Financial Analysis

for 9 months

1. Structure analysis of the Assets and Liabilities

Indicator	At the beginning of the period	At the end of the period	% of the balance total		Deviation	
			at the beginning of the period	at the end of the period	absolute	relative, %
ASSETS						
NON-CURRENT ASSETS						
Non-current assets	**3,540**	**3,925**	**63.46**	**69.19**	**385**	**10.88**
CURRENT ASSETS						
Current inventories	665	693	11.92	12.22	28	4.21
Trade and other current receivables	271	330	4.86	5.82	59	21.77
Current tax assets	287	234	5.15	4.12	-53	-18.47
Current biological assets	68	20	1.22	0.35	-48	-70.59
Cash and cash equivalents	600	302	10.76	5.32	-298	-49.67
Other current assets	147	169	2.64	2.98	22	14.97
Current assets	**2,038**	**1,748**	**36.54**	**30.81**	**-290**	**-14.23**
ASSETS	**5,578**	**5,673**	**100.00**	**100.00**	**95**	**1.70**
EQUITY and LIABILITIES						
EQUITY						
Issued (share) capital	1	1	0.02	0.02	0	0.00
Treasury shares	186	40	3.33	0.71	-146	-78.49
Other reserves	65	48	1.17	0.85	-17	-26.15
Retained earnings	2,794	2,402	50.09	42.34	-392	-14.03
Equity	**3,046**	**2,491**	**54.61**	**43.91**	**-555**	**-18.22**
NON-CURRENT LIABILITIES						
Non-current liabilities	**951**	**992**	**17.05**	**17.49**	**41**	**4.31**
CURRENT LIABILITIES						
Trade and other current payables	1,135	1,593	20.35	28.08	458	40.35
Current tax liabilities	57	76	1.02	1.34	19	33.33
Other current liabilities	389	521	6.97	9.18	132	33.93
Current liabilities	**1,581**	**2,190**	**28.34**	**38.60**	**609**	**38.52**
EQUITY AND LIABILITIES	**5,578**	**5,673**	**100.00**	**100.00**	**95**	**1.70**

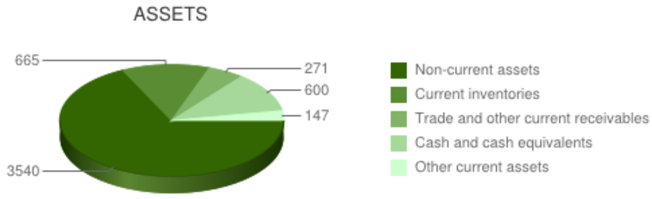
During the analysed period the value of assets increases, this is due to changes in the following items of assets balance:

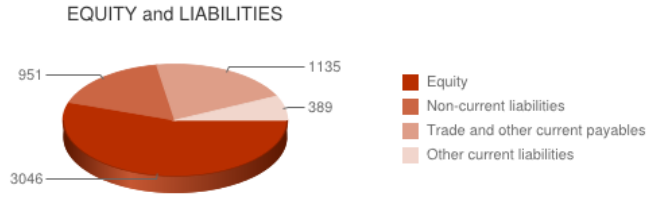
- Trade and other current receivables: 21.77%
- Other current assets: 14.97%
- Non-current assets: 10.88%

During the analysed period the value of liabilities increases, this is due to changes in the following items of liabilities balance:

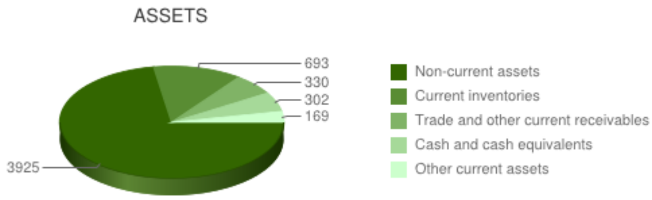
- Trade and other current payables: 40.35%
- Current liabilities: 38.52%
- Other current liabilities: 33.93%

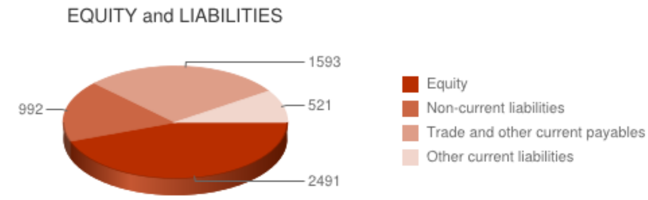
At the beginning of the period





At the end of the period





2. Liquidity Analysis

2.1 Condition liquidity balance sheet

The main objective assessment of balance sheet liquidity is to determine the obligations coverage of the enterprise's assets, transformation of which in the form of money (liquidity) corresponds to the maturity of obligations (the urgency of return). In determining the liquidity of assets and liabilities are matched with each other. Condition of absolute liquidity balance sheet is A1 >= L1 and A2 >= L2 and A3 >= L3 and A4 <= L4

ASSETS			EQUITY and LIABILITIES		
Indicator	**At the beginning of the period**	**At the end of the period**	**Indicator**	**At the beginning of the period**	**At the end of the period**
Estimation of the current liquidity					
A1. Highly liquid assets	600	302	L1. The most urgent liabilities	1,135	1,593
A2. Quickly realized assets	271	330	L2. Short-term liabilities	446	597
Current assets	**871**	**632**	**Current liabilities**	**1,581**	**2,190**
Estimation of the prospective liquidity					
A3. Slowly realized assets	1,167	1,116	L3. Long-term liabilities	951	992
A4. Fixed assets	3,540	3,925	L4. Fixed liabilities	3,046	2,491
Current assets	**4,707**	**5,041**	**Current liabilities**	**3,997**	**3,483**
ASSETS	**5,578**	**5,673**	**EQUITY and LIABILITIES**	**5,578**	**5,673**

Conditions for absolute liquidity is not satisfactory at the beginning nor at the end of the period.

2.2 Liquidity ratios

Indicator	Recommended values	At the beginning of the period	At the end of the period
Current ratio	1 - 2	1.29	0.80
Quick ratio	0.70 - 0.80	0.87	0.48
Cash ratio	0.20 - 0.50	0.38	0.14

Current ratio

Current ratio is a financial ratio that measures whether or not a firm has enough resources to pay its debts over the next {0} months. Current ratio is an indication of a firm's market liquidity and ability to meet creditor's demands.

Company has a current ratio at the beginning of the period at acceptable range, it indicates good short-term financial strength.
Current liabilities at the end of the period exceed current assets indicate that the company may have difficulty meeting current obligations.

Quick ratio
Quick ratio measures the ability of a company to use its near cash or quick assets to extinguish or repay its current liabilities immediately.
Extremely high ratio`s at the beginning of the period can indicate that a company is experiencing top-line growth, quickly converting receivables into cash, and easily able to cover its financial obligations.
Company with a quick ratio at the end of the period of less than 0.7 indicate that a company is over-leveraged, struggling to maintain or grow sales, paying bills too quickly or collecting receivables too slowly.

Cash ratio
Cash ratio is most commonly used as a measure of company liquidity. It can therefore determine if, and how quickly, the company can repay its short-term debt.
A cash ratio with an acceptable range at the beginning of the period means that the company will be able to pay all current liabilities in the short term.
Cash ratio at the end of the period is less than 20%, which means that the company has cash flow problems. This could be because of a significant backlog in accounts receivable.

3. Financial Sustainability Analysis

3.1 Working capital analysis

Indicator	At the beginning of the period	At the end of the period	Deviation
Working capital	457	-442	-899
Inventories	665	693	28
Working capital sufficiency	-208	-1,135	-927
Inventory to working capital ratio	1.46	-1.57	-3.02

The Inventory to Working Capital ratio measures how well the company is able to generate cash using Working Capital at its current inventory level. This means that at the beginning of the period 1.46 of fund of a company is tied up in inventory for every pound of working capital and at the end of the period -1.57 of fund of a company fund is tied up in inventory for every pound of working capital.
An decreasing Inventory to Working Capital ratio is generally a positive sign, showing the company is more able to generate cash using its working capital at its current inventory level.

3.2 Key indicators of the company's financial sustainability

Indicator	Recommended values	At the beginning of the period	At the end of the period
Equity ratio	>= 0.50	0.55	0.44
Debt-to-Equity ratio	< 1.00	0.83	1.28
Debt ratio	<= 0.50	0.45	0.56
Non-current assets to Net worth ratio	<= 1.25	1.16	1.58
Equity mobility ratio	0.20 - 0.50	-0.16	-0.58

Capitalization Ratio	<= 1.50	0.24	0.28

Equity ratio

Equity ratio is a financial ratio indicating the relative proportion of equity used to finance a company`s assets.
A high equity ratio at the beginning of the period provides security to shareholders in the event that the company is liquidated, since most of the assets are financed by equity and not by debt.
A low equity ratio at the end of the period will produce good results for stockholders as long as the company earns a rate of return on assets that is greater than the interest rate paid to creditors.

Debt-to-Equity ratio

The debt-to-equity ratio is a financial ratio indicating the relative proportion of shareholders' equity and debt used to finance a company`s assets.
A low debt-to-equity ratio, which indicates conservative financing and low risk, at the beginning of the period results in fewer possibilities of large losses or large gains in earnings.
A high debt-to-equity ratio at the end of the period generally means that a company has been aggressive in financing its growth with debt. This can result in volatile earnings as a result of the additional interest expense.

Debt ratio

Debt ratio indicates the relationship between capital supplied by outsiders and capital supplied by shareholders.
Debt ratio at the beginning of the period is less than 0.5, it is mean that the most of the company`s assets are financed through equity.
A company has a high debt ratio (highly leveraged) at the end of the period; it could be in danger if creditors start to demand repayment of debts. The higher the ratio, the greater risk will be associated with operation of the company. In addition, high debt to assets ratio may indicate low borrowing capacity of a firm, which in turn will lower the firm`s financial flexibility.

Non-current assets to Net worth ratio

Non-current assets to Net worth ratio measures the extent of a company`s investment in low-liquid non-current assets. It is the ratio of the value of fixed assets to equity capital and reserves, which shows what percentage of the company`s own funds was used to cover non-current assets.
Ratio at the beginning of the period corresponds to the recommended values; it indicates that the current assets are financed through debt and equity, which is acceptable for the company.
Ratio greater at the end of the period than the recommended values indicates that the current assets are mainly financed through debt, which is very risky.

Equity mobility ratio

Capital equity mobility ratio measures share capital invested in current assets.
Low ratio at both the beginning and the end of the period shows a possible slowdown in repayment of receivables or stricter conditions for trade credit from suppliers and contractors.

Capitalization Ratio

Capitalization ratio measures the debt component of a company`s capital structure, or capitalization to support a company`s operations and growth.
Company with low capitalisation ratios at both the beginning and the end of the period is offered lower risk and significantly more security for current shareholders and is a more attractive prospect for prospective investors.

4. Financial Performance

4.1 Analysis of the Business Activity

Indicator	For the period
Capital conversion period, days	76
Inventory conversion period, days	42
Receivables conversion period, days	8
Payables conversion period, days	38
Operating cycle, days	51
Cash conversion cycle, days	13

Capital turnover is a measure of how well a company uses its stockholders` equity to generate revenue. The higher the ratio is, the more efficiently a company is using its capital, also called equity turnover. Inventory turnover is a measure of the number of times inventory is sold or used in a time period. Receivables turnover measures the number of times, on average; receivables are collected during the period. Payables turnover measures show investors how many times per period the company pays its average payable amount.
Operating cycle is the amount of time it takes for a company to turn cash used to purchase inventory into cash once again. A company with a short operating cycle is able to quickly recover its investment. A company with a long operating cycle will have less cash available to meet any short-term needs, which can result in increased borrowing and interest expense. Cash conversion cycle measures how long a firm will be deprived of cash if it increases its investment in resources in order to expand customer sales. It is thus a measure of the liquidity risk entailed by growth.

4.2 Profitability Ratios

Profitability ratios	For the period
Return on sales, % the percentage of sales revenue that gets 'returned' to the company as net profits after all the related costs of the activity are deducted	9.47
Return on invested capital, % measures the return that an investment generates for those who have provided capital, i.e. bondholders and stockholders. ROIC tells how good a company is at turning capital into profits	13.48
Return on assets, % the percentage shows how profitable a company's assets are in generating revenue	8.96
Return on equity, % the percentage measures a firm's efficiency at generating profits from every unit of shareholders' equity. ROE shows how well a company uses investment funds to generate earnings growth	18.20
Return on net assets, % is a measure of financial performance of a company which takes the use of assets into account. Higher RONA means that the company is using its assets and working capital efficiently and effectively	26.98

5. Bankruptcy tests

5.1 Taffler’s Model (UK)

Calculation	Bankruptcy for the period
X1 - profit before taxation / short-term liability	0.49
X2 - working capital / amount liability	0.66
X3 - short-term liability / assets	0.34
X4 - sales / assets	1.74
Z = 0.53 X1 + 0.13 X2 + 0.18 X3 + 0.16 X4	0.68
Probability of bankruptcy is low	

5.2 Liss's Model (UK)

Calculation	Bankruptcy for the period
X1 - working capital / assets	0.34
X2 - operation income / assets	0.16
X3 - retained earnings / assets	0.46
X4 - equity / debt capital	0.97
Z = 0.063 X1 + 0.092 X2 + 0.057 X3 + 0.001 X4	0.06
Probability of bankruptcy is low	

5.3 Altman's Model (USA)

Calculation	Bankruptcy for the period
X1 - current ratio	1.00
X2 - debt ratio	0.51
Z = -0.3877 – 1.0736 X1 + 0.0579 X2	-1.44
Probability of bankruptcy is low	

5.4 Springate's Model (USA)

Calculation	Bankruptcy for the period
X1 - working capital / assets	0.34
X2 - profit before tax / assets	0.18
X3 - profit before tax / short-term liability	0.54
X4 - sales / assets	1.74
Z = 1.03 X1 + 3.07 X2 + 0.66 X3 + 0.4 X4	1.95
Probability of bankruptcy is low	

6. Durand's credit scoring

Indicator	For the period
K1 - Operating income to assets	16.46
K2 - Current ratio	1.00
K3 - Equity ratio	0.49
III class — company shows a risk problem	