 7: Gas transportation volumes going through Georgia, bcm



Source: Company data, Galt & Taggart Research

Over 70% of total gas was purchased at a reduced price from Azerbaijan by GOGC in 2018. Transit country status for the SCP guarantees Georgia to buy sizeable gas volumes from Azerbaijan at a reduced price. 71% of total or 822bcm gas was purchased by GOGC at favorable prices in 2018, namely

- Pursuant to the SCP Option Gas Agreement, GOGC has the right (but not the obligation) to purchase up to 5.0% of the natural gas transported through Georgia via the SCP at below market prices; and
- According to the SCP Supplemental Gas Agreement, an additional fixed amount (500 mcm) can be purchased at below market prices.

Box 1: TANAP ready to deliver gas to Turkey

The Southern Gas Corridor (SGC), one of the largest infrastructure projects in the region, designed to transport Azeri gas to Turkey and Europe is nearing completion. In 2018, construction of the Turkish section (The Trans Anatolian Natural Gas Pipeline - TANAP) was completed, after completion of the Georgian section in 2017-18. First gas transportation to Turkey started in June, 2018 and c. 7.5bcm gas was already imported by Turkey from Azerbaijan in 2018.

The final section of SGC is located in Europe (the Trans-Adriatic Pipeline), where 87% of the construction works have been completed by May 2019. Once completed, the gas (c. 16.0bcm) from Shah Deniz-2 gas field will reach Europe, significantly improving the energy independence of the CEE countries by diversifying the gas import sources and reducing dependence on Russian gas.

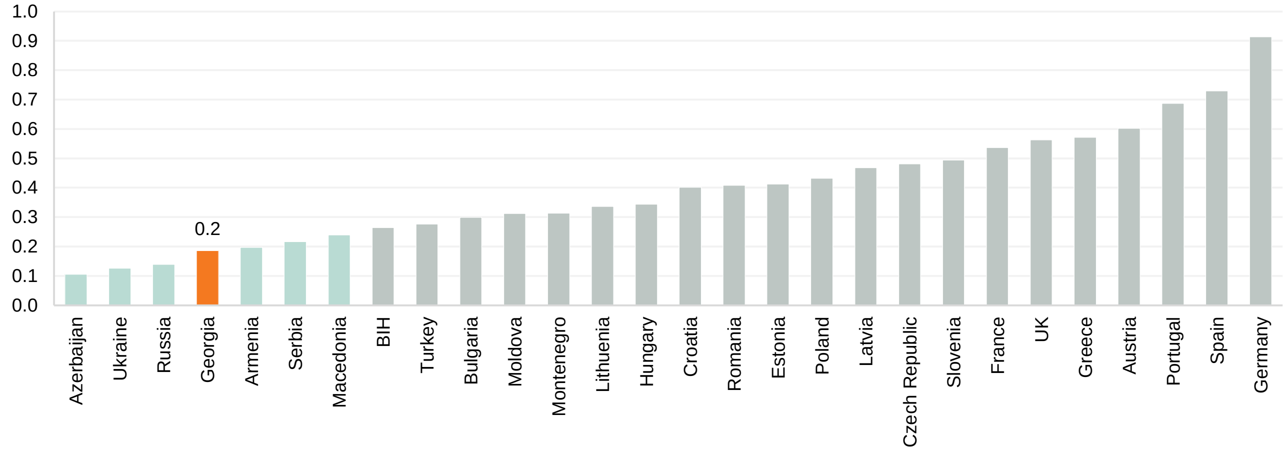
Increased volumes going through SCP will benefit Georgia, which as a transit country can buy 5% of the transited gas flows at below the market prices. Although, gas consumption in Georgia is forecasted to grow strongly in the medium term, increased throughput of SCP will significantly lower the average purchase price for GOGC from 2022, when the throughput in SCP will reach c. 15.0bcm.

According to G&T calculations, additional cheap gas availability due to SCP pipeline expansion will generate c. **US$ 300mn** savings from gas purchases for Georgia over 2019-25.

Map 1: Southern Gas Corridor expansion

Access to cheap Azeri gas benefits Georgia to have lower retail prices on natural gas compared to many regional and European countries. GOGC, as the national gas company, ensures to maintain affordable gas prices for the social sector (households and TPPs) by combining different sources of gas and selling it at a fixed price to SOCAR Gas Export Import. The latter delivers gas to the social sector at fixed prices.

Figure 8: Retail prices, GEL/mcm

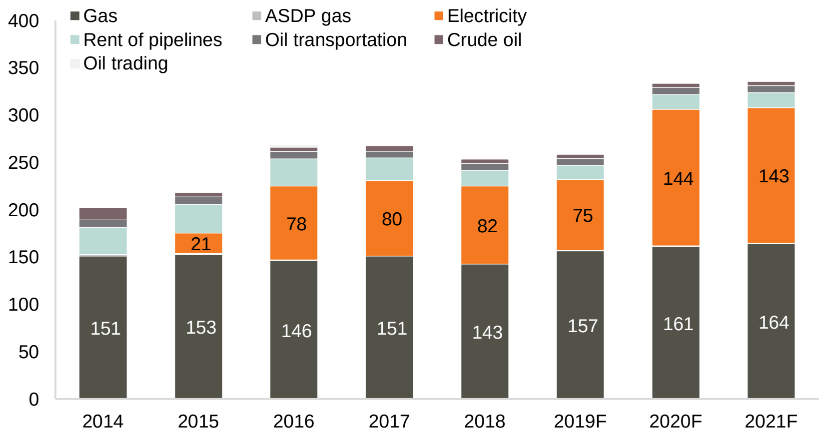


Source: GNERC, Galt & Taggart Research

Mild winter resulted in lower sales volumes for GOGC

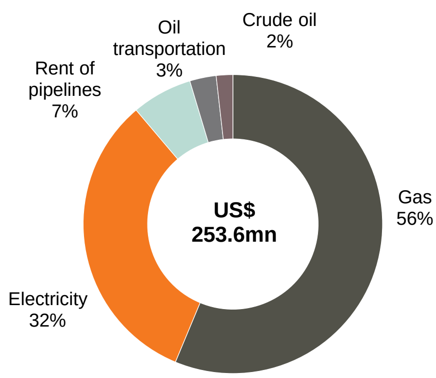
GOGC's revenue in 2018 decreased 5.3% y/y to US$ 253.6mn due to lower gas sales volume. Gas sales – traditionally the largest contributor to revenue generation (56.3% of the total) – decreased 5.7% y/y in 2018. The average sale price remained fixed at US$ 115.5 per mcm in recent years. Due to high socioeconomic effects Government seems to be resistant to adjust the social gas price in line with the growing gas purchase costs and significant depreciation of GEL. Social gas price (that GOGC charges SOCAR Gas Export Import) is forecasted to decline to US$ 111.2 from 2019 based on Fitch Ratings, putting pressure on GOGC's profitability margins. On a positive note, GOGC's average gas purchase price is expected to decline in the coming years due to growing volumes of low priced gas from SCP transit.

Figure 9: Revenue, US$ mn



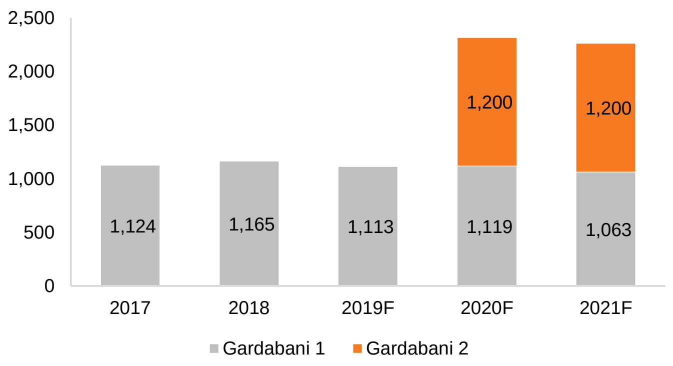
Source: Company data, Galt & Taggart Research

Figure 10: Revenue, US$ mn 2018



Electricity sales will make up c. 45% of total revenue of GOGC and c. 70% of EBITDA after commissioning of Gardabani 2 CCPP in the beginning of 2020. Electricity sales increased moderately (up 3.6% y/y) and added US$ 82.5mn or 32.5% to total revenue in 2018. The commissioning of the Gardabani 2 in the beginning of 2020 will become another steady source of cash for GOGC. We forecast that electricity sales will make up c. 45% of total sales for the company up from 32.5% of total currently. Both Gardabani 1&2 enjoy state support, Gardabani 1 receives guaranteed capacity fee from the government, while Gardabani 2 has a guaranteed sales price set at US$ 0.055/kWh for 1,200kWh/year for the next 14 years according to Fitch Ratings.

Figure 11: Electricity generation, GWh



Source: Company data, Galt & Taggart Research

Rent from gas pipelines – 6.5% of 2018 revenue – fell 30.4% y/y to US$ 16.6mn in 2018. The effect of new tariff methodology, introduced in September 2017 when volume-based payment was changed by an annual fixed GEL 42mn fee, was fully reflected in 2018. This represents a significant reduction from the revenues the company used to receive in 2013-17 (c. 40% reduction).

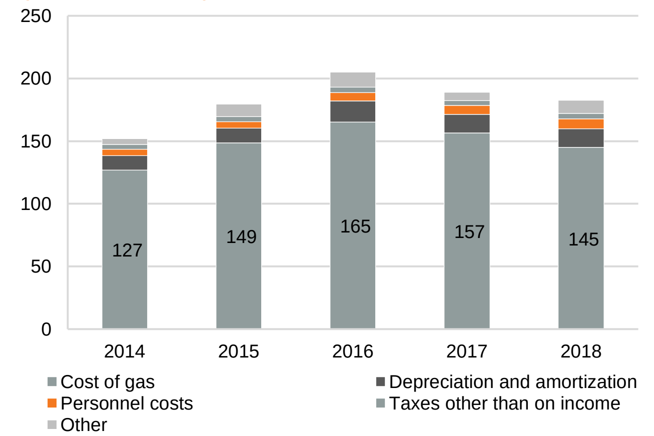
Oil transportation fee, 2.9% of revenue, shrank 0.7% y/y to US$ 7.2mn in 2018. The reduction was driven by the slight decline in transportation flows going through the Baku-Supsa (WREP) pipeline, down 1.2% y/y to 27.9mn bbl.

Crude oil sales, which accounted for 1.8% of total revenue, was down 19.7% y/y to US$ 4.5mn in 2018. The recovery in global oil prices was not enough to offset the decrease in the volume of oil sales (-43.0% y/y) in 2018.

Lower gas purchase costs reduces operating expenses

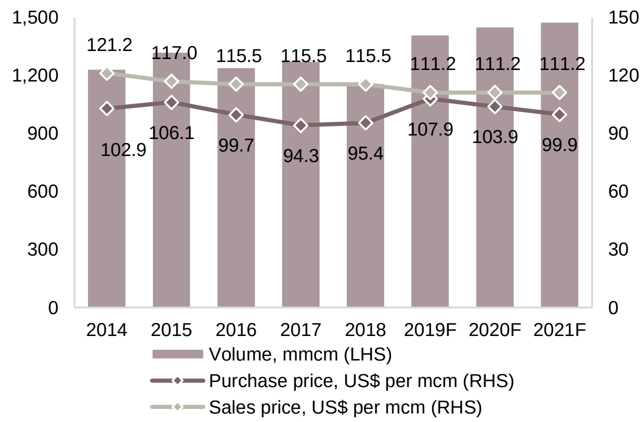
Operating expenses were down 3.4% y/y to US$ 182.5mn, driven by lower gas purchase costs. Cost of gas, the largest expense category for the company accounting for 79.4% of the total operating expenses, was down 7.4% y/y to US$ 145.0mn in 2018. The decline was entirely driven by the reduced purchase volumes associated with lower demand from social sector. Average gas purchase price increased slightly to US$ 95.4/mcm in 2018 (+1.3% y/y) as the share of expensive gas remained at c. 28% of total purchases.

Figure 12: Operating expenses, US$ mn



Source: Company data, Galt & Taggart Research

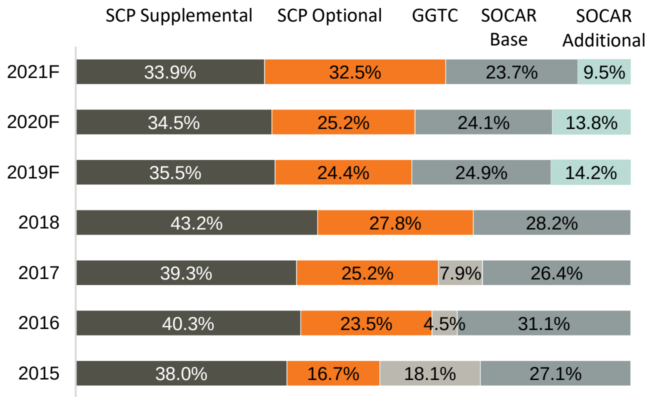
Figure 13: Gas purchase volume and prices, mmcm



Source: Company data, Galt & Taggart Research, Fitch Ratings

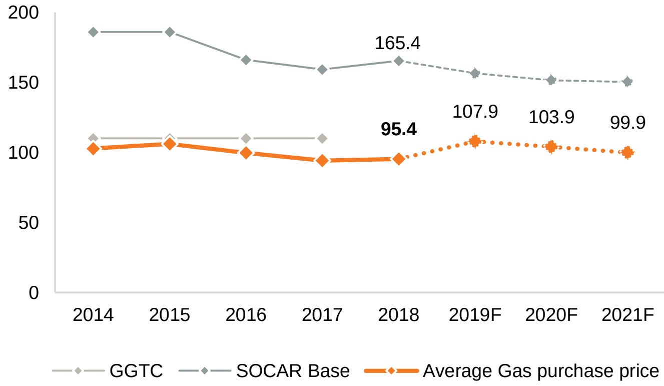
We expect the average gas purchase price to increase 13.0% y/y to US$ 107.9 in 2019 as increased throughput in SCP will not be enough to satisfy the growing gas consumption. According to our forecast, the share of expensive gas purchased from SOCAR to meet the increased demand, will increase from 28% or 326 mmcm in 2018 to c. 40% or 550mmcm in 2019. The trend is expected to revert from 2020-21, when on the back of increased throughput in SCP, the share of cheap gas in total purchases will start picking up. Significant reduction in average gas purchase prices is expected from 2022 when SCP throughput will plateau.

Figure 14: GOGC's gas volumes by source, mmcm



Source: Company data, Galt & Taggart Research

Figure 15: Gas purchase price, US$ per mcm



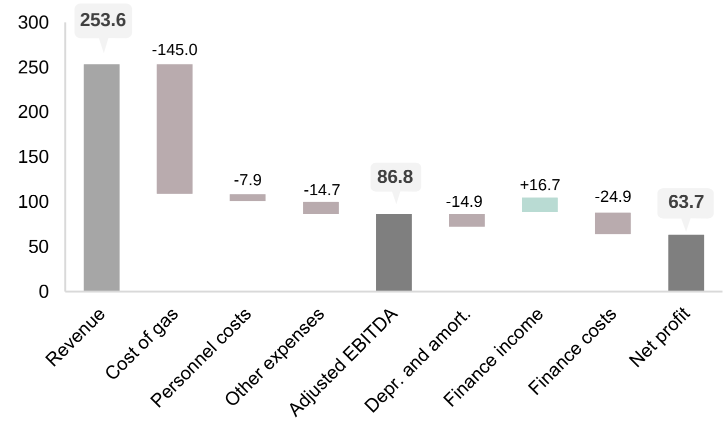
Source: Company data, Galt & Taggart Research

GOGC is currently involved in a litigation with Frontera Resources Georgia Corporation (FRGC), a Cayman Island company, regarding the breach of the production sharing agreement (PSA) related to exploration, production and sharing of crude oil and natural gas. In January 2018, GOGC and the State Agency of Oil and Gas (SAOG) initiated arbitration proceedings against FRGC, who has allegedly breached certain provisions of the PSA including but not limited to the relinquishment of approximately 99% of the Contract Area. On the other hand, in September 2018 Frontera Resources launched a counterclaim on US$ 3.5bn against GOGC and SAOG claiming lost profits for 2012-27 per GOGC's 2018 audit report. Management believes that GOGC and SAOG have factual and legal bases to win the case, and that possibility for Frontera to win these claims is remote. The court hearings are planned for October 2019.

Significant growth in other expenses is related to the above-mentioned on-going litigation case with Frontera Resources. Other operating expenses increased 58.1% y/y to US$ 10.4mn in 2018. Legal fees, related to litigation case with Frontera Resources, which were up 3.9x to US$ 2.7mn was the main reason behind the growth. Transportation, materials, repair and maintenance expense was up 20.4% y/y to US$ 3.1mn in 2018. Other costs remained mostly stable.

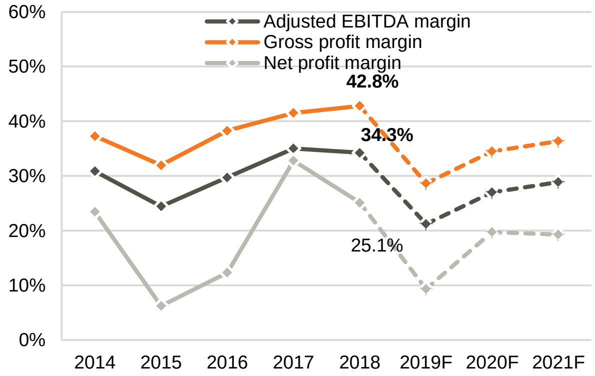
Decline in revenue, coupled with increase in other operating expenses resulted in 7.4% y/y reduction in adjusted EBITDA, which came in at US$ 86.8mn in 2018. As a result, adjusted EBITDA margin deteriorated slightly to 34.3% in 2018 vs 35.0% in 2017. The depreciation of the GEL against the US$ during 2018 (3.3%) led to a non-cash FX loss of US$ 8.6mn in the reporting period compared to a US$ 2.7mn gain last year. All of the above contributed to the 27.4% y/y decline in net profit for the company in 2018, which stood at US$ 63.7mn.

Figure 16: Adjusted EBITDA and Net income derivation, 2018 US$ mn



Source: Company data, Galt & Taggart Research

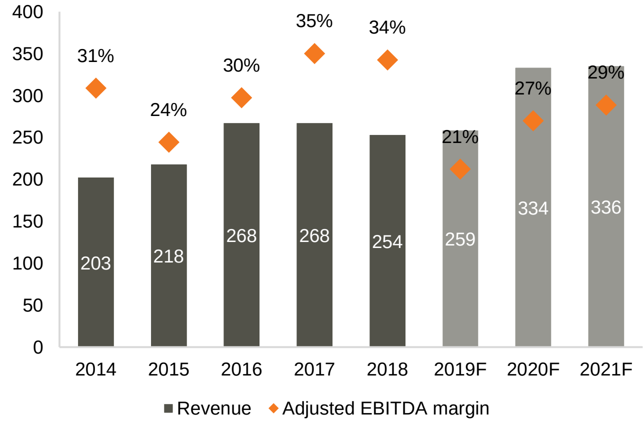
Figure 17: Profitability margins



Source: Company data, Galt & Taggart Research

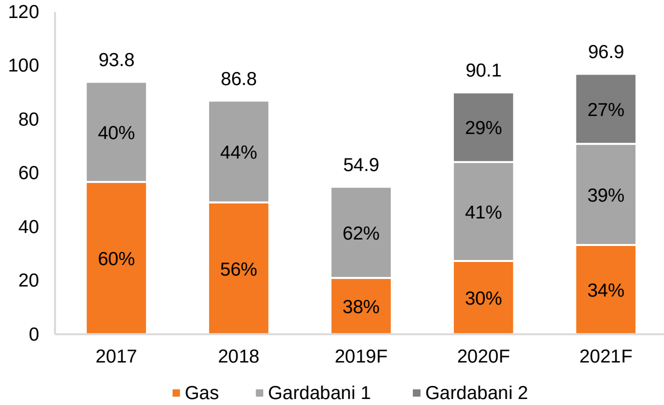
We forecast GOGC's profitability metrics to deteriorate in 2019 before recovering in 2020. 2019 adjusted EBITDA will be hit by increased cost of gas (+27.4% y/y to US$ 184.7mn) and slide to US$ 54.9mn compared to US$ 86.8mn in 2018. Commissioning of Gardabani 2 from 2020 is expected to help GOGC, bringing in c. US$ 66.0mn in revenue and adding c. US$ 26.0mn to 2020 EBITDA. Importantly, from 2020-21 the effect of cheap gas from SCP will start realizing with full effect from 2022. As a result, we forecast adjusted EBITDA to reach US$ 90.1mn and US$ 96.9mn in 2020-21, respectively.

Figure 18: Revenue and Adjusted EBITDA margin



Source: Company data, Galt & Taggart Research

Figure 19: Adjusted EBITDA breakdown by electricity and gas



Source: Company data, Galt & Taggart Research

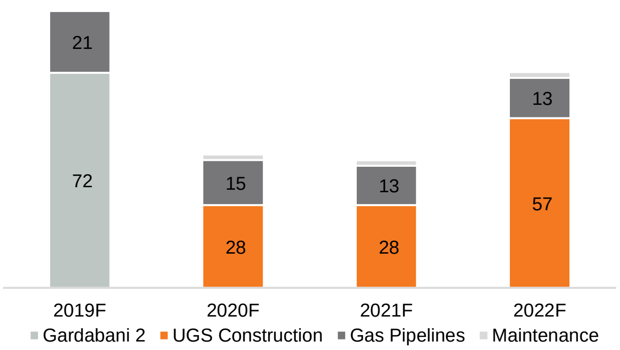
The company distributed US$ 30.4mn in dividends in 2018, which represented 35% of 2017 net income and 47.8% of net income in 2018. It should be noted that GOGC distributed maximum amount of dividend that was allowed by the government order (#531), which capped dividend distributions for 2012-17 at 35% of the previous year net income.

Gardabani 2 at the final stage of construction

Significant investments in Gardabani 2 power plant is expected to drag down cash balance in 2019. GOGC has managed to finance the construction of the Gardabani 2 CCPP from internal sources at the expense of reducing cash balance of the company, down 31.3% y/y to US$ 132.3mn as of end-2018. The company plans to invest c. US$ 70.0mn for the final stage construction of Gardabani 2 in 2019, of which more than half (56%) has already been paid to the construction and engineering company. In addition, c.US$ 20.0mn investment is planned for construction and rehabilitation of gas pipelines in 2019.

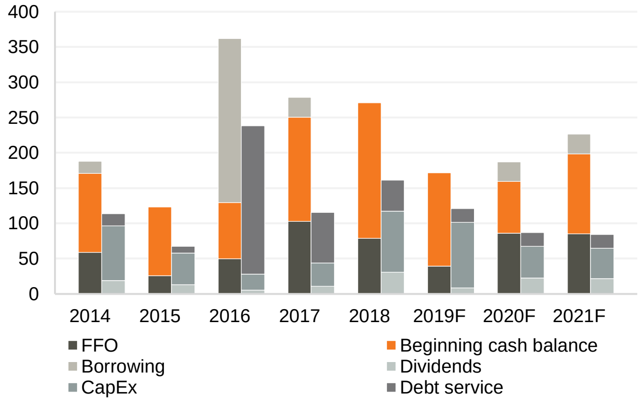
The company's capex is expected to decline to a maintenance level of US$ 43.0mn in 2020-21, before increasing in 2022 related to underground gas storage (UGS) construction. UGS project will be fully finance by IFIs, KfW has approved a long-term EUR 150mn loan for the construction of the UGS, while negotiations with EIB for the remaining portion of the investment (equivalent of US$ 100mn in Euros) continue. US$ 27.8mn will be invested annually in 2020 and 2021 for the construction of UGS. Capital investments will significantly increase from 2022, when underground gas storage construction will enter active construction phase (c. US$ 55.8mn).

Figure 20: CAPEX pipeline, US$ mn



Source: Company data, Galt & Taggart Research

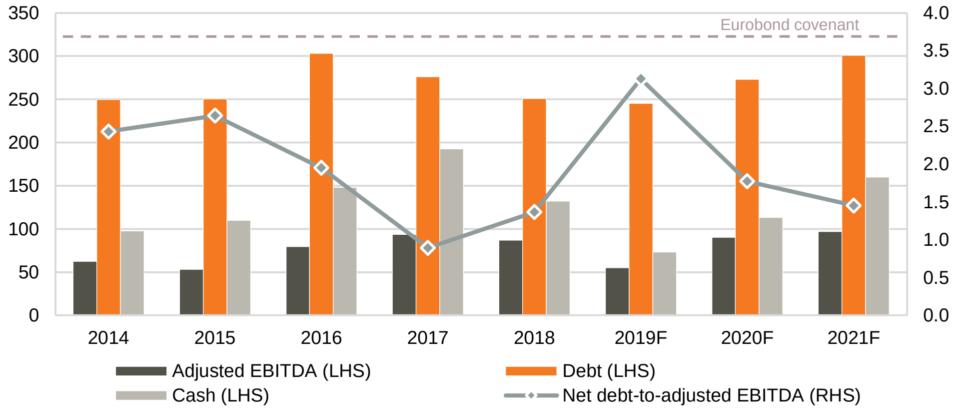
Figure 21: Available cash vs. cash outflows, US$ mn



Source: Company data, Galt & Taggart Research

Net debt-to-adjusted EBITDA ratio slightly deteriorated to 1.4x in 2018 from 0.9x in 2017. Decreased adjusted EBITDA coupled with significantly reduced cash balance contributed to the worsening of the ratio, however it remains comfortably below the Eurobond covenant of 3.75x. Due to persistent pressure on cash in 2019 (related to significant capital expenditures) we forecast the ratio to increase further to 3.1x, however improved profitability from 2020 will drive the net debt-to-adjusted EBITDA ratio down to 1.8x and 1.5x in 2020-21, respectively.

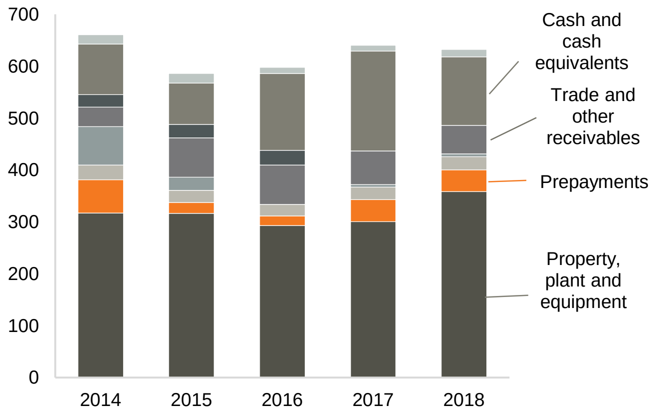
Figure 22: Net debt to adjusted EBITDA breakdown pipeline, GEL mn



Source: Company data, Galt & Taggart Research

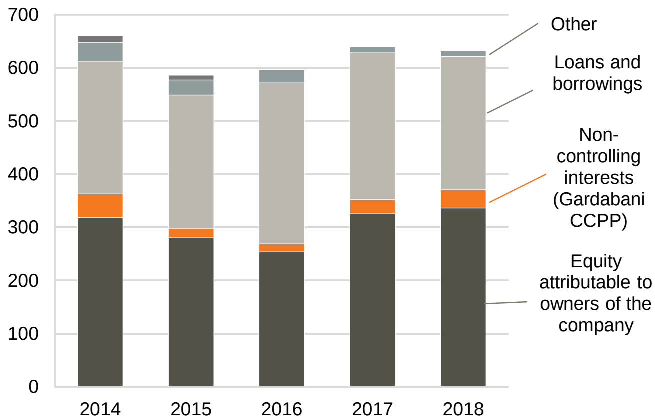
GOGC's capital structure remained largely the same with equity to invested capital standing at 56.0% in 2018. GOGC has significant balance of receivables from SOCAR Gas Export and Import, guaranteed by the SOCAR Azerbaijan. Trade receivables balance declined 15.7% y/y to US$ 54.7mn as SOCAR started payments to the company. Increased PPE balance (+19.2% y/y to US$ 358.1mn) is related to the sizable capital expenditures made by the company during the year related to Gardabani 2 construction.

Figure 23: Asset composition, US$ mn



Source: Company data, Galt & Taggart Research

Figure 24: Equity and liabilities composition, US$ mn



Source: Company data, Galt & Taggart Research

GOGC is the only company from Georgia whose credit ratings from Fitch matches the sovereign rating. After upgrading Georgia's sovereign rating from BB- to BB in February 2019, Fitch Ratings lifted GOGC's rating to the same level within a month (March 2019). The decision was backed by the company's solid financial position along with the strong monopoly position in Georgia's energy sector and government support. Notably, Fitch Ratings has not changed Georgian Railway's credit rating - another Government Related Entity, leaving at BB-, which is one notch below that of government.

Financial statements

Income statement

US$, '000	2014	2015	2016	2017	2018	2019F	2020F	2021F
Revenue	**202,629**	**218,234**	**267,728**	**267,710**	**253,557**	**258,739**	**333,507**	**335,591**
Sales of gas	152,782	153,991	147,134	151,302	142,690	156,570	161,240	164,020
Rent of gas pipelines	28,759	30,314	28,937	23,856	-	734	749	764
Income from crude oil	13,356	4,545	4,427	5,642	82,496	74,731	144,086	143,149
Oil transportation fee	7,731	7,919	7,625	7,301	16,592	15,108	15,748	15,778
Agency fees from oil trading	-	-	1,700	-	7,247	7,103	7,245	7,390
Sale of electricity	-	21,465	77,904	79,609	4,532	4,494	4,439	4,491
Operating expenses	**(151,872)**	**(179,478)**	**(204,973)**	**(188,864)**	**(182,506)**	**(218,982)**	**(265,584)**	**(261,800)**
Cost of gas and oil	(127,047)	(148,514)	(165,267)	(156,519)	(144,986)	(184,685)	(218,535)	(213,505)
Personnel costs	(5,219)	(5,155)	(6,643)	(7,057)	(7,921)	(7,103)	(8,865)	(8,994)
Taxes, other than on income	(3,771)	(3,950)	(4,308)	(3,847)	(4,308)	(4,140)	(5,336)	(5,369)
Other	(4,478)	(10,024)	(11,911)	(6,565)	(10,377)	(7,878)	(10,694)	(10,802)
Other income	1,364	1,049	451	3,200	806	472	478	485
Operating expenses excluding depr. and amort.	(140,515)	(167,643)	(188,129)	(173,987)	(167,593)	(203,806)	(243,430)	(238,670)
Adjusted EBITDA	**62,114**	**50,591**	**79,600**	**93,723**	**86,846**	**54,933**	**90,077**	**96,921**
Depreciation and amortization	(11,358)	(11,834)	(16,844)	(14,877)	(14,913)	(15,176)	(22,153)	(23,130)
Results from operating activities	52,120	39,806	63,207	82,046	71,857	40,229	68,401	74,276
Finance income	6,778	13,634	25,903	27,279	16,725	4,423	15,761	8,007
Finance costs	(5,969)	(38,301)	(47,119)	(21,481)	13,663	(19,614)	(19,614)	(19,614)
Net finance income	809	(24,665)	(21,216)	5,797	(8,723)	(15,191)	(3,853)	(11,607)
Share of loss of equity accounted investees	-	-	(830)	837	527	480	501	502
Profit before income tax	52,929	15,138	41,162	88,680	63,660	25,518	65,048	63,171
Income tax expense	(5,423)	(1,503)	(8,189)	(821)	-	(1,316)	(1,312)	(1,263)
Profit from continuing operations	47,506	13,635	32,973	87,859	63,660	24,203	65,793	64,655
Profit and total comprehensive income for the	**47,506**	**13,635**	**32,973**	**87,859**	**63,660**	**24,203**	**63,737**	**61,908**
Profit and total comprehensive income attributable								
Owners of the Company	48,506	31,168	34,378	76,348	54,784	20,930	55,118	53,536
Non-controlling interests	(1,000)	(17,533)	(1,406)	11,511	8,876	3,273	8,619	8,371

Statement of financial position

US$, '000	2014	2015	2016	2017	2018	2019F	2020F	2021F
Assets								
Property, plant and equipment	316,909	316,616	292,999	300,293	358,067	444,910	486,477	507,180
Prepayments for non-current assets	51,852	862	-	22,967	23,418	-	-	-
Intangible assets	54	36	427	438	419	403	420	421
Finance lease receivable	27,925	23,143	22,305	24,255	25,351	25,994	28,857	30,790
Loans given	74,461	25,613	-	4,645	5,586	4,278	2,970	1,688
Trade and other receivables non-current	-	-	7,829	8,166	7,083	6,820	6,398	5,769
Other non-current assets	-	-	-	-	-	-	-	
Equity accounted investees	-	2,365	4,776	5,972	6,419	6,605	6,939	7,647
Deferred tax assets	1,107	6,005	-	-	-	-	-	-
Term deposits	23,810	25,502	-	-	-	-	-	-
Non-current assets	496,118	400,141	328,335	366,736	426,343	489,011	532,062	553,496
Loans given	8,844	2,406	1,002	-	-	-	-	
Non-current assets held for distribution	-	734	-	-	-	-	-	
Inventories	106	3,685	4,129	4,788	6,660	9,081	9,352	9,513
Current tax assets	-	1,5300	-	-	811	-	-	
Taxes other than on income	7,820	2,096	1,382	-	-	-	-	
VAT recoverable	-	-	-	-	-	-	-	
Prepayments for current assets and expenses	12,528	20,104	18,332	19,594	18,793	18,094	18,861	18,896
Trade and other receivables	37,531	75,779	67,907	56,719	47,590	39,283	40,456	41,152
Term deposits current	-	-	28,385	-	-	-	-	-
Cash and cash equivalents	97,553	79,790	147,956	192,485	132,333	74,430	117,574	167,459
Current assets	164,382	186,123	269,092	273,586	206,187	140,887	186,243	237,020
Total assets	**660,500**	**586,264**	**597,427**	**640,321**	**632,530**	**629,898**	**718,305**	**790,516**
Loans and borrowings	245,176	245,176	245,884	245,884	245,884	240,272	268,113	296,058
Deferred tax liabilities	7,621	5,871	-	-	-	-	-	
Non-current liabilities	252,797	251,047	245,884	245,884	245,884	240,272	268,113	296,058
Loans and borrowings current	4,453	5,446	57,274	30,290	5,038	4,904	4,904	4,904
Trade and other payables	36,009	28,313	24,335	11,285	10,057	10,114	10,322	10,452
Dividend payable	-	-	-	-	-	-	-	
Current tax liabilities	837	-	303	44	-	-	-	
VAT payable	2,780	2,104	-	-	-	-	-	
Provisions	905	862	780	797	772	743	774	776
Current liabilities	44,983	36,725	82,692	42,416	15,867	15,760	15,999	16,131
Total liabilities	**297,780**	**287,772**	**328,576**	**288,300**	**261,751**	**256,033**	**284,112**	**312,188**
Equity and liabilities								
Share capital	307,307	255,084	233,147	241,076	234,101	225,394	234,944	235,385
Fair value adjustment reserve for non-cash	(151,417)	(117,826)	(106,612)	(108,858)	(105,425)	(101,504)	(105,805)	(106,003)
Additional paid-in-capital	38,484	29,946	27,096	27,667	26,794	25,798	26,891	26,941
Retained earnings	123,642	113,119	100,037	165,494	181,101	187,969	231,794	267,147
Equity attributable to owners of the Company	318,012	280,323	253,668	325,379	336,571	337,657	387,824	423,470
Non-controlling interests	44,707	18,169	15,183	26,643	34,208	36,208	46,369	54,857
Total equity	**362,719**	**298,492**	**268,851**	**352,022**	**370,779**	**373,865**	**434,193**	**478,327**
Total equity and liabilities	**660,500**	**586,264**	**597,427**	**640,321**	**632,530**	**629,898**	**718,305**	**790,516**

Statement of cash flows

US$, '000	2014	2015	2016	2017	2018	2019F	2020F	2021F
Cash flows from operating activities								
Cash receipts from customers	209,561	187,499	286,532.9	302,670	273,318	265,749	335,186	336,098
Cash paid to suppliers and employees	(161,865)	(181,985)	(207,108)	(204,530)	(190,699)	(206,044)	(243,537)	(238,703)
VAT refund from the State	8,495	5,198	1,479	-	-	-	-	-
Cash from operations before income taxes	56,191	10,712	80,913	98,141	82,627	59,713	91,658	97,405
Income tax paid	(4,400)	(7,535)	(5,214.4)	-	-	(535)	(1,312)	(1,263)
Interest paid	(17,219)	(18,024)	(18,133)	(18,366)	(17,231)	(19,614)	(19,614)	(19,614)
Interest received	10,655	16,490	9,654	12,666	12,289	6,371	3,879	5,890
Net cash from (used in) operating	**45,227**	**1,643**	**67,220**	**92,441**	**77,685**	**45,934**	**74,612**	**82,417**
Cash flows from investing activities								
Acquisition of property, plant and equipment	(77,744)	(44,901)	(22,443)	(33,041)	(82,275)	(92,791)	(44,870)	(42,919)
Decrease/(Increase) in term deposits	42,021	-	-	27,556	-	-	-	-
Repayment of loans given	-	52,866	17,331	973	-	-	-	-
Loans given	-	(1,058)	(16,842)	(4,338)	(455)	1,100	1,489	1,288
Acquisition of non-current assets held for	-	-	-	-	-	-	-	-
Investing in other companies	-	-	-	-	-	-	-	-
Acquisition of equity accounted investee	-	(2,495)	(3,778)	(295)	(137)	-	-	-
Net cash from (used in) investing activities	**(35,723)**	**4,412**	**(25,733)**	**(9,145)**	**(82,723)**	**(91,690)**	**(43,381)**	**(41,631)**
Cash flows from financing activities								
Dividends paid	(18,688)	(12,933)	(5,356)	(10,888)	(28,821)	(7,325)	(19,309)	(18,802)
Proceeds from borrowings	16,918	-	232,572	27,869	-	-	27,840	27,893
Repayment of borrowings	(16,855)	-	(190,209)	(51,911)	(25,539)	-	-	-
Other cash distributions to owners	-	-	-	-	-	-	-	-
Cash distributed on the transfer of	(5,320)	-	-	-	-	-	-	-
Cash distributed on the transfer of	-	-	-	-	-	-	-	-
Net cash from (used in) financing activities	**(23,946)**	**(12,933)**	**37,015**	**(34,930)**	**(54,360)**	**(7,325)**	**8,531**	**9,090**
Net increase in cash and cash equivalents	(14,441)	(6,878)	78,503	48,366	(59,542)	(53,081)	39,762	49,877
Cash and cash equivalents, 1 January	112,043	97,553	79,790	147,956	186,416	127,411	102,950	153,886
Effect of FX rate fluctuations on cash and	7,225	10,970	6,226	(5,574)	(540)	-	-	-
FX rate translation adjustment	(7,275)	(21,855)	(16,562)	1,737	5,999	416	433	433
Cash and cash equivalents, 31 December	**97,553**	**79,790**	**147,956**	**192,485**	**132,333**	**74,430**	**117,574**	**167,459**

Financial ratios

	2014	2015	2016	2017	2018	2019F	2020F	2021F
Profitability								
Return on Revenue								
Gross profit margin	37.3%	31.9%	38.3%	41.5%	42.8%	28.6%	34.5%	36.4%
EBITDA margin	31.3%	23.7%	29.9%	36.2%	34.2%	21.4%	27.2%	29.0%
Adjusted EBITDA margin	30.7%	23.2%	29.7%	35.0%	34.3%	21.2%	27.0%	28.9%
EBIT margin	25.7%	18.2%	23.6%	30.6%	28.3%	15.5%	20.5%	22.1%
EBT margin	26.1%	6.9%	15.4%	33.1%	25.1%	9.9%	19.5%	18.9%
Net profit margin	23.4%	6.2%	12.3%	32.8%	25.1%	9.4%	19.1%	18.5%
Return on Investment								
Return on assets (ROA)	7.3%	2.3%	5.2%	13.6%	9.6%	3.9%	9.3%	8.2%
Return on equity (ROE)	13.5%	4.5%	10.9%	27.1%	16.9%	6.6%	15.5%	13.6%
Solvency								
Liabilities to assets	45.1%	49.1%	55.0%	45.0%	41.4%	40.6%	39.6%	39.5%
Liabilities to equity	82.1%	96.4%	122.2%	81.9%	70.6%	68.5%	65.4%	65.3%
Liabilities to EBITDA	4.95x	5.88x	4.59x	3.07x	3.19x	4.62x	3.14x	3.21x
Debt-to-assets	37.8%	42.7%	50.7%	43.1%	39.7%	38.9%	38.0%	38.1%
Debt-to-equity	68.8%	84.0%	112.8%	78.5%	67.7%	65.6%	62.9%	62.9%
Debt-to-EBITDA	4.15x	5.12x	4.24x	2.94x	3.05x	4.43x	3.01x	3.09x
Net debt-to-assets	23.0%	29.1%	26.0%	13.1%	18.7%	27.1%	21.6%	16.9%
Net debt-to-equity	68.8%	84.0%	112.8%	78.5%	1.44x	3.08x	1.72x	1.37x
Net debt-to-EBITDA	2.53x	3.49x	2.17x	0.89x	1.44x	3.11x	1.73x	1.38x
Net debt-to-adjusted EBITDA	**2.57x**	**3.38x**	**2.18x**	**0.92x**	**1.44x**	**3.08x**	**1.72x**	**1.37x**
Financial leverage (equity multiplier)	1.82x	1.96x	2.22x	1.82x	1.71x	1.68x	1.65x	1.65x
Liquidity								
Current ratio	3.65x	5.07x	3.25x	6.45x	12.99x	8.94x	11.64x	14.69x
Quick ratio (acid test)	3.65x	4.97x	3.20x	6.34x	12.73x	8.67x	11.33x	14.38x
Cash ratio	2.17x	2.99x	1.79x	4.54x	8.34x	4.72x	7.35x	10.38x

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