CFC Project

AFAQ Energy Company

2017

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List of Acronyms

bbl	:	Barrel
CAPM	:	Capital Asset Pricing Model
EIA	:	Energy Information Administration
IAS	:	International Accounting Standards
IMF	:	International Monetary Fund
JPRC	:	Jordan Petroleum Refinery Company
KWh	:	Kilowatt per hour
MEMR	:	Ministry of Energy and Mineral Resources
MENA	:	Middle East and North Africa
OPEC	:	Organization of the Petroleum Exporting Countries
WACC		Weighted Average Cost of Capital
WB	:	World Bank

Investment Summary

AFAQ Energy Company is a public shareholding company that was established in 2008 with the aim of investing, acquiring, participating in the capital of companies that works in the energy sector. In 2009, the general assembly approved the increase in the company's paid in capital by JD 105.0 million/ share to reach JD 110.0 million/ share through private offering for shareholders. The company headquarter is in Jordan as the company does not have any branches abroad. In May, 2013 AFAQ energy got the license from the Ministry of Energy and Mineral Resources (MEMR) to import, transport and distribute crude oil and its derivatives for a period of ten years, noting that the license could be renewed after the end of the period. The agreement ended the monopoly of the JPRC as those companies will be allowed gradually to import all types of oil derivatives to meet the needs of the local market (AFAQ Energy, 2014). The MEMR licensed two other companies; Jordan Petroleum Product Marketing Company and TOTAL. Each company acquired around a third of the domestic market.

FAQ Energy company's financial statements show that the company has a solid financial positon witnessed a steady growth pace as their assets grew in an accelerated pace by 3.3 percent, 12.4 percent and 17.9 percent in 2014, 2015, and 2016, respectively. Furthermore, gross profit margin ratio is considerably low; reaching on average around 4 percent. However, it is consistent with the market structure that the company is operating under. The company was granted a license by the government to distribute, transport, and import fuel oil derivatives for 10 years. AFAQ Company does not set the price of fuel oil products in their gas stations as a specialized government committee in the MEMR is responsible for setting the prices on crude oil derivatives on a monthly basis.

According to our analysis, we found that the company's share at the end of 2016, which was JD 2.33 to the above fair value and compared to the closing price of JD 3.99. Thus, recommending buying AFAQ Energy Company shares as the market price is considered to be undervalued compared to the company's performance and operations

Introduction

Fuel consumption is considered a crucial factor in modern economics as most of economic sectors depends on electricity and fuel consumption. Globally, refined petroleum product consumption was estimated at 92.8 million bbl per day in 2014. Furthermore, electricity consumption reached at 21.36 trillion KWh, of which 64.2 percent were generated from fossil fuels and the remaining part was generated from nuclear, hydroelectric, and other renewable energy resources. With large proven reserves at 1.665 trillion bbl, that are estimated to last around 20 years[1], and the increase in the portion of renewable energy contribution in energy consumption mix, transportation and storage fuel companies should strive to sustain its presence in the world economy through increasing the efficiency of their operations and diversify their operations to adapt with the continued changes in the industry.

The domestic transportation and storage oil and gas companies have two main modes for distributing their sales; tankers from the refinery to market via, truck, railroad or through pipelines. In addition, they move crude oil derivatives from production to distribution, the transportation and storage industry plays a vital role in the system of global oil trade. Most exporting or importing industries relies on transporting means for their goods that depends on fuel consumption. Thus, the transportation and storage industry is a very complex system that is composed of many independent owners. For example, in the natural gas transport and storage network in the US, nearly all is transported through interstate pipelines owned by at least 70 to 80 companies to over several hundred underground storage facilities (BERA, 2013).

Therefore, assessing the viability of domestic fuel transportation companies is considered a crucial part in sustaining a well-functioning economy as most of land, sea, and air transportation, electricity generation depend on these companies' efficiency in providing the domestic market with their needs to continue their operational processes. The Jordanian market structure for fuel distribution was dominated by the Jordan Petroleum Refinery Company (JPRC), which commenced its operations in 1961. The concession gave the JPRC a complete monopoly in terms of the importing, loading, refining, transport, and distribution of crude oil and its derivatives. However, the benefits of the monopoly was minor because the government imposed strict limits

[1] Source: CIA Fact book (Link).

on profit generation and was in complete control of national fuel prices as part of a subsidy program that ended in 2008 (Oxford Business Group, 2009). In May, 2013 AFAQ energy got the license from the Ministry of Energy and Mineral Resources (MEMR) to import, transport and distribute crude oil and its derivatives for a period of ten years, noting that the license could be renewed after the end of the period. The MEMR licensed two other companies; Jordan Petroleum Product Marketing Company and TOTAL. Each company acquired around a third of the domestic market. Accordingly, AFAQ for Energy Company evaluation report could be considered crucial for the proper functioning of the Jordanian economy (AFAQ Energy, 2014).

The evaluation report will be structured as follows; the first part will contain industrial analysis within the scope of the global, regional and domestic conditions that are prevailing in these markets. The second part will analyze illustrate the legal and operational framework for AFAQ for Energy Company in the Jordanian market. The third part analyzes the financial statements of the AFAQ for Energy Company for the years (2013-2016) and our forecasts for the next three years (2017-2019). Finally, the fourth part would build on the previous analysis to determine the prospects of the domestic fuel transport activities for AFAQ for Energy Company in the medium term.

Energy Market Prospects

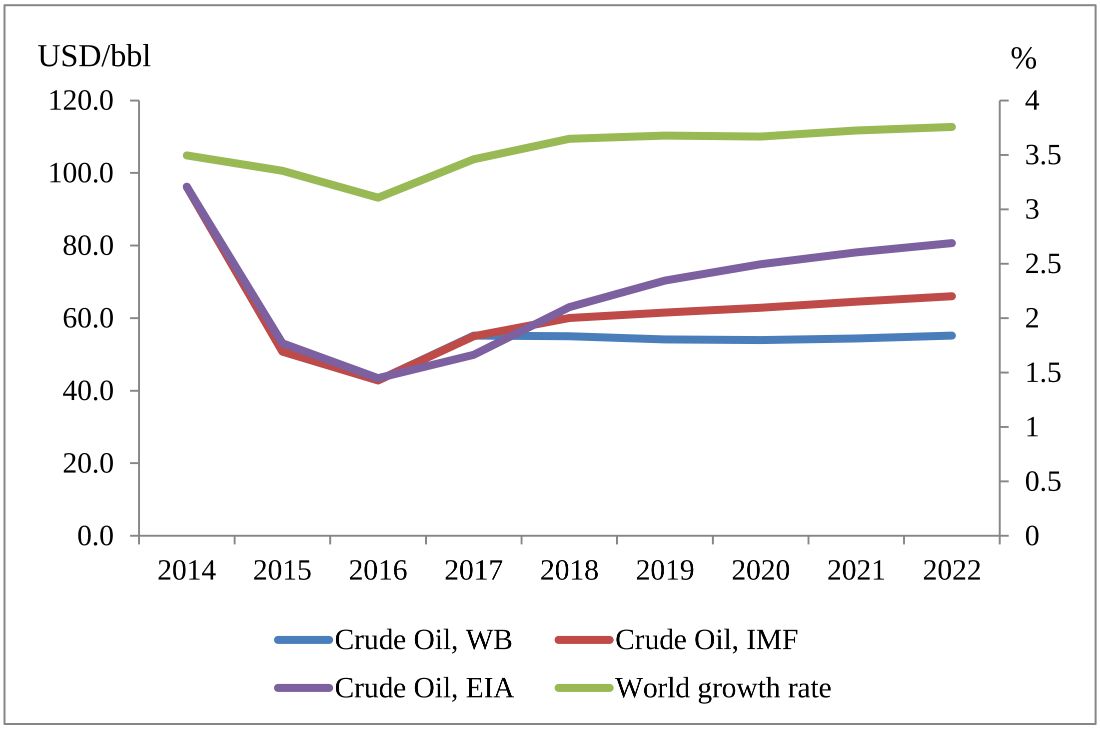
The following section discusses the global outlook for energy prices in the international markets, as well as the effects of these trends on regional economies in the Middle East and North Africa (MENA). Also it contains an analysis about the prospects of energy consumption in the Jordanian market in the medium term.

Global Energy outlook

The energy markets are considered one of the most active global markets as it's affected by multiple factors that are reflected on their prices. However, one of the most important factors is the global economy growth rates. In the aftermath of the global financial crisis, the prices of crude oil picked up gradually to reach around 96 USD/bbl, on average, at the end of 2014 (IMF, 2015). In 2015, crude oil prices decreased significantly due to weakening global economy that caused a decrease in energy global demand. Also, increased supply from Libya at the end of

2014, and the disputes between OPEC members on their share of global supply drove down most of the energy prices in international markets (EIA, 2015).

Figure (1): Crude oil prices and global growth outlook

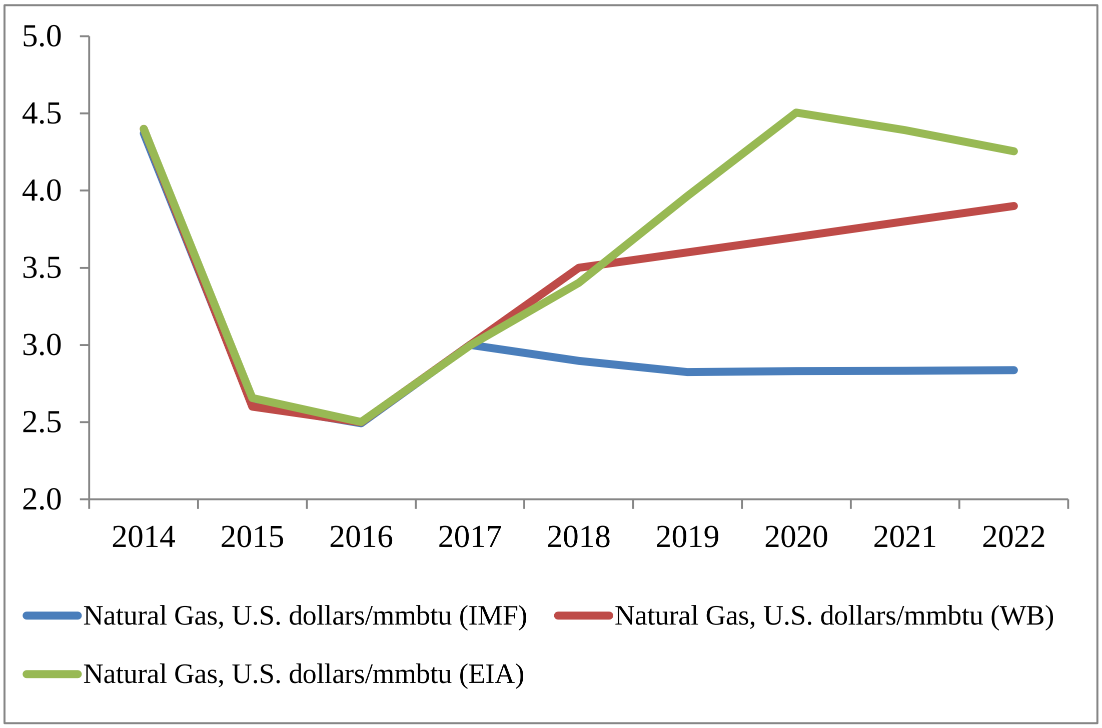


Source: IMF, WB, EIA.

The estimates for crude oil prices trajectory differs significantly between international agonies such as the International Monetary Fund (IMF), the World Bank (WB), and the Energy Information Administration (EIA) as their assumptions are built on different assumptions regarding the prospects of the global economy, medium and long term demand and supply conditions, the use of renewable energy in the global energy mix. The IMF expects a slower growth pace in crude oil prices, 0.01 percent on average, while the WB expects a higher growth pace, 3.74 percent on average, and the EIA expected a growth pace of 10.4 percent on average for the period (2018-2022). However, we could conclude that oil prices will increase from 0.01 to 10.4 percent through the period under investigation (IMF, 2017; WB, 2017; EIA, 2017).

Furthermore, the expectations for the medium term for natural gas prices differ significantly between international agencies as shown in figure (2), which indicate the high level of uncertainty in these markets. All in all we could conclude that natural gas prices in international markets will grow, in average for the period between -1.09 to 7.62 percent during the period (2018-2022).

Figure (2): Natural gas outlook



Source: IMF, WB, EIA.

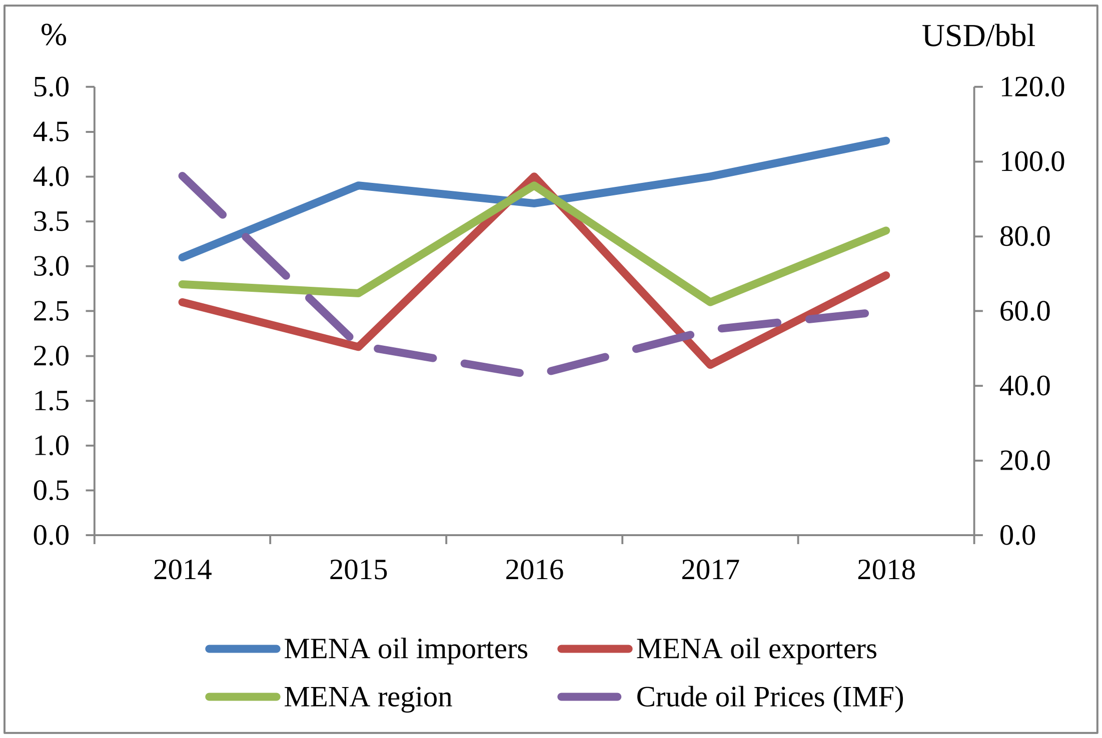
Regional Energy Outlook

The MENA region[2] has one of the biggest crude oil proven reserves in the World. Saudi Arabia, Iraq, Kuwait, UAE, and Libya acquire around 653 million barrels, which constitute around 44 percent of the World proven reserves[3]. Thus, some of the MENA countries[4] economic growth are affected directly by the fluctuations in international oil prices and the levels of crude oil production that are agreed upon through the Organization of the Petroleum Exporting Countries (OPEC). On the other hand the rest of the MENA countries are considered oil importing countries that depends on importing crude oil and petroleum products to meet their

[2] According to the IMF classification, the MENA region consists of the following countries: Algeria, Bahrain, Iran, Iraq, Kuwait, Libya, Oman, Qatar, Saudi Arabia, the United Arab Emirates, Yemen, Afghanistan, Djibouti, Egypt, Jordan, Lebanon, Mauritania, Morocco, Pakistan, Sudan, Syria, and Tunisia.
[3] Source: Link
4 MENA oil exporting countries include; Algeria, Bahrain, Iran, Iraq, Kuwait, Libya, Oman, Qatar, Saudi Arabia, the United Arab Emirates, and Yemen.

needs from energy. Thus, their economies are affected negatively when oil prices increase significantly as their import bill value would rise. However, positive effects could come through indirect channels such as remittances, FDI from oil exporting countries and tourism as the interactions between oil importing and oil exporting economies are relatively high (IMF, 2015).

Figure 3: MENA region growth prospects and crude oil prices



Source: MENAP Regional Economic Outlook, IMF, 2017.

The marked decline in oil prices since late 2014 have slowed down economic activity in oil exporters, but the growth outcome in 2016 is estimated to have been considerably stronger in light of higher growth in Iran. The recent decline in oil prices, if sustained, could weigh further on the outlook for the region's oil exporters. On the other hand, oil importers economies are gradually recovering underpinned by past reforms, improved confidence, and increasing external demand. However, unemployment is still relatively high, and conflicts and refugee pressures continue to weigh on their economies (IMF, 2017).

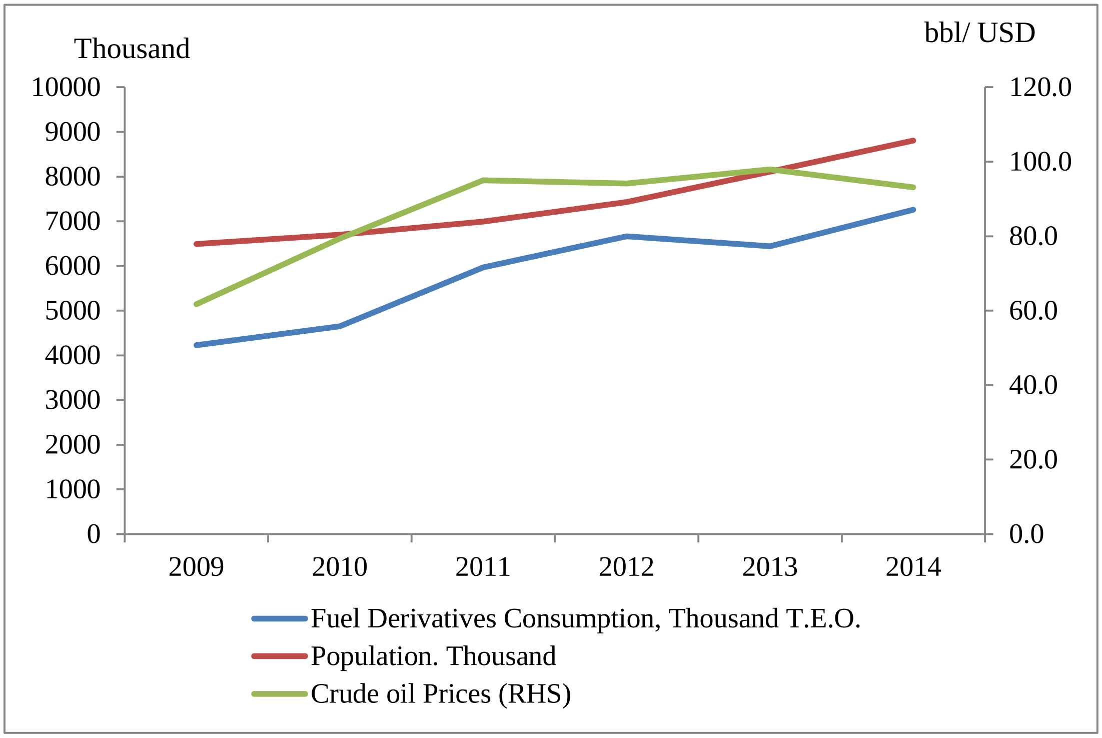
Local Energy Outlook

The Jordanian market for fuel distribution was dominated by the Jordan Petroleum Refinery Company (JPRC), which commenced its operations in 1961. The concession gave the JPRC a complete monopoly in terms of the importing, loading, refining, transport, and distribution of crude oil and its derivatives. However, the benefits of the monopoly was minor because the government imposed strict limits on profit generation and was in complete control of national fuel prices as part of a subsidy program that ended in 2008 (Oxford Business Group, 2009).

In 2012, a memorandum of understanding was signed between JPRC, TOTAL, and AFAQ Energy for supplying oil derivatives to the country's 450 gas stations. Each firm is serving as the exclusive fuel supplier to one-third of the country's gas stations for a three-year period. In May, 2013 AFAQ energy got the license from the Ministry of Energy and Mineral Resources (MEMR) to import, transport and distribute crude oil and its derivatives for a period of ten years, noting that the license could be renewed after the end of the period. The MEMR licensed two other companies; Jordan Petroleum Product Marketing Company and TOTAL. Each company acquired around a third of the domestic market. However, the 2013 agreement ended the monopoly of the JPRC as those companies will be allowed gradually to import all types of oil derivatives to meet the needs of the local market (AFAQ Energy, 2014).

The consumption of fuel derivatives in Jordan is affected by multiple factors since 2010; population growth, which has been a major factor in the evolution of fuel consumption overtime as the number of Jordanian population increased significantly due to high influx of Syrian refugees to the Kingdom since early 2011. Also, exogenous shocks have increased fuel consumption since early 2011 as the natural gas interruptions due to sabotages in the Sinai Peninsula have almost halted natural gas flows from Egypt to Jordan. Natural gas was mainly used for electricity generation, thus, the Jordanian authorities shifted for more expensive alternative products such as Diesel and Heavy Fuel Oil (HFO), which resulted in a marked increase by 28.4 percent and 11.7 percent, respectively (IMF, 2013).

Figure (4): Fuel Derivatives consumption, population and crude oil prices



Source: MEMR, Department of Statistics, IMF

AFAQ Energy overview

AFAQ Energy Company is a public shareholding company that was established in 2008 with the aim of investing, acquiring, participating in the capital of companies that works in the energy sector. In 2009, the general assembly approved the increase in the company's paid in capital by JD 105.0 million/ share to reach JD 110.0 million/ share through private offering for shareholders. The company headquarter is in Jordan as the company does not have any branches abroad. Furthermore, the company holds control over its subsidiaries (Jordan Modern Oil and Fuel Services Company, Jordan Modern Importing and Exporting Company (Free Zone), and Jordan Modern Food Trading Company (Lumi)). In May, 2013 AFAQ energy got the license from the Ministry of Energy and Mineral Resources (MEMR) to import, transport and distribute crude oil and its derivatives for a period of ten years, noting that the license could be renewed after the end of the period. The agreement ended the monopoly of the JPRC as those companies will be allowed gradually to import all types of oil derivatives to meet the needs of the local market (AFAQ Energy, 2014). Its financial statements have been drafted according to the historical cost principle, with the exception of financial tools and real estate investments as they were recorded according to their fair value according to IAS No. 39 which stresses the importance of classifying financial tools and investments as assets in their fair value through the income statement.

Table (1): Subsidiaries for AFAQ Energy Company

Name of the company	Main Activity	Country of Residence	Ownership Percentage
Jordan Modern Oil and Fuel Services	Fuel Marketing	Jordan	100%
Jordan Modern Importing and Exporting Company (Free Zone)	Mineral oils marketing	Jordan	100%
Jordan Modern Food Trading Company (Lumi)	Commercial	Jordan	100%

Source: AFAQ Energy annual report, 2016

SWOT Analysis

SWOT Analysis is a useful technique for understanding your Strengths and Weaknesses, and for identifying both the Opportunities open to the company and the Threats that it faces. It can help uncover opportunities that are well-placed to exploit. By understanding the weaknesses of the business that the company can manage to eliminate threats. SWOT analysis was made for AFAQ Energy Company and the results were as follows:

Table (2): SWOT Analysis

Strength	Weaknesses
• Getting a license from the government to distribute and transport Petroleum products. • Having many gas stations distributed around the country. • Using modern technology (E-cash cards) • Entering large tenders with private and governmental entities. • Having a large transportation fleet. • Incurring large profits	• Doesn't have any future plans for distributing LNG for electricity generation companies and households • Little promotion especially via the internet
Opportunities	**Threats**
• Diversify their operations by transporting liquefied gas and jet fuel. • Building new gas stations throughout Jordan • Building new gas stations for charging electric cars.	• Weak basic infrastructure • Changing the market legal framework. • Competition among market participants • Inability to set the prices of their products. • Inability to export

PESTLE analysis

A PESTLE analysis is a framework or tool used by marketers to analyze and monitor the macro-environmental (external marketing environment) factors that have an impact on an organization. The result of which is used to identify threats and weaknesses which is used in a SWOT analysis.

Table (3): PESTLE Analysis

Political	• Government subsidies and their intervention in the market • Changing tax system • Weak infrastructure • Privilege rights to enter the distribution market with two other competitors • Setting the selling prices of their products by the government
Economic	• Inflation and economic growth have a positive impact on the company's sales • Low labor costs compared to other countries in the region • The business cycle has a negative impact on their sales and profits • Their sales and profits are positively affected by higher demand on transportation vehicles
Social	• Thin market as Jordan population reached around 10 million recently due to high influx of refugees. • High educational qualifications • Poverty ratio is lower compared with other regional countries.
Technology	• High adaptability of the company to use technology in their financial transactions • Low R&D efforts • Little promotion especially via the internet
Legal	• Special taxes are levied on their products • Having a ten year license from the government
Ecological	• Their products contribute in increasing CO_2 emmissions. • Increasing the probabilities of environmental incedence • Trucks are a significant source of road noise

Financial Analysis of the company performance

Many entrepreneurs and investors track the record of their companies through principal financial statements; the balance sheet, income statement and the cash flow statement. These statements are used to evaluate the financial conditions, profitability, and liquidity. The use of financial analysis is the process of evaluating businesses, projects, budgets and other finance-related entities to determine their performance and suitability. Typically, financial analysis is used to analyze whether an entity is stable, solvent, liquid or profitable enough to warrant a monetary investment. AFAQ Energy company's financial statements show that the company has a solid financial positon witnessed a steady growth pace as their assets grew in an accelerated pace by 3.3 percent, 12.4 percent and 17.9 percent in 2014, 2015, and 2016, respectively. This increase was driven by the rise in the "projects in progress", which increased significantly from around JD 1.1 million in 2014 to around JD 17.7 million in 2016 driven by the two licenses that the company acquired from the Ministry of Energy and Mineral Resources to distribute and import fuel derivatives. The license was bought at JD 30.0 million for a period of 10 years. Also, the license could be renewed and guarantees 33 percent of the domestic market. It is worth mentioning that liquidity, measured by the current ratio and the quick ratio, decreased from 0.85 to 0.54 and from 0.75 to 0.44 for the period (2013-2016), which indicates that the company management should enhance the effectiveness of managing their current assets and liabilities to mitigate risks stemming from increasing liquidity risks. However, it's expected that these ratios will improve mildly, during the period (2017-2019). Furthermore, accounts receivable turnover is expected to decrease from 30 times per year in 2014 to around 18.6 times per year in 2019.

Moreover, gross profit margin ratio is considerably low; reaching on average around 4 percent. However, it is consistent with the market structure that the company is operating under. The company was granted a license by the government to distribute, transport, and import fuel oil derivatives for 10 years. AFAQ Company does not set the price of fuel oil products in their gas stations as a specialized government committee in the MEMR is responsible for setting the prices on crude oil derivatives on a monthly basis. Furthermore, the ROA and the ROE are relatively low reaching 7 percent and around 14 percent in 2016, respectively. After 2013, the company sales increased from JD 763.2 million to around JD 940.4 million in 2014driven by getting the government license to sell and import crude oil derivatives, and the increase in crude oil prices in international markets, which was reflected by the increases on crude oil derivatives prices domestically by the government committee that is responsible for setting the prices. Moreover, leverage ratios are considered relatively low, total liabilities constituted around 60 percent of the company's assets in 2016. The company depends on private equity to finance its expansion projects. However, it's expected that after getting the license from the government, the company will change its financing mix by depending more on debt to finance these projects.

Charts Gallery

Figure (5): Liquidity Ratios

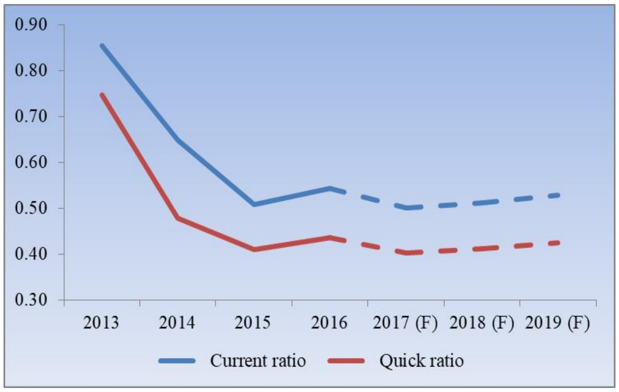


Figure (6): Return on Assets & Equity

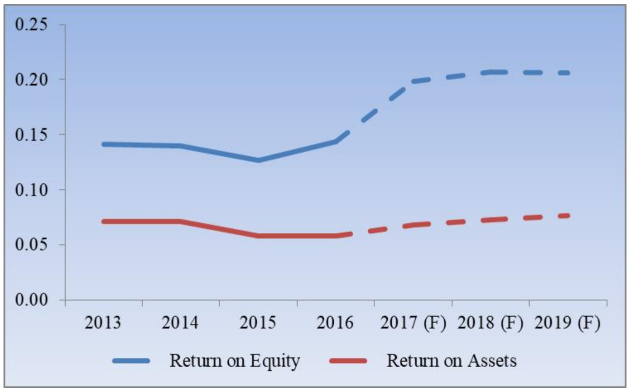


Figure (7): Assets, Liabilities & Equity

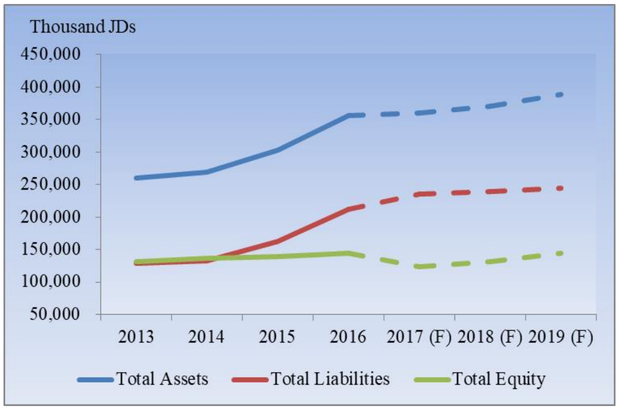


Figure (8): Leverage, (Liabilities to Equity)

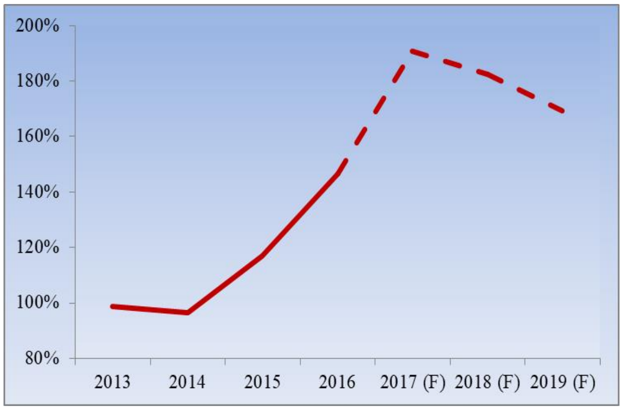
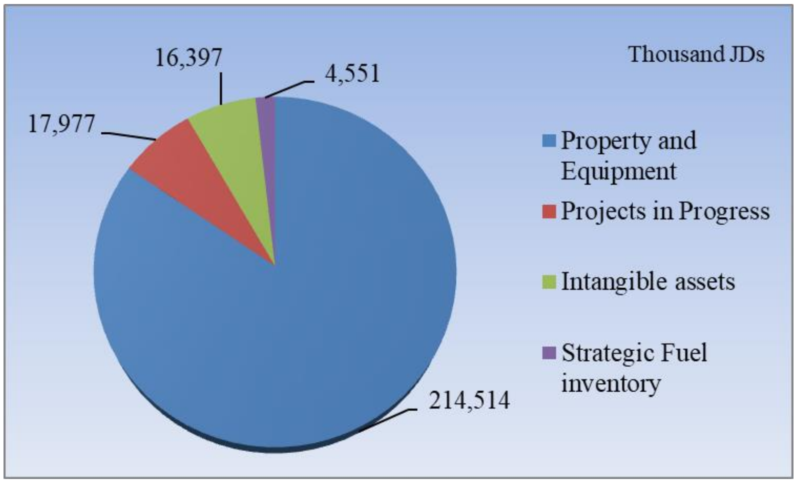


Figure (9): Non- Current Assets Composition



Financial Assessment

The following chapter contains the financial assessment of AFAQ Energy Company fair value through employing a Capital Asset Pricing Model (CAPM) to assess the cost of equity of the company through the following assumptions:

Table (4): Assumptions for AFAQ Energy Company

Risk Free (Rf)	**2.08%**
Market Return (Rm)	**0.039%**
Beta	**7.92%**
Cost of Equity (CAPM)	**1.92%**
Cost of Debt	**11.11%**
Weighted Average Cost of Capital (WACC)	**7.81%**
Tax Rate	**18.35%**
Cash Flow Constant Growth Rate	**0.0%**

AFAQ Energy Company							
Free Cash Flow							
Period	**2013**	**2014**	**2015**	**2016**	**2017 (F)**	**2018 (F)**	**2019 (F)**
Earnings Before Interest and Taxes	24,972	25,362	26,145	29,711	32,673	35,822	39,164
Tax rate	12.59%	12.14%	18.36%	18.35%	18.35%	18.35%	18.35%
Net Operating Profit After Tax (NOPAT)	21,829	22,282	21,345	24,261	26,677	29,248	31,976
Net Operating Working Capital	78,190	54,788	59,108	87,614	89,142	92,472	97,765
Net Fixed Assets	149,163	166,022	192,902	210,933	214,514	222,446	235,121
Total Operating Capital	227,353	220,810	252,010	298,548	303,657	314,918	332,886
Net Operating Capital	-----	(6,543)	31,200	46,538	5,109	11,262	17,968
Free Cash Flow	-----	15,739	52,545	70,798	31,786	40,510	49,944

AFAQ Energy Fair value

Based on the assumptions mentioned above and projections of the future earnings, the Fair Value of AFAQ for Energy is equivalent to JD 3.99 per share as follows:

Assumptions	**Value**
WACC	7.81%
Cash Flow Constant Growth Rate	0.00%
Value of Operations at the End of 2016	639,342
Add: Value of Non-operating Assets	-
Total Corporate Value	639,342
Less: Value of Interest Bearing Debt	200,928
Intrinsic Value of the Firm Equity	438,414
Numbers of Shares Outstanding	110,000
Intrinsic Value Per Share	3.99

Accordingly, if we compare the closing price of the company's share at the end of 2016, which was JD 2.33 to the above fair value and compared to the closing price of JD 3.99. We could recommend buying AFAQ Energy Company as the market price is considered to be undervalued compared to the company's performance and operations.

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Annexes

Annex (1): AFAQ Energy Balance Sheet\ Assets

AFAQ Energy Company							
Balance Sheet (JD Thousand)							
Period	**2013**	**2014**	**2015**	**2016**	**2017 (F)**	**2018 (F)**	**2019 (F)**
Total Assets	**260,577**	**269,177**	**302,490**	**356,589**	**359,727**	**370,180**	**388,526**
Current assets	**79,641**	**70,989**	**75,635**	**104,516**	**106,288**	**110,213**	**116,485**
Inventories	8,834	14,236	10,353	16,603	16,885	17,509	18,507
Accounts receivable and cheques under collection	32,902	29,800	30,446	42,629	43,352	44,955	47,517
Due from related parties	6,978	8,109	11,033	7,518	7,646	7,929	8,380
Financial assets at fair value through profit of loss	25	19	26	134	134	134	134
Other current assets	1,210	4,392	4,167	3,822	3,887	4,030	4,260
cash on hand and at banks	29,692	14,433	19,610	33,810	34,384	35,656	37,687
Non-Current Assets	**180,936**	**198,188**	**226,855**	**252,073**	**253,439**	**259,967**	**272,040**
Property and Equipment	149,163	166,022	192,902	210,933	214,514	222,446	235,121
Projects in Progress	-	1,062	7,535	17,677	17,977	18,642	19,704
Intangible assets	27,987	24,987	21,987	18,987	16,397	14,160	12,228
Strategic Fuel inventory	3,786	6,117	4,431	4,475	4,551	4,719	4,988

Annex (2): AFAQ Energy Balance Sheet\ Liabilities & Equity

AFAQ Energy Company							
Balance Sheet (JD Thousand)							
Period	**2013**	**2014**	**2015**	**2016**	**2017 (F)**	**2018 (F)**	**2019 (F)**
Total Liabilities & Equity	**260,577**	**269,177**	**302,490**	**356,589**	**359,727**	**370,180**	**388,526**
Total Liabilities	**129,491**	**132,128**	**163,171**	**211,842**	**236,048**	**239,154**	**244,153**
Current Liabilities	**93,243**	**109,542**	**148,886**	**192,762**	**212,400**	**215,506**	**220,506**
Due to Banks	23,664	25,129	55,008	67,992	72,202	72,202	72,202
Loans and Murabaha-Short Term	8,246	17,315	23,805	37,515	51,575	51,575	51,575
Due to related parties- Short Term	2,257	13,417	11,994	13,548	13,778	14,288	15,102
Due to government entities -Short term	4,280	4,280	4,280	4,280	4,353	4,514	4,771
Post-dated cheques-Short Term	1,505	1,928	3,133	3,119	3,162	3,271	3,452
Income tax provision	2,627	1,804	2,864	3,515	3,515	3,515	3,515
governmental deposits	19,977	18,301	20,910	30,710	31,232	32,386	34,232
Due to Jordan Petroleum refinary company LTD.	30,595	15,673	14,691	19,261	19,588	20,312	21,469
Accounts payable and other current liabilities, of which:	92	11,695	12,202	12,822	12,997	13,445	14,189
Accrued Expenses	125	94	132	124	128	132.24	137
Non-Current liabilities	**36,248**	**22,586**	**14,285**	**19,080**	**23,647**	**23,647**	**23,647**
Loans and Murabaha	18,030	12,676	8,005	19,080	23,647	23,647	23,647
Due to government entities -long term	12,840	8,560	4,280	-	-	-	-
Due to related parties-Long Term	5,379	1,350	2,000	-	-	-	-
Total Equity	**131,087**	**137,049**	**139,319**	**144,747**	**123,680**	**131,027**	**144,372**
Paid in capital	110,000	110,000	110,000	110,000	110,000	110,000	110,000
Statutory reserves	4,430	6,611	8,776	11,326	11,326	11,326	11,326
Adjustment	-	-	-	-	(30,164)	(34,485)	(35,536)
Retained earnings	16,656	20,438	20,543	23,420	32,518	44,185	58,582

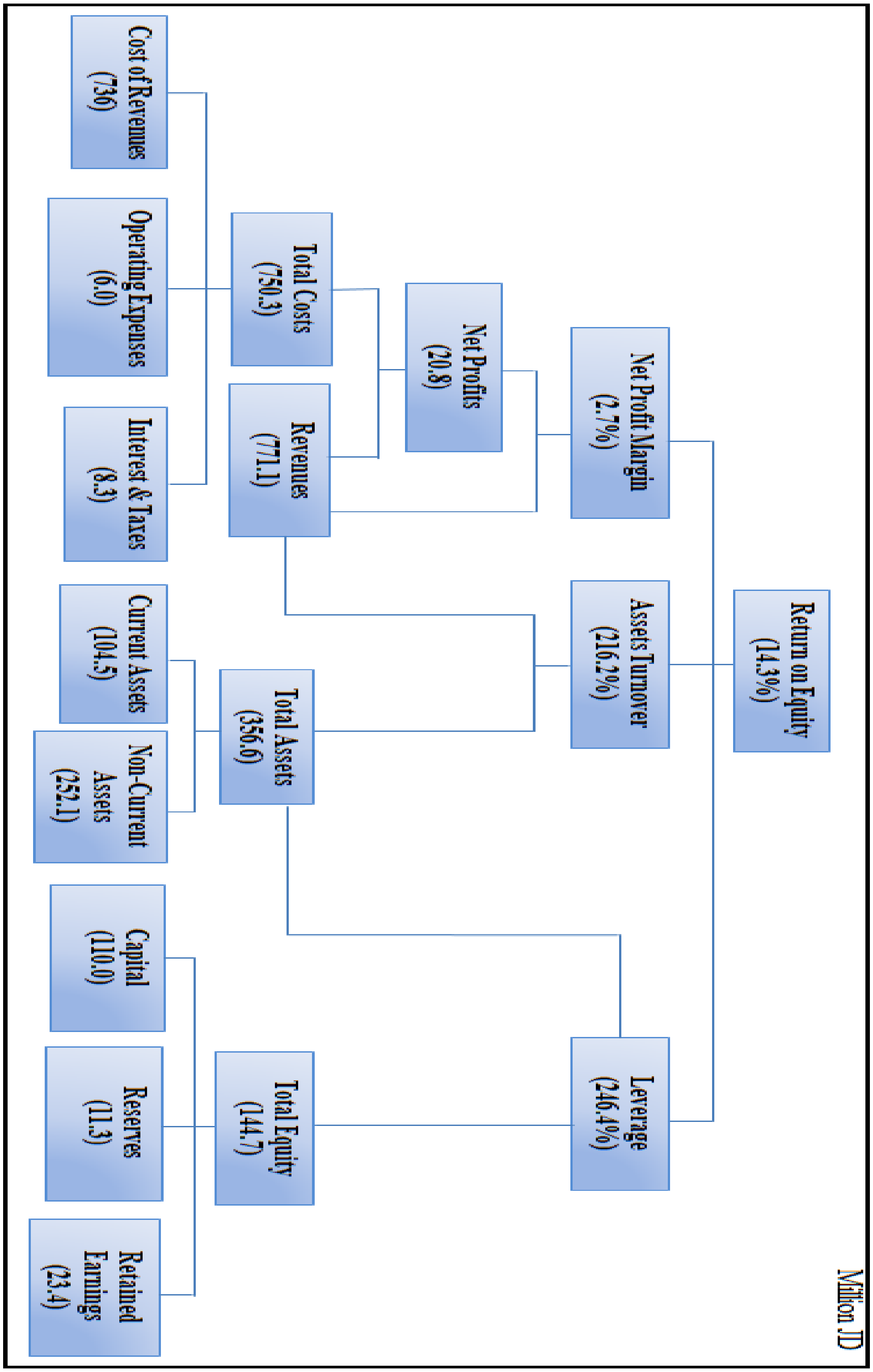
Annex (3): AFAQ Energy Income Statement

AFAQ Energy Company							
Income Statement (JD Thousand)							
Period	**2013**	**2014**	**2015**	**2016**	**2017 (F)**	**2018 (F)**	**2019 (F)**
Revenues	763,211	940,435	776,825	771,149	784,241	813,239	859,575
Cost of revenues	735,989	912,713	747,191	736,009	746,057	771,748	814,490
Gross Profit	27,222	27,722	29,634	35,140	38,184	41,491	45,085
General Administrative expenses	2,455	2,581	3,551	4,873	4,955	5,139	5,432
Finance costs	3,821	3,551	4,501	4,204	2,670	2,670	2,670
Provision for doutful debts	-	-	-	500	508	508	508
Depreciation	11	425	491	790	793	796	799
Other Income	215	647	553	734	746	774	818
Profit for the year before tax	21,151	21,812	21,643	25,507	30,003	33,152	36,494
Income tax expense	2,662	2,649	3,974	4,679	5,506	6,084	6,697
Profit for the year	18,489	19,163	17,670	20,828	24,497	27,068	29,797
Add: other comprehensive income items	-	-	-	-	-	-	-
Total Comprehensive income for the year	18,489	19,163	17,670	20,828	24,497	27,068	29,797
Dividends	8,690	13,200	15,400	15,400	15,400	15,400	15,400
Retained Earnings	9,799	5,963	2,270	5,428	9,097	11,668	14,397
Basic and diluted earnings per share	0.168	0.174	0.161	0.189	0.2227	0.2461	0.2709

Annex (4): Financial Ratios

AFAQ Energy Company							
Financial Ratios							
Period	**2013**	**2014**	**2015**	**2016**	**2017 (F)**	**2018 (F)**	**2019 (F)**
Liquidity ratios							
Current ratio	0.85	0.65	0.51	0.54	0.50	0.51	0.53
Quick ratio	0.75	0.48	0.41	0.44	0.40	0.41	0.42
Net Working Capital	(13,602)	(38,553)	(73,251)	(88,246)	(106,112)	(105,293)	(104,021)
Profitability ratios							
Gross Profit Margin	0.04	0.03	0.04	0.05	0.05	0.05	0.05
Profit Margin on Sales	0.02	0.02	0.02	0.03	0.03	0.03	0.03
Return on Assets	0.07	0.07	0.06	0.06	0.07	0.07	0.08
Return on Equity	0.14	0.14	0.13	0.14	0.20	0.21	0.21
Price Earning Ratio	0.17	0.17	0.16	0.19	0.22	0.25	0.27
Payout ratio	0.47	0.69	0.87	0.74	0.63	0.57	0.52
Assets Management ratios							
Days Sales Outstanding	15.74	12.77	12.94	20.10	20.35	20.54	20.74
Accounts Receivable Turnover	23.20	30.00	25.79	21.11	18.24	18.42	18.59
Inventory Turnover	86.40	66.06	75.04	46.45	46.45	46.45	46.45
Assets Turnover	2.93	3.49	2.57	2.16	2.18	2.20	2.21
Leverage ratios							
Total Liabilities/ owner equity	99%	96%	117%	146%	191%	183%	169%
Total Liabilities/Total Assets	0.50	0.49	0.54	0.59	0.66	0.65	0.63
Long term loans/ Total Assets	0.07	0.05	0.03	0.05	0.07	0.06	0.06
Long term loans/ owner equity	0.14	0.09	0.06	0.13	0.19	0.18	0.16

Annex (5): Dupont Analysis



Annex (6): AFAQ Energy Profile

Establishment Date	:	5th August 2008
Listing Date	:	28th December 2008
Market	:	First
Status	:	Active
ASE Symbol	:	MANE
General Manager	:	Yaser Almanaser
Head Offices Location	:	Airport street-Foreign Ministry
No. of Branches	:	Local 0 - Abroad 0
Auditors	:	Ernst & Young
Sector	:	Services
Telephone	:	00962-6-5734030
Fax	:	00962-6-5734070
P.O. Box	:	925988 Amman 11110 Jordan

Annex (7): Global Equity Ratings Definitions

Equity Rating	Definition
Buy	Fair Value is > 10 % from the current Market Price
Hold	Fair Value is between + 10 % and - 10 % from the current Market Price
Sell	Fair Value is < - 20 % from the current Market Price
Reduce	Fair Value is between - 10 % and - 20 % from the current Market Price