Kyiv National University of Trade and Economics

Economics and Finance of Enterprise Department

FINAL QUALIFYING PAPER

on the topic:

«Management of an enterprise's project financing»

(based on the materials of SC FIRM REPUBLIA GROUP LTD)

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АНОТАЦІЯ

Денисенко К.Д. «Управління проектним фінансуванням підприємства» (за матеріалами ТОВ "RepubliaGroup". - Рукопис

Випускна кваліфікаційна робота за спеціальністю 051 «Економіка», спеціалізація «Фінансовий менеджмент» - Київський національний торговельно-економічний університет – Київ, 2019

Випускну кваліфікаційну роботу присвячено теоретичним, методичним і практичним аспектам дослідження шляхів управління фінансуванням проектів на підприємстві. Дана робота дозволяє визначити можливі напрями покращення якості управління фінансуванням проектів та кроки, які необхідно здійснити для досягнення цієї цілі.

Ключові слова: фінансування, проектне фінансування, інвестиційний проект, фінансовий стан, ефективність проекту

ABSTRACT

Denisenko K.D. "Management of an enterprise's Project financing" (based on materials of "Republia Group" LTD. – Manuscript

Final qualifying paperon the specialty 051 "Economics", specialization "Financial Management. – Kyiv National University of Trade and Economics. – Kyiv, 2019.

Final qualifying paper is devoted to theoretical, methodological and practical aspects of the study ways to manage financing projects at the enterprise. This work allows us to identify possible directions to increase the quality of management of financing projects and steps that need to be taken to achieve this goal.

Key words: financing, project financing, investment project, financial position, project efficiency.

CONTENT

INTRODUCTION

Relevance of research topic. The growth of the enterprise profit and value has become the key goal for top management of all companies. Thos growth is impossible without investing money in different development projects. For every project of any company scheme of financing plays crucial role. Although at first glance it may seem that project financing problems are complementary, in reality, sometimes the concentration attention on profits does not allow the company to increase value for shareholders.

Therefore, it is important to understand the different schemes for company project financing and approaches to valuate their efficiency. Taking into account the economic crisis, it is important to establish the most effective types and methods of enterprise functioning, which would allow to rise more voney for financing development projects and, in general, to start the growth of Ukrainian economic.

In recent years, the question of assessing and financing projects were highlighted in the works of foreign economists –T. Pikketty, J. Finnerty, E. R. Yescombe, B. Prousalis, S. Gatti, Lee Liu, S. de Covina, P. S. Rose, D., R. Amit, J. Brander, Ch. Zott P. Among the scientists of Ukraine, I. Blank, T. Mayorova, V. Peresada, O. Tereschenko, A. M. Poderyogin and others studied this problem.Of course, these and other authors have understandabl point of view. The results of their research have made a significant contribution to the development of the theory and practice of these areas of research.

The purpose of this work is to developscientific, methodological, practicalandadvisoryissues regardingthewaysof project financing.

To achieve the set goal it is necessary to solve the following **objectives:**

- to describe the nature, components and typology of project financing;
- to define the methodological principles of managing the process of financing projects;

- to analyze the revenue, expenses and incomes dynamics of “Republia Group” LTD;
- to carry out the asset and and capital structure of chosen company;
- to make an analysis of liquidity, solvency and financial sustainability of the company;
- to estimate the level profitability of the company;
- to find problem aspects of financial activity of “Republia Group” LTD;
- to propose the investment project implementation and to evaluate its efficiency.

The objectof the research is the process financing projectsof “Republia Group” LTD. Company "Republia Group" is a limited responsibility company, created in year 2015 according to the jurisdiction of Virgin Islands which belongs to IT sphere and make activity all over the world. The hearquarters is situated in Kyiv. “Republia Group” is rapidly growing company which started close collaboration with South Korean partners.

The subjectof diploma work–theoretical principles and methodical approaches for project financing approaches and technics.

The methodological and theoretical basis for the work consists of Ukrainian and foreign scientists works, legislative and regulatory acts of Ukraine, instructions and regulations, financial statements of “Republia Group” and data from other open sources.In the process of writing the diploma workthere were used different methods: general scientific methods: analysis, synthesis, comparison, system analysis, graphic image method, etc., and special methods of financial analysis: horizontal, vertical methods and ratios method.

The practical significance of the results is to implement the recommendations of scheme of the investment project financing.

The information base is made up of analytical, economic and research, as well as statistics information and data from the media, international organizations and other sources of information.

Approbation. The main thesis of this research were published in the article "Theoretical and methodical basis of Venture Capital Financings For Startups" whish were published in journal "Economics and finance of an enterprise", P.II, 2019. – pp. 233-237.

Structure of the work. Diploma research consists of 58 pages and carries out 20 tables, 5 figures. Literature review consists of the 53 sources.

CHAPTER 1

THEORETICAL APPROACHES TO THE ENTERPRIES'S PROJECT FINANCING MANAGEMENT

Project finance developing country like Ukraine, there are so many small and big projects that is being constructed for example, metro railways, sea link, mono rails, construction of new bridges, roads and highways, etc. For all these projects finance to be successful firstly you will need money to finance these projects. The financing of this long term, projects based upon a non-recourse or limited recourse financial structure, where the debt and equity are paid back from the cash flow generated from the project is known as project finance [1].

Scientific and methodological literature on topical issues of project financing does not contain categorically different interpretations of this concept.

For example, J.M. Pinto says that Project finance is the process of financing a specific economic unit that the sponsors create, in which creditors share much of the venture's business risk and funding is obtained strictly for the project itself. Project finance creates value by reducing the costs of funding, maintaining the sponsors financial flexibility, increasing the leverage ratios, avoiding contamination risk, reducing corporate taxes, improving risk management, and reducing the costs associated with market imperfections. However, project finance transactions are complex undertakings, they have higher costs of borrowing when compared to conventional financing and the negotiation of the financing and operating agreements is time-consuming [2].

According to the John D. Finnerty, Project financing may be defined as the raising of funds on a limited-recourse or nonrecourse basis to finance an economically separable capital investment project in which the providers of the funds look primarily to the cash flow from the project as the source of funds to service their loans and provide the return of and a return on their equity invested in the project [3, p.1]

Wikipedia defines Project finance as the long-term financing of infrastructure and industrial projects based upon the projected cash flows of the project rather than the balance sheets of its sponsors. Usually, a project financing structure involves a number of equity investors, known as 'sponsors', a 'syndicate' of banks or other lending institutions that provide loans to the operation. They are most commonly non-recourse loans, which are secured by the project assets and paid entirely from project cash flow, rather than from the general assets or creditworthiness of the project sponsors, a decision in part supported by financial modeling.[6] The financing is typically secured by all of the project assets, including the revenue-producing contracts. Project lenders are given a lien on all of these assets and are able to assume control of a project if the project company has difficulties complying with the loan terms [4].

E.R. Yescombe underlined that Project finance is not the same thing as “Financing projects”, because projects may be financed in many different ways. And unlike other methods of financing projects, project finance is a seamless web that affects all aspects of a project development and contractual arrangements, and thus finance cannot be dealt with in isolation [5, p.1]

Although project financings have certain common features, financing on a project basis necessarily involves tailoring the financing package to the circumstances of a particular project. Expert financial engineering is often just as critical to the success of a large project as are the traditional forms of engineering.

The terms of the debt and equity securities are tailored to the cash flow characteristics of the project. For their security, the project debt securities depend mainly on the profitability of the project and on the collateral value of the project’s assets. Assets that have been financed on a project basis include pipelines, refineries, electric generating facilities, hydroelectric projects, dock facilities, mines, toll roads, and mineral processing facilities.

Project financings typically include the following basic features:

1. An agreement by financially responsible parties to complete the project and, toward that end, to make available to the project all funds necessary to achieve completion.

2. An agreement by financially responsible parties (typically taking the form of a contract for the purchase of project output) that, when project completion occurs and operations commence, the project will have available
sufficient cash to enable it to meet all its operating expenses and debt service requirements, even if the project fails to perform on account of force majeure or for any other reason.

3. Assurances by financially responsible parties that, in the event a disruption in operation occurs and funds are required to restore the project to operating condition, the necessary funds will be made available through insurance recoveries, advances against future deliveries, or some other means [3].

Thus, the term "project financing" is mainly used to describe large, infrastructure projects, which involve many participants. At the level of a small business, the issue of financing for future projects may become indicative of fundraising, venture financing or simply financial management of an investment project.

Fundraising or fund-raising is the process of seeking and gathering voluntary financial contributions by engaging individuals, businesses, charitable foundations, or governmental agencies. Although fundraising typically refers to efforts to gather money for non-profit organizations, it is sometimes used to refer to the identification and solicitation of investors or other sources of capital for for-profit enterprises.

Traditionally, fundraising consisted mostly of asking for donations on the street or at people's doors, and this is experiencing very strong growth in the form of face-to-face fundraising, but new forms of fundraising, such as online fundraising, have emerged in recent years, though these are often based on older methods such as grassroots fundraising. Fundraising is a significant way that non-profit organizations may obtain the money for their operations. These operations can involve a very broad array of concerns such as religious or philanthropic groups such as research organizations, public broadcasters, political campaigns and environmental issues [4]. Thus, fundraising should be used when it comes to nonprofit projects.

Venture capital (VC) is a form of business financing that comes from outside, private investors, who agree to fund a startup or small business in exchange for a high rate of return and some temporary control of how the company is run. The businesses that receive VC are generally considered to have exponentially high-growth potential, but are also often high risk.

VC is not about long-term investing. The investors are interested in providing the company with enough infrastructure and guidance for it to obtain significant size, profitability, and credibility, and then they want you to sell the business, so they can recoup their investment. And VC also isn't about investing just money—it can be offered in the form of management and/or technical expertise as well.

Once the business reaches a certain level of maturity—typically after 4 to 6 years—it's usually sold to a corporation or made available for sale on the public equity market through an IPO. At this point, VC investors will liquidate their shares.

Because they're often hoping to take a chosen startup public, VC investors are looking for businesses with a potential for rapid growth, as opposed to small mom and pop shops. Given this, VC firms usually focus solely on high-growth market sectors.

Timing is also critical in VC. Investors tend to focus on industries that are in their adolescent stage of evolution. They avoid an industry's earliest stages, when the technology and market are still unstable, as well as the later stages, when the market is saturated with competitors and its potential for growth has passed its peak.

Moreover, VC firms often specialize in certain areas: particular industry segments, stages of a company's development, or specific geographical regions:

- Industry segments: cloud computing, mobile devices, healthcare, software, biotech, semiconductors, etc.
- Stages of a company: seed and startup stages, first and second stages, expansion stage, or pre-public stage.
- Geographic regions: Silicon Valley, New York, South Florida, etc. [7]

Steps of venture capital funding presented in table 1.1 [8].

Table 1.1

Stages of venture capital funding

Stage	Characteristics
Seed stage	the first stage of venture capital funding, the seed stage, is often used by startups to prove their idea is profitable. Because it's done so early, investments are modest to mitigate the risk for venture capitalists
Start-up stage	early-stage financing used for product research and development, marketing, etc
Growth	the growth stage is where most, but not all, venture capitalists enter. Capital acquired during this stage is used for sales and manufacturing
Second round	also referred to as a "Series B round," the second round is used by companies that sell a product or service but are not yet turning a profit.
Expansion	this is a stage during which a profitable startup seeks capital to expand its business.
Exit	occurs when a venture capitalist sells his or her stake in a company.
Bridge financing	used to acquire capital between VC rounds. Bridge financing is done to raise smaller amounts of capital and often involves the exiting venturing capitalists.

Thus, to understand the process of obtaining venture financing, it is important to know that venture capitalists typically focus their investment efforts using one or more of the following criteria:

- specific industry sectors (software, digital media, semiconductor, mobile, SaaS, biotech, mobile devices, etc.);
- stage of company (early-stage seed or Series A rounds, or later stage rounds with companies that have achieved meaningful revenues and traction);

• geography (e.g., San Francisco/Silicon Valley, New York, etc.)

Mechanism of Project Management in Finance: a speculation choice can be introductory, development, development or of disinvestment. The monetary arranging of ventures thinks about the utilization of one's own capital, the capital of outsiders furthermore financing. This is an examination of the use of assets in ventures in that they ought to talk about the situations furthermore play out the recreations.

Income, the monetary record of the association and bookkeeping proclamations give critical endowments to the choice of the undertaking and the way toward arranging, a plausibility study and the meaning of the points of confinement for the venture.

The capital planning process begins with the era of task recommendations. After the investigation of monetary budgetary possibility of choices, the choice is taken to ventures identified with the task. The financial plan of the funding to be contributed characterizes the allotment of assets to the venture, specifying the inputs and yields accommodated in a given future period. Organizations must scale their working capital and talk about requiring fleeting financing.

The Finance Project Managers will take instructions from director and vice president of finance to create and hold control and analytical financial systems and reviews assuring that tasks and reporting are done accurately, maintained, and that reviews are generated timely.

They are responsible of finding and implementing new strategies and technology to create efficient and powerful techniques. They are also responsible to update Finance related sites and content material within their organizations. The finance project managers also layout and enforce software for economic guidelines and tactics, and will coordinate the features all through the enterprise.

The Finance Project Managers are also responsible for taking part with Finance management in keeping a cutting-edge Accounting systems & method guide and a monetary policies manual. Other special initiatives and duties will be assigned as need arises. [9]

There are a wide variety of funding sources available for projects or programmes although the options available depend on the nature of the company. Key sources are through loans, equity, investors, grants/funds and private finance[10].

Sources of short-term project finance. Overdrafts are useful sources of short-term finance due for repayment in less than a year. Interest is only charged when the facility is used and the interest payments are tax-deductible. They can be arranged at short notice and are flexible in the amount borrowed at any time. Loans generally have higher rates of interest and are less flexible as payments need to be made for a pre-agreed amount and at a pre-agreed time. Loans can be repaid in stages or at the end of the loan period. The interest is also tax deductible and return on the loan can exceed the interest payments. The cost of borrowing money can be compared with the return from a project by calculating the Internal Rate of Return.

Fig. 1.1. Financing project sources

Sources of long–term project finance. Sale and leaseback. Assets can be sold to a financial institution and then leased back for a certain term. This releases capital in assets, which can be used for investment, but should be offset by the rental payments and loss of capital growth should the assets increase in value.

Loan Capital Debentures. Some loans are secured by a fixed or floating charge against a company's assets and are known as debenture loans. Debenture holders receive their interest payment before any dividend is paid to shareholders and if the business fails the holders will be preferential creditors. Parts of the funds raised for the cricket stadium at Trent Bridge in Nottingham were financed by debentures [11].

Business Angels. These are private investors who invest directly in a company in exchange for an equity stake and perhaps a place on the board. They normally invest in the region of £10k to £100k and they invest in order to receive a capital gain, they are usually experienced entrepreneurs and can be a source of useful knowledge for the business.

Share Capital. Share Capital is raised through the company shareholders. In exchange for their investment they receive a share of the profits through a dividend. They may also receive a capital gain through sale of their shares are some future date. There are two main types of shares. Ordinary shares are held by the owners of the business who have a right to a share of the company profits through dividends, which vary in value depending on performance. As owners of the company they have voting rights at Annual and Extra-Ordinary General Meetings, however they are liable should the company become insolvent and are therefore accepting a level of risk with their investment. Preference shares are less risky as the holders of preference shares are not owners of the company. They offer a guaranteed dividend although this may be less than that received by ordinary shareholders. As preference shareholders are not owners of the company they have limited voting rights.

Retained profits. Not all profits are distributed to shareholders: the company retains a proportion as reserves. This is usually the most significant source of equity finance, costs far less than external sources that charge interest and can be distributed as the company sees fit.

Issuing shares. Shares can be issued through new issues or rights issues. New issues are generally made at the same time as the company is floated on the stock market, and the capital raised is significant. The price of the new share is based on project growth rates, stability, market sentiment, and comparison with other similar companies and the capital structure of the company. A rights issue is a way of raising more capital from existing shareholders by offering them the opportunity to buy more shares. Rights issues are cheaper and a better deal for existing shareholders than new issues. The price is set lower than the current share price and shareholders can choose to buy more shares, sell their rights or let the rights expire.

Private finance initiative. The private finance initiative (PFI) was launched in 1992 with the purpose of transferring the risk of designing, building, constructing and operating public services to the private sector. Since then over 500 deals have been agreed. PFI contracts are long term and may last up to 30 years. PFI is attractive in the short term as it enables government departments to finance projects for which they don’t have the capital. However in the long term the payments can be higher than conventional borrowing methods and may lead departments to favour projects that are suitable for PFI.

Project Grants and funding. Grants are given to individuals or a business for a specific project. They don't need to be paid back, but they do need to be applied for, and the application process can be highly competitive and time consuming. Statutory funding is available from quangos like Connexions, English Heritage or the Learning and Skills Council. Government funding is provided through government schemes. Other sources include: the National Lottery, the European Union, philanthropy, trusts and foundations, direct endowments and specific fundraising initiatives [10].

A

projecthasnooperatinghistoryatthetimeoftheinitialdebtfinancing.Consequently, itscreditworthinessdependsontheproject’santicipatedprofitabilityandontheindirectcreditsupportprovidedbythirdpartiesthroughvariouscontractualarrangements. As a result, lendersrequireassurancesthat:

1) theprojectwillbeplacedintoservice;

2) onceoperationsbegin, theprojectwillconstituteaneconomicallyviableundertaking [12].

Theavailabilityoffundsto a projectwilldependonthesponsor’sabilitytoconvinceprovidersoffundsthattheprojectis technicallyfeasibleandeconomicallyviable [13].

Lendersmustbesatisfiedthatthetechnologicalprocessestobeusedintheprojectarefeasibleforcommercialapplicationonthescalecontemplated. Inbrief, providersoffundsneedassurancethattheprojectwillgenerateoutputatitsdesigncapacity. Thetechnicalfeasibilityofconventionalfacilities, suchaspipelinesandelectricpowergeneratingplants, isgenerallyaccepted. Buttechnicalfeasibilityhasbeen a significantconcerninsuchprojectsaspipelines, large-scalenaturalgasliquefactionandtransportationfacilities, andcoalgasificationplants. Lendersgenerallyrequireverifyingopinionsfromindependentengineeringconsultants, particularlyiftheprojectwillinvolveunproventechnology, unusualenvironmentalconditions, orverylargescale[3 p.6-7].

CHAPTER 2
ANALYSIS OF PROGECT FINANCIAL MANAGEMENT OF "REPUBLIC GROUP LTD"

2.1. Financial results formation analysis of "Republia Group LTD"

Republia group LTD is an informational technology company, created in year 2015, that provide informational solutions, IT services and computer applications all over the world.

Since company has a limited responsibility for their obligations, internal sources of financing stays the main and privileged sources. According to the accruals approach the main source of internal financing are net profit and depreciation.

Of all the internal finance examples, perhaps the most obvious is the company's profits. When company making more money than it needs to cover operating expenses, company has the option of ring-fencing the excess and investing it back into the company. The beauty of retained-profit financing is the money is already yours, so a company does not have to worry about debt obligations. However, it may be several years before you generate enough profit to cover major capital investments. But in some industries a company can cover all the investments by only internal sources [25].

Profit and loss report is one of the primary reports of the financial statement of a company, summarizing its revenues and expenses. It measures firm's profit over the reporting period and can be an object of the horizontal and vertical analysis in order to determine the position of a company[28].Horizontal financial statement analysis means the comparison of the information from the financial report of a company over some certain time periods. In other words, horizontal analysis is reviewing and comparing the dynamics of the same indicators and making conclusions on company's performance over time.Net profit formation horizontal analysis is made in the table 2.1.

Table 2.1

Net profit formation of "Republia Group LTD" for 2015-2018 yy

Position	Years				Absolute deviation, mlnuah			Relative deviation, %		
	2015	2016	2017	2018	2016 to 2015	2017 to 2016	2018 to 2017	2016 to 2015	2017 to 2016	2018 to 2017
Total Revenue	52,05	65,08	78,56	90,68	13,02	13,48	12,12	25,0%	20,7%	15,4%
Cost of Revenue	29,40	37,93	47,50	56,79	8,54	9,56	9,29	29,0%	25,2%	19,6%
Gross Profit	**22,66**	**27,14**	**31,06**	**33,89**	4,48	3,92	2,83	19,8%	14,4%	9,1%
Research Development	-	-	-							
Selling General and Administrative	12,90	17,17	21,37	24,12	4,28	4,20	2,75	33,2%	24,5%	12,9%
Others	1,68	2,38	3,48	4,27	0,70	1,10	0,78	41,5%	46,3%	22,5%
Total Operating Expenses	42,29	55,10	68,87	80,91	12,81	13,77	12,04	30,3%	25,0%	17,5%
Operating Income or Loss	**8,08**	**7,59**	**6,20**	**5,50**	-0,49	-1,39	-0,70	-6,1%	-18,3%	-11,3%
Total Other Income/Expenses Net	-0,78	9,02	10,98	11,67	9,80	1,96	0,69	-1252,7%	21,7%	6,3%
Earnings Before Interest and Taxes	8,08	7,59	6,20	5,50	-0,49	-1,39	-0,70	-6,1%	-18,3%	-11,3%
Interest Expense	0,000	-8,10	-8,10	0,00	-8,10	0,00			0,0%	0,0%
Income Before Tax	7,30	8,51	9,08	17,17	1,21	0,57	8,09	16,6%	6,7%	89,1%
Income Tax Expense	1,31	1,53	1,63	3,09	0,22	0,10	1,46	16,6%	6,7%	89,1%
Minority Interest	3,20	3,20	3,20	3,20	0,00	0,00	0,00	0,0%	0,0%	0,0%
Net Income From Continuing Ops	**5,98**	**6,98**	**7,45**	**14,08**	0,99	0,47	6,63	16,6%	6,7%	89,1%
Net Income	**5,98**	**6,98**	**7,45**	**14,08**	0,99	0,47	6,63	16,6%	6,7%	89,1%
Preferred Stock And Other Adjustments	-	-	-	-						
Net Income Applicable To Common Shares	**5,98**	**6,98**	**7,45**	**14,08**	0,99	0,47	6,63	16,6%	6,7%	89,1%

According to the table 2.1 we can conclude that first years were rather successful for the company revenue collection. Total revenue increased almost in twice during four years of company's activity. It should be noted that 2018 was less successful for "Republia Group" LTD, as the company has grown during the year – company`s revenue increased from UAH 78.56million in 2017 to UAH 90.68million in 2018. However, what is more important, for the first years of company activity it's average revenue growth was 13%.

Despite the fact that "Republia Group" increased revenue duringall the years in 13% in average, average growth rate of costs of goods sold were higher than growth rate of revenue. So, gross profit hardly increased in 14% and equals in 2018 UAH 33,89 million. Due to the significant increase in administrative, sales and other operating expenses, as well as the high value of other operating expenses, the operating profit of the company was small for 4 years, and further decreased from UAH 8.08 million in 2015 to UAH 5.5 million in 2018.

Due to significant amounts of the other net revenues profit before taxation weremore than operation profit all the years. Year 2018 brought great increase in other revenue – from UAH 9,08 million to UAH 17,7 million. So all the years were profitable for "Republic Group" mainly due to non-operational net income which growed from UAH 9,02 mln to UAH 11,67 mln.

As a result, the company received UAH 14,07 mln net income, it were twice morethan in 2017: UAH 7,45 mln.

Visual interpretation of the main operational parameters: revenues, costs and profits is shown in graph 2.1.

According to graph. 2.1, we can see that operational revenue and expences changed proportionally during 2015-2018 years. Operational prodfit increased in a low growth rate, but net profit growth were caused by increase of non-operational income.

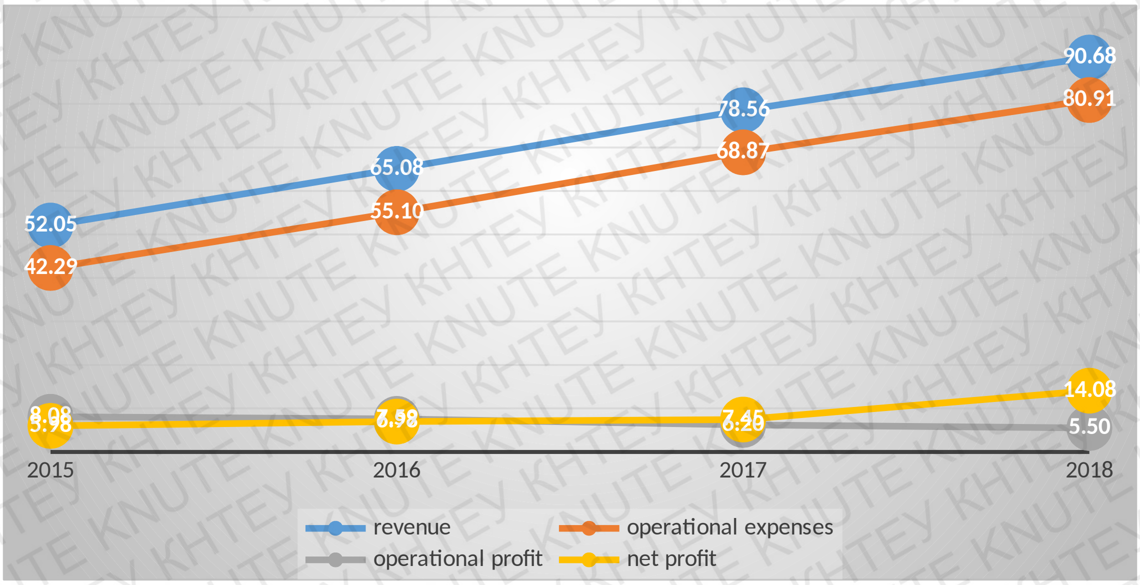

Fig. 2.1. Revenue, expenses and profits dynamics

For better understanding factors that influenced profit formation we should analyze revenue and cost structure.

Vertical analysis is a process of comparison of one item to the base item. Commonly, the vertical analysis is conducted for the financial statement of a single period (unlike the horizontal analysis, which is reviewing information over at least two different periods of time, or more). Also referred as common-size analysis, vertical analysis generally means usage of total assets or total liabilities or shareholders' equity as base figures of the proportion. The main reason for performing the vertical analysis for one single period is seeing the relative proportions of different elements of assets and sources of finance.

Table 2.2

Revenue structure of "Republia Group LTD" for 2015-2018 yy, mln UAH

Position	Years				Absolute deviation, p.p.		
	2015	**2016**	**2017**	**2018**	**2016 to 2015**	**2017 to 2016**	**2018 to 2017**
1	2	3	4	5	6	7	8
Total Revenue	100%	100%	100%	100%	0,00	0,00	0,00
Cost of Revenue	56,5%	58,3%	60,5%	62,6%	1,8%	2,2%	2,2%
Gross Profit	43,5%	41,7%	39,5%	37,4%	-1,8%	-2,2%	-2,2%

Tab. 2.2 continue

1	2	3	4	5	6	7	8
Research Development							
Selling General and Administrative	24,8%	26,4%	27,2%	26,6%	1,6%	0,8%	-0,6%
Total Operating Expenses	81,2%	84,7%	87,7%	89,2%	3,4%	3,0%	1,6%
Operating Income or Loss	15,5%	11,7%	7,9%	6,1%	-3,9%	-3,8%	-1,8%
Total Other Income/ Expenses Net	-1,5%	13,9%	14,0%	12,9%	15,4%	0,1%	-1,1%
Earnings Before Interest and Taxes	15,5%	11,7%	7,9%	6,1%	-3,9%	-3,8%	-1,8%
Interest Expense	0,0%	-12,4%	-10,3%	0,0%	-12,4%	2,1%	10,3%
Income Before Tax	14,0%	13,1%	11,6%	18,9%	-0,9%	-1,5%	7,4%
Income Tax Expense	2,5%	2,4%	2,1%	3,4%	-0,2%	-0,3%	1,3%
Minority Interest	6,1%	4,9%	4,1%	3,5%	-1,2%	-0,8%	-0,5%
Net Income From Continuing Ops	11,5%	10,7%	9,5%	15,5%	-0,8%	-1,2%	6,0%
Non-recurring Events	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Net Income	11,5%	10,7%	9,5%	15,5%	-0,8%	-1,2%	6,0%

Revenue structure analysis don’t reveal significant changes in cost and revenue structure during 4 years. Though total weight of the operational fixed and non-fixed costs slightly increased all the years round and achieved 89,2% in total revenue. So, the company has low operational marginality which decreased from 2015 to 2018 years.

Company didn’t have the non-operational income in 2015 but it received net non-operational income in 2016-2018. The share of non-operating income was 13% of total revenues in average. In 2016 and 2017 company paid interest payments which also decreased profitability.

Profit margin is one of the most analyzed numbers a company can produce, and it plays a part in many other financial measures. It is important to understand that profit margin is not a measure of how much cash a company earned during a given period. The income statement, and hence profit margin, typically includes noncash expenses, such as depreciation. It is also important to understand that changes in accounting methods can greatly influence profit margins, and these changes may have little to do with a company's actual operations [29].

Changes in profit margins are the subject of much analysis. In general, low profit margins could suggest myriad problems, from inadequacies in customer or expense management to unfavorable accounting methods. However, some companies strive to minimize taxes and will therefore intentionally minimize profit margins.

The second method of the financial statement analysis is ratios calculation and interpretation. Many ratios, showing the relative size of one number in relation to another exist, and being able to measure them and see their dynamics over time is extremely useful in terms of understanding firm’s performance and position.

Marginal analysis reflected in the table 2.3

Table 2.3

Marginality ratios of “Republia Group” LTD for 2015-2018 yy, %

Ratio	**Years**				**Absolute deviation, p.p.**		
	2015	2016	2017	2018	2016 to 2015	2017 to 2016	2018 to 2017
Gross margin, %	43,5	41,7	39,5	37,4	-1,8	-2,2	-2,2
Operatin margin, %	15,5	11,7	7,9	6,1	-3,9	-3,8	-1,8
Net profit margin, %	11,5	10,7	9,5	15,5	-0,8	-1,2	6,0
Cost margin, %	19,1	13,8	9,0	6,8	-5,3	-4,8	-2,2

According to the profit margin analysis we can conclude slight decrease in gross margin from 43,5% in 2015 to 37,4% in 2018. Total gross margin decrease was 6,2 percentage points. Decrease in operating margin was more notable and with the same tendency as gross margin. Total decrease in operation margin consisted 9,5 p.p. But as for net margin we can notice a slight increase from 11,5% to 15,5%. Therefore, we can conclude that company efficiency commonly increased during four years. Company's operational activity was low-margin but other activity caused increase in "Republia Group" LTD efficiency.

2.2 Analysis of financials "Republic Group" LTD

Assets are items of value an organization owns or controls. Assets are resources controlled by an entity as a result of past events, which are reflected in the balance sheet provided that their valuation can be well defined and expected to be received at the future economic benefits associated with them using. Profit-making firms acquire assets at a measurable cost and use them for generating earnings. As a result, assets must justify their place on the Balance sheet by bringing in returns. The firm's asset structure represents its strategy for earning from its asset base [31].

Understandably, then, a company's asset structure is central to two kinds of questions that managers and owners face throughout a company's life:

- Firstly, how should the firm acquire assets? This question is asking: How much of the asset base should they obtain through equity funding and how much through debt funding?
- Secondly, How does the company maximize returns on its asset base?

The first question—about funding—deals with the "Liabilities and Equities" side of the Balance sheet, leverage, and investor returns.

Assets, equity and liabilities structure reflected in the table 2.4.

As to the structure of the assets of "Republia Group" LTD, we observe thatcurrent assets prevailed non-current assets.

Table 2.4

Assets structure of "RebubliaGroup" LTD for 2015-2018 yy, %

Position	Years				Absolute deviation, p.p		
	2015	2016	2017	2018	2016 to 2015	2017 to 2016	2018 to 2017
1	2	3	4	5	6	7	8
Current Assets							
Cash And Cash Equivalents	14,9%	27,5%	20,0 %	17,3 %	12,6 %	-7,5%	-2,7%
Short Term Investments							
Net Receivables	45,7%	38,3%	29,6 %	37,4 %	-7,3%	-8,7%	7,7%
Inventory	0,5%	0,4%	0,5%	0,6%	-0,1%	0,1%	0,1%
Other Current Assets	2,6%	1,5%	2,2%	1,6%	-1,2%	0,7%	-0,5%
Total Current Assets	63,6%	67,7%	52,3 %	56,9 %	4,1%	-15,4 %	4,6%
Long Term Investments							
Property Plant and Equipment	11,3%	11,7%	9,1%	8,7%	0,3%	-2,6%	-0,3%
Goodwill	9,7%	7,7%	14,1 %	14,7 %	-2,0%	6,4%	0,7%
Intangible Assets	14,0%	11,1%	22,0 %	17,6 %	-2,9%	10,9 %	-4,4%
Accumulated Amortization							
Other Assets	1,4%	1,8%	2,5%	2,0%	0,5%	0,7%	-0,5%
Deferred Long Term Asset Charges	0,5%	0,8%	0,6%	0,7%	0,3%	-0,2%	0,1%
Total Assets	100,0 %	100,0 %	100,0 %	100,0 %	0,0%	0,0%	0,0%

So, for 2015-2018, their shares approached the equilibrium state with a small predominance of non-current assets, however, in 2018, the share of current assets decreased decreased to almost 56,9%, while the non-current ones increased from 36,4% to 44,1%. In 2018, this trend increased further: the share of non-current assets amounted to 44,1%, and current assets – 56,9%. This asset structure was created as a result of the Goodwill reevaluation and purchase of a large number of intangible assets, along with a reduction in accounts receivable and cash.

Talking about the structure of non-current assets, we conclude that about 10% of their amount occupy fixed assets (Table 2.4), intangible assets and goodwill. In the possession of "Republia Group" LTD there are no long-term investments, incomplete capital investments.

Instead, the structure of current assets differs (Table 2.4). Thus, in 2015 and 2016, the largest share in the overall structure was occupied by aggregate accounts receivables and cash (38,3% and 27,5% respectively). Inventories and other current assets were the rest in 2015, and in 2016 other current assets were not available at all. In 2018, the share of cash and other current assets decreased significantly along with a significant increase in receivables for goods, works and services, accounts receivable. There were no more significant changes in the structure of current assets.

So, we can conclude that assets structure of “Republia Group” LTD company is more likely the assets structure of production enterprise than of the service company.

Assets dynamics of “Republia Group LTD” is presented in the table 2.5. Assessment of positive and negative dynamics of inventories, accounts receivable, financial investments, cash should be made on the basis of comparison with the dynamics of financial results. In the case of varying efficiency in the use of working capital, the growth of inventories in one case may be regarded as evidence of expansion of activity and in the other - as evidence of a decline in business activity and a corresponding increase in the period of circulation of funds.

Table 2.5

Assets dynamic of "Republia Group" LTD for 2015-2018 yy, mln UAH

Position	2015	2016	2017	2018	Absolute deviation, mln. Uah			Relative deviation, %		
					2016 to 2015	2017 to 2016	2018 to 2017	2016 to 2015	2017 to 2016	2018 to 2017
Current Assets										
Cash And Cash Equivalents	4,56	10,85	10,96	10,44	6,30	0,10	-0,52	138,1%	0,9%	-4,7%
Net Receivables	14,01	15,13	16,21	22,57	1,12	1,09	6,35	8,0%	7,2%	39,2%
Inventory	0,14	0,16	0,28	0,37	0,01	0,12	0,09	10,1%	75,9%	33,1%
Other Current Assets	0,80	0,57	1,20	0,99	-0,23	0,62	-0,21	-28,3%	108,2%	-17,4%
Total Current Assets	**19,51**	**26,72**	**28,65**	**34,36**	**7,20**	**1,93**	**5,72**	**36,9%**	**7,2%**	**20,0%**
Property Plant and Equipment	3,47	4,61	4,96	5,27	1,13	0,35	0,32	32,7%	7,6%	6,4%
Goodwill	2,96	3,03	7,69	8,89	0,07	4,66	1,20	2,2%	154,0%	15,6%
Intangible Assets	4,29	4,38	12,04	10,64	0,08	7,67	-1,41	1,9%	175,1%	-11,7%
Other Assets	0,42	0,72	1,38	1,22	0,31	0,66	-0,17	74,2%	91,0%	-12,0%
Deferred Long Term Asset Charges	0,15	0,32	0,34	0,43	0,17	0,02	0,09	109,1%	7,8%	27,1%
Total Assets	**30,66**	**39,45**	**54,72**	**60,38**	**8,80**	**15,27**	**5,66**	**28,7%**	**38,7%**	**10,3%**

As a result of horizontal analysis we can conclude that total volume of the assets increased twice during 2015-2018 yy. Maximum growth were in 2017 years when was the favourable tendency of world market It growth. Current assets grew more than non-current ones – 20% in 2018 and 36,9% in 2016 yy. Non-current assets grew slightly: intangible assets (software, computer programs and applications) have a decrease in 2018 (-11,7%) after strong increase in 2017 (175,1%). Significant increase in non-current assets had Goodwill in 2017 (154%). Property, plants and equipments had slight increase during the analyzed period 2017 and 2018, but increased a lot in 2016 year. In 2016year there were significant increase in cash (138,1%), and in 2017 year account receivables grew by 75,9%.

Consequently, we can conclude that in the early ages of company activity their managers didn't create a good policy of asset management. That's why growth rates of all the assets changed very unevenly.

Along with the analysis of the assets it is necessary to analyze the sources of their financing. To analyze the change in the structure of sources of financial resources determine the proportion of own and borrowed funds in their total amount at the beginning and end of the reporting period, the results are compared. The results of the analysis of the structure of sources of financial resources should show, on which mainly capital the enterprise operates - own or borrowed, whether there is a risk in the formed structure for factors, or whether this structure is favorable for efficient use of capital [30].

The valuation of changes in the capital structure may differ from the point of view of investors and the position of enterprises. Thus, for investors, in particular banks, the situation is higher when the equity of clients is higher because it eliminates financial risk. To analyze the change in the structure of sources of financial resources determine the proportion of own and borrowed funds in their total amount at the beginning and end of the reporting period, the results are compared. The results of the analysis of the structure of sources of financial resources should show, on which mainly capital the enterprise operates - own or borrowed, whether there is a risk in the formed structure for factors, or whether this structure is favorable for efficient use of capital.

The sources of financing of the "Republia group" LTD analyzed in the table 2.6.

Table 2.6

Equity and Liabilities structure of "Republia Group" LTD for 2015-2018 yy, %

Position	Years				Absolute deviation, p.p		
	2015	2016	2017	2018	2016 to 2015	2017 to 2016	2018 to 2017
Current Liabilities							
Trade Accounts Payable	2,4%	2,2%	4,5%	4,3%	-0,1%	2,3%	-0,2%
Other accounts Payable	6,9%	7,1%	7,2%	8,4%	0,1%	0,1%	1,2%
Other Current Liabilities	13,3%	9,4%	8,2%	6,0%	-3,9%	-1,3%	-2,1%
Total Current Liabilities	22,6%	18,7%	19,9 %	18,7 %	-3,9%	1,2%	-1,2%
Long Term Debt	6,3%	4,8%	9,5%	3,5%	-1,5%	4,6%	-6,0%
Minority Interest	10,4%	8,1%	5,8%	5,3%	-2,3%	-2,3%	-0,5%
Total Liabilities	28,8%	23,5%	29,3 %	22,2 %	-5,3%	5,8%	-7,1%
Stockholders Equity							
Registered capital	1,1%	2,6%	1,9%	1,7%	1,5%	-0,7%	-0,2%
Retained Earnings	40,9%	46,6%	44,4 %	50,3 %	5,7%	-2,2%	5,9%
Treasury Stock	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Capital Surplus	29,1%	27,2%	24,3 %	25,7 %	-1,8%	-2,9%	1,4%
Total Stockholder Equity	71,1%	76,5%	70,7 %	77,8 %	5,3%	-5,8%	7,1%
Total Equity and Liabilities	100,0 %	100,0 %	100,0 %	100,0 %	0,0%	0,0%	0,0%

Of great importance is the structure of loans funds, that is, the ratio between long-term and current liabilities. Current ones the obligation is the debt of the enterprise to suppliers, insurance, payment labor, budget, short-term bank loans and other accounts payable. Such commitments arise when an entity has a shortage of resources to finance its current operations, that is, current assets. In addition, current obligations in terms of their urgency repayments are more risky than long-term ones. Therefore, it is considered that the smaller the structure liabilities of current liabilities, the better the capital structure and the higher its solvency [34].

Analysis of the capital structure showed a significant advantage of equity over debt - 77.85 at the end of 2018. During 4 years, the share of equity increased gradually. At the beginning of the start-up, the capital was dominated by 71%. Own capital accounts for the largest share of additional capital and retained earnings, which is a positive feature. The enterprise is also financed by long-term liabilities whose share has changed unevenly and did not exceed 10% in the liability structure. The share of current liabilities gradually decreased from 22b6% to 18.7% over the years. Accordingly, the total share of liabilities decreased from 28.85% to 22.2%. Therefore, the capital structure of the enterprise is low-risk and sustainable.

“Republia Group” LTD increased its equity at the expense of profits, which increased its capitalization and, accordingly, investor confidence.

Equity and liabilities dynamic is represented in the table 2.7.

Both the amount of assets and the amount of capital in 2015-2018 increased almost in twice. Total growth rate of company capital was 99%. With regard to equity, its amount was steadily increasing. It experienced the greatest growth in 2016 and in 2017 yy. As of 01.01.2019, the growth of equity was 21.5%. The dynamics of borrowed capital was different. In particular, long-term bank loans appeared in 2015 with the company establishment. Their use increased during 2017 and slightly decreased in 2018 y.

Table 2.7.

Equity and Liabilities dynamic of "Republia Group" LTD for 2015-2018 yy, mln UAH

Position	**Years**				**Absolute deviation, mln. uah**			**Relative deviation, %**		
	2015	**2016**	**2017**	**2018**	**2016 to 2015**	**2017 to 2016**	**2018 to 2017**	**2016 to 2015**	**2017 to 2016**	**2018 to 2017**
Current Liabilities										
Trade Accounts Payable	0,72	0,88	2,49	2,60	0,16	1,61	0,11	21,5%	183,0%	4,5%
Other accounts payable	2,12	2,78	2,78	3,91	3,91	5,04	0,66	1,13	1,13	31,3%
Other Current Liabilities	4,07	3,72	4,46	3,65	-0,36	0,75	-0,81	-8,8%	20,1%	-18,2%
Total Current Liabilities	**6,92**	**7,38**	**10,86**	**11,29**	**0,46**	**3,49**	**0,43**	**6,6%**	**47,3%**	**4,0%**
Long Term Debt	1,93	1,91	5,17	2,09	-0,02	3,27	-3,08	-1,2%	171,6%	-59,5%
Other Liabilities										
Minority Interest	3,20	3,20	3,20	3,20	0,00	0,00	0,00	0,0%	0,0%	0,0%
Total Liabilities	**8,84**	**9,28**	**16,04**	**13,39**	**0,44**	**6,76**	**-2,65**	**4,9%**	**72,8%**	**-16,5%**
Stockholders' Equity										
Registered capital	0,34	1,04	1,04	1,04	0,70	0,00	0,00	205,9%	0,0%	0,0%
Retained Earnings	12,55	18,39	24,32	30,40	5,84	5,93	6,08	46,5%	32,3%	25,0%
Capital Surplus	8,92	10,75	13,32	15,55	1,83	2,57	2,23	20,5%	23,9%	16,7%
Total Stockholder Equity	**21,81**	**30,17**	**38,68**	**46,99**	8,36	8,51	8,31	38,3%	28,2%	21,5%
Total Equity and Liabilities	**30,65**	**39,45**	**54,72**	**60,38**	**8,80**	**15,27**	**5,66**	**28,7%**	**38,7%**	**10,3%**
Net Tangible Assets	14,55	22,76	18,94	27,46	8,21	-3,82	8,52	56,4%	-16,8%	45,0%

In terms of short-term capital, its amount is characterized by an ambiguous trend, but is mainly increased. Thus, in 2016, short-term liabilities increased by 6,6%, in 2017 it significantly increased by 47,3%, in 2018 it sharply grew again by 4%. This was mainly due to an increase in the amount of accounts payable (by 183% in 2017).

Thus, an analysis of the dynamics of assets and liabilities showed that the greatest growth of the company's resources was acquired in 2017, mainly from its own sources, which shows that it has the potential to finance projects. Check this statement using cash-flow analysis (table 2.8).

Table 2.8

Cash-flow dynamics of “Republia Group” LTD for 2015-2018 yy, mln UAH

	Years				**Relative deviation, %**		
Position	**2015**	**2016**	**2017**	**2018**	**2016 to 2015**	**2017 to 2016**	**2018 to 2017**
Cash flow from operations	12,55	10,86	16,08	10,50	-13,4%	48,1%	-34,7%
Cash flow from investments	-6,94	-9,30	-15,77	-5,25	34,0%	69,6%	-66,7%
Free cash flow	5,61	1,56	0,32	5,25	-72,1%	-79,8%	1560,4%

An analysis of the net cash flows from operating and investing activities has shown that an entity can finance its investment activities through net operating cash flow. The company has free cash flow, which demonstrates its ability to repay loans, pay dividends and finance various new projects. During 2015-2018, net operating cash flow varied unevenly: growing in 2017 and decreasing in 2016 and 2018. However, its amount was sufficient to cover investment needs. Free cash flow was maximum in 2015 (5.61 million), declined substantially in 2016 and 2017 as a result of large investments, and again increased to 5.25 million in 2018, which suggests that in 2019 and 2020, the company can finance new projects at its own sources.

2.3. Financial position and performance analysis of “Republia Group” LTD

The balance sheet data will also be used to calculate the current ratio, quick ratio, and net working capital, as well as provide an explanation of each as well as the meaning of changes from year to year. Liquidity ratio analysis refers to the use of several ratios to determine the ability of an organization to pay its bills in a timely manner. This analysis is especially important for lenders and creditors, who want to gain some idea of the financial situation of a borrower or customer before granting them credit [28]. There are several ratios available for this analysis, all of which use the same concept of comparing liquid assets to short-term liabilities.

Table 2.9

Liquidity ratio dynamics of “Republia Group” LTD for 2015-2018 yy.

Ratio	2015	2016	2017	2018	Absolute deviation, p.p.		
					2016 to 2015	2017 to 2016	2018 to 2017
Current ratio	2,82	3,62	2,64	3,04	0,80	-0,99	0,41
Short ratio	2,68	3,52	2,50	2,92	0,84	-1,02	0,42
Cash ratio	0,66	1,47	1,01	0,92	0,81	-0,46	-0,08
Working capital	12,60	19,34	17,78	23,07	6,75	-1,56	5,29
Net working capital	10,67	17,43	12,60	20,97	6,77	-4,83	8,37

Analysis of the company liquidity showed that the company has excess liquidity during the whole period of activity, the current liquidity index exceeded 2 in 2016 and 2018, in the same years the absolute liquidity ratio exceeded 1. that is, the enterprise has a state of excess cash, so the issue of their effective financing is very relevant. The company has significant amounts of working capital, which decreased only in 2017. Over 4 years, working capital has almost doubled to 23.07 million at the end of 2018.

Though it can be useful to engage in liquidity ratio analysis, the results can lead one to be overly optimistic or pessimistic about a potential borrower or creditor, for the following reasons:

- Timing. There may be a cash inflow or outflow that falls just outside of the requirements of a ratio that could have a severe impact on the target entity. For example, there may be a balloon payment on a loan that is due in just over one year, and so is not classified as a current liability.
- Seasonality. The balance sheet information upon which these ratios are based may be entirely different in a few months, if the entity is subject to seasonal influences.
- Bad debts and obsolescence. The accounts receivable and inventory in different versions of the liquidity ratios can include varying amounts of assets that will never be converted into cash. If so, they will skew the results of these ratios to give the target entity an enhanced appearance of liquidity that is not really the case.

Table 2.10

Financial stability ratio of "Republia Group" LTD for 2015-2018 yy.

Ratio	**Years**				**Absolute deviation**		
	2015	**2016**	**2017**	**2018**	**2016 to 2015**	**2017 to 2016**	**2018 to 2017**
Independence ratio	0,71	0,76	0,71	0,78	0,05	-0,06	0,07
Debt ratio	0,29	0,24	0,29	0,22	-0,05	0,06	-0,07
Financial leverage ratio	0,41	0,31	0,41	0,28	-0,10	0,11	-0,13
Financial stability ratio	2,47	3,25	2,41	3,51	0,78	-0,84	1,10
Long term financing ratio	0,88	0,89	0,86	0,87	0,02	-0,03	0,01
Maneurability of net working capital	0,49	0,58	0,23	0,35	0,09	-0,35	0,12
Maneurability of working capital	0,47	0,55	0,38	0,44	0,08	-0,17	0,06

Financial stability of an enterprise is a state of financial resources, theirs distribution and use that ensures development enterprises based on growth of profit and capital, while maintaining solvency and credit worthiness under conditions of possible level of risk. The most essential form of enterprise sustainability is its ability to evolve in an internal and external environment. For this, the company must have a flexible structure financial resources and, if necessary, be able to raise loans [31].

The ratio between equity and borrowed capital characterizes the financial stability of the enterprise and the level of its financial risk. Than the greater the share of liabilities is equity, the more stable the enterprise and the lower its bankruptcy. The analysis of financial stability indicates the stable position of the company, due to the superiority of equity over debt. 71% by 29% in 2017 and 78% by 22% in 2018. Accordingly, enterprise has a low level of risk, as evidenced by the ratio of financial leverage, which within 4 years did not exceed 1 and amounted to 0.28 at the end of 2018. Equity and working capital maneuverability are also high, but their ratios slightly smaller than normative values (0.5 and 0.7, respectively).

Type of financial stability analyzed in the table 2.11.

Table 2.11

Financial stability type dynamics of “Republia Group” LTD for 2015-2018 yy.

Position	**Years**			
	2015	**2016**	**2017**	**2018**
Equity	21,81	30,17	38,68	46,99
Non-current assets	11,14	12,74	26,07	26,02
Net working capital	10,67	17,43	12,60	20,97
Long-term liabilities	5,13	5,11	8,37	5,29
Working capital	15,79	22,54	20,98	26,27
Short-term debts	0	0	0	0
Total sum of inventory financing	15,79	22,54	20,98	26,27
Inventories	0,95	0,73	1,48	1,36
Surplus/lack of sources of NWC financing	14,85	21,80	19,50	24,90
Type of financing stability	absolute	absolute	absolute	Absolut e

Analysis of table 2.11 showed that for 4 years the company had absolute type of financial stability. this means that the operating activities were fully financed by continuing sources of financing (equity and long-term liabilities. This is confirmed by the analysis of net cash flows performed in Table 2.8. Over the whole period, there is an excess of net working capital, which indicates the existence of potential.

The analysis of profitability indicators presented in table. 2.12. These ratios are related to resource performance indicators, which are also called managers' performance indicators.

Table 2.12

Profitability ratio dynamics of "Republia Group" LTD for 2015-2018 yy.

Ratio	**2016**	**2017**	**2018**	**Absolute deviation, p.p**		
				2016 to 2015	**2017 to 2016**	**2018 to 2017**
Return on assets, ROA, %	19,9%	15,8%	24,5%	19,9%	-4,1%	8,6%
Return on equity, ROE %	26,8%	21,6%	32,9%	26,8%	-5,2%	11,2%
Return on invested capital, ROIC %	22,4%	18,1%	28,3%	22,4%	-4,3%	10,3%

The dynamics of profitability coefficients decline in 2017, when the largest growth of enterprise resources was observed, and increases in 2018. Company is highly profitable as its asset return exceeds 15% in 2016 and 2017 and reaches 24% in 2018. The return on equity at the end of 2018 was 32.9%, up 11.2 pp over 2017. Return on invested capital is also rising in 2018, reaching 28.3%. This testifies to the high efficiency of the management of the company and its investment attractiveness.

To summarize our analysis, "Republia Group" LTD is a rapidly growing successful IT company which have enough cash for investing in new commercial projects and propose for customers innovative IT solutions.

CHAPTER 3

RECOMMENDATIONS AND PROPOSALS OF FINANCING PROJECTS FOR “REPUBLIA GROUP” LTD

3.1 Position and perspectives of Ukrainian IT Market

Ukraine has become a major player in the global tech arena. The IT talent pool in Ukraine is approaching 200,000 software developers, tech startups are booming, the flow of investments is increasing, and the number of companies that partner with Ukrainian software development service providers is growing.

There could be no better time for the country with historically strong engineering skills to realize its potential. In the world engrossed with tech innovations, at the time when information and data have become the new oil, Ukraine has an invaluable asset to offer - an unmatched IT talent pool.

The quality of Ukrainian tech skills is recognized across the world and acknowledged by many industry awards. The country is in the top 20 in the A. T. Kearney Services Location Index; it was named Offshoring Destination of the year by GSA; more and more Ukrainian companies are listed in Global Outsourcing 100 by IAOP; a lot of companies are included into Software 500, Inc. 5000 and other industry ratings.

So what is happening in the Ukrainian IT market today? What are the key forces driving Ukraine to the foreground of the global tech scene?

The Ukrainian software development market has enjoyed impressive growth in recent years and became one of the key sectors contributing to the country’s economy. The statistics by the World Bank, PwC, IT Ukraine Association, and State Statistics Service of Ukraine demonstrate steep growth of the sector. Interestingly, the industry has accelerated since the beginning of the 2014 political crisis when the prices for Ukrainian IT services became even more attractive for investors due to inflation.

Here are a few facts that reflect the advance of the Ukrainian IT market:

• ICT became the 3rd largest export service industry, amounting to more than 20% of all Ukrainian service exports; [45]

• Ukrainian IT industry is growing at a 26% rate;

• There are currently more than 4,000 tech companies operating on the market;

• There are over 1,600 software development service companies in Ukraine; [46]

• There are over 185,000 software developers in Ukraine; [47]

• Ukraine ranks 20th on 2019 A. T. Kearney Global Services Location Index of the most attractive outsourcing destinations; [46]

• More than 100 companies on the Fortune 500 list are clients of Ukrainian IT firms.

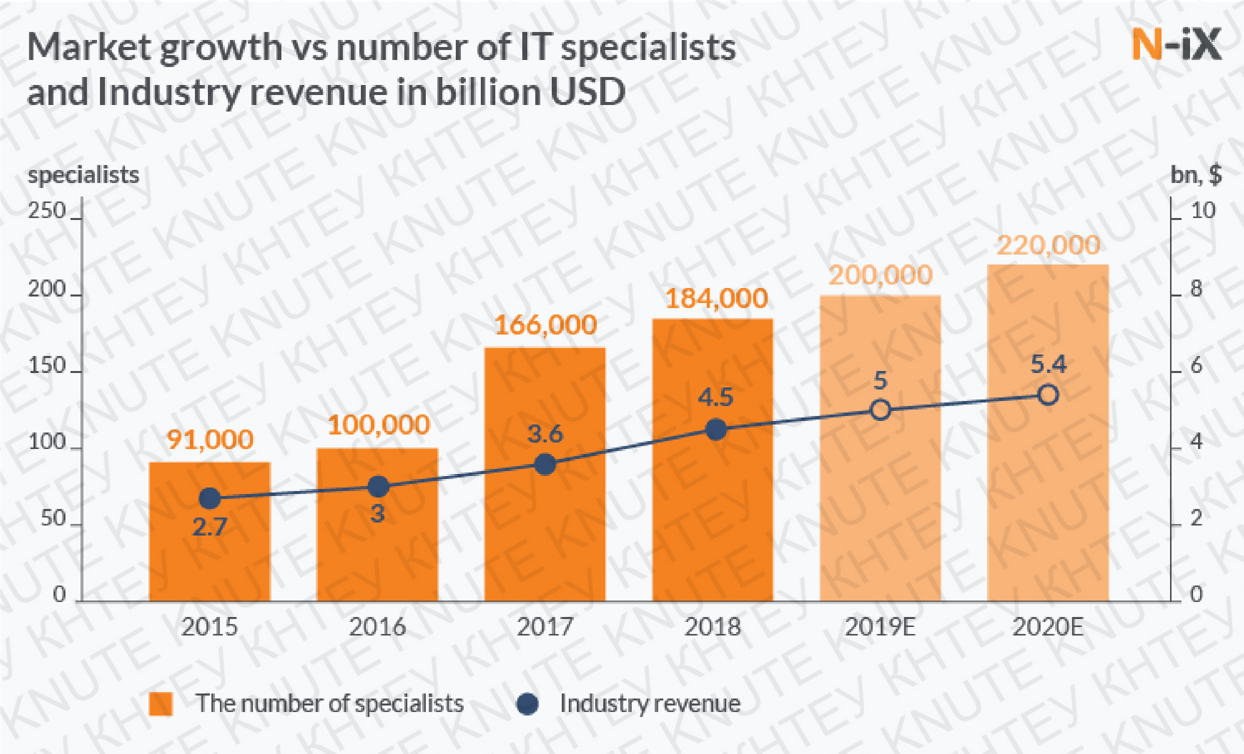

Fig.3.1. Market growth and numbers of IT specialists in Ukraine [47]

IT outsourcing companies constitute the largest share of the Ukrainian IT service market. Although the number of startups (over 2,000 companies) and international R&D centres (over 100 companies) is growing, IT outsourcing companies employ more than 60% of all engineers who live in Ukraine.

The USA and Western European countries remain the largest target markets of the Ukrainian IT service companies. In 2012, the USA was the largest consumer of the Ukrainian IT service exports (81%). Recent research indicates that it is still the main market for the Ukrainian IT export but the share of European businesses has grown significantly over the years [48].

If we look at the businesses that outsource software development to Ukrainian IT services companies, they range from growing startups to established ISVs to massive enterprises. Cisco, IBM, Atlassian, Travelport, OpenText, Fluke Corporation and a lot of other global companies have partnered with Ukrainian software development providers to bring their digital solutions to life [49] .

Many such partnerships last for years and small outsourced teams grow into large development centres located in Ukraine. For instance, Anoto worked with N-iX, a Ukrainian IT company, for over 12 years. While Lebara, a UK telecom enterprise, expanded its development team at N-iX from 5 to over 100 software engineers. Therefore, market leaders from different industries across the globe have taken advantage of outsourcing software development to Ukrainian engineers.

The biggest asset of the Ukrainian IT market is a vast pool of IT professionals unmatched by the quality of skills. As of Q1 2019, it comprises over 184,700 specialists, and experts forecast it will surpass 200,000 by 2020.

Most sources suggest that approximately 60% of Ukrainian software developers are currently employed in IT service companies. However, there is a decent share of captive centres in the country, and the number of tech startups is growing year by year.

There are several aspects that contribute to this growth. Number one is the financial factor. The minimum official monthly salary in Ukraine is around $150. In 2018, the average monthly salary amounted to roughly $330, and in 2019 it is projected to reach $370 [51] .

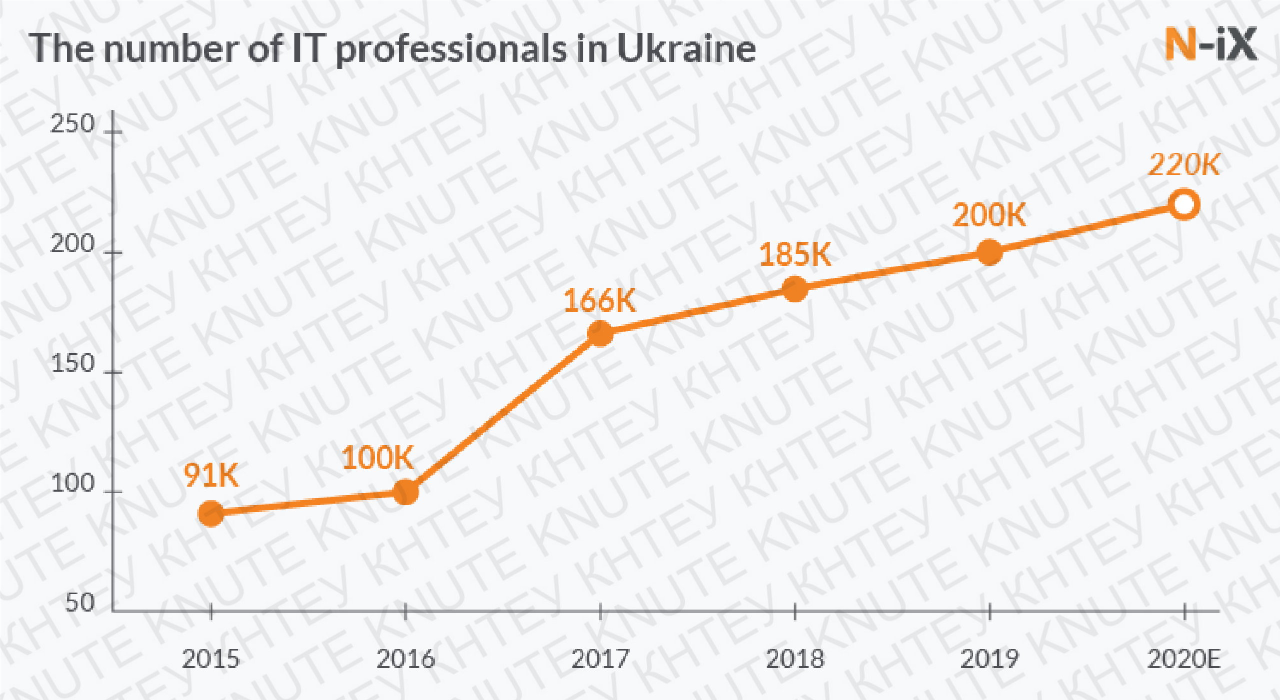

Fig. 3.2. The number of IT professionals in Ukraine

The average salary in the IT industry is almost 7 times higher. This huge gap is the main reason why so many people are trying to enter the sector, both young graduates and specialists from other spheres. In addition, IT jobs are not as sensitive to economic fluctuations as in other sectors, so security and stability attract many professionals.

In addition, tech jobs come with a certain social status and prestige in Ukraine. Many people want to become a part of the Ukrainian IT community and enjoy the benefits of a career in tech, including decent salaries, business travel, international working experience, career prospects, and more.

Another factor that drives the Ukrainian IT market is the historically strong tech education in the country. Most Ukrainian universities have engineering faculties and advanced STEM programs. Today the popularity of tech disciplines is growing, and so is the competition among students for places at the leading educational institutions. A lot of new programs are launched every year with support from the biggest IT companies. Therefore, the talent pool is growing both in its quantity and quality.

No less important are the positive changes in the Ukrainian legislation and the taxation system**.** The state is trying to cut on the red tape and introduce economic reforms without putting too much pressure on the developing tech sector.Last but not least, Ukraine's geographical location is a major selling point for foreign businesses and investors [51].

According to Clutch.co, Ukraine outsources software development services in the spheres of ecommerce, enterprise, and finance. However, local developers aren't limited to those three spheres. They build top-notch software solutions for healthcare, travel, tech, telecom, and education as well.

Figure 3.3. Industry focus of Ukrainian software development companies

Generally speaking, the software development in Ukraine bases on six areas of expertise:

- software engineering;
- QA testing;
- testing automation;
- research & development;
- application support;

- architecture.

These are the top activities mastered by Ukrainian IT professionals which attract lots of foreign entrepreneurs to this country every year. Less spread, but still well-known around the globe are Ukrainian professionals in spheres of web design, IT consulting, and cybersecurity. State Statistics Service of Ukraine reports that currently, there are approximately 2000 software development companies in Ukraine, and about the same amount of enterprises working in the interconnected business areas like science and telecom. As for the software development services solely, the vast majority of companies (nearly 98%) are export-oriented. Among them, more than a half of companies are targeted to the United States as potential client base, while others distribute their services to the UK, Canada, Western Europe, and Israel.

IT industry in Ukraine is very welcoming when it comes to learning new technologies and adapting them to already existing stack for more efficient results with a project [48].

3.2. Development of the new project for “Republia Group” LTD

Since 2018, “Republia Group” company has been closely cooperating with the Republic of Korea, and since 2020 it intends to organize a new project for creating weather forecasting software for agricultural companies there. A brief description of the project is provided below.

Predictive Analysis of Digital Agriculture. Weather simply refers to the condition of air on earth at a given place and time. The application of science and technology are used to predict the state of the atmosphere in future time for a given location and is so important due to its effectiveness in human life. Today, weather forecasts are made by collecting quantitative data about the current state of the atmosphere and using scientific understanding of atmospheric processes to project how the atmosphere will evolve. The chaotic nature of the atmosphere implies the need of massive computational power required to solve the equations that describes the atmospheric conditions. This is resulted from incomplete understanding of atmospheric processes which means that forecasts become less accurate as the difference in time between the present moment and the time for which the forecast is being made increases. Weather is a continuous, data-intensive, multidimensional, dynamic and chaotic process and these properties make weather prediction a big challenge. Generally, two methods are used for weather forecasting:

(a) the empirical approach and

(b) the dynamical approach.

The first approach is based on the occurrence of analogs and is often referred by meteorologists as analog forecasting. This approach is useful for predicting local-scale weather if recorded data are plentiful. The second approach is based on equations and forward simulations of the atmosphere and is often referred to as computer modelling. The dynamical approach is only useful for modelling large-scale weather phenomena and may not forecast short-term weather efficiently. Most weather prediction systems use a combination of empirical and dynamical techniques Artificial Neural Network (ANN) provides a methodology for solving many types of nonlinear problems that are difficult to be solved by traditional techniques. Most meteorological processes often exhibit temporal and spatial variability. They are suffered by issues of nonlinearity of physical processes, conflicting spatial and temporal scale and uncertainty in parameter estimates.

“Republia Group” will create an application for computers and smartphones, which can also be used by ordinary people.It is expected that the application will be connected to one of the popular weather channels, it will allow the channel to increase the number of users and, accordingly, ratings, and the company to increase the number of customers. Plan of Sources of financing and main capital spending a presented in the table 3.1 [52].

The main source of financing is funds rising from a Korean partners company, own funds of “Republia Group” LTD and bank loan. And it is planned that in the second and third year of project taking place company will get a bank loans (see details in the table 3.3).

Table 3.1

Sources and Uses for the new project of "Republia Group" LTD

Sources	**UAH**	**Uses**	**UAH**
LineofCredit	-	Purchaseofsoftwear	5 500 000
TermLoan	2 750 000	StartupEquipment	3 310 158
MezzanineDebt	-	TelecomLicense	2 000 000
SharesforCompanyAcquired		WorkingCapital	4 000 000
NewEquity	12 560 158	ClosingCosts	500 000
Total	15 310 158	Total	15 310 158

In addition to being a startup, the strategy called for a series of acquisitions (a rollup) which are modeled. The model uses a customer acquisition cost driver for the organic growth of subscribers. Republia Group has an operating company (instead of a startup) and has a good operating history of revenue growth or a turnaround, so we caninclude historical data in the model. Company expectations from the sales of the new applications are presented in the table 3.2.

Table 3.2

Sales forecasts of the project for "Republia Group" LTD

Item	**2020**	**2021**	**2022**	**2023**	**2024**
AcquiredSubscribers	11 000	25 000	25 000	25 000	25 000
CostperSubscriberAcquired	500	500	500	500	500
OrganicGrowth %	30%	30%	20%	20%	20%
OrganicSubAdds	3 300	3 300	7 200	12 200	17 200
NewHouseholdsPassed	9 429	9 429	20 571	34 857	49 143

Company is going to subscribe 11000 users in the 1st year and increase this number to 25000 users in the second year. Company clients expectations are based on the analytics forecasts made by Korean consulting company.

In accordance with the plan for connecting users, households and legal entities, a plan was developed for the income, expenses and profits of the company, which is presented below.A significant increase in sales revenue is expected in the second year of project implementation - 127%, in the third year revenue will grow by 62%, in subsequent years, revenue growth will slow down to 25% in 2 years.

Table 3.3

Main positions of the planned Profit and loss statement and the Balance sheet statement of the new project for "Republia Group" LTD

Statement	2020	2021	2022	2023	2024
P&L					
NetSalesRevenue	6 646 054	15 112 344	24 606 907	33 275 575	41 637 140
GrossProfit	1 455 662	3 714 097	7 988 762	12 167 563	16 200 254
OperatingExpenses	1 751 203	2 190 930	2 671 889	3 264 436	4 201 057
OperatingIncome	(295 541)	1 523 167	5 316 874	8 903 127	11 999 197
InterestExpense	-	1 411 667	2 371 875	2 497 105	2 476 045
Pre-TaxIncome	(295 541)	111 500	2 944 999	6 406 022	9 523 152
EBITDA	766 228	4 802 457	10 303 491	15 776 083	20 995 276
Balance sheet					
AccountsReceivable	898 815	2 221 391	3 338 040	4 401 318	5 432 450
Inventory	456 009	352 652	363 386	395 198	484 829
WorkingCapital	3 779 935	2 938 564	3 863 780	2 865 333	4 940 948
PP&E	4 734 682	14 545 444	18 436 387	21 522 269	23 704 067
AR &InventoryFinancing	-	-	-	-	-
TotalFundedDebt	-	14 000 000	20 500 000	20 302 083	20 118 273
RelatedPartyDebt	-	-	-	-	-
TotalDebt	-	14 000 000	20 500 000	20 302 083	20 118 273
Equity	15 014 617	21 192 342	29 356 591	39 770 505	52 210 554

The growth in planned cost does not exceed the growth of grunts, so it is expected that gross profit will show a sufficiently high growth, which will ensure high profitability of the project in terms of EBITDA.

In the first year of project implementation, losses are expected for both operating income and net profit; in subsequent years, the planned project will be profitable.The most significant items of the project assets are expected to be fixed assets, working capital and debit and debt and inventories. In the first year of implementation, the project will be financed by the equity of the company and Korean partners, in the second and third years a bank loan will be raised.

In the first year of implementation, the project will be financed by the equity of the company and Korean partners, in the second and third years a bank loan will be attracted, which will be gradually repaid, and the amount of equity will increase significantly due to the net profit expected in the second year of the project.

By the third year of the project, the amount of revenue generated will be close to the total assets of the company and the expected turnover ratio will reach 0.5. By the third year of the project, the amount of revenue generated will be close to the total assets of the company and the expected turnover ratio will reach 0.5. therefore, we can say that this project, although it relates to the field of IT, is capital intensive.

Project capital expenses (capex) plan for the entire implementation period, filed in table 3.4. The main capital expenses consisit of the CMTS cards – special cards that give a possibility to use applications in connections with TV channel, Unit costs, card costs, Softswitch costs, voice mail server costs and Voice provision system costs. Among them Voice provision system costs, Voice mail server costs and CMTS Unit costs stay constant during all the project period and CMTS cards, CMTS card costs and Softswitch costs grow rapidly during all the years of the project implementation [53].

Table 3.4

CapEx of the new Project of "Republia Group LTD"

Expence	2020	2021	2022	2023	2024
CMTS Cards	15689,59	101383,1	195250,5	278964,6	359283,6
CMTS UnitCost	3000000	3000000	3000000	3000000	3000000
CMTS Card Cost	313791,9	2027662	3905011	5579291	7185673
Softswitchcost	5995167	12850648	20360044	27057165	33482692
VoiceMailServerCost	2400000	2400000	2400000	2400000	2400000
VoiceProvisioning System Cost	2400000	2400000	2400000	2400000	2400000

Totally REpublia Group LTD is going to spend 14 mln UAH capital investments in 2020 year instead initial investments and oncrease this value by 61% in the second project year. Than CapEx growth will go slowly to 26% and 20% respectively. Total growth rate of capex will achieve 246% for 5 project years.

Table 3.5

Profits and Losses plan of the new Project of "Republia Group" LTD

Statement	2020	2021	2022	2023	2024
Revenue	6646054,4	15112344	24606907	33275575	41637140
CostofSales	5190392,7	11398246,6	16618145	21108012	25436886
GrossMargin	1455661,7	3714097,34	7988762,2	12167563	16200254
OperatingExpenses					
Advertising&Promotion	109357,87	187746,98	201708,72	225426,4	249536,71
EmployeeBenefits	169545	208850	241980	265110	287970
Office Rent	120000	120000	240000	480000	960000
Office Supplies	18000	36000	72000	144000	288000
ProfessionalFees	24000	36000	48000	60000	72000
Salaries	1130300	1392333,33	1613200	1767400	1919800
Travel&Entertainmnet	60000	90000	135000	202500	303750
Other	120000	120000	120000	120000	120000
Total	1751202,9	2190930,31	2671888,7	3264436	4201056,7
OperatingIncome	-295541,2	1523167,02	5316873,5	8903127	11999197
InterestExpense	0	1411666,67	2371875	2497105	2476045,4
IncomeBeforeTaxes	-295541,2	111500,357	2944998,5	6406022	9523151,7
IncomeTaxes	0	183775,443	1030749,5	2242108	3333103,1
NetIncome	-295541,2	-72275,087	1914249	4163914	6190048,6
EBITDA	**766227,76**	**4802456,58**	**10303491**	**15776083**	**20995276**

The detailed plan of income and expenses is presented in table 3.5. based on this table, we see that in the structure of the fixed costs of the project, the greatest weight is occupied by the costs of promotion and advertising and staff salaries. Moreover, these costs are growing in absolute value. in percentage terms, their share in the income structure remains virtually unchanged. Variable costs are correlated with constant as 5: 1, that is, we can conclude that the project has a fairly low level of operational leverage, which means a low level of operational risk.

In terms of net profit, the project is unprofitable for the first two years, but in terms of EBITDAthe project shows profit in the first year of implementation. Corporate tax is deducted in accordance with Korean law 35% of the amount of profit.

EBITDA of the project shows significant growth in 2021 and on 2022 years: 526% and 114% repectively. Than growth rate of EBITDA decrease to 53% in the 4th and 33% in the last year. Growth rate of EBITDA is almost respond the growth rate of the Gross margin except the 2021 year of the extremely EBITDA growth. EBITDA is used as cash flow for calculating project efficiency parameters.

Table 3.6

Project efficiency ratios of the new Project of “Republia Group” LTD

Indicator	**2019 base**	**2020**	**2021**	**2022**	**2023**	**2024**
EBITDA		766227,7	4802456,5	10303491	15776083	20995276
Initialinvestmets	-15310158					
Discountrate		0,11	0,11	0,11	0,11	0,11
Discounted CF		690295,	3897781,	7533824,	10392195	12459675
NPV	19663612					
IRR	56%					
PI	45,7%					
DPBP	2,188806					

Investment performance indicators indicate the high efficiency of the project, from which we can conclude that it is highly attractive. So, the NIP of the project is more than zero, that is, the project covers all investment costs. The return on investment index is quite high - 45.7%, which indicates its high efficiency. Internal rate of return is are also quite high, which indicates a low level of risk of higher discount rates and inflation, exchange rate fluctuations. The discounted payback period of the project is 2.18 years, which also confirms its high efficiency.

Forecasted basic financial position ratio of the project are represented in the table 3.7.

Table 3.7

Financial position ratios of thenew Project of “Republia Group” LTD

Indicator	2020	2021	2022	2023	2024
% GrowthRevenue	*na*	127%	63%	35%	25%
GrossProfit/Revenue	21,9%	24,6%	32,5%	36,6%	38,9%
EBITDA/Revenue	11,5%	31,8%	41,9%	47,4%	50,4%
CurrentRatio	11,0	1,8	1,7	1,5	1,8
Debt/EquityRatio	-	0,7	0,7	0,5	0,4
TotalDebt/EBITDA Annualized	-	2,9	2,0	1,3	1,0
EBITDA/ InterestExpense		3,40	4,34	6,32	8,48

According to the table 3.7 we can conclude that financial analysis ratio are also on the high level. So, gross profit margin is exceed 20% during 1st and 2nd years of the project implementation and increase till upper 30% for the rest 3 years. EBITDA margin shows more significant increase and rises from 11% in 2020 year to 50,4% in the 2024 year. Project provide a high liquidity ratio for all the 5 years, so we can conclude that our company is solvent. Debt to equity ratio decrease for 5 years from 0,7 to 0,4. This shows the decreasing the level of financial and debt risk.

A decrease in the debt-to-EBITDA ratio also indicates a decrease in the debt load and an increase in the company's ability to display this load. The ratio of

EBITDA and interest payable indicates a small weight of the debt in the financial results and the ability to repay it without significant losses in operating profit.

Thus, the proposed project is effective and can be implemented on the territory of the Republic of Korea, due to which our company will reach a wide international level and will be able to attract larger projects in the future and use complex financing schemes for them.

CONCLUSIONS

Project financing may be defined as the raising of funds on a limited-recourse or nonrecourse basis to finance an economically separable capital investment project in which the providers of the funds look primarily to the cash flow from the project as the source of funds to service their loans and provide the return of and a return on their equity invested in the project.

Although project financings have certain common features, financing on a project basis necessarily involves tailoring the financing package to the circumstances of a particular project. Expert financial engineering is often just as critical to the success of a large project as are the traditional forms of engineering.

There are a wide variety of funding sources available for projects or programmes although the options available depend on the nature of the company. Key sources are through loans, equity, investors, grants/funds and private finance.

Republia group LTD is an informational technology company, created in theyear 2015, that provide informational solutions, IT services and computer applications all over the world. First years were rather successful for the company revenue collection. Total revenue increased almost in twice during four years of company’s activity.

Despite the fact that “Republia Group” increased revenue during all the years in 13% in average, average growth rate of costs of goods sold were higher than growth rate of revenue. So, gross profit hardly increased in 14% and equals in 2018 UAH 33,89 million. The company has low operational marginality which decreased from 2015 to 2018 years.

According to the profit margin analysis we can conclude slight decrease in gross margin from 43,5% in 2015 to 37,4% in 2018. Total gross margin decrease was 6,2 percentage points. Decrease in operating margin was more notable and with the same tendency as gross margin. Total decrease in operation margin consisted 9,5 p.p. But as for net margin we can notice a slight increase from 11,5% to 15,5%. Therefore, we can conclude that company efficiency commonly increased during four years. Company's operational activity was low-margin but other activity caused increase in "Republia Group" LTD efficiency.

Assets structure of "Republia Group" LTD company is more likely the assets structure of production enterprise than of the service company. in the early ages of company activity their managers didn't create a good policy of asset management. That's why growth rates of all the assets changed very unevenly.

Analysis of the capital structure showed a significant advantage of equity over debt - 77.85 at the end of 2018. During 4 years, the share of equity increased gradually. At the beginning of the start-up, the capital dominated by 71%.

Thus, an analysis of the dynamics of assets and liabilities showed that the greatest growth of the company's resources acquired in 2017, mainly from its own sources, which shows that it has the potential to finance projects.

To summarize our analysis, "Republia Group" LTD is a rapidly growing successful IT company, which have enough cash for investing in new commercial projects and propose for customers innovative IT solutions.

To develop company's market share and collaboration with foreign partners we propose to implement new investment project which will be financed from the different sources: own funds and bank loan.

Ukraine has become a major player in the global tech arena. The IT talent pool in Ukraine is approaching 200,000 software developers, tech startups are booming, the flow of investments is increasing, and the number of companies that partner with Ukrainian software development service providers is growing.

The Ukrainian software development market has enjoyed impressive growth in recent years and became one of the key sectors contributing to the country's economy. The statistics by the World Bank, PwC, IT Ukraine Association, and State Statistics Service of Ukraine demonstrate steep growth of the sector. Interestingly, the industry has accelerated since the beginning of the 2014 political crisis when the prices for Ukrainian IT services became even more attractive for investors due to inflation.

"Republia Group" will create an application for computers and smartphones, which can also be used by ordinary people. It is expected that the application will be connected to one of the popular weather channels, it will allow the channel to increase the number of users and, accordingly, ratings, and the company to increase the number of customers. Our project expected to be realized in South Korea, and will have positive NPV, high level of profitability and short payback period.

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APPENDIXES

Balance Sheet

(All numbers in million)

Year Ended Decembe

	2016	
	2015	2016
Current Assets		
Cash And Cash Equivalents	4,56	10,85
Short Term Investments	-	-
Net Receivables	14,01	15,13
Inventory	0,14	0,16
Other Current Assets	0,80	0,57
Total Current Assets	**19,51**	**26,72**
Long Term Investments	-	-
Property Plant and Equipment	3,47	4,61
Goodwill	2,96	3,03
Intangible Assets	4,29	4,38
Accumulated Amortization	-	-
Other Assets	0,42	0,72
Deferred Long Term Asset Charges	0,15	0,32
Total Assets	**30,66**	**39,45**
Current Liabilities		
Accounts Payable	0,72	0,88
Short/Current Long Term Debt	-	-
Other Current Liabilities	4,07	3,72
Total Current Liabilities	**6,92**	**7,38**
Long Term Debt	1,93	1,91
Other Liabilities		
Deferred Long Term Liability Charges	-	-
Minority Interest	3,20	3,20
Negative Goodwill	-	-
Total Liabilities	**8,84**	**9,28**
Stockholders' Equity		
Misc. Stocks Options Warrants	-	-
Redeemable Preferred Stock	-	-
Preferred Stock	-	-
Common Stock	0,34	1,04
Retained Earnings	12,55	18,39
Treasury Stock	0,00	0,00
Capital Surplus	8,92	10,75
Other Stockholder Equity	0,00	0,00
Total Stockholder Equity	**21,81**	**30,17**
Total Equity and Liabilities	**30,65**	**39,45**
Net Tangible Assets	14,55	22,76

Income Statement

(All numbers in million)

Year Ended December 31

	2016		2017	
	2015	2016	2016	2017
Revenue				
Total Revenue	52,05	65,08	65,08	78,56
Cost of Revenue	29,40	37,93	37,93	47,50
Gross Profit	**22,66**	**27,14**	**27,14**	**31,06**
Operating Expenses				
Research Development	-	-	-	-
Selling General and Administrative	12,90	17,17	17,17	21,37
Non Recurring	-	-	-	-
Others	1,68	2,38	2,38	3,48
Total Operating Expenses	42,29	55,10	55,10	68,87
Operating Income or Loss	**8,08**	**7,59**	**7,59**	**6,20**
Income from Continuing Operations				
Total Other Income/Expenses Net	-0,78	9,02	9,02	10,98
Earnings Before Interest and Taxes	8,08	7,59	7,59	6,20
Interest Expense	0,000	-8,10	-8,10	-8,10
Income Before Tax	7,30	8,51	8,51	9,08
Income Tax Expense	1,31	1,53	1,53	1,63
Minority Interest	3,20	3,20	3,20	3,20
Net Income From Continuing Ops	**5,98**	**6,98**	**6,98**	**7,45**
Non-recurring Events				
Discontinued Operations	-	-	-	-
Extraordinary Items	-	-	-	-
Effect Of Accounting Changes	-	-	-	-
Other Items	-	-	-	-
Net Income				
Net Income	**5,98**	**6,98**	**6,98**	**7,45**

Cash Flow

(All numbers in million)

Year Ended December 31

	2016		2017		
	2015	**2016**	**2016**	**2017**	
Net Income	**5,98**	**6,98**	**6,98**	**7,45**	
Operating Activities, Cash Flows Provided By or Used In					
Depreciation	1,68	2,38	2,38	3,48	
Adjustments To Net Income	1,50	1,48	1,48	2,25	
Changes In Accounts Receivables	-2,92	-1,04	-1,04	-0,11	
Changes In Liabilities	5,34	0,46	0,46	3,49	
Changes In Inventories	0,00	-0,02	-0,02	-0,08	
Changes In Other Operating Activities	0,95	0,62	0,62	-0,40	
Total Cash Flow From Operating Activities	**12,55**	**10,86**	**10,86**	**16,08**	
	12,55	**10,86**	**10,86**	**16,08**	
Investing Activities, Cash Flows Provided By or Used In					
Capital Expenditures	-6,44	-8,80	-8,80	-15,27	1
Investments	0,00	0,00	0,00	0,00	
Other Cash flows from Investing Activities	-0,50	-0,50	-0,50	-0,50	
Total Cash Flows From Investing Activities	**-6,94**	**-9,30**	**-9,30**	**-15,77**	**1**
Financing Activities, Cash Flows Provided By or Used In					
Dividends Paid	-1,80	-0,90	-0,90	-1,20	
Sale Purchase of Stock	-	-	-	-	
Debt repayment	-1,92	-0,10	-0,10	-0,60	
Other Cash Flows from Financing Activities	-1,20	5,29	5,29	1,31	
Total Cash Flows From Financing Activities	**-4,93**	**4,29**	**4,29**	**-0,49**	
Effect Of Exchange Rate Changes	0,39	0,44	0,44	0,28	
cash for the beginning of period	**3,49**	**4,56**	**4,56**	**10,85**	
Change In Cash and Cash Equivalents	**1,07**	**6,29**	**6,29**	**0,10**	