

**Kyiv National University of Trade and Economics**

**International economic relations department**

**FINAL QUALIFYING PAPER**

**on the topic:**

**«Company's International Competitiveness on the Tobacco Industry»**

**(based on the data of PJSC “Imperial Tobacco Production Ukraine”, Kyiv)**

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## INTRODUCTION

**Actuality of research.** Competition is an important attribute of a market economy. Market with its operation mechanism cannot normally exist without developed competition forms. The increase of competition among variety of Ukrainian economy sectors, political and social accelerated changes necessitate companies to take stable market positions. Under these conditions, enterprises need to carry out the work on market research, do performance forecasts, deep state analysis and foreign economic activity pursuit process. On this basis, strategic decisions adoption and/or improved policy implementation should be aimed to ensure strong competitive positions.

In tobacco industry, market position is extremely important, because of the limited suppliers' number, government limitations and almost prohibited advertisement policy. With these opportunities for growth and brand equity support are crucial in developing customer loyalty. A leading market position gives to a company greater pricing power, which is decisive, especially under difficult economic conditions. Statements above defines the relevance and importance of enhancing company's competitiveness on the market.

The issue of international competitiveness is very relevant for those enterprises whose sphere of commercial and production activity extends to foreign countries. Simultaneously, the key role in products and services competitiveness ensuring is performed by companies' foreign economic activity which role is constantly increasing. These processes influence not only county's socio-economic development but also the entire world's one, which determines the relevance of this study.

The company's competitiveness matter is the subject of foreign and domestic economists' deep and comprehensive study. The research basis was built on following prominent foreign and domestic scientists' studies as E. Altman, I. Ansoff, T. Bateman, D. Boll, P. Drucker, F. Kotler, J. J. Lamben, V. McCallah, K. McConnell, M. Porter, A. Streckland, A. Thompson, S. Shell, D.V. Pohrebniak, T.V. Shved, S.O. Perminova,

E.V. Romanenko, L.O Zajtseva, I.G. Kadyrus, H. T. Pyatnitska, V.M. Zhukovska and V.A. Romanenko.

However, important aspects of theoretical, methodological and practical international competitiveness management basis, its formation and development have not received adequate coverage yet.

Thus, further research is still needed to create an effective organizational and economic mechanism for ensuring companies' sustainable competitive positions.

**The purpose of research** is to analyze the tobacco industry international competitive environment and to develop methodological and practical recommendations for improving company's international competitiveness on an example of Imperial Tobacco Production Ukraine.

To achieve this goal it is necessary **to solve the following tasks:**

- to reveal the essence of international competitiveness and its role in world economy;
- to study factors that determine company's international competitiveness;
- to determine methodological approach for evaluating enterprise's international competitiveness;
  - to analyze financial statement and external position of Imperial Tobacco Production Ukraine;
  - to investigate company's environmental and its organizational processes;
  - to assess the alteration of tobacco industry and its impact on the key performance indicators of Imperial Tobacco Production Ukraine;
  - to inspect tools and strategies for improvement of Imperial Tobacco Production Ukraine management;
  - to develop and implement measures that drive performance;
  - to create key performance indicators forecast in conditions of adjustments implementation.

**The object of research** is the process of formation of international competitive environment of tobacco industry on an example of Imperial Tobacco Production Ukraine.

**The subject of research** is theoretical and methodological aspects of tobacco industry international competitive environment analysis on an example of Imperial Tobacco Production Ukraine.

**Research methods.** There were used various research methods to solve the main tasks of the scientific paper, such as: dialectical method - to determine the international competitiveness essence; a comparative analysis - to justify approaches to its definition; deduction - to determine the place of international management in the enterprise; grouping - when aggregating the main international competitiveness indicators for final assessment and to provide own recommendations.

**Theoretical and informational basis of the research** consists of periodical and monographic editions, legislative base, fundamental provisions of economic theory, materials of international and Ukrainian and foreign scientific conferences, statistical materials of the State Statistics Committee of Ukraine and United Nations Organization.

**Practical value:** the results obtained at work can be used to effectively increase the international competitiveness of tobacco company, enhance economic effect of its activities, strengthen its position in the domestic market and successfully promote product marketing to foreign markets.

The final qualifying paper consists of three parts. The first part covers theoretical and methodological aspects of the research of international competitiveness of the company. In the second one, the analysis and diagnostics of Imperial Tobacco Production Ukraine financial and management data is conducted. In the third, ways to improve the development of international competitiveness of the company of Ukrainian tobacco industry are considered.

## **PART 1**

### **THEORETICAL BASIS OF INTERNATIONAL COMPETITIVENESS**

#### **1.1. The Essence of International Competitiveness and its Role in World Economy**

The rapid growth in volumes of international trade, its commodity and regional diversification of multinational corporations and their capacity, together with, increase of an international economic relations role in the 21<sup>st</sup> century economics, have caused an importance of the international competitiveness matter in modern conditions.

The concept of competitiveness has been evolving during different periods of development of society. Although the term itself had not existed yet, it could have been applied to particular ethnic groups, individuals, classes, than to the state (since the state itself, in its common present form did not exist either).

In that time primitive commune, determining factor for competitiveness were physical strength, afterwards - the tricks, the ability to produce the best tools, etc.; during the slavery system - number of slaves, lands; in the feudal - number of substitutes, subordinated people, territories; in the capitalistic period – amount of capital itself, in the socialist era - marked by the dictates of socialist ideals, preferences. Democratic period has built and is still building clear and understandable, commonly accepted rules of competitiveness in society, according to which countries or companies compete ideally by civilized methods for the right to be the first [1, p. 2].

Subsequently it has been used in different context. For example, the United States' economists, during the severe trade battle between American and Japanese companies, made the first reference to it in the 70s of the previous century. They tried to evaluate competitiveness level among these two rival economies. The next wave of

attention to this term had raised during the oil crisis and losses of comparative advantage by companies in this industry [1, p. 7]. The sole definition takes its beginning from the Classical Latin word “petere”, which means “to seek, attack, desire” and Latin prefix “con-”, which, in its own turn means “together”.

For the first time, the definition of "competitiveness" was introduced at the end of the 1970's by M. Porter, who under competitiveness means profitability and productivity of resource use. Concept of competitiveness, proposed by M. Porter and other authors, covers its various aspects and, as a rule, complement each other.

**Competitiveness** can be determined as the ability to provide products and services as or more effectively and efficiently than the relevant competitors, to achieve sustained success against (or compared to) competitors. However, due to the fact that a lot of scientist have been researching this theme during last 50 years, there is no unique and general accepted definition. Appendix A shows different views of this term appraisal.

**International competitiveness** - the ability of a country (or firm) to provide goods and services that contribute better value than their overseas rivals.

**Company's international competitiveness** is the ability of a company to compete in international markets, particularly through provision of products and/or services more effectively and with higher value, comparing to the relevant competitors to achieve success worldwide.

Ukrainian legislation does not give a definition of the term “company”. Instead, Economic Code of Ukraine provide us with the term “enterprise”, which means independent economic entity, created by the competent public or local self-government body, or other entities for satisfaction of social or personal needs by systematic carrying out of production, research and development, trade, or other activity pursuant to this Code and other laws [2]. In respect to this research, and due to lack of the sole definition of the term “company”, definitions “enterprise” and “company” will be used as synonyms.

Competitiveness of an enterprise can also be characterized as its potential feature, which includes [3, p.3]:

1. Company's capability to receive an up-to-date evaluation of the consumers' target group expectations, as well as to trace the tendency of consumer activity. That is to say that company have to be able to timely, objectively and meticulously evaluate costumers' demand for present moment, and predict its dynamics further, as well. This kind of evaluation assessment is applicable while using the scientific model of the target consumer's group, with taking into consideration its economic, social, cultural and psychological factors, with usage of modern sociology and marketing developed methods.

2. Ability to establish manufacturing, results of which could and will meet the target group of costumers' expectations regarding "price – quality" relation.

3. Possibility to conduct efficient up-to-date marketing policy.

4. Ability to look for, generate and implement conditions for cost reduction to provide production with efficient utilization parameters of capital, labor, inventories and other assets, energy per unit of products sold.

5. Ability to establish and keep up production technology better than other participants of this industry (market). It requires time-to-time updates of used technologies. As a result, it will cause changes in different process from production and sales, to management.

6. Ability to plan, formulate and perform an effective innovative strategy regarding production and marketing.

7. Initiate and develop high-level potential of human resources at both levels: executive and managerial. An ability to use effectively already existing production technologies in the enterprise describes the quality of executive staff; they should also be open for improving and development in personal and professional ways. The status of the specialists/managerial personal is presented with their ability to set and solve functional problems, capability to link them with company's strategic goals, which can help to improve their key competencies in technical, managerial, economical and other



areas, which united can cause strengthening of enterprises' market positions. The quality of management personnel is shown as an ability to detect and effectively use market opportunities to protect and improve competitive positions of the enterprise among the markets, covering tactical and strategic plans.

Accomplishment of listed characteristics in a long-time perspective interval formulates real advantages for certain enterprise over its competitors, in the form of growth of its market value, strengthening of its trade marks, increase of additional stability, in relation to adverse influences of the external environment, including attacks by competitors.

After conducting an analysis of these academic researches, we found out several concepts and theories of competitiveness, which are shown in Appendix B. These hypotheses try to estimate competitiveness in the range from macro- to micro-perspective [4, p.93].

Thus, generally, the scientists classify the following levels of competitiveness: micro, meso and macro (fig. 1.1).

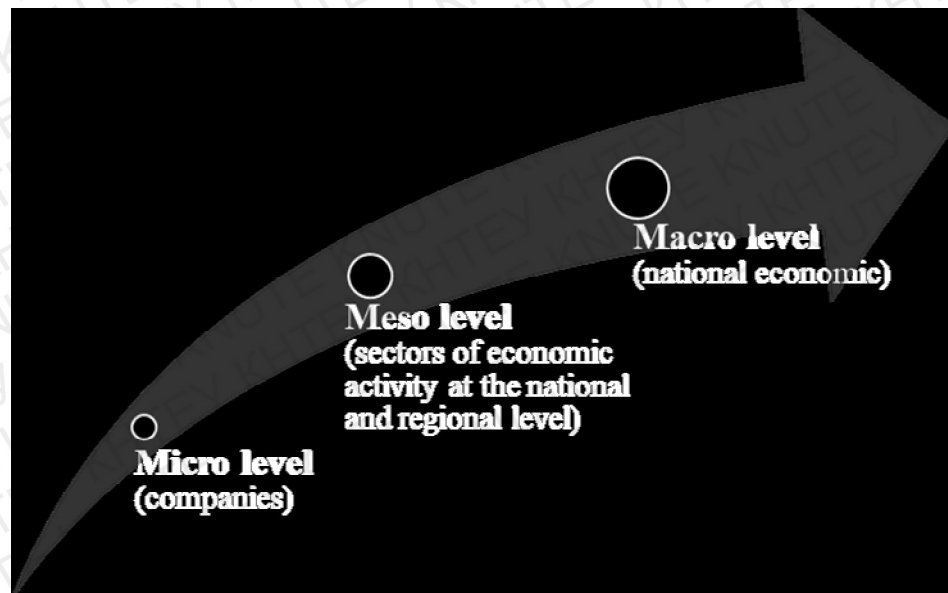


Figure 1.1. Ways to Enhance Company's International Competitiveness [5, p.42 ]

Competitiveness in the macro level is a combination of economic, scientific, technological, organizational, managerial, marketing and other capabilities, which are implemented in company's goods and services that successfully insure their competitive

advantage and simply are better than goods and services provided by rivals at the markets inside and outside the country [5, p.43]. Such competitiveness describes state's possibility to gain high economic growth rates, ensure a steady increase in real wages, promote domestic firms across world market that is represented by high-performance clusters which, in their turn can enhance the products and services' characteristics and enable to create new jobs in the future. Investment volume, innovation ability, manufacturing facilities, and other factors influence the ability to adapt to changes that occur in world market. To add, they should also be mixed with political and social factors, because they affect the national economy as well [5, p.44].

In the meso level, such competitiveness means firms' ability to accomplish sustained success against (or compared to) other competitors in the rival's industry, without any protection or subsidies.

In the micro level, this competitiveness can be determined as enterprise's ability to create, innovate, produce and sell the goods and services on internal and foreign markets, maintain existing or enlarge its share on a markets. Its essential characteristic – successful process of surviving and growing of this company on the market.

Taking into consideration definitions that were given above and with understanding of the risk of oversimplification we decided to state, that after reaching of some high points of the level (for example “micro”), firms move higher, to develop themselves and gain more advanced units (like “macro” – e.g. countries). Afterwards, their competitiveness level go out of nations' borders and become international competitiveness. We can say that, in this case, competitive advantage (conditions that allow a company or country to produce a good or service of equal value at a lower price) take place, however on an international scale [6]. International competitiveness can be determined by following elements, which are shown in the figure 1.2 below.

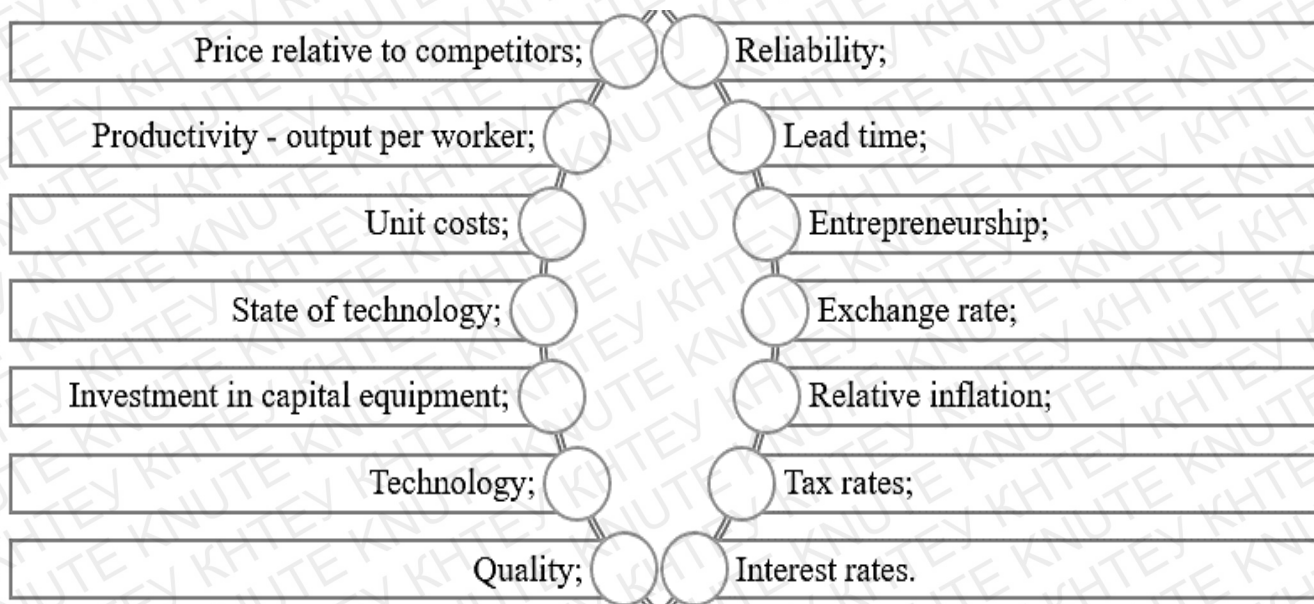


Figure 1.2. Main Determinants of International Competitiveness of the Company [6]

The high international competitiveness of enterprises means that all resources of the company are used so productively that it (enterprise) becomes more profitable than its international competitors. This, simultaneously, assumes that the company occupies a stable place in the international market of goods and services, and its products are in constant demand from foreign consumers. However, such a situation is not unchangeable. Thus, sooner or later, company's activity starts to decreasing. In order not to make it happened, management of enterprises should pay more attention to the policy of management, timely track changes in international markets, make appropriate changes in the production system and sales of goods.

The successful position of enterprises in the domestic and international markets, as well as the prospect of their further development, depend on many factors, including their competitiveness. Moreover, a nation's standard of living is progressively contingent on the competitiveness of its firms.

That is why companies should constantly take steps to increase their international competitiveness. Several ways to reach this goal are suggested on the figure 1.3. presented below.

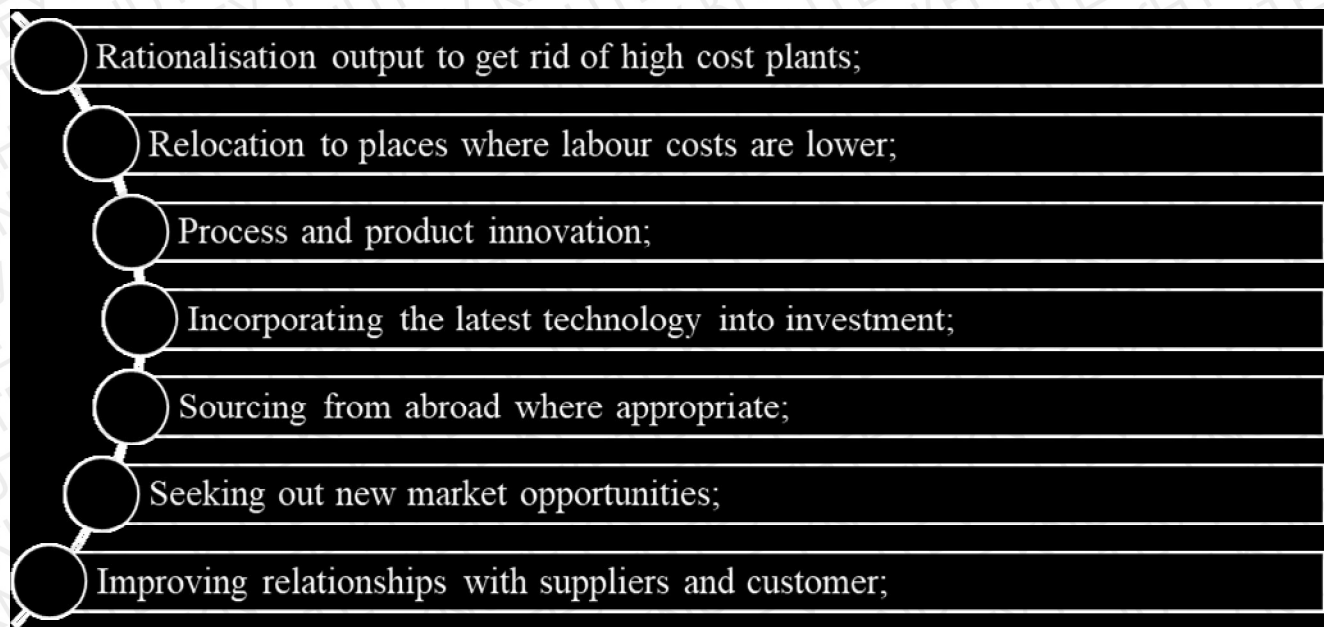


Figure 1.3. Ways to Enhance Company's International Competitiveness [6]

Among several principal goals of national government is establishing of environment that can foster higher living standards through flourish health, safety, laws, and environmental issues. It can be reached through efficient management and resources allocation.

This intention can be accomplished particularly, through effective management and allocation of resources. Afterwards, it becomes compulsory that governments organize an inclusive approach towards trade and investment, which incorporates a competition orientation. They should seek policies that aim to reach goals, stated in the figure 1.4.

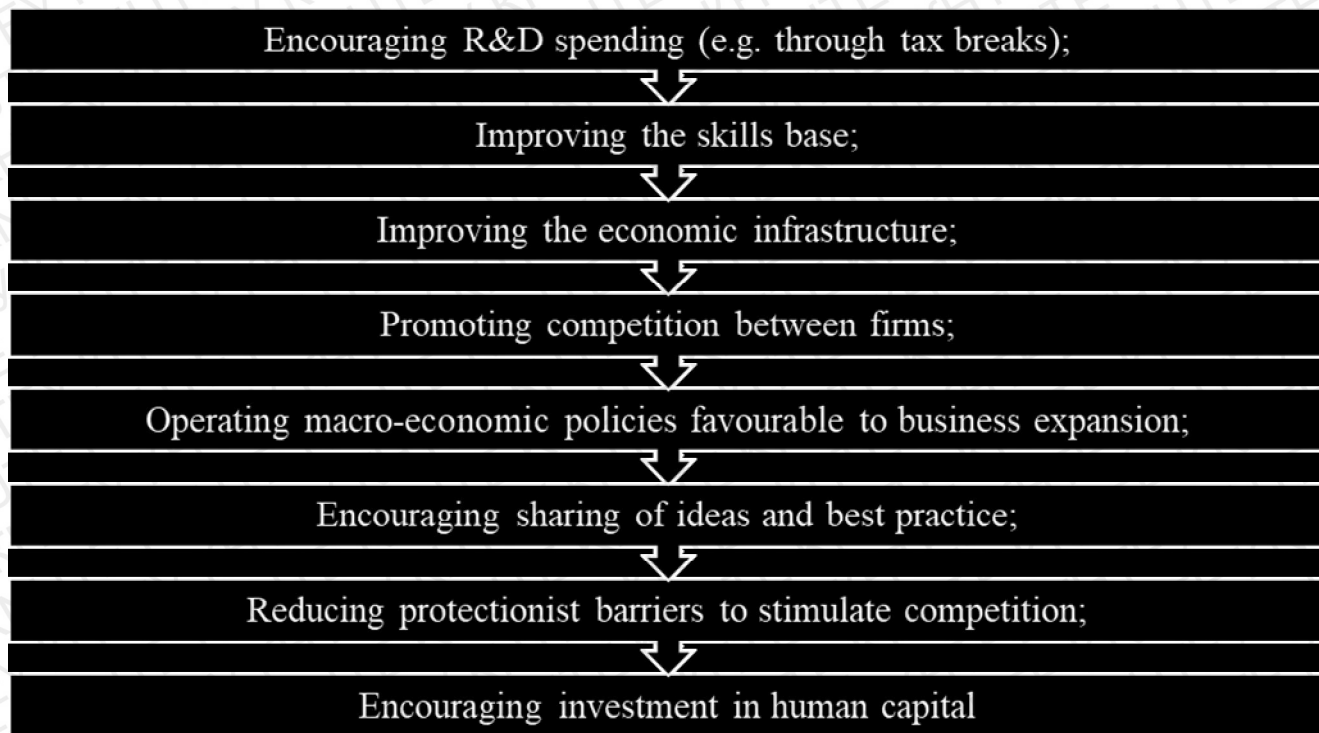


Figure 1.4. Main Goals of the Company's Effective Policy [6]

World output has been growing more slowly comparing to developing temps of world trade and foreign investment during last few decades. Competitiveness in the industry transferred into a subject of international trade and foreign direct investments. These all could cause a substantial leverage for economic growth. This is undoubtedly important for small nations, because there competitiveness can allow companies to overcome their small home markets' limitations to achieve their maximum potential. Additionally, competitiveness itself is highly vital for national enterprises, as they can be protectors against international economy's threats.

International competition is becoming more dangerous comparing to previous centuries. Lower costs for transportation and communication, lowered trade barriers, and expansion of technology have caused changes in international competition. Unprecedented pressure has been put on all a nation's economic players as management, labor and government. The failure of these actors can cause a disaster for the national companies, that is a reason why they should constantly improve themselves to meet the threat of wider array of competitors.

Consequently, the competitiveness of an enterprise is a complex and multi-faceted concept that should be considered both from technical and economic point of view. Competitiveness has an endogenous origin and is a concept that applies only to existing market participants, to adequate reflection of which should be used set of indicators. Different literary sources offer a lot of definitions of the competitiveness of the enterprise.

Summarizing the approaches of scientists regarding interpretation of this category, we can state that it is possible to select at least three basic approaches to the essence competitiveness. Each interpretation of this concept complements each other and defines competitiveness as a complex characteristic. Competitiveness as a category became one of the most valuable economic characteristics and a significant feature that needed to be considered during evaluating the economic situation of the enterprise.

In today's market environment, competitiveness determines the place, role and future of the country, in general, and the company, in particular. Studying of consumers and competitors as well as conditions of the competition allows the enterprise to define its advantages and shortcomings upon the competitors, to develop successful competitive strategies and to support its competitive advantages. The enterprise should know its level of international competitiveness, because high-level international competitiveness is a guarantee to receive high economic rates and to have a strategic opportunity to survive in conditions of tough world competition. It is considered conventional that the weak competitiveness of domestic producers and the country is a problem of economic security. Thus, to provide its stable and secure development it is needed to carry out the deep analysis of competitiveness as economic category and an indicator of economic activity.

## **1.2. Factors that Determine Company's International Competitiveness**

The international competitiveness of the enterprise reflects the possibility of theirs effective productive and economic activity in a global competitive market. Which, in theirs turn, are determined by the whole complex of resources available

inside the company and factors that influence its performance. The production and sale of competitive goods and services is a general indicator of viability of an enterprise, its ability to use effectively its financial, industrial, scientific, technological and labor potential.

Company's competitiveness is the result of a complex interaction of factors within external and internal environments. The company's current position, as well as the possibility and the directions of its repositioning are determined by these factors.

The study of the factors of international competitiveness has a great importance for the further development of theoretical reflections in the theory and further – in the practice of international competition.

As we have mentioned earlier, competitiveness is formed at various levels: product (service), company, industry (market), region, country. Regarding to this fact, it is necessary to distinguish, respectively, the competitiveness of a product, company, industry, region, country, consequently, to do so it is needed to be compared with other similar objects, often the better ones, and, afterwards – to analyze factors, that affect international competitiveness.

To begin with, definition of the “factor” has come from Latin and meant “the one that makes conditions”. Basically, it is a condition (reason) which directly affects the level of competitiveness of the enterprise and the causes of its competitive position in the relevant foreign market [7, p.43].

M. Porter made the great impact on the scientific research in this field. He supported an opinion that company should have both sufficient and qualitative production factors (human resources, natural resources, knowledge potential, capital and infrastructure) in order to compete in the corresponding sphere [8, p.78].

There could be different production factors, their amount and type depends on the specialization of the company. It is possible to supplement them in order to compensate disadvantages of separate factors.

If to talk about factors of demand, such as quality, volume, conformity with the world market new tendencies and so on, its conditions and characteristics can be used to

form companies' competitive advantages. It would help to create more developed products and novelties in the shorter time, comparing to the competitors [8, p.79].

The great role in success and competitiveness of the company play also its management and internal process organization. The competition level where company has its activity also should be taken into account.

According to M. Porter, there are two more factors to consider, they are the government and random events. The government takes control under the tax and investment policy, it can also influence competition among the companies on the local market, import and export conditions, and other types of legislation. Its influence may occur on different levels of competition: local, regional and international.

While talking about random events (e.g. natural disasters), should be noted, that they are difficult to be predicted. And what is also important – they are almost uncontrollable. Random events or force-majors indeed can affect competitiveness of the company, mainly, through interruption in its production process. However, while one company can face terrible expenses and lose its position, another one, – can gain, thanks to them.

The competitiveness of the company was and still stays as one of the main subjects to analyze of many scientists. Despite the significant number of publications on improving the international competitiveness of the company, the factors affecting it are still not well considered enough.

Among other investigation attempts, there were lots of tries to classify factors, which determine company's competitiveness. After conducting a summarize of those abovementioned scientific researches, and thanks to our own research we can depict the following table of classification, which is presented below (table 1.1).

*Table 1.1.*

### **Classification of the Factors that Determine Company's International Competitiveness**

Classification feature	Type of factors
------------------------	-----------------



By the place of emergence	-internal (are dependent on the operation of enterprises overall system management, etc.) -external (are not dependent on the activity of enterprises and is determined by the situation in the external environment)
By the nature of specialization	-general (affect all components of the competitive environment); -specific (affect the components of the competitive environment, operating within, for example, a specific region, industry); -individual (affect only the changes of a separate component of the competitive environment).
Depending on the field of origin	economic; political; scientific; technological; socio-demographic; geographic; managerial; ecological.
Depending on the degree of utility	-stimulating (factors that contribute to the strengthening of competitive positions and stimulate the growth of competitiveness of the enterprise); -disinhibition (factors that have a negative impact on the competitive position of the company and restrain the process of increasing its competitiveness)
Depending on the level of interdependence	-natural factors - these are natural resources, geographic location; -derivatives - this is a technique, technology, economic environment, etc.
By the degree of potential controlling influence from the state and enterprise	-uncontrolled by the state; -controlled by the state, uncontrollable by the enterprise; -controlled by the enterprise.
By duration of action	-temporary; -permanent.

*Source: created by author on the basis of [7]*

After the analysis of various scientific works, we can conclude that scholars still have got different opinions on the factors which are optimal for evaluating the competitiveness of enterprises. However, their general accepted list consists two main groups of elements – internal and external that are interdependent.

Internal environment components have direct impact on the competitiveness of the business and are controllable factors, while influence of the external environment is invisible (in immediate terms) and is uncontrollable. Research of both mentioned components allows to evaluate the enterprise's possibilities of quick respond to the actions of competitors, attracting existing reserves and using other features. Main components of the internal environment and their brief characteristic is shown in the table 1.2.

*Table 1.2*

### **Internal Factors that Influence Company's International Competitiveness**

<b>Factors</b>	<b>Their characteristics</b>
Resource potential	Fixed assets, resources, technologies and human capital
Accounting System	Accounting of inventories, raw materials, materials, semi-finished products, unfinished production, finished products, etc.
Financial opportunities	The presence of retained earnings; correlation between own and borrowed funds; access to financial resources.
Marketing Research	Assess consumers' needs and opportunities, degree of their needs satisfaction of their needs; market capacity
Supply System	Supply reliability; deadlines observance; the ability to adapt quickly and redirect other kinds of raw materials
Logistics and distribution activities	Established distribution channels; network of shops presence; level of the cost of sales
Information resources	Database and keeping
Location of enterprise	Well-developed infrastructure; access to resources; proximity to suppliers
Organizational structure	Performance management; compliance with the demands and company's organizational structure; the efficiency of managerial decision transfer to performers; effective control over the implementation.

*Source: created by author on the basis of [8]*

Studying external environmental factors can enable to anticipate external threats and to develop measures that can help to get certain benefits out of them. These components of external environment are included in the table. 1.3.

*Table 1.3*

### **Components of Company's External Environment that Affect its International Competitiveness**

<b>External environment components</b>	<b>Their characteristics</b>
<b>1</b>	<b>2</b>
State policy	The status and direction of internal reforms; development priorities of the country and its stability; the country's participation in the world integration processes; directions of foreign policy
Legal environment	Harmony of the legislative framework; regulations' effectiveness
Resource potential	Provision of the country with their own natural resources; level of environmental load; status and protection of all types of natural resources
Monopolization of the economy	The number and structure of natural monopolies in the country; situation with competition on the market; effectiveness of Antimonopoly Committee performance; the ease of market entry for new businesses
Market infrastructure	The level of information services; locations and a variety of transport; state banking and insurance services; etc.
<b>1</b>	<b>2</b>

Economic conditions	Economic development level as a whole and its separate branches; investment attractiveness of the country; state taxation and support strategic industries; level of wages in the country, region and field; share of technology-intensive products in the amount of total exports in country, etc.
Social conditions	The unemployment rate in the country; structure of the labor force; quality of workforce training; different categories of employees ratios; price of the labor force in the country, region and field; cultural level of the development of society
Commodity markets	The structure and capacity of the industry markets; costumer needs; products standardization and certification; sustainability positions leaders

*Source: created by author on the basis of [8]*

A generally accepted manner to assess the impact of external environment factors on the company's competitiveness is shown below in the figure 1.4. [9, p.93].

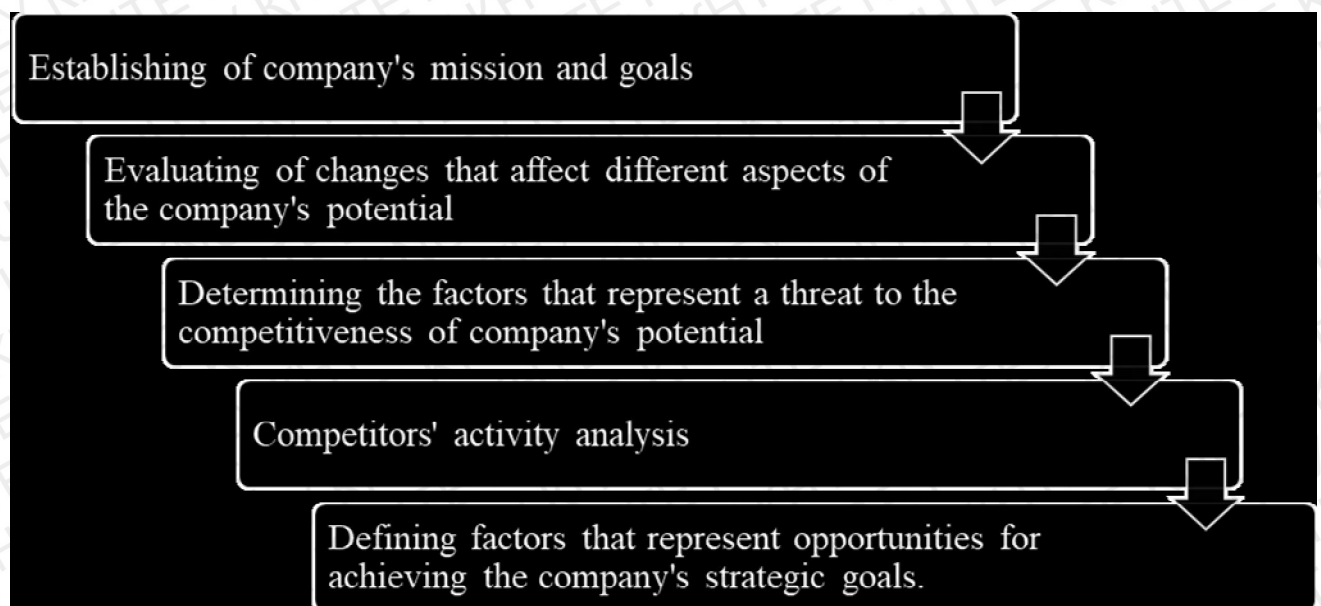


Figure 1.5. Steps to Evaluate External Environment Factors [9]

This analysis gives time to forecast capabilities and to develop an action plan in case of unforeseen circumstances. Additionally it helps to invent contingency plan and measures to transform threats into profitable opportunities.

PEST analysis (political, economic, social, technological factors), SWOT-analysis (which helps to identify the threats and opportunities faced by an enterprise) are often used to analyze macro-factors, and to identify the adverse factors that can reduce the level of company's potential.

Factors of international competitiveness are conditioned by the situation outside the country, the state and world market conditions, requirements of international institutions, etc.:

- general economic (the stage of world economy development cycle, world commodity markets conjuncture, foreign economic policy of foreign states, globalization of competition and world economic processes, integration processes development in the world economic space, international economic cooperation regionalization and so on.);
- scientific and technological (technological protectionism, narrowing of the technologies open market and so on.);
- military-political (foreign countries policy regarding socio-economic and political reforms in the country, the political climate and the state of international relations development, military-political conflicts in certain regions in the world and so on);
- institutional and economic (which are related to the requirements of foreign countries regarding the quality, safety, imported goods environmental friendliness and international institutions activities in particular the WTO, for the coordination and control world trade flows and so on).

Long-term international competitiveness is determined by the competitiveness of the resources (potential) of an company: financial, material, technological, managerial, informational, personnel, intellectual and other (in particular, customer loyalty can be considered as a special kind of resource). The availability of resources allows the company for a long time to ensure (maintain) the competitiveness of the supply [10, p.63].

In a competitive environment, the resource base should be maintained in a state relevant to the current market conditions. The effective use of available resources from the point of view of competition is determined by the competitiveness of the management of the enterprise, primarily of the top management. The value of this

component is especially sufficient in the conditions of a dynamic external environment and active competitive counteraction.

Competitiveness of management is a comparative characteristic of the quality of management inside the company and among competitors; under these are meant differences in qualifications, motivation, and management organization. Assessment of the competitiveness of management is difficult, since the results of each manager's work are integrated into the overall result, which, in its turn, can manifest itself with a certain delay. The ability of top managers to make major strategic decisions, to generate new ideas precisely at the way that the market requires, and the ability to organize their implementation, as well as the willingness to take reasonable risks are the most important factors in the international competitiveness of the company.

The present level of an individual enterprise competitiveness has developed under the influence of these factors' groups and is variable now. Thus, business entities who seek more effective production activities are able to influence these factors, envisage the action of individual ones and prepare for the response. In addition, competitiveness is a comparative category and, in the same time, changes in competitors' market conditions or positions are also dynamic. Such an assertion leads to the conclusion that competitiveness is the result of obtaining competitive advantages that are not eternal, so it is impossible to maintain competitiveness at the same level through the periods.

To find ways to improve the international competitiveness of domestic enterprises, which operate in already habitual conditions, to reach the goals of its existence and development, it is needed to analyze the determinants (dominant, factors) that influence their activities [10, p.72]:

1. Potential of the foreign market. This component is primarily characterized by volumes of possible sales by enterprises - exporters, as well as indicators of the exchange rate and its capacity in the foreign market.

2. The foreign economic policy of exporting countries and importing countries, characterized by parameters of export-import barriers, legislative environment, political factors.

3. Productivity of resource usage, which is directly related to the reduction of production costs, on the one hand, and with the increase of adaptive qualities of the company's operation, on the other.

4. The system of scanning and monitoring of the foreign market, as well as the forecast of situations that are formed or can be formed on the foreign market.

5. System of synchronization of work of all parts of the enterprise - to ensure the effectiveness of export functions (effective logistics system at the enterprise).

Increasing competitiveness is a process of change, and as any process, especially one that causes certain counteractions, it needs to be managed and, in particular, a strategic approach.

Comparing to other firms: highly competitive business may enjoy following advantages:

- better quality (e.g. reliability, product features, performance);
- better customer service (e.g. after-sales support, customer information, handling of problems & complaints);
- higher than average customer loyalty (in most markets, the most profitable customers are existing, loyal customers);
- better than average efficiency (being able to produce at a lower unit cost than most other competitors, either through better productivity or economies of scale);
- faster and more effective decision-making and communication (e.g. with employees involved in customer-facing roles empowered to handle customer issues or able to pass on key market information to managerial decision-makers);
- more motivated and loyal workforce – which in turn should benefit productivity, efficiency, quality, customer service etc.

The level of competitiveness characterizes the investment attractiveness and gives the opportunity to attract foreign investment, and also creates conditions for

individual enterprises, scientific and technical progress development. The higher competitiveness level is the more opportunities it has for the development inside the country and for entering the foreign markets as well [10, p.73].

Management of the international competitiveness of the enterprise should contribute to the improvement of the main characteristics of the enterprise and increase the competitiveness of its products in the world market, considering factors that influence company's activity.

Additionally, it should be emphasized, that in order to ensure a stable competitive position in the world market, the company must firstly have a competitive advantage in the national market, to use all its resources and capabilities competently.

### **1.3. Methodological Approach for Evaluating Enterprise's International Competitiveness**

For the successful performance of any enterprise on the market, it is necessary to evaluate regularly its competitiveness. Such an assessment makes it possible to identify the strengths and weaknesses of an enterprise, to identify its hidden potentialities and, accordingly, to maximize its strategy of functioning.

The assessment of the company's international competitiveness occupies a special place in the theory of competitiveness of the enterprise, because competitiveness itself is considered as one of the most important management objects in the system of management of socio-economic entities from the company to the national economy. It should be noted that in the overwhelming majority of researches, the evaluation of international competitiveness is carried out exclusively in a practical aspect without providing the methodological foundations for it.

The assessment of the company's competitiveness is complex and multifactorial task, which is based on the interpretation and evaluation of indicators' system that characterize different aspects of the enterprise's activity, which in their turn form competitiveness.

An assessment of company's competitiveness level enables [11, p. 405]:

- to formulate management tasks (definition of approaches to production, technology, sales, hiring of labor, financing of material, information and organizational support);
- to make a managerial decisions (whether to reduce costs, focus on a specific segment of the market, or whether to conclude relevant contracts, etc.);
- to adapt the enterprise to market conditions and make correct managerial decisions that can cause victory in the competition for the consumer and markets, etc.
- to develop measures aimed at developing and maintaining competitive advantages (to make innovations, to support long-term advantages, to prevent the rivals' actions, to develop measures for the development through new markets and attracting investors' money);

We should emphasize the fact that nowadays scientists offer a very diverse range of methodological tools to evaluate the competitiveness of the enterprise. The most famous are shown in the fig.1.5.

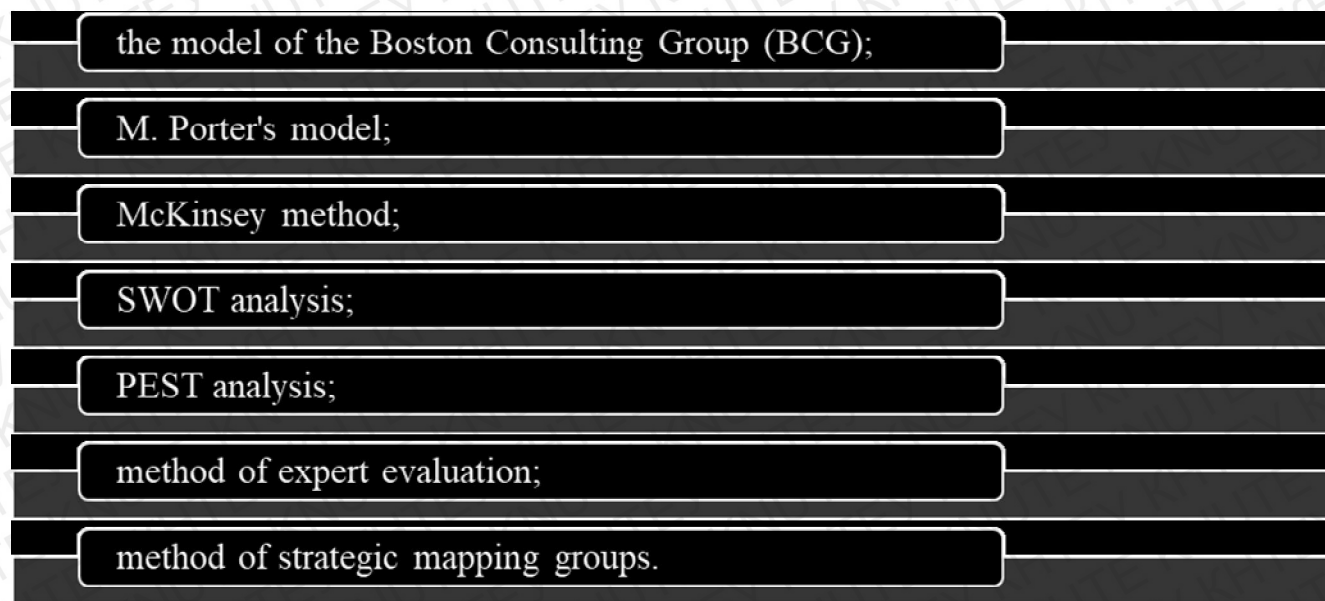


Figure 1.6. The Most Famous Methodological Tools for Evaluating Company's International Competitiveness [11]

The presented methods of determining firm's competitiveness are appropriately divided into three groups depending on the indicators and variables that used in the analysis:



- methods defining the market positions of the enterprise: the BCG model, the M. Porter model, the McKinsey method;
- methods characterizing the level of company's management: situational analysis (SWOT), PEST analysis, method of expert evaluation, method of mapping strategic groups;
- methods distinguishing the financial and economic activity of the enterprise: the financial economic method, the method of marginal analysis.

In academic publications where the assessment of the competitiveness of the enterprise was done, was used a big number of calculation and graphing methods.

Each of them has its own peculiarities: authors, scholars substantiate the effectiveness of applying exact those approaches to calculating indicators of competitiveness, the need to consider those certain factors for evaluation. These features are connected to the specific performance type of enterprises and industries, for example, which is testing the proposed techniques. Although, the majority of methods are based on:

- identifying an inexhaustible list of factors that determine the competitiveness of the enterprise;
- estimating of the factors of competitiveness identified by researchers, approximate estimates, "expert methods", which are inherent in subjectivity and conventionality;
- very complex structures that are idealized, different matrixes are, new coordinate systems, etc. (in terms of the theory, it is indeed useful, beyond doubt, but in practical economic conditions, the functioning of the enterprise seems to be too abstract);
- tracing of the construction technical and economic indicators of different nature in a single indicator of competitiveness of the enterprise, which is inappropriate.

The company's competitiveness evaluation involves calculation processes to define the set of indicators that characterize various aspects of the enterprise's performance, shows the results and real possibilities of all structural divisions of the

enterprise, the ability to respond quickly to external changes, by analyzing the strengths and weaknesses that shape its competitiveness across market environment. This complex may consist of the different indicators.

To our mind, as a consequence of the lack of a universally accepted definition of “international competitiveness”, researchers has proposed a variety of approaches to estimate it. Accordingly, there are also following already excited methods of evaluation, which be classified according to level of economic activity [12, p.100].

Indicator of competitiveness is intended to display the most valuable firm’s activity results and all its services/departments potential, as well as its ability to respond on changing external environment factors. Classification of indicators that display international competitiveness capability of the company is shown below in the table 1.4.

*Table 1. 4*

**Classification of the International Competitiveness’ Indicators According to the Level of Economic Activity**

Level of economic activity	Measures of competitiveness
Macro-and mega-perspective	<ul style="list-style-type: none"> <li>• Productivity;</li> <li>• GDP per capita;</li> <li>• Economic growth;</li> <li>• Current Competitiveness Index;</li> <li>• Environmental regulatory regime;</li> <li>• Growth in market shares for exports and imports;</li> <li>• Technological competitiveness (private spending on R&amp;D) ;</li> <li>• Growth in market shares for exports;</li> <li>• Real exchange rates;</li> <li>• Real income;</li> <li>• Index of productive efficiency.</li> </ul>
Meso-perspective	<ul style="list-style-type: none"> <li>• The net export index (NEI);</li> <li>• Trade balance;</li> <li>• Profitability (operating profit);</li> <li>• Environmental and R&amp;D expenditures; Patent applications;</li> <li>• Environmental standards and Foreign Direct Investments flows;</li> <li>• Region’s comparative advantage in resource endowments and economic development;</li> <li>• Unit labor costs;</li> <li>• Changes in sectoral output and share of market</li> <li>• Industry balance of trade.</li> </ul>

Micro-perspective	<ul style="list-style-type: none"> <li>• Firm-level productivity measures: Total factor productivity (TFP), Labor productivity (LP) and Unit labor costs (ULC);</li> <li>• Revealed Comparative Advantage (RCA) – market share;</li> <li>• Domestic Resource Cost (DRC);</li> <li>• Multidimensional indicators;</li> <li>• Price ratio (price competitiveness).</li> </ul>
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*Source: created by author on the basis of [12]*

Competitiveness is a relative concept, that is, the competitiveness of an enterprise can be assessed only among a group of enterprises that belong to the same industry or produce goods - substitutes. The competitiveness of enterprises is assessed, as a rule, in the case of their availability to a single strategic economic zone. In modern economics, over 100 methods are used to assess the competitiveness of enterprises and their products.

The analysis of existing methods of assessment of competitiveness enables us to differentiate them additionally into the following groups that could be shortly named as shown in the figure 1.6. [13, p.3]:

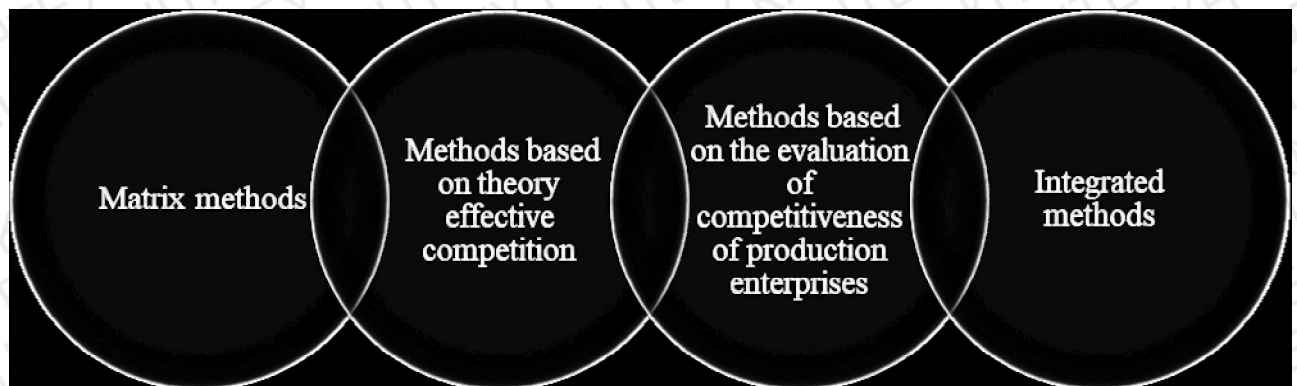


Figure 1.7. The Methods of Evaluation of International Competitiveness of the Enterprise that reside in certain strategic economic zone [13]

To begin with, all shown above methods have their own advantages and disadvantages, as technology of calculation.

If to talk about Matrix method, it has following advantages:

- simplicity;
- accessibility;
- visualization;
- usage of objective criteria of attractiveness and competitiveness;

- reduced level of subjectivism.

However, among the disadvantages we can state next ones: over-simplification, difficulties with the assessment and defining the size of the market, company's market share and general market growth rates. To use this method correctly it is needed to analyze the evaluation matrix, based on the principle of the coordinate system, where horizontal axis means the rate of increase (decrease) in sales; vertical axis – the relative share of the market of enterprise. The most competitive are those companies that occupy a large share of the growing market.

Methods based on theory effective competition are covering versatile accounting aspects of the activity of the enterprise. However, the approach is the idea that competitiveness of enterprises can be determined by elementary summing of all company's ability to achieve one or another competitive advantage. However, the sum of each individual elements of the complex system (as any company is), as a rule, does not give the same result as if considers the system as a whole. According to this theory, the most competitive are those firms which have the best organized work of all departments and services. Each service's efficiency is influenced by many factors – enterprise resources. Evaluating the effectiveness of each of the units involved an assessment of the effectiveness of their use of these resources. Each of them should be formulated during the preliminary analysis of the company's ability to achieve competitive advantages, and estimated by experts in terms of resources availability.

Methods based on the evaluation of competitiveness of production enterprises take into account one of the most important parts of company's competitiveness - competitiveness of its products/services. However, these methods provide a very limited understanding of the advantages and disadvantages of the firm, as the company's competitiveness takes the form of competitiveness of separate goods. These methods do not take into consideration other aspects of enterprise's activities. However, they are based on the idea that company's competitiveness is higher, when competitiveness of its products/services is higher. The calculation of competitiveness index for each type of products is carried out using parametric and economic competitiveness indexes.

Integrated methods take into account not only the achieved level the competitiveness of the firm, but also its possible dynamics in the future. However, methods and techniques used in determining current and potential competitiveness in final account reproduce the methods used in the earlier approaches that entail and disadvantage the respective approaches. The approach is based on the assertion according under which the company's competitiveness determines as an integrated value for the current competitiveness and competitive potential. Current and potential competitiveness and their ratios within the integral index of company's competitiveness depend on the chosen method and may vary.

To the key methods of assessment of enterprise's competitiveness belong methods, which include following measures as: life cycle of goods (services); assessment of competitiveness of a production unit; the market share; theory of the effective competition; competitive advantage; benchmarking method; consumer cost and so on.

For the purpose of this work we will use the method based on the theory of the effective competition. According to it, the most competitive are those enterprises where work of all subsections and services is organized in the best way. The efficiency of each services activity is influenced by a set of factors – firms' resources. Overall performance assessment of each subsections allows to evaluate efficiency of these resources usage. Assessment of four group indicators – criteria of competitiveness is the base of this method.

The first group conclude indicators that characterize an effective management of production: costs production profitability, rationality of fixed assets exploitation, perfection of goods manufacturing techniques, the organization of work on the production. The second group is consisted of integrated indicators that display effective current assets management: independence of the enterprise from external financing sources, ability of the enterprise to pay off its debts, a possibility of enterprise's stable development in the future. In the third group are included indicators that allow to understand a quality of sales management and goods promotion within the market, and

the fourth group is consisted of goods competitiveness indicators, such as quality of goods and their price.

These indicators have different importance degree for Index of Company's Competitiveness calculation. Thus, experts have developed a validity coefficient for these indexes.

So, to calculate Index of Company's Competitiveness ( $I_{cc}$ ) we should may use following formula [14, p.10]:

$$I_{cc} = 0.15 \cdot C_{op} + 0.29 \cdot FAT + 0.4 \cdot R + 0.1 \cdot LP \quad (1.1)$$

Where:

- $I_{cc}$  – Index of Company's Competitiveness;
- $C_{op}$  – Coefficient of Performance;
- $FAT$  – Fixed Assets Turnover;
- $R$  – Rate of Return;
- $LP$  – Labor Productivity.

In its turn, Coefficient of Performance (COP) is a measure to evaluate the useful output to the amount of work or energy input. The higher COP is, the higher efficiency of the equipment is. It can be calculated as following:

$$C_{op} = \frac{Q_{useful\ heat}}{Q_{electric}} \quad (1.2)$$

Where:

- $Q_{useful\ heat}$  – is quantity of heat delivered (output) per hour;
- $Q_{electric}$  – heat equivalent of the electric energy input.

Fixed Assets Turnover (FAT) shows how well the business use its fixed assets to generate sales, and is calculated as mentioned below:

$$FAT = \frac{Net\ sales}{Average\ net\ fixed\ assets} \quad (1.3)$$

It is better when this ratio is high, because in that case it means that in fixed assets tied up less amount of money for receiving each unit of currency of sales revenue [14, p.12].

Rate of Return (R) can be calculated as following:

$$R = \frac{V_f - V_i}{V_i} \quad (1.4)$$

Where:

- $V_f$  - final value (or current price), including dividends and interest;
- $V_i$  – initial value (or original price).

This ratio shows the gain or loss on an investment over a specific period of time, expressed as a percentage of the investment's cost.

It can also be defined as net amount of discounted cash flows received on an investment.

Labor Productivity (LP) and it simply shows a productivity level of company's employees. To calculate it is needed to use formula, mentioned below:

$$LP = \frac{T_{opt}}{T_{ipt}} \quad (1.5)$$

Where:

- $T_{opt}$  – value added by the process under consideration (generated amount of money worth of goods and/or services);
- $T_{ipt}$  – total number of hours worked or total employment.

Moreover, it is very important to compared already evaluated company's competitiveness with the competitors' ratios. Because this approach allow to obtain the necessary and sufficient information for the development of tactical and strategic measures [14, p.15].

According to most of the above proposed methods of company's competitiveness assessment, it is better to carried out the evaluation on the basis of financial ratios that are most appropriate in assessing an entity's business, based on the enterprise's production activity as well as scientific, technological and financial, taking into account the enterprise's performance during previous periods.

Company's competitiveness level should be distinguished, considering not only final financial results of its activity, but also, evaluation should laid down at the planning stage and take into account the result of management performance through all

the stages and periods. Therefore, company's competitiveness cannot be measured by any one indicator, for which it was necessary to form a system of economic indicators. Thus, to assess the competitiveness of enterprises it is needed to apply different techniques, the results of which would complement each other and allow to get the most complete idea of its competitiveness level.

Evidently, competitiveness determines the location of an economic entity in a competitive space, provide to the performance of inherent functions with the appropriate quality and value.

### **Conclusions to the Part 1**

The problem of the international competitiveness of the enterprise becomes an object of deep and comprehensive study of a wide range of both foreign, and domestic scientists-economists. International competitiveness matters are very relevant nowadays, especially for those enterprises, which consider to extend their commercial and production activity to foreign countries. At the same time, the key role in ensuring competitiveness of production and services is played by foreign economic activity of the enterprise, which is influenced by external factors of economic growth.

There are lots of accepted definitions of the "International competitiveness". In this research we would defined it as the ability of a country (or firm) to provide goods and services, which provide better value than their overseas rivals.

Company's international competitiveness is the result of a complex interaction of factors within external and internal environments. The company's current position, as well as the possibility and the directions of its repositioning are determined by those factors. The study of the factors of international competitiveness has a great importance for the further development of theoretical reflections in the theory and further – in the practice of international competition. Additionally, due to the lack of a universally accepted definition of "international competitiveness", researchers has proposed a variety of approaches to estimate it. However, as a rule, and because international competitiveness is a relative concept, in other words, the competitiveness of an



enterprise can be assessed only among a group of enterprises that belong to the same industry or produce goods – substitutes, it is assessed only comparing to the companies, which are lying in a single strategic economic zone.

Improving company's competitiveness position is a constant long-term process, which, inter alia, require strategic approach. It is needed to enhance international competitiveness of the company, because its level shows an attractiveness of the enterprise for the investors and creates advanced possibilities for further company's economical and technical development.

## **PART 2**

### **ANALYSIS OF THE IMPERIAL TOBACCO PRODUCTION UKRAINE AND ITS COMPETITIVE POSITION IN THE WORLD**

#### **2.1. Financial Statement Analysis and External Position Examination of ITPU**

Imperial Tobacco Production Ukraine is Closed Joint Stock Company manufactures cigarettes, which was established in early 1901 after the amalgamation of 13 British tobacco and cigarette companies comprising W.D. & H.O.

Nowadays it is one of the world's considerable international cigarette company and the world's gigantic producer of cigars, fine-cut tobacco, and tobacco papers.

It is based in Kyiv and operates as a subsidiary of Imperial Brands PLC. This company is represented by two legal entities: Imperial Tobacco Ukraine and Imperial Tobacco Production Ukraine. As we can see, this corporation has its own production facility in Kyiv, and, additionally, it manufactures products for the domestic market and for export (Armenia, Azerbaijan, Georgia, Moldova, Mongolia, Lebanon, United Arab Emirates, USA and Uzbekistan).

In 2017, company's production volume totaled 14.431 billion cigarettes.

The company's net revenue from sales rose by 31.7%, to UAH 2.7 billion, in 2017, it said in an annual report posted in the information disclosure system of the National Securities and Stock Market Commission.

In 2017, the company posted UAH 123.7 million in operating profit against UAH 16.8 million in operating losses in 2016. Its gross profit almost doubled to UAH 563.5 million.

However, conforming to the data from ITPU annual report, its net profit fell by 77,3% in 2017 from 2016, to UAH -99,42 million.

To find out company's position on the market we need to analyze its financial reports though certain period of time, we decided to take into consideration last five years (from 2013-2017).

Additionally, while conducting this analysis, we have been using average ratios, to compare ITPU performance with competitors one. Average ratios of the industry are the result of PEER Evaluation of three main competitors of Imperial Tobacco – Philip Morris, British American Tobacco and Japan Tobacco. The average ratios are the weight average of the performances of companies adjusted according the different size in term of revenue.

The source of the data is Imperial Tobacco Production Ukraine published financial reports (Appendix C) and Bloomberg database.

Firstly, we paid attention to the financial results of the investigated enterprise during considerable period in order to assess its financial situation. Main calculations are reflected in the Appendix D.

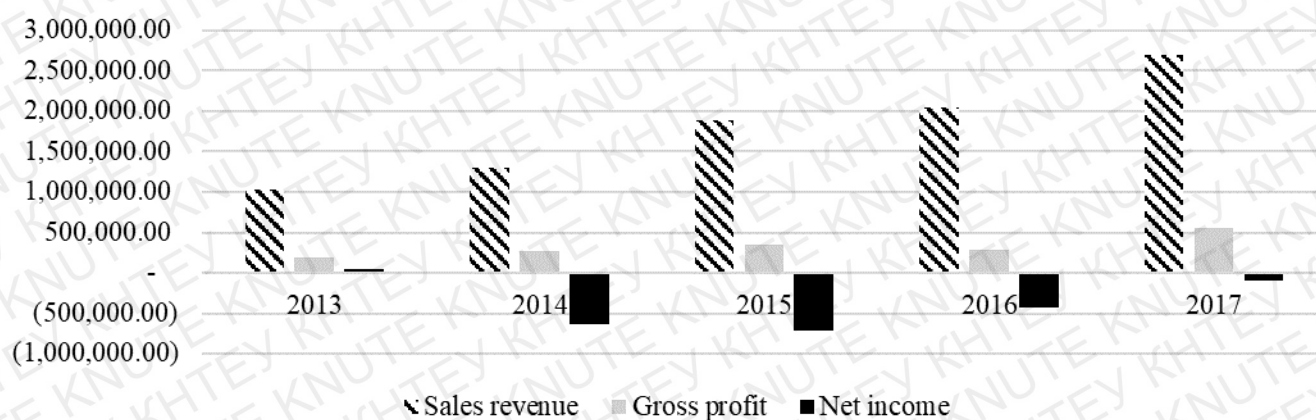


Figure 2.1. Dynamics of Net Income of “Imperial Tobacco Production Ukraine” PJSC During 2013-2017

*Source: calculated by author on the basis of [15]*

From the fig. 2.1. we can see, that despite growth in sales during analyzed period, gross profit stayed calm, without big amplitude, although net income has been changing significantly. We believe, that the biggest fall in net income was caused by unstable political, social and economic situation in Ukraine during 2013-2014 years. It is obvious, that company is constantly improving its financial situation from the end of 2015, where the lowest level of net income was reached.

To conduct deeper analyze we used profitability ratios, which measure the overall performance as a return on sales or investment. Their assessment is shown below, in the table 2.1.

Table 2.1.

**Ratios of Profitability of “International Tobacco Production Ukraine”  
PJSC During 2013-2017**

<b>Ratio</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>Industry</b>
Net Profit Margin, %	5.3	-48.5	-38.0	-21.2	-3.7	16
Return on Assets, %	2.5	-26.0	-19.9	-9.0	-1.6	19
Earnings Before Interest and Taxes (EBIT) margin, %	19.7	-49.8	-39.0	-21.2	1.0	19
Earnings Before Interest Taxes, Depreciation and Amortization (EBITDA) margin, %	25.1	-45.3	-35.3	-16.7	4.7	22
Return on Equity, %	5.4	-172.8	204.0	55.2	11.2	374
Gross Margin, %	25.1	-45.3	-35.3	-16.7	4.7	29

*Source: calculated by author on the basis of [15]*

Between 2013 and 2017 the company experienced 162.7% growth in the sales. However, because of the huge growth of the COGS (155.7%) for the same period, together with rise in other expenses, Net Profit Margin has changed as well (from 5.3% in 2013 to -3.7% in 2017). Despite this ratio is still below zero and far from the average industry indexes, we can notice positive tendency, starting from the 2015.

Return on assets (ROA) – tells how much was earned on each dollar tied up in the business. In other words, how efficiently a business allocates and manages its resources. We can state that this ratio has also positive trend starting from 2015 – it has increased up for 18,3% fort last three years, mostly thanks to Net Profit After Tax growing up.

The most important ratios as EBIT (Earnings before income taxes) and EBITDA (Earnings before income taxes, depreciation and amortization) margin have been changing tremendously throughout periods assessed. For the last year it has indeed good movement in company’s performance, although still far from the market average.

Return on equity (ROE) calculates return in common equity if the firm has preferred stock outstanding. ROE stays positive even though huge amount of uncovered damage in firm’s equity and negative (but still growing up) net profit after tax. Obviously, it has room to improve its ROE.

Second step is company’s assets analyzing. Brief dynamics in fixed and current assets is shown in the fig. 2.2. Main calculations are presented in the Appendix E.

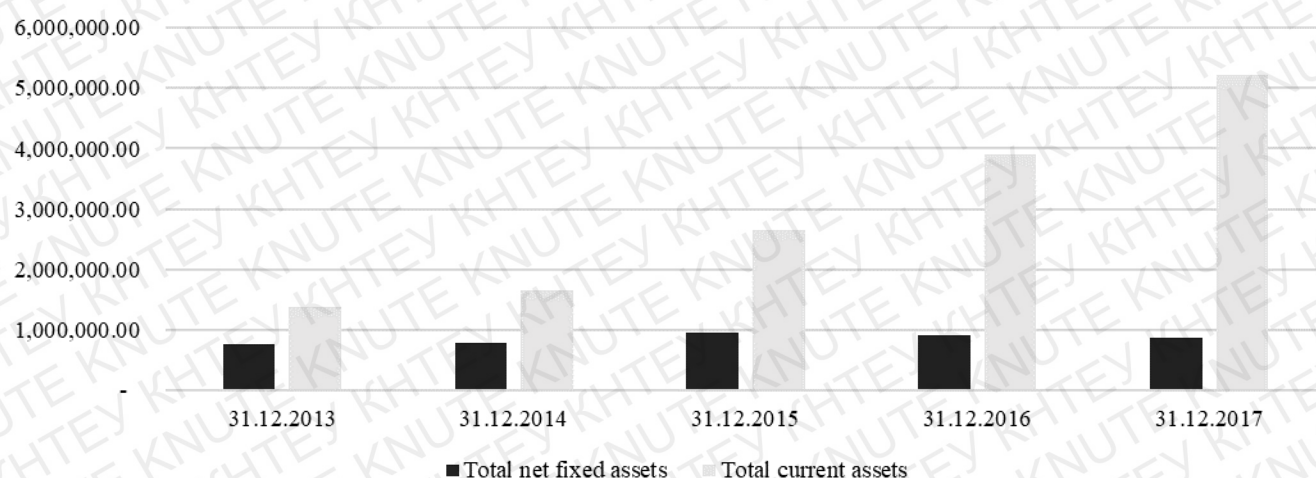


Figure 2.2. Structure of Assets of “Imperial Tobacco Production Ukraine” PJSC in 2013-2017

Source: calculated by author on the basis of [15]

We can notice meaningful changes in the amount of current assets. After taking a deep look it was recovered, that during last three years, company has been accumulating more and more inventories inside its warehouses. Additionally, there was serious growth in the account receivables, which also influence current assets position in the structure.

Utilization ratios helped us to measure how efficiency firm uses its assets. Results of conducted analysis are shown in the table 2.2. below.

Table 2.2

#### Ratios of Utilization of “International Tobacco Production Ukraine” PJSC During 2013-2017

Ratio	2013	2014	2015	2016	2017	Industry
Total Asset Turnover, %	48.0	53.6	52.5	42.6	44.3	1.2
Stock Rotation	297	212	244	245	245	236
Collection period	6	11	3	13	23	9
Working Capital Cycle	290	201	182	222	248	116
Payable period	14	25	66	38	25	47

Source: calculated by author on the basis of [15]

Total assets turnover shows effectiveness in generating sales from investments in all assets. Despite decreasing in 2016, as for now ratio has a positive trend, it went up

thanks to an increase in the net sales. The total assets didn't have any significant variation in both the total amount and the structure.

Days of inventory held, or, in another words, stock rotation opens up huge problems in inventory managing. Inventories are held inside of company much longer than in its competitors. Due to received information, we can state that the problem is in the product sales in Ukraine. Net sales has increased only thanks to export operations, while cigarettes inside the country are not so demanding. This is indeed a problem to solve for company's top management.

Another concern we can notice in Accounts receivables collection period. Starting from 2015 it has risen for 20 days more, which means that company needs near a month to gather money from its debtors. Company should try to reduce these days amount, or at least stop it at this point.

Working capital cycle generally shows the amount of days when money are being out of the company. That is why the lowest this indicator is, the better (company transforms cash investment into sole cash faster). During the period analyzed, the time when money are outside the company has increased for more than two month (66 days). It has happened as a result of holding inventories for a long time in the company. Which again leads us to the decision, that management should find the way out to sell firm's production faster.

The next stage of the analysis of the financial and economic state of the enterprise is the analysis of sources of financing of its property, which is reflected in the liabilities side of the balance sheet (Appendix F). Figure 2.3 shows the dynamics of liabilities structure of "Imperial Tobacco Production Ukraine" PJSC. You can see that during the analyzed period the share of current and non-current liabilities exceeds the share of equity in the overall structure of liabilities.

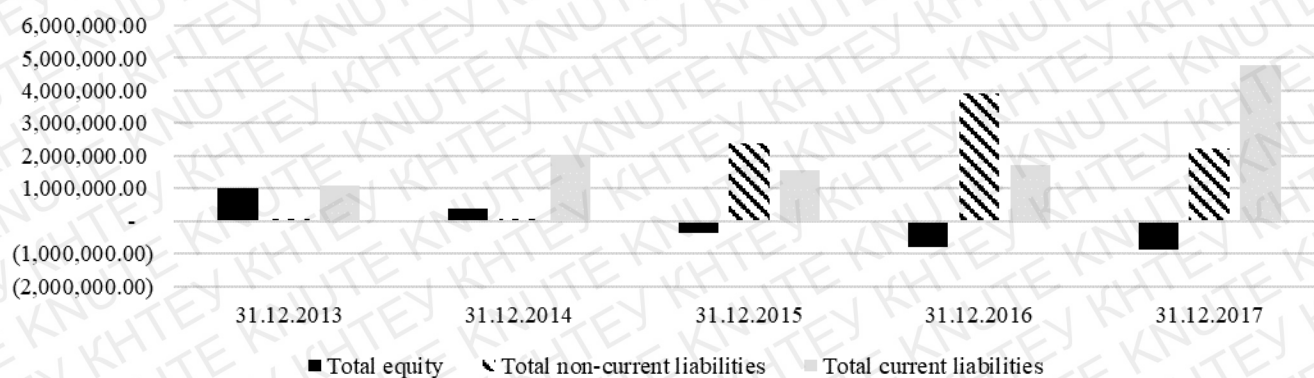


Figure 2.3. Structure of Liabilities of “Imperial Tobacco Production Ukraine” PJSC in 2013-2017

Source: calculated by author on the basis of [15]

It should be noted that during the investigated period (2013-2017), the authorized capital of “Imperial Tobacco Production Ukraine” PJSC stayed the same and is equal to UAH 72,405.00 thousand. To analyze the reason of such a decrease in the shares of equity we used solvency ratios, which show the correctness of “balancing” the Balance sheet and are counted in the table 2.3. below:

Table 2.3

**Solvency ratios of “International Tobacco Production Ukraine” PJSC as on 31 December of 2013-2017**

Ratio	2013	2014	2015	2016	2017	Industry
Current ratio	1.27	0.82	1.69	2.28	1.09	5.00
Quick Ratio	0.64	0.53	1.03	1.59	0.79	0.40
Times interest earned ratio	54.19	-117.64	-74.46	-28.19	1.29	13.27

Source: calculated by author on the basis of [15]

It is better to have more long-term liabilities than the short-term ones. To uncovered company’s condition of liquidity we can use Current ratio. It is said, that the best option for firm is to have this indicator higher than 1. Data in the table shows that Imperial Tobacco Production Ukraine liquidity position is in the normal conditions in this moment, however it has a negative trend to decrease (during 2013 and 2014 years) due to significant current liabilities increasing.

Quick ratio, also known as acid-test ratio shows the ability to meet short-term cash requirements eliminating stocks. According to the data in scientific researches, this

indicator should be lower than 1. With this, we can state that company has a correct tendency, however, it is better to lower quick ratio to the average industry indicators.

Times Interest Earned ratio shows how well operating earnings can cover fixed expenses and should be more than 1. As we can see, during 2013-2016 years results were far from normal, which meant company's incapability to do so. However, during the last investigated period the situation has been improved. All in all, company should take care of EBIT that should definitely be improved.

To understand the equity to debt proportion of Imperial Tobacco Production Ukraine leverage ratios have been used and analyzed in the table 2.4 below:

*Table 2.4*

**Ratios of Leverage of "International Tobacco Production Ukraine" PJSC  
as on 31 December of 2013-2017**

Ratio	2013	2014	2015	2016	2017	Industry
Debt Ratio, %	53%	85%	110%	116%	115%	19%
Debt to equity ratio	1.14	5.66	-11.23	-7.11	-7.87	1.01
Coverage ratio, years	106.59	81.41	0.60	0.44	1.01	13.27

*Source: created by author on the basis of [15]*

Debt ratio shows the relation between total debt and total assets. Scholars say, that the optimal correlation should be near 60-66%, however, it can depend on the industry, company operates in. The results we have (more than 100% during last three years) shows that company has borrowed too much, and cannot cover its liabilities with its own assets.

Debt to equity ratio and debt ratio shows pretty much the same. We can make it sure while measuring debt to equity ratio, which should be around 1,5 to 2,0. Imperial Tobacco Production Ukraine results are far from optimal. As we think, the main problem stays in taking a huge amount of debt, which company can't cover or pay.

To determine the borrowing capacity of the company we can use the indicator called Cash flow coverage, which measure leverage by comparing a firm's operating cash flow to the total value of liabilities; measures how long (in years) it will take the company to repay its financial debt based on operation and other investment. As we can



see, during the analyzed period company has negative result that means firm's incapability of covering its debt.

As Imperial Tobacco Ukraine is not a listed company, we can not measure its market performance ratios, which shows the share price performance. Earnings Per Share (EPS), Dividend Payout Ratio (DPR), Dividend Yiled and Price Earnings Ratio (PER or P/E) - these indicators are used to identify the value of the company and shows in which way the company saves it own net profit.

While analyzing provided data we have noticed that a huge influence on negative ratio's results plays uncovered losses, which have grown up through given years fig.2.4.

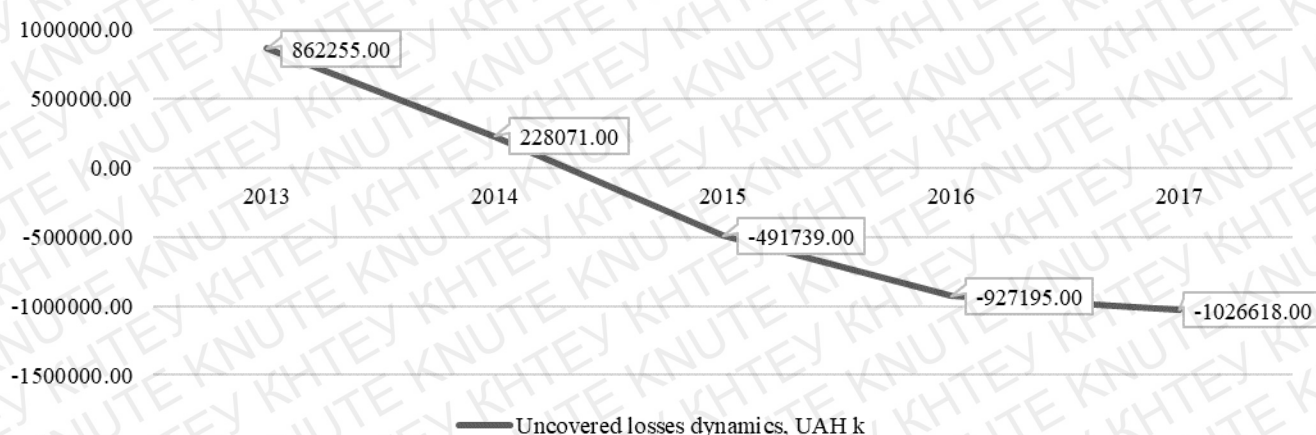


Figure 2.4. The Dynamic of Uncovered Losses 2014-2017

*Source: calculated by author on the basis of [15]*

Reflection in the balance sheet of uncovered losses means that all existing sources of coverage have already been exhausted, which means, there are no reserve (insurance) funds. If the losses exceed the sum of all other first section Balance sheet articles, then the enterprise has a negative equity index. This means that all the assets of the company are not enough to fulfill the obligations to repay loans. This balance structure is unsatisfactory and indicates that the company is semi-bankrupt.

We can assume that such situation was caused, among all, because of significant reduction in the prevalence of smoking during 2008-2017 (fig 2.5.).

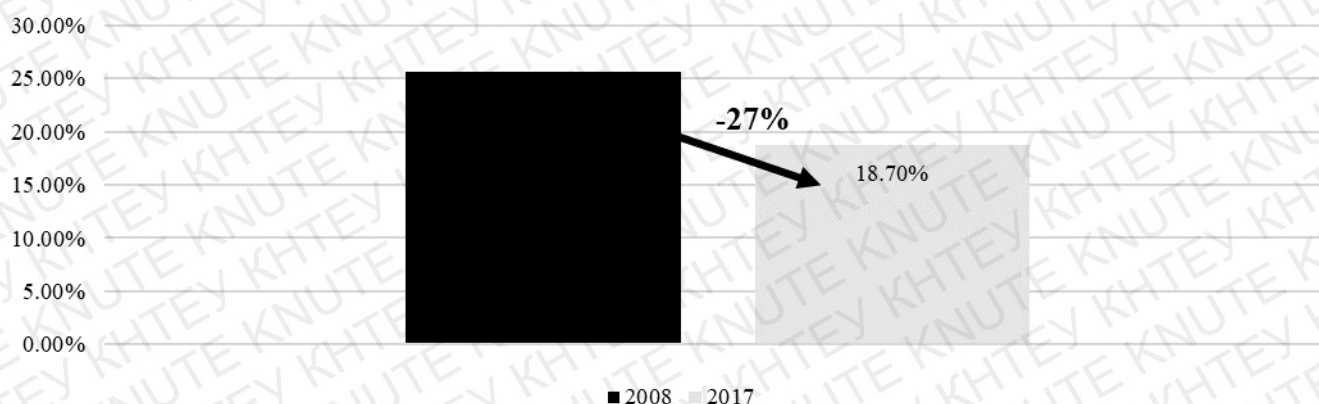


Figure 2.5. Smoking Prevalence in Ukraine During 2008-2017 [16]

One of the best options, the management of Imperial Tobacco Production Ukraine can choose is to obtain a sanitation profit in order to direct it to cover losses, and thus to carry out the “balancing” of the Balance sheet.

## 2.2. Investigation of Company’s Environmental and its Organizational Processes

Imperial Brands is one of the leading international company that produces and sells a wide range of tobacco and non-tobacco products in more than 160 countries. In Ukraine this tobacco brand is represented by two entities “Imperial Tobacco Ukraine” and “Imperial Tobacco Production Ukraine”, which main basic information is presented in the table below:

Table 2.5.

### Basic Information about PJSC “Imperial Tobacco Production Ukraine”

<b>Full name</b>	Private Joint-Stock Company "Imperial Tobacco Production Ukraine"
<b>Series and number of the certificate of state registration of a legal entity</b>	A01 no. 373113
<b>Date of state registration</b>	Feb 15, 1994
<b>Territory</b>	Kyiv
<b>Authorized capital (UAH)</b>	72,404,991.00
<b>Percentage of the shares (shares, shares) of the authorized capital</b>	0
<b>Average number of employees</b>	480

<b>Main types of activity with the name of the type of activity and the code for the CEA</b>	12.00 - Manufacture of tobacco wares 46.35 - Wholesale trading in tobacco products 46.90 - Non-specialized wholesale trade
<b>Management bodies of the enterprise</b>	Information about the issuer's management bodies is not provided, as according to the requirements of the Regulation on the disclosure of information by securities issuers, stock companies do not fill in information about the management bodies.
<b>Banks serving the issuer</b>	Public Joint Stock Company "Citibank" <ul style="list-style-type: none"> <li>• MFI bank - 300584</li> <li>• Current account - 26008200122089</li> </ul> Public Joint-Stock Company "ING Bank Ukraine" <ul style="list-style-type: none"> <li>• MFI bank - 300539</li> <li>• Current account - 26008003107400</li> </ul>

*Source: created by author on the basis of [15]*

Its organizational structure is rather wide (Appendix G) which is headed by Chief Executive Officer (CEO) – Vorobyova G.M. and conclude following departments:

- Market research, business planning and forecasting;
- Sales;
- Finance;
- Marketing;
- HR;
- Procurement;
- Production.

Company has values, which provides its workers with common bond, guiding the way they do business and influencing the way they behave. Their values are about working together, continually improving, taking ownership and making the most of every opportunity, and are mentioned in figure 2.6:

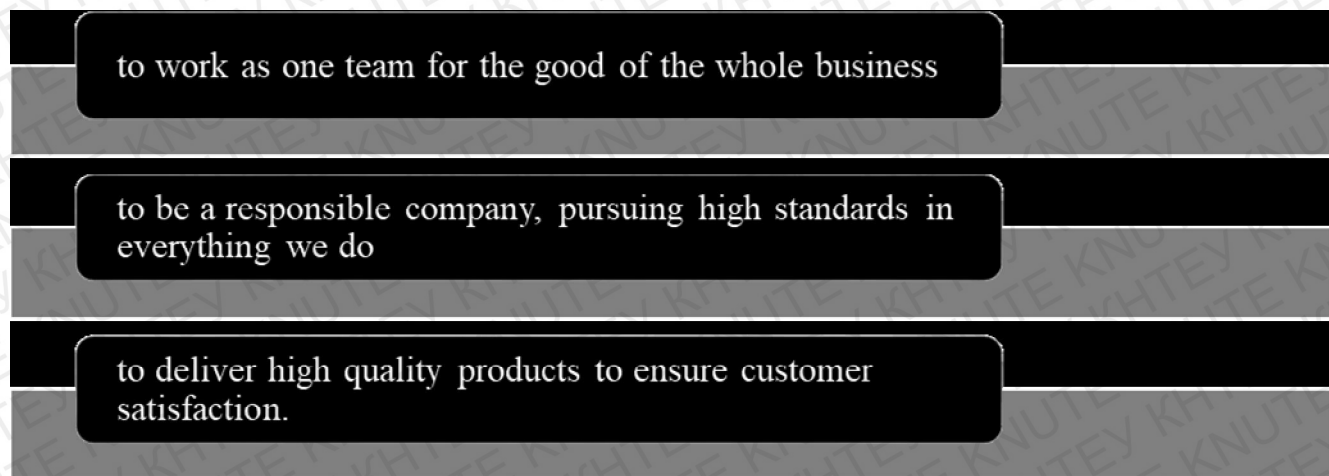


Figure 2.6. Goals of Imperial Tobacco Production Ukraine

*Source: calculated by author on the basis of [15]*

All companies differ from each other in different aspects. However, they have common characteristics. One of the most significant characteristics of the company is its relation between its external and internal environment. No company can operate in isolation, regardless of external benchmarks. They are largely dependent on the external environment. These are conditions and factors arising in the environment, regardless of the organization's activities, in one way or another affecting it.

Each company (firm) is located and operates in a certain environment. Any action of economic entities all, without exception, is possible only if the environment (external and internal) permits it. External environment may be deemed as a source that supplies the enterprise with the resources necessary to form and support its potential. Also, effectiveness of enterprise' operation, as a whole, depends directly on the effectiveness and coherence of the internal environment elements. Therefore, the analysis of the external and internal environment of the enterprise, taking into account its results is a prerequisite for the effective performance.

Under the external business environment it is accepted to understand the combination of factors affecting the enterprise and, accordingly, the efficiency of its operation. In the management theory and practice, company's business environment is considered as two subsystems - the distant surroundings and the near-surroundings, which main components are shown in figure. 2.7.

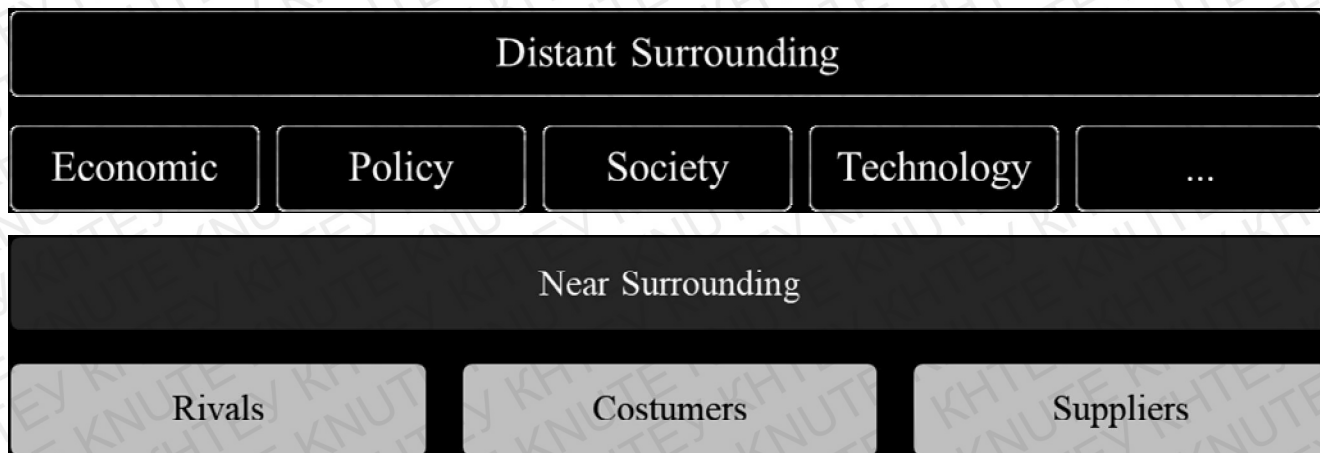


Figure 2.7. External Environment Structure of the Company [16, p. 32]

In the external business environment analysis, methods of informal expert assessments and forecasts are mainly used. The most useable methods of such analysis are shown in fig. 2.8.

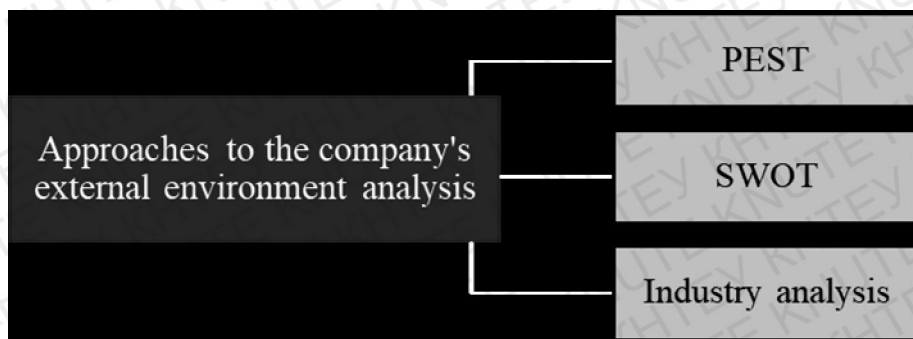


Figure 2.8. Methods to Analyze Company’s External Environment [17, p.85]

Regardless of the approach used, results this analysis are often non-quantitative and poorly predictable, but they can still outline the trends’ scope in order to maximally prepare for their reveal.

PEST analysis is often used to identify and evaluate the impact of macro factors on the current and future company’s activities. The purpose of the PEST analysis is to track (monitor) changes in the macro environment in the four nodal directions and to identify trends, events, uncontrollable enterprises, but having an impact on making strategic decisions. Imperial Tobacco Production Ukraine PEST analysis has shown us

the main problems to concern about in prospects. Results are demonstrated in the table below.

Table 2.5.

### Imperial Tobacco Production Ukraine PEST Analysis

<b>Political</b>	<b>Economical</b>
<b>1</b>	<b>2</b>
Political situation is unstable, no well-thought long-term strategy is applied	Significant slowdown of economic development due to enormous GDP decline
Lots of the competing groups in parliament, fighting for influence and power, rocking the weak balance of forces	Tough economic situation forces the government to search for all the possible ways of country's budget filling, squeezing the funds from the country's top turnover companies by increasing the existing taxes, leading to decline of income
General trend for simplifying the formal processes of business running, relaxing the legislation restrictions and requirements, is present, in order to ignite the economics growth based on the small and medium-sized business development	Strong lack of natural resources (gas, oil, electrical energy) is experienced leading to a restrictions and consumptions rates, strictly specified for the biggest manufacturers and consumers
Corruption level is still high, lobbying of particular companies interests is observed	Inflation
Hostilities at the eastern region leave no chance for a long-term forecasting	
<b>Social</b>	<b>Technology</b>
<b>3</b>	<b>4</b>
Significant decrease of consumer ability over the past few years is observed, caused mainly by the decrease of the national currency's exchange rate	Local technology is generally outdated and requires improvement up to the world standards
General trend of spend minimizing by individuals is present	Production processes are generally much more power-consuming and less efficient than in EI-J. Cheap labor force partially compensates inferior production technology
<b>3</b>	<b>4</b>
The unemployment level is about 9.9%, which is the highest level since 2002.	Still a fully import-dependent country, most of the raw materials and finished goods are imported (except for the foodstuffs, chemical products and metallurgy)
No change of attitude towards smoking is observed, further restrictions (display ban, strict and limited list of specified areas for smoking, etc.) are not expected in 2019	Investing in a local technology development goes slowly and doesn't draw much interest from potential investors
	Increase of the energy resources cost makes local manufacturing less rational for multinational companies

Source: created by author on the basis of [15]

SWOT analysis is a process of establishing links between the opportunities threats, strengths, weaknesses that are most characteristic for an enterprise, which results can be later used to formulate and select enterprise strategies. SWOT analysis allows to streamline the process of considering all available information using our own opinions and evaluations. As we can see from the figure 2.9., discussed tool are pretty similar and barely are used together, nevertheless SWOT analysis helps to identify company's opportunities to overcome treats.

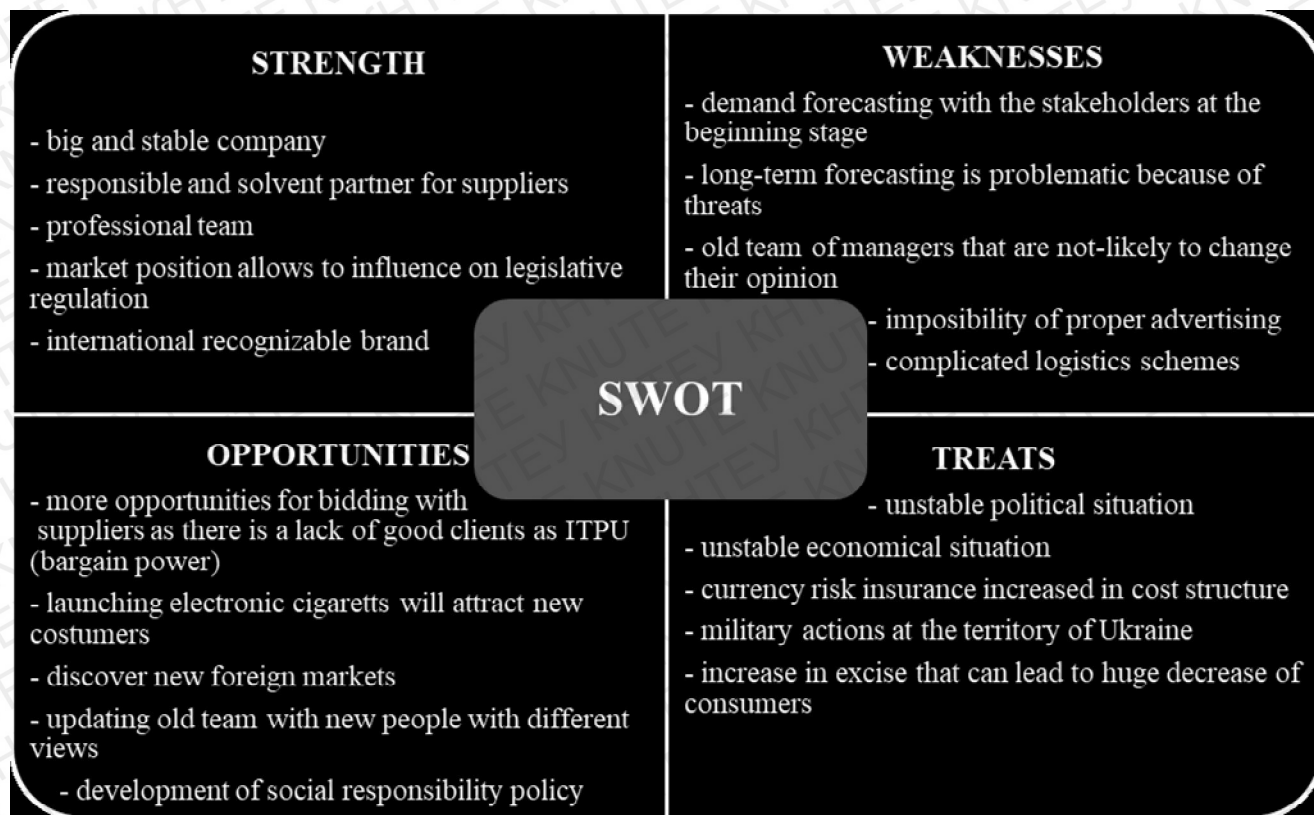


Figure 2.9. Imperial Tobacco Production Ukraine SWOT Analysis [created by author on the basis of [15]

Thanks to obtained data, we can see that the common weakness that company may face is a forecasting (both short and long term). Mostly this problem occurs because of the unstable political and economic situation in our country for the last several years. Another one weakness, although not the importless one is impossibility of performing advertising campaigns. This definitely an important weakness, because management of the company should evaluate and understand the way to promote company's goods without tele-, radio and/or street-on advertisements.

Abovementioned weaknesses could become a opportunities: hire new people with modern lifeview and fresh ideas; possibility to promote social side of the company through hosting social events and promotion of sustainable development policy (both internal and external) of the Imperial Tobacco Production Ukraine.

To find out company's position on the market we need to use Strategic group mapping, which aims to make sure company takes the relevant needs or wants of its customers/beneficiaries into account.



Figure 2.10. Tobacco Industry Strategic Group Mapping

*Source: calculated by author on the basis of [15]*

According to mapping, presented in the figure 2.10 above, we can mention, that Imperial Tobacco's main competitors on Global level are Philip Morris International, Japan Tobacco International and British American Tobacco. Situation on domestic Ukrainian market is quite similar [18].

It stimulates to ask contrasting questions about its future strategy, relationships with other businesses in specified sector and general company's awareness of its target audience, who ultimately benefit from its products or services. We can detect following benefits of using this tool:



- helps in identification of company's direct and indirect competitors (or possible partners);
- illustrates the complexity of moving from one strategic group to another;
- gives a possibility of future opportunities or strategic problems identification.

Company's competitiveness is the result of a complex interaction of factors within external and internal environments. Competition intensity and profitability of a particular industry is determined by the state and the action of 6 competitive forces (figure 2.11).

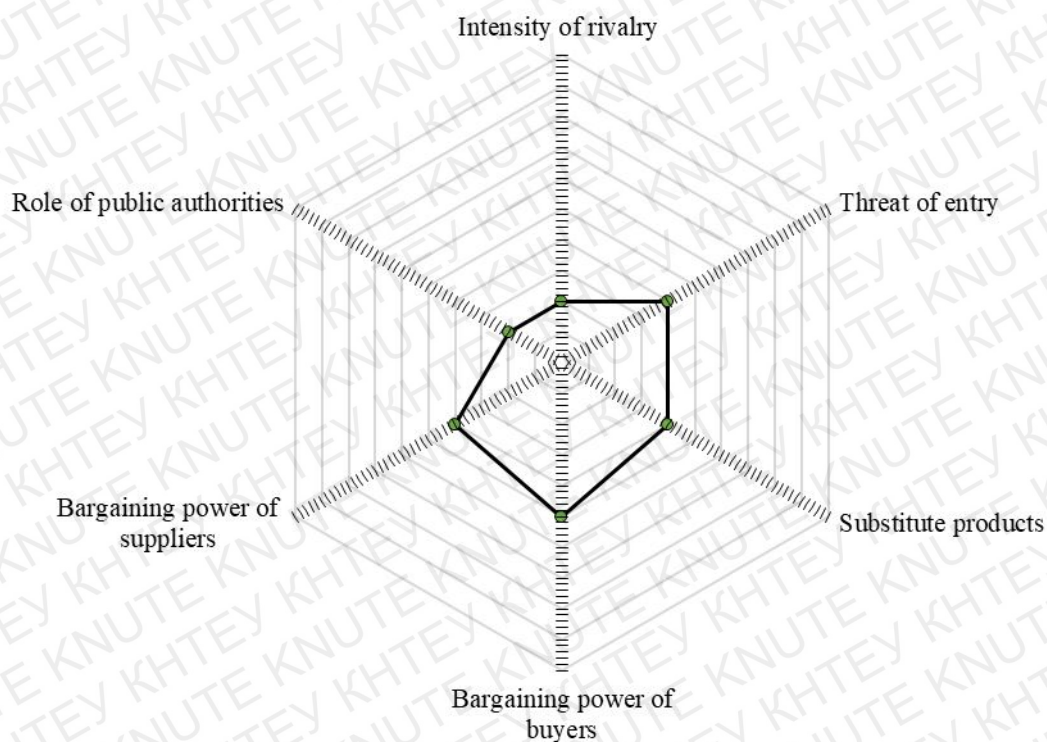


Figure 2.11. Tobacco Industry Structure Analysis (Porter's 5+1)

*Source: calculated by author on the basis of [15]*

Mainly, new companies will have a desire to enter the market which is profitable enough [19, p. 90]. However, if the capital costs to establish there are huge, they would refuse to do so. The tobacco industry is notable by its high capital requirements in land, equipment, and manufacturing, which make it difficult for small rivals to enter. In addition, tobacco firms are large corporations who are capable of

larger-scale operations that enable them to enhance from economies of scale. If opponents are about to enter, they either penetrate on a small scale and accept high unit costs or choose a large scale and risk the underutilization that would cause while sales volume is built up. It is not common for new players to penetrate this industry in consequence of the pressure of government and public authorities and also because of concerning fact of serious health issues caused by smoking.

To sum up, the competing environment of tobacco market is determined by its four main players, and all of them are multinational corporations (MNC). These companies have famous brands and sell well-known products. In addition, they have broad distribution network. Recognizable brands, numerous innovative actions, new products creation, extensive distribution networks and contacts with retailers enabled the leading companies to keep up their powerful position.

With these, main tobacco companies easily retaliate against new competitors with the help of aggressive pricing policy and expanded advertising, which definitely would hardly affect the new entrant. Suppliers' relative bargaining power in comparison to the whole industry is rather small due to the low switching costs that are faced by cigarette manufactures.

So as far as it's too hard and expensive for new players to enter the market and begin to compete well, Imperial Tobacco Production Ukraine should take care of already existed rivals to strengthen its own positions.

To our minds, one of the favorable ways to do so is launching new e-cigarettes brand, to broaden company's product range and, consequently, market share. As a matter of fact, because of the 'harm reduction' and risk products diminishing policy company would find more loyal customers and get more profit.

### **2.3. An Overview of the Tobacco Industry Alteration and its Impact on Company's Key Performance Indicators**

There is no contradiction that regardless of a global economic downturn, lawsuits, health problems, and rising prices of cigarettes, the global tobacco industry

continues to generate strong growth and sustainable stays as one of the most profitable industry in the world [15]:

- cigarette retail values were worth US\$699.4 billion in 2017;
- around 5.4 trillion cigarettes were sold to more than 1 billion smokers worldwide as for 2017;
- during 2003 and 2017, global cigarette volume of sales has increased by 1.3% while real retail values has increased by 26,5%;
- industry analysts foresee that by 2022 the global cigarette volume will decline by 8.0%, and real value will decline by 0.3%.

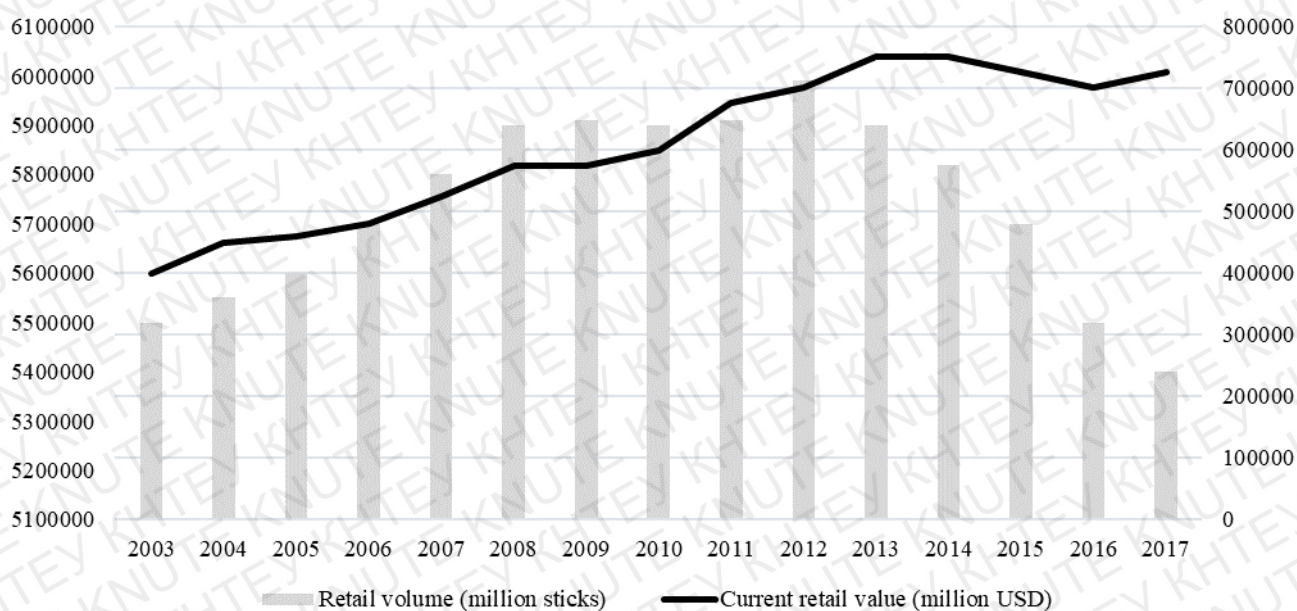


Figure 2.10. Global Cigarette Market: Historic Retail Volume and Current Value [16]

Thanks to obtained from diagram data, we can state that during last 15 years, tobacco industry has markedly changed. Retail volume of sticks has been increasing during 2003 – 2009, 2010-2012 and afterwards has been falling till 2017. However, current retail value has been going up until 2014 and continue to rise, starting from 2016. What is remarkable, that if market, in 2003 for 5,500,000 million of sticks received only USD 400,000 million, in the end of 2017 situation has changed dramatically, and now, for almost 5,400,000 million of sticks producers receive more than USD 700,000 million. It means that for slightly identical number of produced tobacco sticks, companies earn almost twice bigger sum of money.

According to data on the graph, globally, more than 5,000,000 millions of sticks has been manufactured yearly, throughout analyzed period. The largest cigarette consuming nations, due to research made by Euromonitor International are China, Indonesia, Russia, US and Japan (fig.2.11). Together they have consumed more than 60% of the global volume of all cigarettes sold in 2017.

Country	• Retail Volume
Chine	• 2,368.9
Indonesia	• 308.2
Russia	• 258.9
USA	• 252.7
Japan	• 151.4
Turkey	• 106.2

Figure 2.11. Top 10 Cigarette Markets by Volume in 2017, bln. sticks [20]

Objectively, nowadays, China is becoming the most demanded market in the world. Partially, because of its size, the retail value of its cigarette market was USD 212.3 billion in 2017. Market there is dominated by high tar cigarettes, however their sales are decreasing while lower tar – increasing. In 2017, the volume sales of cigarettes increased by 0.8% compared to 2016, marking the first increase in volume sales since 2013- 2014.3 Real retail value increased by 3.0%. Since the peak of global cigarette volume sales in 2012, the global cigarette market volume has decreased by 9.2%, but it declined by more (13.0%) when excluding China's retail volume [20, p. 715].

In Russian federation, sales of cigarettes by volume has declined by 25.2% between 2013 and 2017.3 During the same time period, real retail values increased by 31.3% to US \$26.9 billion. Between 2016 and 2017 alone, retail volume fell by 7.2%, while real value of sales grew by 3.6%.3 With a 33.6% market share, JT is the market leader in Russia, but PMI, BAT and Imperial also have a presence.

The Indonesia cigarette market is different, comparing to others, because there sales are dominated by kreteks (cigarettes made with a blend of tobacco and cloves).

Between 2016 and 2017, the Indonesian cigarette market declined by 2.5%, and made the second consecutive year of decline in sales volume.

In India, smokeless tobacco and bidis (small, hand-rolled smoked products) are much more popular than cigarettes: About 75% of all tobacco users use smokeless tobacco, 27% smoke bidis, and only 14% of all tobacco users smoke cigarettes.<sup>15</sup> While cigarettes are not the most popular tobacco product in India, approximately 81.3 billion cigarettes were sold in 2017, making the country an important target for international tobacco companies.

Ukraine belongs to low-income countries, while consuming tobacco products occupies one of the leading places in the world [21, p.29].

Tobacco production here is also among of the most profitable economic activities in the food processing industry with a profitability level of up to 40%. The main tendency of the tobacco market in Ukraine in recent years is the fall in the volume of legal market. According to some experts, a situation where consumption remains stable and the volume of legal production decreases indicates that the legal product is being replaced by illegal ones. According to experts' estimations, every eight cigarette in Ukraine is sold on the "black" market, another words, about 12% of tobacco products are sold by illegal sales channels. Accordingly, Ukrainian budget annually loses near USD 3 billion. At the same time, main operators of the tobacco market are among the top ten taxpayers in Ukraine. According to the State Fiscal Service of Ukraine, operational units annually remove from circulation 10-12 million packs of cigarettes, which are mostly illegally imported into the customs territory of Ukraine [22, p.191].

The tobacco market in Ukraine has declined by 9.9% in the first half of 2018 [24, p.64], according to data from tobacco companies. The reason for this reduction is reduced tobacco consumption as a result of rising cigarette prices due to increasing excise taxes.

At the same time, according to the State Statistics Service of Ukraine [18], in January-June 2018, 34.4 billion cigarettes were produced in Ukraine, which is 17.7% less than in the corresponding period of last year. Declared by the same tobacco

factories during the six months of 2018, sales amounted to only 18 billion cigarettes, which is 28% less than a year ago.

According to the State Statistics Service of Ukraine, from 1 to 1.5% of the total expenditures of the Ukrainian population, which amount to an average of UAH 1.3 trillion per year, is directed towards the payment of the excise tax on tobacco products. The indicated proportion has a steady tendency to increase, particularly because of the constant increase of excise tax rates against the background of relatively stable tobacco products consumption and falling household incomes.

The excise tax in Ukraine was firstly implemented in 1992 at the same time with VAT, as a replacement of sales taxes. There are three main stage of excise taxation development, in Ukraine.

At the first stage (1996-1999) the excise tax, which was legally defined as a tax, was taxed on the production and sale of more than 70 items of excisable goods in the customs territory of Ukraine. At the second stage (2000-2010) list of excisable goods was reduced by a quarter, in particular, mainly exclusion were made in the list jewelry. The third stage (2011 - to the present time) has began with the adoption of the Tax Code of Ukraine (TCU), which abolished "Decree of the Cabinet of Ministers of Ukraine of December 26, 1992, No. 18-92 "On Excise Duties" and a number of other legislative acts of Ukraine which regulated tobacco products circulation and production on the territory of Ukraine [25, p. 6].

The general trend of circulation, production and sales of tobacco products in Ukraine is the gradual reduction of production volumes (fig. 2.12). If in 2007 in Ukraine it was produced 129 billion pcs. Cigarettes more, then by the results of 2015 - only 92.9 billion cigarette sticks. Against the background of relatively stable volumes of imports of tobacco products, which provide at the level of 5% of the total volume of tobacco products consumption on the domestic market, an increase in export supplies is noticeable. The share of cigarette exports in tobacco production since the adoption of the TCU has increased to 26%.

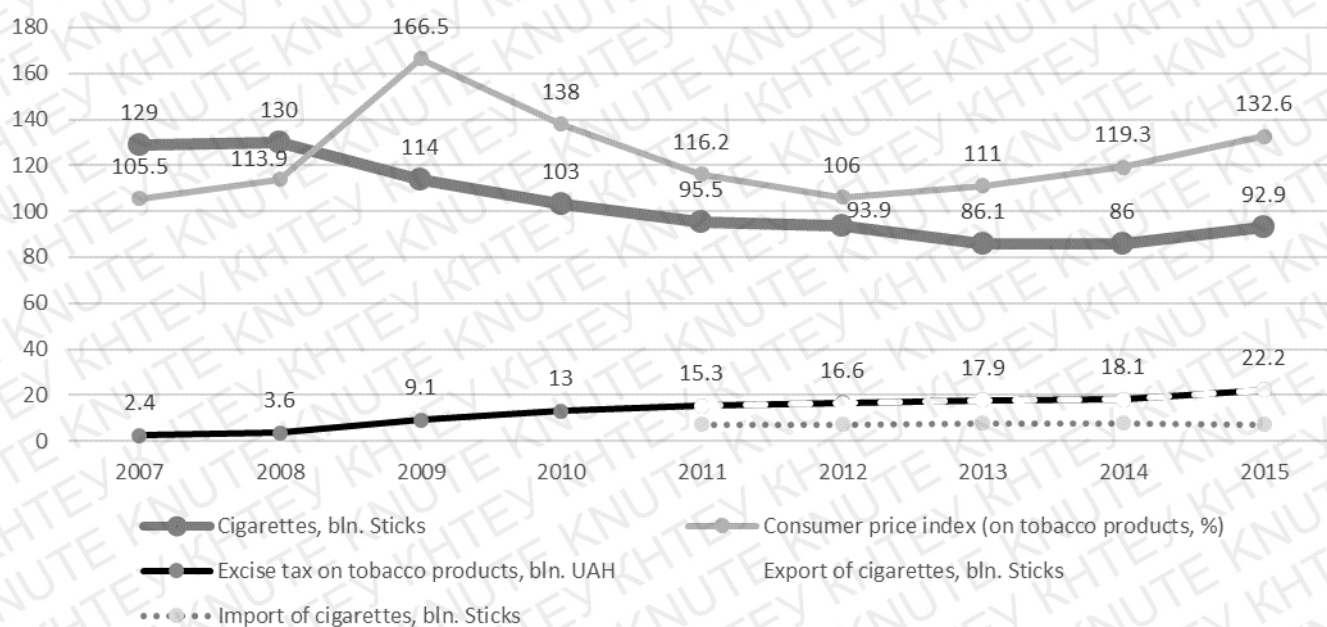


Figure 2.12. Dynamic of the main indicators that characterize the excise tax revenue to the State Budget of Ukraine [18]

The excise tax revenue of the State Budget of Ukraine is steadily increasing. Since 2007, its volume has risen by almost 10 times, from UAH 2.4 billion to UAH 22.2 billion in 2015 [26, p. 568]. During this period, the share of excise tax on tobacco products increased in GDP (to 1.1% ) and the revenues of the Reserve Budget of Ukraine (up to 3%) on average, up to 70% of the excise tax, which is credited to the budgets of Ukraine of different levels, is mobilized by the excise tax on tobacco products. At the level of 65-70% of the excise tax on tobacco products is provided by taxation at fixed rates. At the same time, the proportion of 70% - 30% is stored both in terms of manufactured tobacco products in the territory of Ukraine, and in the case of their imports.

On December 7, 2017, the Verkhovna Rada of Ukraine upheld the plan for increasing excise taxes on tobacco products during 2018-2024. In 2018, the specific excise tax and the minimum excise tax liability increased by 29.7%, which resulted in increasing of the minimum excise tax on a pack of 20 cigarettes from UAH 12 to UAH 15.5. In the next 6 years, the tobacco excise tax will increase by 20% annually. Thus, it is planned to reach the minimum European level of cigarette taxation, which is EUR 90

per 1000 pieces. Thus, all these will influence company's revenue, which, in its turn, will influence its KPI.

KPI, or Key Performance Indicators, are performance metrics that measure specific goals for businesses across all sectors [27, p.33]. Sometimes referred to as KSI (Key Success Indicators), when designed and implemented properly they can define the direction of a business, provide essential feedback and help organize individuals, teams, projects or entire businesses to optimize performance.

In other words, KPIs can be helpful for departments, employees, managers, processes and even customer support teams.

Common things Key Performance Indicators might track are [28, p.49]:

- revenue (including average profits, total revenue, and new customers);
- employment statistics (Including employee turnover, employee performance, and vacancies);
- customer service (Including average call time, efficiency and customer satisfaction);
- marketing (Including sales generation and overall effectiveness);
- efficiency (Including overall efficiency, departmental processes and individual efficiency).

On the global level, Imperial Brands has following KPI as stated below:

1. Return on invested capital;
2. Adjusted earnings per share;
3. Growth brand volumes;
4. Tobacco net revenue;
5. Dividend per share;
6. Total shareholder return;
7. Tobacco operating margin;
8. Cash conversion rate.

These coefficients' volume and dynamic through the years are constantly positive.



We can see, that on the global level performance of the company is growing up steadily. However, situation on the Ukrainian market is slightly different.

Main KPI of Imperial Tobacco Production Ukraine concern company's overall performance. They are:

- Net Profit Margin;
- Return on Assets;
- Return on Equity.

According to obtain data we can state that Net Profit Margin has been growing up from the last three years, as well, as ROA, which is definitely positive trend (see fig. 2.13).

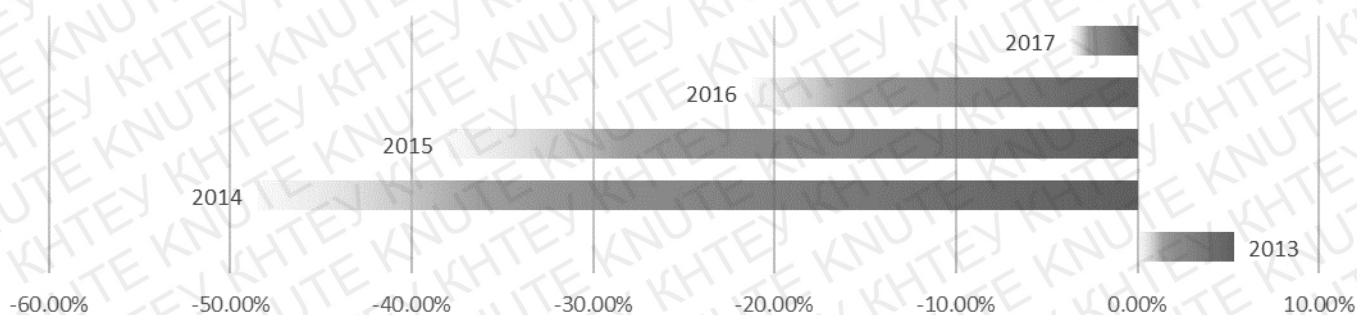


Figure 2.13. Imperial Tobacco Production Ukraine Net Profit Margin Dynamic During 2013-2017

*Source: calculated by author on the basis of [15]*

At the same time, ROE (return on Equity) has fallen considerably, since 2015 (fig. 2.14). As we remember from company's financial statement, during estimated period, there was a huge gap in 1420 raw of Balance Sheet "Uncovered loss".

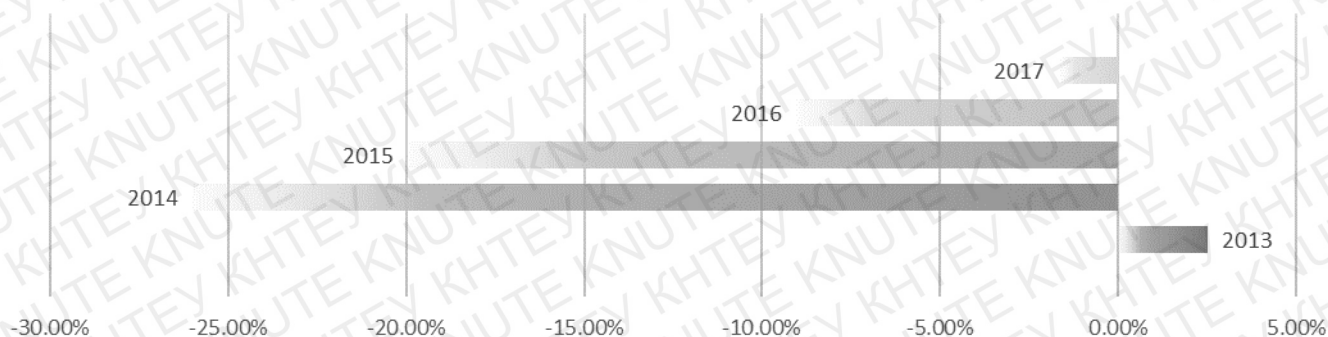


Figure 2.14. Imperial Tobacco Production Ukraine ROA Dynamic

During 2013-2017

*Source: calculated by author on the basis of [15]*

After performed evaluation we can see, that uncovered losses are the reason of negative net equity, which in its turn influence strongly ROE rate (see fig. 2.15 below).



Figure 2.15. Imperial Tobacco Production Ukraine ROE Dynamic  
During 2013-2017

*Source: calculated by author on the basis of [15]*

Moreover, we can conclude, that, because of the increased level of excise tax, lots of company's inventory (stock) are stored in the manufactures instead of being sold. Their amount is rising according to the excise tax increase; unitedly this can lead to serious problems.

To sum up, the tobacco market has changed a lot during the past few years. More than 5 trln. cigarette sticks were sold to more than 1 billion consumers. Overall, during those years, global cigarette volume of sales, together with its real retail value has boosted up dramatically. In Ukraine, mostly because of the excise tax expand, consuming of cigarette sticks has fallen down. Moreover, simultaneously black tobacco market became wider, and millions of falsified cigarette sticks have been sold for a lower price. Jointly, these factors has influenced the behavior of Imperial Tobacco Production Ukraine. With tones of inventories on its warehouses, company's management decided to focus their sale abroad. These actions resulted in positive changes in ITPU's KPI, mostly because of sales' upward trend. However, net profit margin, as a gross margin is still negative and need to be enhanced. Good competitive

position on Ukrainian market can satisfy key performance expectation of the company and escalate them, although, to reach this goal, company's top management should review its competitive strategy and rivals position in the national tobacco industry.

### **Conclusions to the Part 2**

After conducting an analysis of Imperial Tobacco Production Ukraine performance, we can state that in 2013 year, mostly, due to the deterioration of economic, political and social situation in the country, company has faced serious problems. However, during last three years situation is slightly getting better. Positive changes among profitability ratios, as well as in ratios of solvency and leverage could be emphasized.

Although there are still problems with managing company's inventories (cigarettes are staying in the warehouses instead of being sold in the market) and terms of getting back ITPU's accounts receivables, because it is taking near the month, to gather borrowers' debt, and this, in its turn, influence company's performance.

Additionally, there is a gap in company's uncovered loses. Reflection in the balance sheet of uncovered losses means that all existing sources of coverage have already been exhausted, which also means, that company has lack of reserve (insurance) funds. These abovementioned problems have to be solved in an argent basis.

According to received data we can state that the competing environment of Ukrainian tobacco market is determined by its four main players (TTC), which are Ukrainian daughter companies of large MNCs.

The position of Imperial Tobacco Production Ukraine on the market has not changes much. It is still in the big four tobacco companies in the global market, and national as well. However, it has the most weak position among them.

Generally speaking, Ukrainian tobacco market is facing difficult times now. Overall, the prevalence of smoking in the last nine years (2008-2017) has decreased from 25.6% to 18.7%, in other words, by 6.9 percentage points, or by 27%. However, globally, cigarette consumption is growing, mostly in low and middle-income countries

and decreasing in high-income countries. Which made us think about suggestion to expend company's activity into neighboring European and CIS markets.

### **PART 3**

## **ITPU MANAGEMENT EFFICIENCY IMPROVEMENT FOR INCREASING ITS INTERNATIONAL COMPETITIVE POSITION**

### **3.1. Tools and Strategies for Enterprise Management Improvement**

Achievement of high level of international competitiveness is possible only under conditions of its effective management. National scientists understand this term as a set of organizational structure, processes, technologies, and so on, necessary for creation and realization of the circumstances, which promote competitive advantages creation, in the present and for the future business environment [32].

To formulate effective international competitiveness strategic management system of the enterprise it is necessary to set up tasks that can allow to reveal company's main international competitiveness features. Namely: ability to repay the debt to creditors (that influences solvency), ability to achieve high-level profitability; ensuring financial and administrative transparency and investment attractiveness; controllability of business, introduction of modern information technologies.

International competitiveness management process of the enterprise covers realization of the following stages, presented in the figure 3.1.

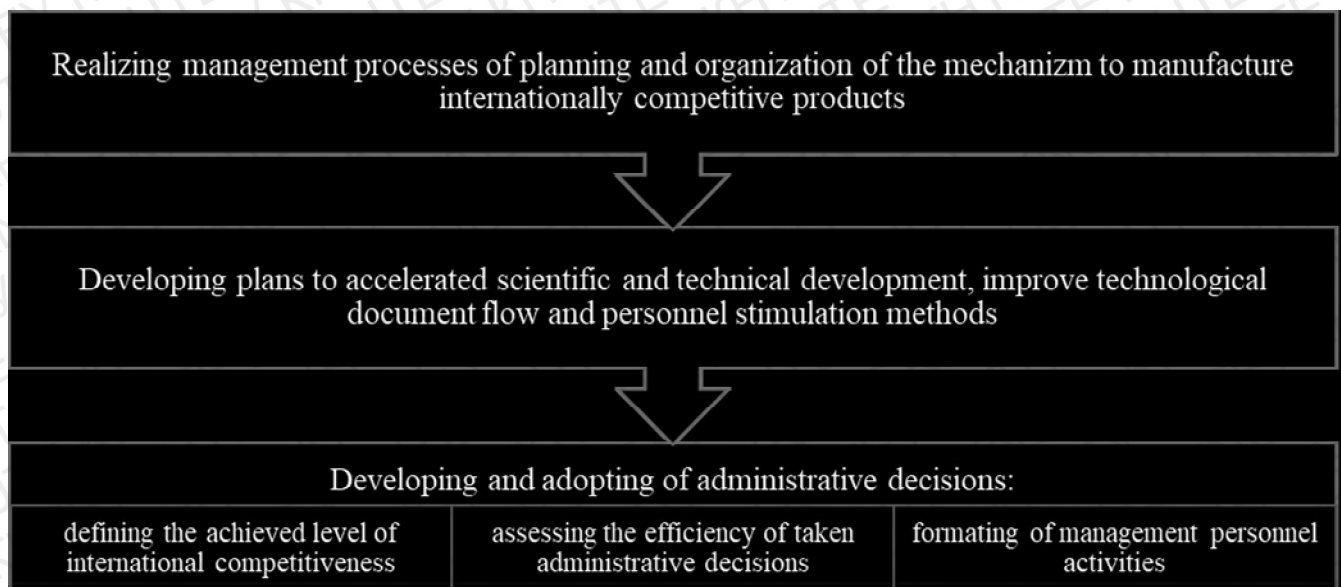


Figure 3.1. Main Stages of International Competitiveness Management Strategy Implementing [33]

The conducted research regarding the international management strategy implementation process allows to emphasize the most important categories of this process to which mandatory consists of functions, methods, administrative decisions and styles of the management.

Accurate performance of management functions has to be aimed to achieve positive results that can be estimated with some system of indicators.

However, the main objective of this kind of management activity is to create such management methods, through which sole management system will affect the employees, ensure their activity, coordinate, aiming to achieve and constantly increase an international competitive level of the company [34].

Success in any business activity in many respects is defined by correctly chosen strategy of business management.

At the same time, the strategic system of management of the enterprise and its competitiveness cover the following stages:

- definition of future business of the company;
- assessment of dynamic structure and efficiency of opportunity use of the enterprise, its share in the market;
- assessment of company's international competitiveness;

- choosing the strategy and tactics which will lead to increase company's international competitiveness;
- implementation of actions for gain the increase in competitiveness of the enterprise, proceeding from the chosen strategy and tactics;
- forecasting and planning of production at the enterprise;
- stimulation of manufacturing of competitive production, services of the enterprise;
- control, standardization and certification of production, services of the enterprise.

Thus, effective management of an enterprise in a market environment is, in fact, reduced to managing its competitiveness.

An important component of the analysis of international competitiveness is the study of adaptability and innovation of the enterprise.

Adaptability involves the ability of the company to provide its customers with new products in a relatively short period of time in accordance with the new requirements.

In order to improve the quality of the enterprise strategy, which takes into account external environment changes, goals and capabilities of its participants, it is necessary to develop an appropriate mechanism for strategic adaptation. Realization of the given mechanism will allow to deepen the validity of the choice and the formation of a certain strategy to bring the internal capabilities of the enterprise into evolutionary environment [34].

The necessary condition for implementing adaptive communication between the enterprise environment and its strategic management are following ways of working with information such as external scanning and monitoring. The purpose of scanning the external environment is the collection, evaluation and creating a forecast for the enterprise, concerning changes in the external environment. The monitoring is aimed to continue monitoring of current and new information, disclosure of the reasons for

changing the state of the investigated factors and anticipating the trends of their development.

Innovation can be presented as an ability to update, perceive technical and social innovations. A high level of innovation activates the most important aspect of a modern innovation enterprise - enhancing intellectual potential [35].

Economic mechanism influence on innovation is carried out with the help of certain techniques and a special management strategy. Taken altogether, these techniques and strategy create a kind of mechanism for managing innovation - innovation management. It can be defined as the strategic management of innovation processes in order to study the main areas of scientific, technical and industrial activities and justify a set of measures to implement the innovation strategy. At the micro level, there are factors of innovation activity, such as:

- organizational structures of enterprise management;
- introduction of the newest forms and systems of wages;
- innovative management;
- conditions of competitive struggle;
- innovation policy process of implementation.

Abovementioned techniques can be classified into the following categories, mentioned in the figure 3.2.

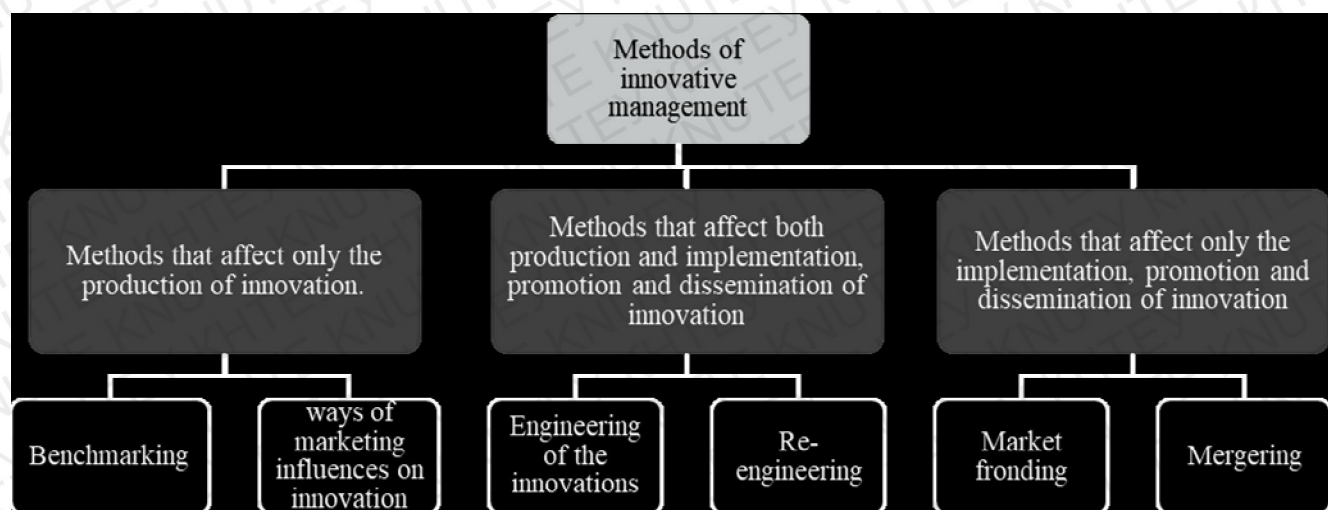


Figure 3.2. Classification of the Innovative Management Methods [36]

Innovative activity of the enterprise is an integral part of the strategic management system. The implementation of innovation policy is based on the development and implementation of an enterprise's innovation strategy. Therefore, benchmarking measures to manage innovation, corresponding to the functions of benchmarking in the strategic business of the enterprise.

The method of benchmarking has not yet been sufficiently developed at Ukrainian enterprises. However, while making strategic management decisions, this method, as the practice of foreign firms shows, allows us to choose the optimal option in specific conditions, taking into account the experience of market competitors and the most successful enterprises of related industries, the specifics of which are similar.

As for innovation, benchmarking means studying the activities of other enterprises in order to identify the main characteristics for developing their innovation policy and specific types of innovations.

It should be noted that innovative measures can be implemented in practice for each given benchmarking object.

At the enterprises of the raw materials branches benchmarking of two types is used:

- general benchmarking (comparing the production indicators and company's profitability ratios with similar indicators of quite a large number of domestic and foreign manufacturers in the sectoral markets). Such a comparison allows us to outline clear directions of innovation activity.
- functional benchmarking (comparing the parameters of individual functions of the enterprise (technological operations, organizational methods of production and management activities, etc.) with similar parameters of the most successful enterprises operating in similar conditions). On the basis of the results of the analysis, can be created a draft of possible changes to develop,

Survival of enterprises in modern conditions is possible only thanks to constant adaptation to the changing environment. These strategic tasks may be solved while designing and developing innovations on enterprises. The solution is called engineering.



Innovation engineering is a complex of works and services for creation of an innovative project, which includes the organization, implementation, promotion and diffusion of innovation [37]. Engineering involves two fundamentally different approaches:

- improvement (improvement of indicators by 10-50%);
- reengineering (growth of indicators by 100% and above).

Reengineering is a radical rethinking and redesign of business processes to achieve dramatic, abrupt improvements in the company's main modern performance indicators — such as cost, quality, service, and pace.

For tobacco enterprises, reengineering can be realized as a reconstruction of production complexes with a view to complex improvement of the organization on the basis of production and innovations implementation. It includes five actions, shown in the figure 3.3.

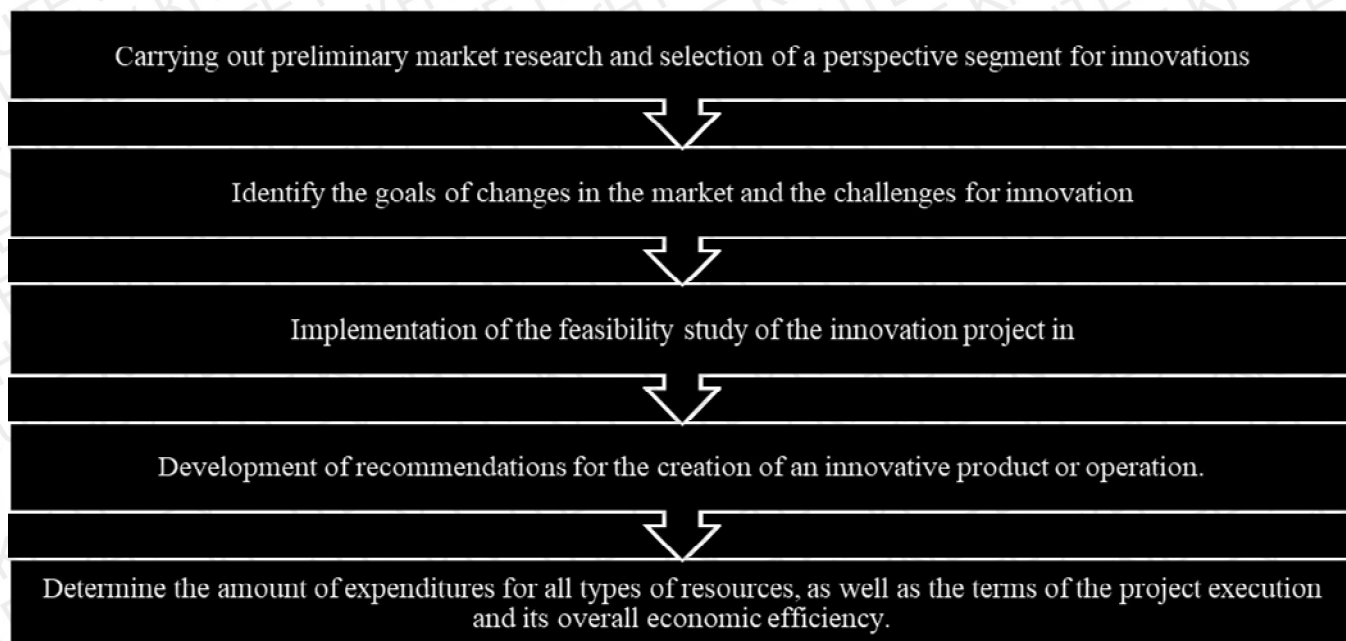


Figure 3.3. Stages of the Innovative Management Engineering [38]

In general, the task of engineering of innovations is to obtain the best economic effect from investing in an innovative project and identifying promising directions of innovation activity.

In the tobacco industry, the following types of innovations are becoming widespread [39]:

- technological – improving the methods of production of raw materials;
- organizational – improvement of organizational structures of company's management;
- marketing – development of new operating methods in the market.

Demand for innovation is growing due to increased competition in world markets. Realization of innovative measures allows to obtain competitive advantages and significantly increase the share in the branch market and strengthen the position in new segments of foreign markets by presenting an innovative product. It is called market fronting.

The main ways to improve management system of the enterprise are:

- reviewing and changing the organizational structure of enterprise management;
- optimization of management and business processes organization through improvement of the planning system, accounting and control of the main company's indicators;
- improvement of management of industrial resources and reserves;
- increasing an efficiency of innovative processes management at the enterprise, improvement of product quality.

Additionally, measures to improve the management of the enterprise will significantly reduce the management apparatus by improving its organizational structure, determine the responsibility of employees, clearly define the organizational and production structure of the enterprise.

Therefore, in view of the features above, for the more efficient functioning of domestic enterprises in modern conditions, while constructing a management system, the following factors should be taken into account [40]:

- the production process should be flexible enough to allow the product range to be changed quickly. This factor, first of all, is connected to the application of

new technology into the production process, to the introduction of advanced production technologies and environmental protection;

- production technology should be adequately complicated, which requires new forms of control, organization and labor division;
- should be taken into account serious competition both on the domestic and on the external market of products and, consequently, the quality of provided products should be improved;
- should be considered the uncertainty of the environment;
- should be taken into account requirements to the level of customer service quality and the time of contracts execution, which regularly increase the requirements, according to the conditions of packaging, transportation, as well as more advantageous delivery bases;
- should be taken into account the change in the structure of demand;

Taking into account the large number of ways to improve management system of Ukrainian enterprises, we should understand that there are a number of obstacles, which hinder a business process implementation, presented in the figure 3.4. below.

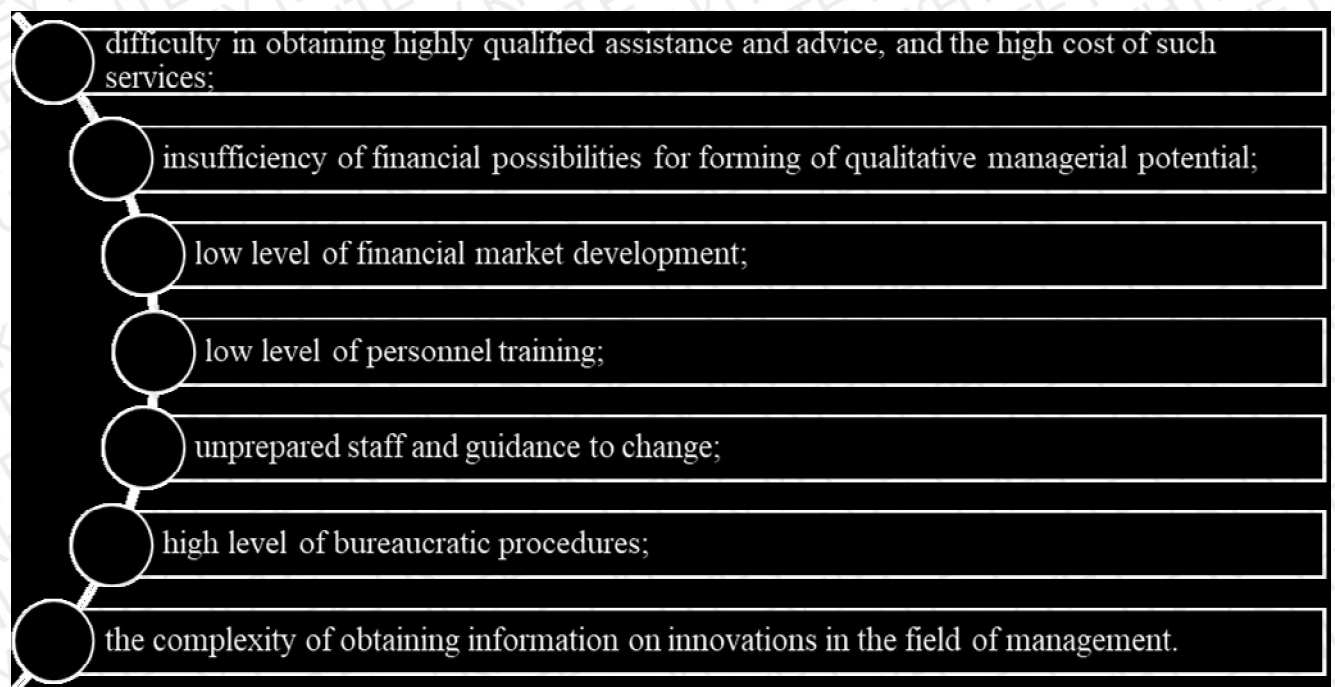


Figure 3.4. Main Impediments that Hinder Business Process Improvement [41]

Since in this period of the economic crisis, enterprises are in a state of constant competition, so to maximize profits, they must constantly monitor the direction of improving the enterprise management system.

Consequently, the purpose of improvement and creation of an effective functioning enterprise management system is to apply modern tools and methods of management within the framework of the chosen management concept; to focus on the development and order of improving the integrated management system of the enterprise and its components, to ensure effective decision making process, as well as organizational, personnel and technical solutions; to improve the organizational structure of the enterprise; to improve the company's information management system, to reach the possibility of rapid implementation of solutions to execution; to use worldwide experience, as well as to seek own ways of cooperation within the country with foreign partners to provide the necessary quality level of management system development in the enterprise.

### **3.2. Development and Implementation of the Measures that Drive Performance**

The strategy of Imperial Brands focuses on the wise use of four key assets: a widespread international presence, a unique portfolio, strong brands and professionalism of staff. Its brand portfolio includes products from all tobacco categories - from cigarettes and cigars to cut tobacco, cigarette paper, tubes and sputum (chewing tobacco). Corporation during long time has been using the strategy of "total tobacco", which means working with the whole range of tobacco products. Results show that this creates company's exceptional competitive advantage in the global tobacco market.

Imperial Brands has strong positions on the international market of cigarettes with brands Davidoff, Gauloises Blondes and West. For now, this MNC is a global leader in the manufacture of cigars, cut tobacco, tubes, cigarette paper and chewing tobacco. In Ukraine, company faces a little worse situation, being the forth player in the

tobacco market. However, the strategy of the company is formulated quite literally, which helps the company to maintain a leading position in the tobacco market.

The main goals of Imperial Tobacco Production Ukraine:

- to steadily increase the growth rate and business development;
- to work tirelessly to reduce harm from smoking;
- to build a dynamic, organization-oriented victory.

Top managers have proved that traditional financial accounting measures like return-on-investment and earnings per share can give misleading signals for continuous improvement and innovation – activities today's competitive environment demands. The traditional financial performance measures worked well for the industrial era, but they are out of step with the skills and competencies companies are trying to master today.

With this, we will try to fill in company's strategy by improving ITPU's innovative technologies and the creating innovative products.

The peculiarity of innovative strategies is to choose the directions and determine the scale of the proposed changes. At the same time, their scale and desired rates depend on the organization's capacity to implement innovation and the innovation climate [41].

Capacity assessment is carried out in all areas of the organization: industrial, scientific and technical, marketing, resource, organizational, and so on.

Although, it is needed to distinguish following:

- scientific and technical potential;
- innovation potential.

If a scientific and technical potential characterize an organization's ability to produce new knowledge and technical solutions (inventions, industrial designs, know-how), then the innovation potential clarifies a degree of an enterprise's readiness to implement an innovation (innovation project) as "its own" (created by its own research and development departments (R&D), and "alien" (acquired in the form of patents, licenses for inventions and know-how, and so on.).

The choice of the method and direction of the innovation activity depends on the resources, scientific and technical potential of the enterprise, the market requirements,

the stages of the life cycle of equipment and technology, the characteristics of the industry.

While designing, developing and introducing innovations, it is necessary to determine the obligatory costs for their implementation, possible sources of financing, evaluate the economic efficiency of introducing innovations, compare the effectiveness of various innovations by comparing revenues and costs.

The assessment of innovation potential is based on the following statements:

- A generalized assessment of innovation potential is complex and multi-level.
- The assessment of innovation potential is not reduced to one absolute indicator and is based on a comparison of the set of indicators of an organization with the corresponding characteristics of the innovation potential of a leading enterprise, main competitors or with industry averages, etc.

The methodology for assessing the innovation potential is based on identifying the innovation component in all areas of the organization's activities, for example, evaluation is carried out both directly at R&D units and at the production sector, marketing, financial activities, and so on [42].

We assessed innovation potential of Imperial Tobacco Production Ukraine. The results of analysis are presented in table 3.1.

*Table 3.1.*

### **Assessment of Imperial Tobacco Production Ukraine Innovative Potential**

<b>Groups</b>	<b>Indicators</b>	<b>Value</b>
Cost indicators	proportion of expenses on research and development in the volume of sales (the technology intensity of products manufactured)	20%
	cost per acquisition: licenses, patents, know-how	USD 10 mln
	<u>cost structure at the stage of the innovation cycle</u> : research, OCD and production and a comparison with the practice established in the world or in the industry.	
Indicators characterizing the dynamics of the innovative process	innovation indicator TAT (turn— around time )	4 – 5 month
	duration of the process of developing a new product or technology	2 – 3 month
	duration of the preparatory process of the production of a new product	2 month

	duration of the production cycle of a new product	2 month
	relative weight development, performed on the basis of marketing research	30%
	specific weight of initiative development R&D units, which were held on the market	30%
Updating performance indicators	indicators of products updating performance	20%
	condition of equipment upgrades, including on the basis of a fundamentally new	good

*Source: created by author on the basis of [15]*

According to received data we can state, that this company has huge potential for innovative development, especially in decision-making process and R&D activity.

Considering previously conducted financial analysis of Imperial Tobacco Production Ukraine we found out ways to improve company's both internal and external situations. Our suggestions were presented to the Top Management Board. We advised following measures:

1. To speed up the decision making process;
2. To launch brand new product and, with this, spread company's sales market;
3. To stop manufacturing undemanded goods, which only stays in the warehouses.

Due to practical experience, received while making an internship in the Imperial Tobacco Production Ukraine, we can state that it takes a lot of time for the preparatory processes, starting from formal signing a contract with a new supplier or client, to launching new product or just presenting new ideas. This led us to the idea of centralized system of management of the company.

Centralized companies are those in which senior management reserves most of the authority necessary to make critical decisions. Contrary, decentralized companies are organizations in which powers are distributed to lower levels of government.

In practice, there are no fully centralized or decentralized companies. In enterprises with highly decentralized structures, the most important decisions are often made only by employees who occupy fairly high positions (not lower than the head of the department), as it is in our case.

Thus, firstly, after analyzing theoretical data and managers' articles we found out a solution way. Theoretical literature describes a number of channels through which decentralization of decision-making process in a firm can influence the economic outcome of a company. In accordance with theory, the following positive consequences of such decentralization are distinguished [43]:

- it allows to increase the speed of making effective decisions and expand the range of issues on which the firm can make effective decisions;
- it can provide better access to information in the field;
- it can improve employee incentives.

However, there could be also negative consequences as:

- decentralization of decision-making process is associated with agency risks, since employee intentions often do not coincide with incentives of the CEO;
- decentralization of decision-making process can be associated also with coordination problems.

We highlight attention to the fact that the ratio of the positive and negative aspects described above, and thus the effectiveness of decentralization, essentially depends on the qualities of the employees who are delegated decision-making powers: both their competence and professionalism, and human qualities.

So, schematically we can show suggested changes in decision-making process as follows (fig. 3.5.).



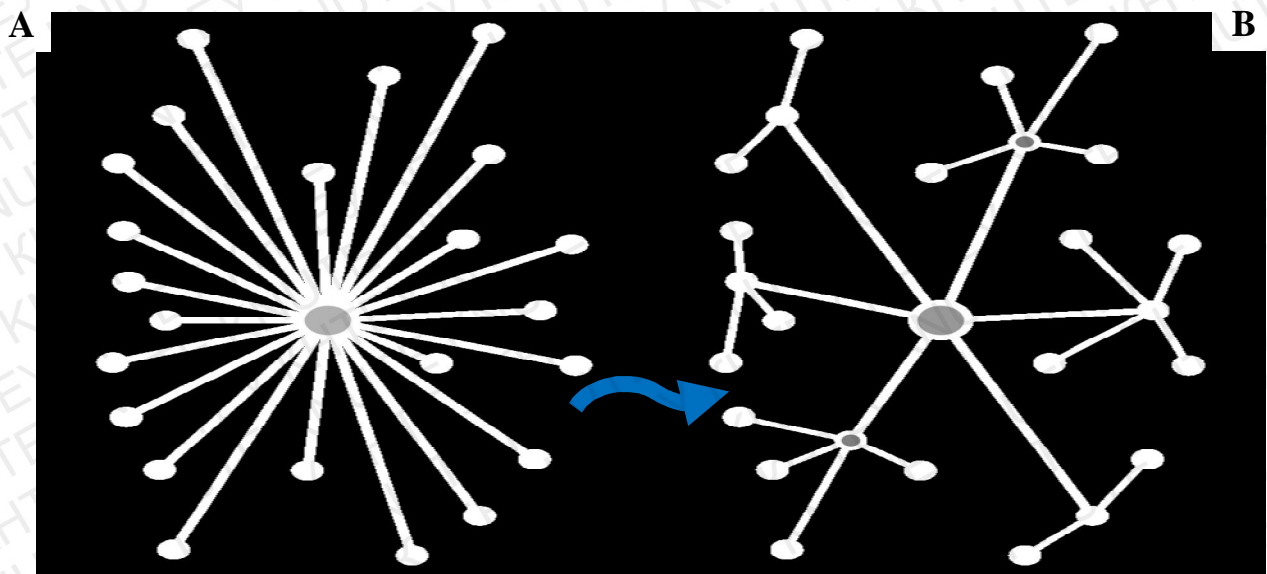


Figure 3.5. Schematic Image of Transformation through Centralized (A) to Decentralized (B) Decision Making Process [43]

With this, CEO, for example, would not have to approve signing of each contract and this will speed up the whole process and enhance middle-managers incentives.

Afterwards, we have proposed the new product launching. For the success of companies in the market, it is highly important to carefully plan and develop a strategy for a new product to launch on the market. A large number of new products - a required condition to maintain leadership positions in a strong competitive environment. In order to be successful and attract consumer attention, a new product must meet consumer preferences and have properties declared by the manufacturer. Also important are the price, quality, features and brand of the product. Therefore, before introducing new products to the consumer, it is important to conduct market and consumer research. We identified the important stages of the release of a new product: product development, internal testing, external testing, selection of a target market and a consumer, selection of a time to launch a new product to the market, product launch to the market

Due to the latest analysis made by Euromonitor International [44], the number of electronic cigarettes smokers is constantly increasing worldwide (fig.3.6.). According to the latest data of the World Health Organization, since 2000 the number of smokers of regular cigarettes in the world has decreased: if in 2000 there were 1.14 billion

smokers, now it is 1.1 billion people [45]. Nevertheless, with respect to electronic cigarettes, the opposite trend is observed [46].

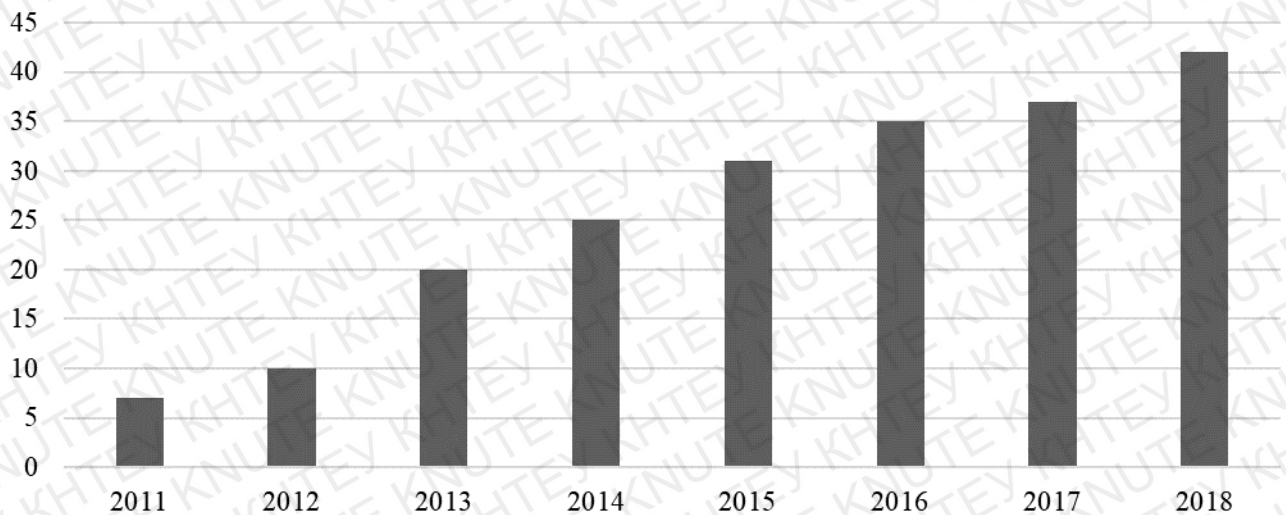


Figure 3.6. Number of Vapours' Smokers during 2011-2018 (mln. people) [46]

Additionally, according to the research made by British American Tobacco, the global tobacco and nicotine market is increasingly diversifying beyond traditional combustible tobacco with the growth of Next Generation Products (NGPs), such as vapour and tobacco heating products. The NGP market was estimated to be worth USD 12.3 billion in 2016, and, is predicted that by 2021 tobacco vapour (handheld electronic device that simulates the feeling of smoking. It works by heating a liquid to generate an aerosol) will be the single largest vapour category, accounting for 45% (USD 15.4 billion) of total category value. E-cigarette products in the form of closed or open systems accounted for USD 10.2 billion with heated tobacco, representing a further USD 2.1 billion. The category as a whole is forecast to grow to USD 34 billion by 2021 [47].

With this, we suggested to launch a new product, which would be not an ordinary cigarette, but one of the Next Generation Products. We assumed, that, referring to the fact of vapour popularity growth, it would be better to choose vapour or electronic cigarette as a new product to be launched.

The process of developing and launching a new product on the market is described by the model “stage-gate”, presented the figure 3.7.

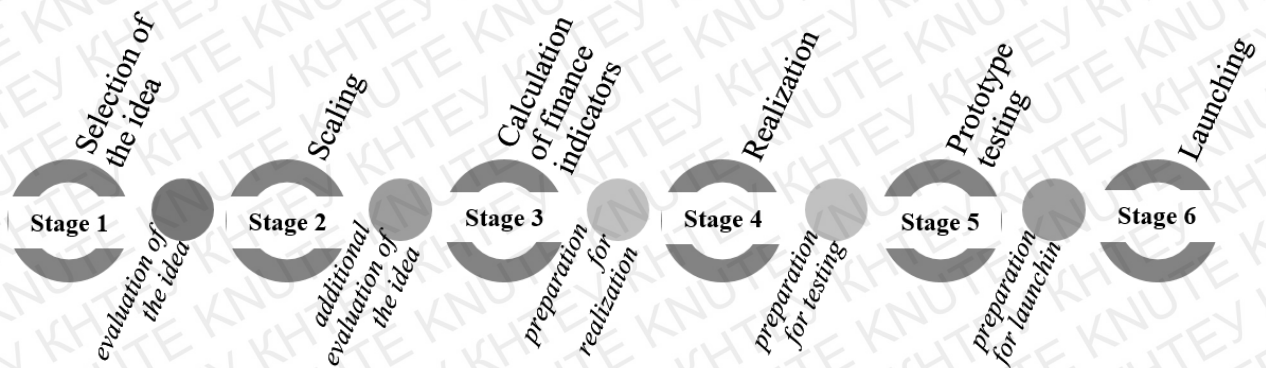


Figure 3.7. Stage-Gate Model of New Product Launching [48]

We truly believe that successful development and implementation of innovative product with detailed technology is a prerequisite for the successful operation of any company, not only today, but also in the future.

Management of the inventories is and was one of the basic factors of success and stability in business. It is the process of determining and maintaining the optimal size of reserves, as well as ensuring their financing. Correctly organized inventory management can lead to:

- calculation of the size of the required for the enterprise stock (inventory);
- the organization of the control system for the actual size of the stock, as well as its replenishment in accordance with the established norm.

Thanks to previously conducted analysis of Imperial Tobacco Production Ukraine inventories we can state that its inventories management is not organized correctly. The company has produced much more goods than it can sell, which has resulted in tones of manufactured qualitative products left untouched.

Data in the figure 3.8. shows that starting from 2014, amount of inventories, which are stayed unsold, is constantly increasing.

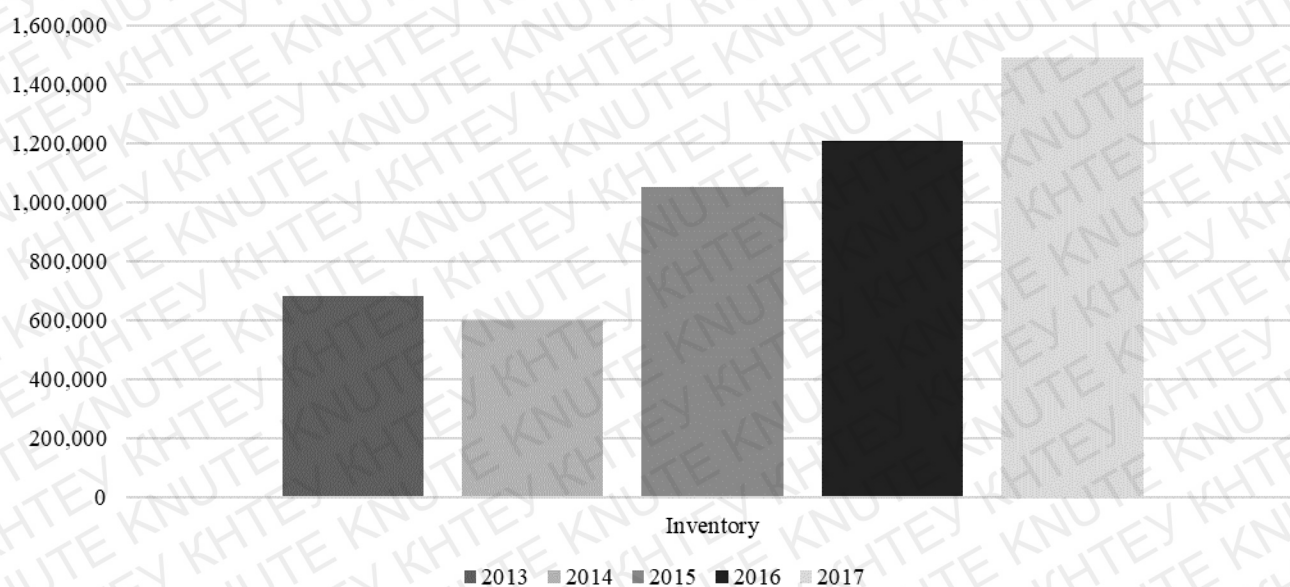


Figure 3.8. Dynamics of Inventory of “Imperial Tobacco Production Ukraine” PJSC During 2013-2017

*Source: calculated by author on the basis of [15]*

Such increase means that amount of the produced goods of the company cannot meet the demand of the customers. As a result, cigarettes just stay in the warehouses of Imperial Tobacco Production Ukraine for longer time. As a consequences, the company spend a lot of money to produce more and more, disregarding the fact of lack of sales in the market.

As one of solutions way we could suggest is to sale some amount of already produced goods with a discount, or, launch a loyalty program.

Convenient loyalty program can increase the percentage of repeat purchases: according to statistics data, repeat orders of loyal customers consist more than 60% of the total business turnover of any large retailer [48]. Consequently, these altogether will attract attention to the products of Imperial Tobacco Production Ukraine of the old costumers, as well, as new ones.

At the present stage of economic development, there is an increased attention to the problem of management efficiency. In management, efficiency is determined by the level of achievement by the enterprise of its goals and objectives. Overall, an effective

and accurate company's management undoubtedly drives performance and we have suggested few measures to enhance it.

### **3.3. Key performance indicators forecast in conditions of adjustments implementation**

In the modern dynamic business environment, organizations aimed to maximize the welfare of the company, its capitalization and are interested in improving of the decision-making speed, contributing to the most rational use of the existing resource potential to achieve target positions in the context of the main activities. The previous improvement of the company's management system was achieved by implementing a management strategy based on key performance indicators (KPI), which has increased the manageability and controllability of the business, align the activities of the organization's functional divisions with the strategic priorities of the company's development [48]. These indicators help to reflect the whole picture of the processes occurring in the company, with the help of numbers. The scorecard is designed to warn about possible problems both in the current moment and in the long term [49].

With such previously established management system, Imperial Tobacco Production Ukraine, along with Imperial Tobacco Ukraine and, thanks to Imperial Brands reputation and top management suggestions, has achieved high results in business performance. It was, and, it is positioning in the TOP 4 biggest tobacco companies in the world market in general, and Ukrainian market, in particular.

In addition, its developed strategy has allowed to improve the financial results of the business, the degree of motivation of employees and involvement of stakeholders in the processes implemented by the company.

However, during last years, because of poor management (which was changed right before economic crisis in Ukraine) and lack of employee engagement, company started to lose its international competitiveness position in both inside and outside markets. Because of it, and aiming to enhance its competitive capabilities again we have

suggested few measures, aiming for positive changes in company’s main KPIs, which a shown in the figure 3.9

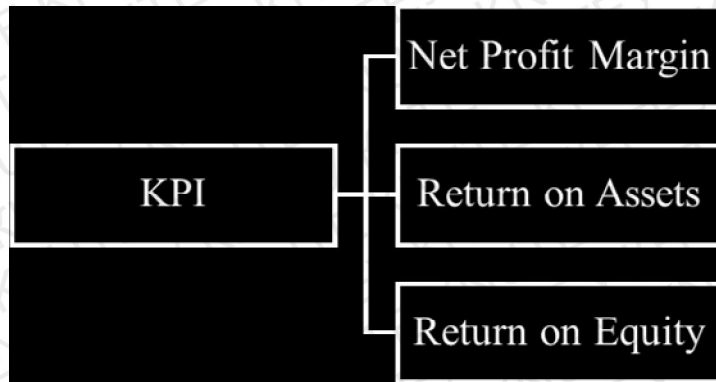


Figure 3.9. Main Key Performance Indicators of “Imperial Tobacco Production Ukraine” PJSC

Source: calculated by author on the basis of [15]

Considering our previous analysis, before suggesting and implementing any changes, we have created a forecast for company’s main KPI, aiming to understand further development of the enterprise. Results, with average percentage of possibility close to 70%, shows that net profit margin, along with return on assets will have a slightly positive direction of development. However, Imperial Tobacco Production Ukraine would face serious problems with the ROE ratio, which would fall significantly. Received forecast is show in the figure 3.10. below.

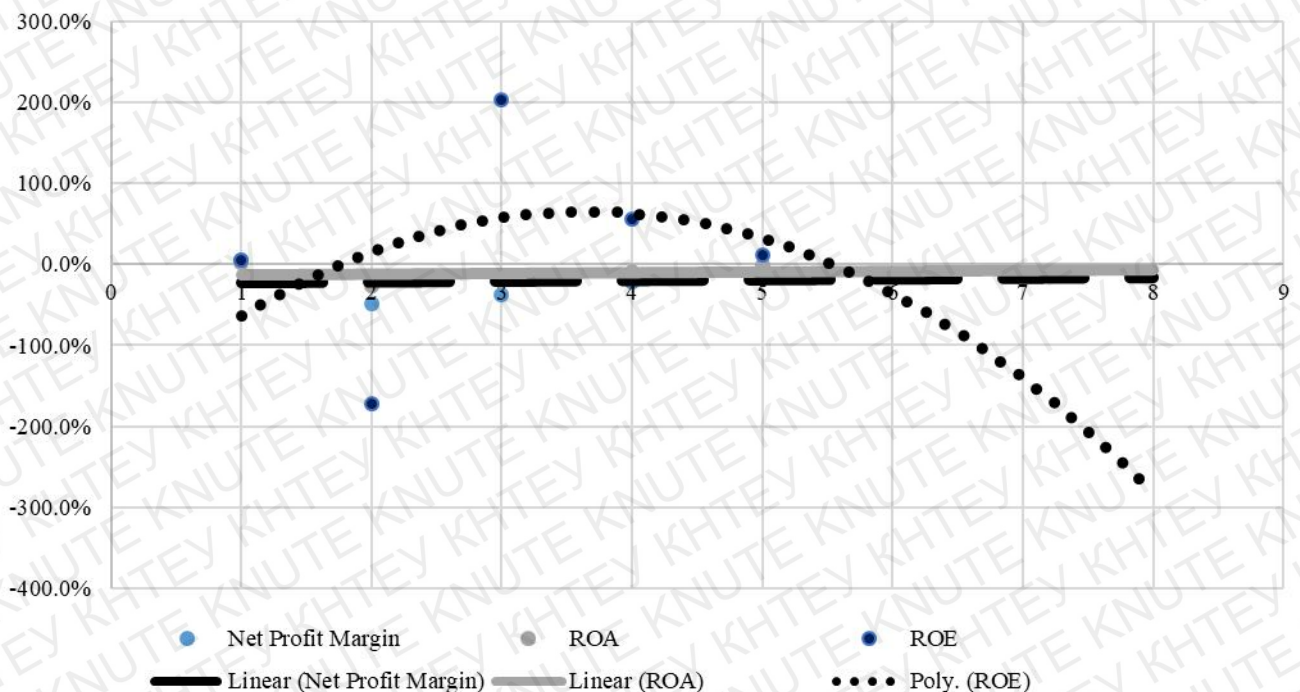


Figure 3.10. Forecast of KPI of “Imperial Tobacco Production Ukraine” PJSC Before Adjustment Implementation

*Source: calculated by author on the basis of [15]*

Thus, as we can see, the main problem the company would face is the net income returned as a percentage of shareholders' equity. We truly cannot ignore this trend, because this indicator measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested.

Due to our previous consideration, one of the main reasons to have such a low level of this index is the increasing amount of inventories in the company. As we suggested earlier, for company, would be better to reduce its amount. Due to provided calculation, is the quantity of inventories would be decreased, it will already lead to huge changes in the ratios.

For each company, sooner or later there comes a moment when they start not to satisfy the characteristics of the domestic market, the political climate or the economic conditions in the state, therefore the question of the enterprise entering foreign markets naturally arises.

For Ukraine, this is a rather topical issue, but the lack of financial resources, the poor condition of fixed assets, the inconsistency of products with international standards, and the dilapidated technology are, for many enterprises, one of the main reasons that impede access to foreign markets. However, Imperial Tobacco Production Ukraine, as a subsidiary of one of the biggest worlds' tobacco MNCs is a different case.

Imperial Tobacco Production Ukraine is a company whose products and services are competitive not only in the domestic market, and its production potential exceeds the domestic needs of the country. Therefore, to increase the volume of product sales and more efficient use of production capacity, it is needed to look for new sales markets.

According to the information we have received from management of the company, they took into consideration our advice of getting rid of unsold inventories, and, additionally, expanding through new markets. With this, company is planning to spread its products on the markets of Mongolia, Africa countries and neighbor countries

of Middle East. With this, we expect positive changes in sales (up to 10%), and decreasing in cost of goods sold (as company will not manufacture big amount of products, but, instead, will use previously produced goods from warehouses).

With this, we made a forecast of the P&L indicators, to see and understand what to expect from those changes. Results are presented in the table 3.2.

*Table 3.2.*

**The Forecasted Financial Results of “Imperial Tobacco Production Ukraine” PJSC” in 2018-2020**

Indicators	Expected value			
	2017	2018	2019	2020
Sales revenue	2,702,761.0	2,973,037.1	3,530,125.1	3,780,552.7
Cost of goods sold	-2,139,219.0	-2,032,258.0	-1,930,646.0	-1,872,726.6
Gross profit	563,542.0	940,779.0	1,599,479.0	1,907,826.1
Other operating income	59,630.0	70,063.5	73,618.6	81,179.1
Administrative expenses	-89,156.0	-109,696.6	-110,261.1	-132,486.0
Selling expenses	-171,730.0	-185,814.3	-230,584.7	-269,758.3
Other operating expenses	-238,554.0	-285,932.0	-291,472.5	-318,261.2
Operating income	123,732.0	429,399.5	1,040,779.2	1,268,499.6
Other income	228,702.0	352,154.5	367,559.6	426,374.9
Interest expenses	-20,502.0	-24,462.1	-29,071.4	-33,500.9
Other expenses	-449,761.0	-699,459.4	-687,015.1	-731,719.5
Income before tax	-117,829.0	57,632.5	692,252.4	929,654.0
Income tax	-18,406.0	-9,054.7	-8,947.0	-6,722.2
Net income	-99,423.0	48,577.7	683,305.3	922,931.7

*Source: created by author on the basis of [15]*

As we can see, simply, thanks to increase in sales and usage of previously stayed inventories, company can become profitable in the next period and will stay therein further.



We assume that, thanks to sales into foreign markets, company's sales revenue will rise up from UAH 2,702,761.00 to 2,973,037.00, on, near, 10%. With this, starting after 2017, net income will increase from UAH -99,423.00 to almost 1 billion.

Gross profit will also change significantly, hopefully reaching the point of UAH 1,907,826.11 in 2020 year.

The charter below shows us how the dynamics of net income will change, after adjustment implementation (fig.3.11).

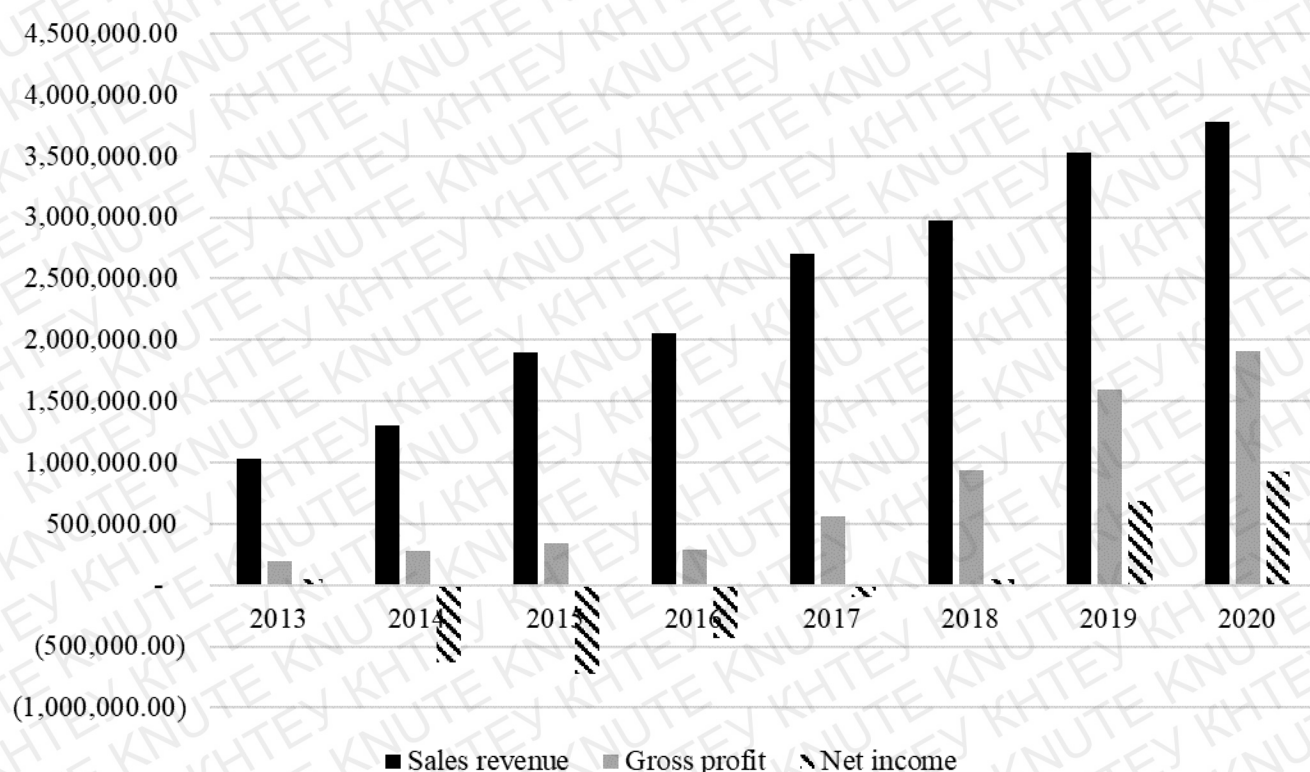


Figure 3.11. Dynamics of Net Income of “Imperial Tobacco Production Ukraine” PJSC During 2013-2020

*Source: calculated by author on the basis of [15]*

However, in the next year, excise tax is planned to boost. The government proposed to increase excise taxes on cigarettes by 30.8% from January 1, 2019. The relevant proposal was submitted by the Cabinet of Ministers in the bill № 9085 of September 17 [50].

Scientists think that the increase in excise taxes was made mainly because of the budget. The fact that the excise tax on cigarettes is about to be raised by more than 30%

is in fact a recognition of the inflation rate compared to last year. Naturally, this will lead to a rise in price for cigarettes by 25-27% and to an increase in the shadow market.

Also, Imperial Tobacco Production Ukraine will face increasing in administrative expenses. It can be explained by decentralization process and hiring new, highly professional and tolerant management personal, which, obviously will require additional expenses, for example for hiring process and, afterwards, wages. Although, we think that such costs are fully justified, which we can prove, by looking through the new (forecasted) trend line of main key performance indicators (fig. 3.11).

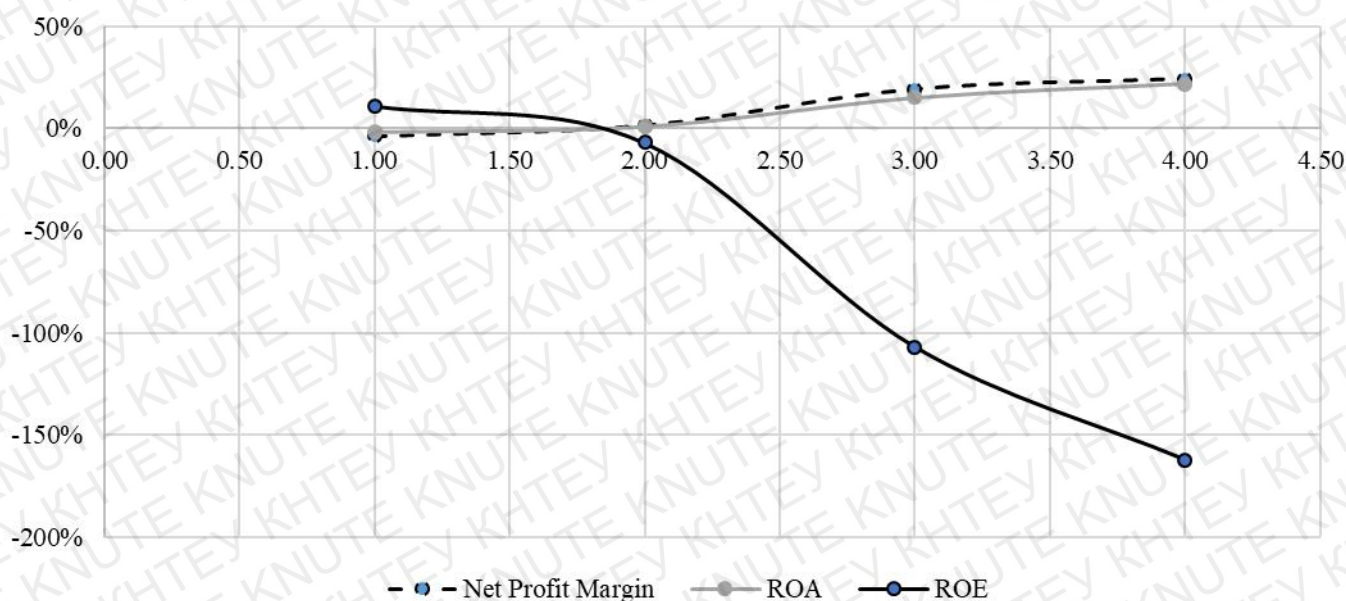


Figure 3.11. Forecast of KPI of “Imperial Tobacco Production Ukraine” PJSC After Adjustment Implementation

*Source: calculated by author on the basis of [15]*

After taking a look thorough presented graph, we can see, that, obviously such indicators as net profit margin and return on equity will gain a positive direction of development. If to talk about ROE – its negative values can be explained: thanks to the fact that net profit after taxes has become a positive, and, equity, at the same time is staying negative (due to uncovered losses), return on equity shows as a negative result. But it will changes as soon as company overcome uncovered losses into undivided profit.

Through the table below we can see how abovementioned ratios will be changed in time.

*Table 3.3.*

**The Forecasted KPI Indicators of “Imperial Tobacco Production Ukraine” PJSC” in 2018-2020**

Ratio	2013	2014	2015	2016	2017	2018	2019	2020
Net Profit Margin	5.3%	-48.5%	-38.0%	-21.2%	-3.7%	1.6%	19.4%	24.4%
Return on Assets	2.5%	-26.0%	-19.9%	-9.0%	-1.6%	1.0%	15.1%	21.9%
Return on Equity	5.4%	-172.8%	204.0%	55.2%	11.2%	-6.8%	-106.9%	-162.2%

*Source: created by author on the basis of [15]*

Table 3.3. shown us, that with implementation of measures, suggested by us, Imperial Tobacco Production Ukraine will reach positive indicators’ value the next year. Net Profit Margin will increase up to 5.3% along with rise of ROA for near 2.6%. After one year period, in 2019 company’s indicators will rise significantly, for about 17.8% and 14%, accordingly.

With this, more detailed data, we can see that such indicators Imperial Tobacco Production Ukraine present improving of its competitiveness position in the market.

Therefore, we decided to compare abovementioned indicators of Imperial Tobacco Production Ukraine with its global parent company – Imperial Brands, and afterwards, examine in contrast with the industry in general, and main rivals there, in particular. Our assessment gave us following results, presented in the table 3.4.

*Table 3.4.*

**The comparison of ratios of main competitors in tobacco industry**

Company	Ratio			
	Year	Net Profit Margin, %	Return on Aseets, %	Return on Equity, %
Imperial Tobacco Production Ukraine	2017	-3.7	-1.6	11.2
	2018 (forecasted)	1.6	1.0	37.0
	2019 (forecasted)	19.4	15.1	-114.9
Imperial Brands	2017	3.6	3.4	20.1
Philip Morris	2017	27.4	21.0	- *
Japan Tobacco Inc.	2017	17.6	8.1	14.5

British American Tobacco	2017	120.1	31.5	73.9
<b>Industry</b>	<b>2017</b>	<b>12.5</b>	<b>25.6</b>	<b>37.9</b>

\* Company has been hiding this ratio since 2013

*Source: created by author on the basis of [52]*

Thanks to the data, received from the Reuters Finance database [52], we had a possibility to analyze it and conclude that as of 2017, Imperial Tobacco Production Ukraine has the lowest value of indicators, if to compare with its parent company, rivals and industry in general. With the Net Profit Margin below zero, it is meaningfully far from British American Tobacco, which has the highest amount of the ratio. The same situation we can notice with Return on Assets and Return on Equity ratios.

However, we can state, that, after implementation of measures, suggested by us, company during next few years could get closer to the average market indexes as of 2017: Imperial Tobacco Production Ukraine will finally face positive indicators of Net Margin Profit and ROA. In its turn, ROE will increase above zero in few periods of time, due to decreasing number of inventories which will lead to the rise of retained earnings (transformed from the uncovered losses). Basically, in the forecasted 2019 ROE has got negative indicators, because, after implementation of suggested by us measure, Net Profit After Tax (indicator which is needed to calculate, as a part of the ROE calculation) would rise up above zero, while the amount of equity, thanks to uncovered losses, would stay sustain negative.

And, taking into consideration the fact of more or less constant developing process of tobacco industry, we can state that starting from 2019, Imperial Tobacco Production Ukraine would receive results of its activity, which would resemble similar indicators' value of its main rivals. For example, in 2019, ITPU could reach net margin profit of 19.4%, which would be better than average in the industry for about 7% and, at the same time, higher than net margin profit of Japan Tobacco Inc. for about 2%.

However, these are only preliminary and planned results of Imperial Tobacco Production Ukraine activity, for more accurate analysis we should receive the data from all its main competitors and make relevant forecast to compare.

Moreover, referring to the fact that overall industry volume is expected to decrease a little over 1 % as the sale of illicit cigarettes continues to rise, regulation increases further and alternative, potentially reduced-risk products continue to develop [44], we can assume that calculated by us indicators for main tobacco market players would barely change.

Thus, regarding the calculated data of expected performance results' forecast of Imperial Tobacco Production Ukraine, we could state improving of the company's international competitiveness.

### **Conclusions to the Part 3**

After analyzing the results of Imperial Tobacco Production Ukraine performance and in order to improve company's international competitiveness, were suggested to implement following measures:

1. To speed up the decision making process through decentralization of company's management system;
2. To launch brand new product and, with this, spread company's sales market;
3. To stop manufacturing undemanded goods, which reflects as inventories in the Balance sheet, while, in fact, uselessly staying in the warehouses.

Management of the company has assessed our advices and decided to take a deeper look at them. Although, they have admitted high-level of conducted research and good possibilities in case of recommendation implementation.

With this, we decided to evaluate the impact of possible implemented measures, on the company's performance, and, consequently on its international competitiveness.

Because of conducted analysis, we understood that for Imperial Tobacco Production Ukraine it is possible to reach the level of its main rivals and, in some cases, even exceed them.

As a result, company made a determination on developing and, afterwards, launching of a new product, under the name “My Blue”. It would be an electronic cigarette, which is planned to be promoted into the market in the early 2019<sup>th</sup>.

Further, there have been already implemented changes into the process of new supplier confirming and accepting in procurement department. Changes were made through the decentralization mechanism, and, as for now, obtained results are being evaluating, due to understand the efficiency of such changes.

Finally, top management of the company is considering to explore new markets of Middle-East and/or Africa. For this moment, benchmark analysis, in the respect of which the final decision would be taken, is about to be prepared.

## CONCLUSIONS AND PROPOSALS

Thus, the study allows us to formulate the following conclusions and proposals:

Under the definition of international competitiveness of the company is meant the ability of a company to compete in international markets, including through the provision of products and services as or more effectively and efficiently than the relevant competitors.

Company's international competitiveness is the result of a complex interaction of factors. Despite the significant number of publications on improving the international competitiveness of the company, the factors affecting it are still not well considered enough. However, their general accepted list consists two main groups of elements – internal and external that are interdependent. International factors of competitiveness are conditioned by the situation outside the country, the state and world market conditions, requirements of international institutions.

Imperial Tobacco Production Ukraine main competitors on Global and Domestic level are Philip Morris International, Japan Tobacco International and British American Tobacco. Comparing to its rivals, company's position is rather poor, which can be proved by calculated indicators and conducted analysis.

After conducting an analysis of the financial statements of Imperial Tobacco Production Ukraine we can state that, company has started to face serious problems mostly, due to the deterioration of economic, political and social situation in the country, in 2013 year. However, during 2016-2017 situation is slightly getting better.

There are meaningful problems with managing company's inventories because of the significant number of unsold cigarettes, which are staying in the warehouses. Additionally company's management of accounts receivables should be changed, because it is taking near the month, to gather borrowers' debt, and this, in its turn, influence company's performance.

Moreover, there is a gap in company's uncovered losses. Reflection in the balance sheet of uncovered losses means that all existing sources of coverage have already been exhausted, which also means, that company has lack of reserve (insurance) funds. These abovementioned problems have to be solved in an argent basis.

Ukrainian tobacco market is facing difficult times now. Mostly because of the excise tax expand, consuming of cigarette sticks has fallen down. Simultaneously black tobacco market became wider, and millions of falsified cigarette sticks have been sold for a lower price. Overall, the prevalence of smoking in the last nine years (2008-2017) has decreased from 25.6% to 18.7%, in other words, by 6.9 percentage points, or by 27%. However, globally, cigarette consumption is growing, mostly in low and middle-income countries and decreasing in high-income countries.

An innovation potential of Imperial Tobacco Production Ukraine was identified and assessed. According to received data we can state, that this company has huge potential for innovative development, especially in decision-making process and R&D activity.

Ways to improve international competitiveness position of Imperial Tobacco Production Ukraine were identified. We advised following measures:

1. To speed up the decision making process;
2. To launch brand new product and, with this, spread company's sales market;
3. To stop manufacturing undemanded goods, which only stays in the warehouses.

We suggested to faster the decision making process through decentralization of company's management policy. With this, middle-managers will have a power to make decision without an approval of CEO.

We advised to launch a new product, which would be not an ordinary cigarette, but one of the Next Generation Products. We assumed, that, referring to the fact of vapour popularity growth, it would be better to choose vapour or electronic cigarette as a new product to be launched.



Realizing that company's inventories management is not organized correctly, to decrease the number of unsold cigarettes, we suggested to launch discount and/or a loyalty program. These altogether will attract attention of the old costumers, as well, as new ones.

Considering our analysis, we have created a forecast for company's main KPI. Results, with average percentage of possibility close to 70%, show that net profit margin, along with return on assets will have a positive direction of development.

We have proved that after implementation of measures, suggested by us, Imperial Tobacco Production Ukraine will reach positive indicators' value the next year. Net Profit Margin will increase up to 5.3% along with rise of ROA for near 2.6%. After one year period, in 2019 company's indicators will rise significantly, for about 17.8% and 14%, accordingly.

Additionally, taking into consideration the fact of more or less constant developing process of tobacco industry, we can state that starting from 2019, Imperial Tobacco Production Ukraine would receive results of its activity, which would resemble similar indicators' value of its main rivals

Consequently, we can emphasize that, according to the calculated indicators, and in case of accepting our suggestions, Imperial Tobacco Production Ukraine will definitely improve its competitiveness position in the market.

Our recommendations were presented to the Top Management Board and were truly taken into consideration by them.

With these, the company has already implemented changes into the internal process of new supplier confirming and accepting in procurement department. The approval of the CEO is not needed no more.

Company is planning to spread its products on the markets of Mongolia, Africa countries and neighbor countries of Middle East. With this, management of Imperial Tobacco Production Ukraine expect positive changes in sales (up to 10%).

Additionally, company made a determination on developing and, afterwards, launching of a new product, under the name “My Blue”. It would be an electronic cigarette, which is planned to be promoted into the market in the early 2019.

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## APPENDIXES

### APPENDIX A

#### Definitions of competitiveness according to various authors (presented in alphabetical order)

Author [year]	Definition
Adamkiewicz-Drwiłło [2002]	The competitiveness of a company means adapting its products to the market and competition requirements, particularly in terms of product range, quality, price as well as optimal sales channels and methods of promotion
Altomonte et al. [2012]	External or international competitiveness is the ability to exchange the goods and services that are abundant in home country for the goods and services that are scarce in this country
Ajitabh, Momaya [2004]	Competitiveness of a firm is its share in the competitive market
Barker, Kohler [1998]	Country's competitiveness is the degree to which it can, under free and fair market conditions, produce goods or services meeting the test of international markets, while simultaneously maintaining and expanding the real incomes of its population over the longer term
Bobba et al. [1971]	Competitiveness is the ability of nations, regions and companies to generate wealth being the precondition for high wages
Buckley et al. [1988]	A firm's competitiveness means its ability to produce and sell products and services of superior quality and lower costs than its domestic and international competitors. Competitiveness is a firm's long-run profit performance and its ability to compensate its employees and provide superior returns to its owners
Chao-Hung, Li-Chang [2010]	A firm's competitiveness is its economic strength against its rivals in the global marketplace where products, services, people and innovations move freely despite the geographical boundaries
European Commission [2001]	Competitiveness of a nation is the ability of an economy to provide its population with high and rising standards of living and high rates of employment on a sustainable basis
Flejterski [1984]	Competitiveness is the capacity of the sector, industry or branch to design and sell its goods at prices, quality and other features that are more attractive than the parallel characteristics of the goods offered by the competitors
Krugman [1990, 1994]	If competitiveness has any meaning, it is simply just another way to express productivity. The ability of a country to improve its living standard depends almost entirely on its ability to raise its productivity. Competitiveness is meaningless word when applied to national economies
Porter [1990]	The only meaningful concept of competitiveness at the national level is national productivity. Competitiveness is an ability of an economy to provide its residents with a rising standard of living and a high employment on a sustainable basis
Porter et al. [2008]	The most intuitive definition of competitiveness is a country's share of world markets for its products. This makes competitiveness a zero-sum game, because one country's gain comes at the expense of others
Scott, Lodge [1985]	National competitiveness is a country's ability to create, produce, distribute, and/or service products in international trade while earning rising returns on its resources
Tyson D'Andrea [1992]	Competitiveness is our ability to produce goods and services that meet the test of international competition while our citizens enjoy a standard of living that is both rising and sustainable
WEF [Schwab, Sala-i-Martin 2013]	Competitiveness is the set of institutions, policies, and factors that determine the level of productivity of a country

World Economic Forum – WEF [1996]	Competitiveness is the ability of a country to achieve sustained high rates of growth in GDP per capita
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**APPENDIX B****Concepts and theories related to competitiveness**

<b>Concept/Theory</b>	<b>Representative</b>	<b>Country</b>	<b>Main theses</b>
<b>Classical concepts and theories</b>			
Concept of invisible hand	Adam Smith	Scotland	Each party involved in international free trade can gain benefits by specializing in the production of goods in which it holds an absolute advantage. So, let every country export those goods it produces at the lowest costs and import those goods it produces at the highest costs
Comparative advantage concept	David Ricardo	England	A country can benefit from foreign trade even if it lacks any absolute advantage over its trade partners in the goods' production. It only needs to have relative advantage in any good in order to sell it abroad
Heckscher-Ohlin trade theory (natural resource abundance theory)	Eli Heckscher Bertil Ohlin	Sweden	A country will specialize in producing and exporting those commodities which require relatively intensive use of locally abundant factors of production. Relatively capital-abundant country will export capital-intensive commodities while relatively labour-abundant country will export labour-intensive commodities
<b>Neoclassical, Austrian and institutional concepts and theories of competitiveness</b>			
Theory of effective competition	John M. Clark	USA	Competitive advantage is driven by innovations introduced by the company. Innovations motivate firms to compete aggressively in order to obtain competitive advantage, which in turn leads to technological progress and economic growth at the macro-level
Theory of marketing (behavior)	Wroe Alderson	USA	There are six potential sources of a firm's competitive advantage: market segmentation, a way of communication (i.e. promotion and advertising) and reaching out to the customers (choice of distribution channel), product development, process improvement, and product innovations
Austrian school theory	Ludwig von Mises	Austria	Market competition is an automatic dynamic process and not a specific market structure. The tendency towards market equilibrium is the result of entrepreneurial activity. An enterprise wins or loses in competition depending on the strength of its capabilities and the degree its offers match the market needs
Evolutionary economics	Joseph A. Schumpeter	Austria	Crucial to long-term survival of firms in the marketplace is their constant adjustment to changing environment, mainly due to searching out new innovative recombination of the garnered resources

Theory of entrepreneurship and innovations	Joseph A. Schumpeter	Austria	The company's ability to innovate is a key for achieving competitive advantage over its rivals. The ability to create new solutions and the predisposition to take risks associated with testing them in the market underline the competition process and entrepreneurship. Differences both in the level of innovative capacity and entrepreneurship result in differences in the competitive position of any economic agent
Institutional economics streams	Friedrich List Max Weber James Buchanan	Germany USA	In addition to economic factors, one's competitiveness is affected by social institutions such as public authorities, trade unions, financial institutions, socio-political organizations, ownership and organizational structures and mental habits, rules and codes of conduct
<b>Contemporary concepts and theories of competitiveness</b>			
Krugman's concept of competitiveness	Paul R. Krug-	USA	Productivity growth is the main driver of competitiveness. International competitiveness of countries is associated with their high standard of living
Porter's theory of competitiveness	Michael E. Porter	USA	Competitiveness depends on long run productivity, which increase requires a business environment that supports continual innovation in products, processes and management. The four underlining conditions driving the global competitiveness of country's companies include: factor endowments, demand conditions, related and supporting industries (clusters), and the firm's strategy, structure and rivalry

## APPENDIX C

## Financial Statements of Imperial Tobacco Production Ukraine

**Баланс**  
**(Звіт про фінансовий стан)**  
 На 31.12.2014 р.  
 Форма №1

Актив	Код рядка	На початок звітного періоду	На кінець звітного періоду
1	2	3	4
<b>I. Необоротні активи</b>			
Нематеріальні активи	1000	5 651	4 561
первісна вартість	1001	6 879	7 030
накопичена амортизація	1002	( 1 228 )	( 2 469 )
Незавершені капітальні інвестиції	1005	174 967	245 954
Основні засоби	1010	579 306	533 759
первісна вартість	1011	971 881	982 061
знос	1012	( 392 575 )	( 448 302 )
Інвестиційна нерухомість	1015	0	0
первісна вартість	1016	0	0
знос	1017	( 0 )	( 0 )
Довгострокові біологічні активи	1020	0	0
первісна вартість	1021	0	0
накопичена амортизація	1022	( 0 )	( 0 )
Довгострокові фінансові інвестиції:			
які обліковуються за методом участі в капіталі інших підприємств	1030	0	0
інші фінансові інвестиції	1035	7	0
Довгострокова дебіторська заборгованість	1040	167	224
Відстрочені податкові активи	1045	0	0
Гудвіл	1050	0	0
Відстрочені аквізиційні витрати	1060	0	0
Залишок коштів у централізованих страхових резервних фондах	1065	0	0
Інші необоротні активи	1090	0	0
Усього за розділом I	1095	760 098	784 498
<b>II. Оборотні активи</b>			
Запаси	1100	681 682	597 389
Виробничі запаси	1101	669 762	576 010
Незавершене виробництво	1102	7 149	8 767
Готова продукція	1103	4 771	12 612
Товари	1104	0	0
Поточні біологічні активи	1110	0	0
Депозити перестрашування	1115	0	0

## Continuation of the Appendix C

Векселі одержані	1120		
Дебіторська заборгованість за продукцію, товари, роботи, послуги	1125	16 045	39 262
Дебіторська заборгованість за розрахунками:			
за виданими авансами	1130	12 100	15 526
з бюджетом	1135	103 652	102 334
у тому числі з податку на прибуток	1136	13 192	18 130
з нарахованих доходів	1140	0	0
із внутрішніх розрахунків	1145	564 355	869 865
Інша поточна дебіторська заборгованість	1155	150	997
Поточні фінансові інвестиції	1160	0	0
Гроші та їх еквіваленти	1165	5 504	29 097
Готівка	1166	0	0
Рахунки в банках	1167	5 504	29 097
Витрати майбутніх періодів	1170	1 790	2 687
Частка перестраховика у страхових резервах	1180	0	0
у тому числі в:			
резервах довгострокових зобов'язань	1181	0	0
резервах збитків або резервах належних виплат	1182	0	0
резервах незароблених премій	1183	0	0
інших страхових резервах	1184	0	0
Інші оборотні активи	1190	208	442
Усього за розділом II	1195	1 385 486	1 657 599
III. Необоротні активи, утримувані для продажу, та групи вибуття	1200	0	0
Баланс	1300	2 145 584	2 442 097

Пасив	Код рядка	На початок звітного періоду	На кінець звітного періоду
1	2	3	4
I. Власний капітал			
Зареєстрований (пайовий) капітал	1400	72 405	72 405
Внески до незареєстрованого статутного капіталу	1401	0	0
Капітал у дооцінках	1405	0	0
Додатковий капітал	1410	48 342	48 342
Емісійний дохід	1411	0	0
Накопичені курсові різниці	1412	0	0
Резервний капітал	1415	18 101	18 101
Нерозподілений прибуток (непокритий збиток)	1420	862 255	228 071
Неоплачений капітал	1425	(0)	(0)
Вилучений капітал	1430	(0)	(0)
Інші резерви	1435	0	0
Усього за розділом I	1495	1 001 103	366 919
II. Довгострокові зобов'язання і забезпечення			
Відстрочені податкові зобов'язання	1500	17 192	30 816
Пенсійні зобов'язання	1505	28 690	27 190
Довгострокові кредити банків	1510	0	0
Інші довгострокові зобов'язання	1515	880	1 158
Довгострокові забезпечення	1520	2 630	2 155

Довгострокові забезпечення витрат персоналу	1630	0	0
Цільове фінансування	1525	0	0
Благодійна допомога	1526	0	0
Страхові резерви	1530	0	0
у тому числі:			
резерв довгострокових зобов'язань	1531	0	0
резерв збитків або резерв належних виплат	1532	0	0
резерв незароблених премій	1533	0	0
інші страхові резерви	1534	0	0
Інвестиційні контракти	1535	0	0
Призовий фонд	1540	0	0
Резерв на виплату джек-поту	1545	0	0
Усього за розділом II	1595	49 392	61 319
III. Поточні зобов'язання і забезпечення			
Короткострокові кредити банків	1600	0	0
Векселі видані	1605	0	0
Поточна кредиторська заборгованість за:			
довгостроковими зобов'язаннями	1610	0	0
товари, роботи, послуги	1615	32 215	69 363
розрахунками з бюджетом	1620	106 498	120 498
у тому числі з податку на прибуток	1621	0	0
розрахунками зі страхування	1625	1 255	481
розрахунками з оплати праці	1630	1 371	1 880
одержаними авансами	1635	0	0
розрахунками з учасниками	1640	0	0
із внутрішніх розрахунків	1645	942 498	1 804 406
страховою діяльністю	1650	0	0
Поточні забезпечення	1660	10 412	15 908
Доходи майбутніх періодів	1665	0	0
Відстрочені комісійні доходи від перестраховиків	1670	0	0
Інші поточні зобов'язання	1690	840	1 323
Усього за розділом III	1695	1 095 089	2 013 859
IV. Зобов'язання, пов'язані з необоротними активами, утримуваними для продажу, та групами вибуття	1700	0	0
Чиста вартість активів недержавного пенсійного фонду	1800	0	0
Баланс	1900	2 145 584	2 442 097

Примітки: \*Всі запаси сировини відносяться до складу оборотних активів, хоча досвід показує, що деяка частина може зберігатись понад рік

\*\*Оскільки Компанія не може достовірно визначити, коли зможе згенерувати достатню суму податкового прибутку, скоріше за все вона не зможе використати переплату з податку на прибуток протягом наступного року



## Continuation of the Appendix C

**Звіт про фінансові результати**  
**(Звіт про сукупний дохід)**  
за 2014 рік  
Форма №2

## I. Фінансові результати

Стаття	Код рядка	За звітний період	За аналогічний період попереднього року
1	2	3	4
Чистий дохід від реалізації продукції (товарів, робіт, послуг)	2000	1 308 195	1 028 851
Чисті зароблені страхові премії	2010	0	0
Премії підписані, валова сума	2011	0	0
Премії, передані у перестраховування	2012	( 0 )	( 0 )
Зміна резерву незароблених премій, валова сума	2013	0	0
Зміна частки перестраховиків у резерві незароблених премій	2014	0	0
Собівартість реалізованої продукції (товарів, робіт, послуг)	2050	( 1 030 421 )	( 835 625 )
Чисті понесені збитки за страховими виплатами	2070	( 0 )	( 0 )
<b>Валовий:</b>			
прибуток	2090	277 774	193 226
збиток	2095	( 0 )	( 0 )
Дохід (витрати) від зміни у резервах довгострокових зобов'язань	2105	0	0
Дохід (витрати) від зміни інших страхових резервів	2110	0	0
Зміна інших страхових резервів, валова сума	2111	0	0
Зміна частки перестраховиків в інших страхових резервах	2112	0	0
Інші операційні доходи	2120	50 728	16 949
Дохід від зміни вартості активів, які оцінюються за справедливою вартістю	2121	0	0
Дохід від первісного визнання біологічних активів і сільськогосподарської продукції	2122	0	0
Дохід від використання коштів, вивільнених від оподаткування	2123	0	0
Адміністративні витрати	2130	( 65 927 )	( 44 516 )
Витрати на збут	2150	( 23 330 )	( 15 700 )
Інші операційні витрати	2180	( 276 191 )	( 30 607 )
Витрати від зміни вартості активів, які оцінюються за справедливою вартістю	2181	0	0
Витрати від первісного визнання біологічних активів і сільськогосподарської продукції	2182	0	0
<b>Фінансовий результат від операційної діяльності:</b>			
прибуток	2190	0	119 352
збиток	2195	( 36 946 )	( 0 )
Дохід від участі в капіталі	2200	0	0
Інші фінансові доходи	2220	0	0

Continuation of the Appendix C			
Інші доходи	2240	0	0
Дохід від благодійної допомоги	2241	0	0
Фінансові витрати	2250	( 5 542 )	( 3 738 )
Втрати від участі в капіталі	2255	( 0 )	( 0 )
Інші витрати	2270	( 695 115 )	( 37 610 )
Прибуток (збиток) від впливу інфляції на монетарні статті	2275	0	0
<b>Фінансовий результат до оподаткування:</b>			
прибуток	2290	0	79 472
збиток	2295	( 620 560 )	( 0 )
Витрати (дохід) з податку на прибуток	2300	-13 624	-25 363
Прибуток (збиток) від припиненої діяльності після оподаткування	2305	0	0
<b>Чистий фінансовий результат:</b>			
прибуток	2350	0	54 109
збиток	2355	( 634 184 )	( 0 )

## II. Сукупний дохід

Стаття	Код рядка	За звітний період	За аналогічний період попереднього року
1	2	3	4
Дооцінка (уцінка) необоротних активів	2400	0	0
Дооцінка (уцінка) фінансових інструментів	2405	0	0
Накопичені курсові різниці	2410	0	0
Частка іншого сукупного доходу асоційованих та спільних підприємств	2415	0	0
Інший сукупний дохід	2445	0	0
Інший сукупний дохід до оподаткування	2450	0	0
Податок на прибуток, пов'язаний з іншим сукупним доходом	2455	( 0 )	( 0 )
Інший сукупний дохід після оподаткування	2460	0	0
Сукупний дохід (сума рядків 2350, 2355 та 2460)	2465	-634 184	54 109

## III. Елементи операційних витрат

Назва статті	Код рядка	За звітний період	За аналогічний період попереднього року
1	2	3	4
Матеріальні затрати	2500	872 051	679 694
Витрати на оплату праці	2505	79 195	61 397
Відрахування на соціальні заходи	2510	24 984	31 218
Амортизація	2515	58 781	55 604
Інші операційні витрати	2520	363 168	91 766
Разом	2550	1 398 179	919 679

## IV. Розрахунок показників прибутковості акцій

Назва статті	Код рядка	За звітний період	За аналогічний період попереднього року
1	2	3	4
Середньорічна кількість простих акцій	2600	0	0

Примітки: \*Частина IV. Розрахунок показників прибутковості акцій не заповнюється тому, що акції Компанії не продаються та не купуються відкрито на фондових біржах.

Скоригована середньорічна кількість простих акцій	2605	0	0
Чистий прибуток (збиток) на одну просту акцію	2610	0,000000	0,000000
Скоригований чистий прибуток (збиток) на одну просту акцію	2615	0,000000	0,000000
Дивіденди на одну просту акцію	2650	0,00	0,00

### Звіт про рух грошових коштів (за прямим методом)

За 2014 рік

Форма №3

Стаття	Код рядка	За звітний період	За аналогічний період попереднього року
1	2	3	4
<b>I. Рух коштів у результаті операційної діяльності</b>			
Надходження від:			
Реалізації продукції (товарів, робіт, послуг)	3000	4 664 260	4 253 236
Повернення податків і зборів	3005	0	0
у тому числі податку на додану вартість	3006	0	0
Цільового фінансування	3010	0	0
Надходження від отримання субсидій, дотацій	3011	0	0
Надходження авансів від покупців і замовників	3015	0	0
Надходження від повернення авансів	3020	0	0
Надходження від відсотків за залишками коштів на поточних рахунках	3025	357	415
Надходження від боржників неустойки (штрафів, пені)	3035	0	0
Надходження від операційної оренди	3040	2 644	2 813
Надходження від отримання роялті, авторських винагород	3045	0	0
Надходження від страхових премій	3050	0	0
Надходження фінансових установ від повернення позик	3055	0	0
Інші надходження	3095	13 813	12 478
Витрачання на оплату:			
Товарів (робіт, послуг)	3100	( 953 334 )	( 882 850 )
Праці	3105	( 61 198 )	( 55 994 )
Відрахувань на соціальні заходи	3110	( 30 930 )	( 25 030 )
Зобов'язань з податків і зборів	3115	( 3 513 300 )	( 3 533 789 )
Витрачання на оплату зобов'язань з податку на прибуток	3116	( 4 938 )	( 33 483 )
Витрачання на оплату зобов'язань з податку на додану вартість	3117	( 623 075 )	( 512 352 )
Витрачання на оплату зобов'язань з інших податків і зборів	3118	( 2 885 287 )	( 2 987 954 )
Витрачання на оплату авансів	3135	( 15 526 )	( 12 100 )
Витрачання на оплату повернення авансів	3140	( 0 )	( 0 )
Витрачання на оплату цільових внесків	3145	( 992 )	( 1 404 )
Витрачання на оплату зобов'язань за страховими контрактами	3150	( 0 )	( 0 )
Витрачання фінансових установ на надання позик	3155	( 0 )	( 0 )
Інші витрачання	3190	( 5 885 )	( 3 649 )
<b>Чистий рух коштів від операційної діяльності</b>	<b>3195</b>	<b>99 909</b>	<b>-245 874</b>

<b>II. Рух коштів у результаті інвестиційної діяльності</b>			
Надходження від реалізації:			
фінансових інвестицій	3200	0	0
необоротних активів	3205	61 956	8 859
Надходження від отриманих:			
відсотків	3215	0	1
дивідендів	3220	0	0
Надходження від деривативів	3225	0	0
Надходження від погашення позик	3230	0	0
Надходження від вибуття дочірнього підприємства та іншої господарської одиниці	3235	0	0
Інші надходження	3250	351	339
Витрачання на придбання:			
фінансових інвестицій	3255	( 0 )	( 0 )
необоротних активів	3260	( 96 482 )	( 210 297 )
Виплати за деривативами	3270	( 0 )	( 0 )
Витрачання на надання позик	3275	( 511 )	( 445 )
Витрачання на придбання дочірнього підприємства та іншої господарської одиниці	3280	( 0 )	( 0 )
Інші платежі	3290	( 0 )	( 0 )
<b>Чистий рух коштів від інвестиційної діяльності</b>	3295	-34 686	-201 543
<b>III. Рух коштів у результаті фінансової діяльності</b>			
Надходження від:			
Власного капіталу	3300	0	0
Отримання позик	3305	79 011	583 524
Надходження від продажу частки в дочірньому підприємстві	3310	0	0
Інші надходження	3340	0	0
Витрачання на:			
Викуп власних акцій	3345	( 0 )	( 0 )
Погашення позик	3350	( 121 784 )	( 159 895 )
Сплату дивідендів	3355	( 0 )	( 0 )
Витрачання на сплату відсотків	3360	( 5 694 )	( 3 523 )
Витрачання на сплату заборгованості з фінансової оренди	3365	( 263 )	( 579 )
Витрачання на придбання частки в дочірньому підприємстві	3370	( 0 )	( 0 )
Витрачання на виплати неконтрольованим часткам у дочірніх підприємствах	3375	( 0 )	( 0 )
Інші платежі	3390	( 0 )	( 0 )
<b>Чистий рух коштів від фінансової діяльності</b>	3395	-48 730	419 527
<b>Чистий рух коштів за звітний період</b>	3400	16 493	-27 890
Залишок коштів на початок року	3405	5 504	33 603
Вплив зміни валютних курсів на залишок коштів	3410	7 100	-209
Залишок коштів на кінець року	3415	29 097	5 504



<b>Розподіл прибутку:</b>	4200	0	0	0	0	0
Виплати власникам						
Спрямування прибутку до зареєстрованого капіталу	4205	0	0	0	0	0
Відрахування до резервного капіталу	4210	0	0	0	0	0
Сума чистого прибутку, належна до бюджету відповідно до законодавства	4215	0	0	0	0	0
Сума чистого прибутку на створення спеціальних (цільових) фондів	4220	0	0	0	0	0
Сума чистого прибутку на матеріальне заохочення	4225	0	0	0	0	0
<b>Внески учасників:</b> Внески до капіталу	4240	0	0	0	0	0
Погашення заборгованості з капіталу	4245	0	0	0	0	0
<b>Вилучення капіталу:</b> Викуп акцій	4260	0	0	0	0	0
Перепродаж викуплених акцій	4265	0	0	0	0	0
Анулювання викуплених акцій	4270	0	0	0	0	0
Вилучення частки в капіталі	4275	0	0	0	0	0
Зменшення номінальної вартості акцій	4280	0	0	0	0	0
Інші зміни в капіталі	4290	0	0	0	0	0

Придбання (продаж) неконтрольованої частки в дочірньому підприємстві	4291	0	0	0	0	0
<b>Разом змін у капіталі</b>	4295	0	0	0	0	-634 184
<b>Залишок на кінець року</b>	4300	72 405	0	48 342	18 101	228 071

**Баланс**  
**(Звіт про фінансовий стан)**  
на 31.12.2015 р.  
Форма №1

Актив	Код рядка	На початок звітного періоду	На кінець звітного періоду
1	2	3	4
<b>I. Необоротні активи</b>			
Нематеріальні активи	1000	4 561	32 191
первісна вартість	1001	7 030	38 296
накопичена амортизація	1002	( 2 469 )	( 6 105 )
Незавершені капітальні інвестиції	1005	245 954	217 354
Основні засоби	1010	533 759	710 710
первісна вартість	1011	982 061	1 222 396
знос	1012	( 448 302 )	( 511 686 )
Інвестиційна нерухомість	1015	0	0
первісна вартість	1016	0	0
знос	1017	( 0 )	( 0 )
Довгострокові біологічні активи	1020	0	0
первісна вартість	1021	0	0
накопичена амортизація	1022	( 0 )	( 0 )
Довгострокові фінансові інвестиції:			
які обліковуються за методом участі в капіталі інших підприємств	1030	0	0
інші фінансові інвестиції	1035	0	0
Довгострокова дебіторська заборгованість	1040	224	220
Відстрочені податкові активи	1045	0	0
Гудвіл	1050	0	0
Відстрочені аквізиційні витрати	1060	0	0
Залишок коштів у централізованих страхових резервних фондах	1065	0	0
Інші необоротні активи	1090	0	0
Усього за розділом I	1095	784 498	960 475
<b>II. Оборотні активи</b>			
Запаси	1100	597 389	1 051 780
Виробничі запаси	1101	576 010	1 036 042
Незавершене виробництво	1102	8 767	7 915
Готова продукція	1103	12 612	7 823
Товари	1104	0	0



## Continuation of the Appendix C

Поточні біологічні активи	1110	0	0
Депозити перестраховання	1115	0	0
Векселі одержані	1120	0	0
Дебіторська заборгованість за продукцію, товари, роботи, послуги	1125	39 262	15 030
Дебіторська заборгованість за розрахунками:			
за виданими авансами	1130	15 526	10 555
з бюджетом	1135	102 334	94
у тому числі з податку на прибуток	1136	18 130	93
з нарахованих доходів	1140	0	0
із внутрішніх розрахунків	1145	869 865	1 551 324
Інша поточна дебіторська заборгованість	1155	997	662
Поточні фінансові інвестиції	1160	0	0
Гроші та їх еквіваленти	1165	29 097	20 090
Готівка	1166	0	0
Рахунки в банках	1167	29 097	20 090
Витрати майбутніх періодів	1170	2 687	3 167
Частка перестраховика у страхових резервах	1180	0	0
у тому числі в:			
резервах довгострокових зобов'язань	1181	0	0
резервах збитків або резервах належних виплат	1182	0	0
резервах незароблених премій	1183	0	0
інших страхових резервах	1184	0	0
Інші оборотні активи	1190	442	0
Усього за розділом II	1195	1 657 599	2 652 702
III. Необоротні активи, утримувані для продажу, та групи вибуття	1200	0	0
Баланс	1300	2 442 097	3 613 177

Пасив	Код рядка	На початок звітного періоду	На кінець звітного періоду
1	2	3	4
I. Власний капітал			
Зареєстрований (пайовий) капітал	1400	72 405	72 405
Внески до незареєстрованого статутного капіталу	1401	0	0
Капітал у дооцінках	1405	0	0
Додатковий капітал	1410	48 342	48 342
Емісійний дохід	1411	0	0
Накопичені курсові різниці	1412	0	0
Резервний капітал	1415	18 101	18 101

## Continuation of the Appendix C

Нерозподілений прибуток (непокритий збиток)	1420	228 071	-491 739
Неоплачений капітал	1425	( 0 )	( 0 )
Вилучений капітал	1430	( 0 )	( 0 )
Інші резерви	1435	0	0
Усього за розділом I	1495	366 919	-352 891
<b>II. Довгострокові зобов'язання і забезпечення</b>			
Відстрочені податкові зобов'язання	1500	30 816	35 504
Пенсійні зобов'язання	1505	27 190	27 987
Довгострокові кредити банків	1510	0	0
Інші довгострокові зобов'язання	1515	1 158	2 329 131
Довгострокові забезпечення	1520	2 155	3 368
Довгострокові забезпечення витрат персоналу	1521	2 155	3 368
Цільове фінансування	1525	0	0
Благодійна допомога	1526	0	0
Страхові резерви	1530	0	0
у тому числі:			
резерв довгострокових зобов'язань	1531	0	0
резерв збитків або резерв належних виплат	1532	0	0
резерв незароблених премій	1533	0	0
інші страхові резерви	1534	0	0
Інвестиційні контракти	1535	0	0
Призовий фонд	1540	0	0
Резерв на виплату джек-поту	1545	0	0
Усього за розділом II	1595	61 319	2 395 990
<b>III. Поточні зобов'язання і забезпечення</b>			
Короткострокові кредити банків	1600	0	0
Векселі видані	1605	0	0
Поточна кредиторська заборгованість за:			
довгостроковими зобов'язаннями	1610	0	0
товари, роботи, послуги	1615	69 363	279 161
розрахунками з бюджетом	1620	120 498	321 440
у тому числі з податку на прибуток	1621	0	0
розрахунками зі страхування	1625	481	392
розрахунками з оплати праці	1630	1 880	1 540
одержаними авансами	1635	0	0
розрахунками з учасниками	1640	0	0
із внутрішніх розрахунків	1645	1 804 406	948 001
страховою діяльністю	1650	0	0
Поточні забезпечення	1660	15 908	18 184
Доходи майбутніх періодів	1665	0	0

Відстрочені комісійні доходи від перестраховиків	1670	0	0
Інші поточні зобов'язання	1690	1 323	1 360
Усього за розділом III	1695	2 013 859	1 570 078
IV. Зобов'язання, пов'язані з необоротними активами, утримуваними для продажу, та групами вибуття	1700	0	0
Чиста вартість активів недержавного пенсійного фонду	1800	0	0
Баланс	1900	2 442 097	3 613 177

Примітки: Всі запаси сировини відносяться до складу оборотних активів, хоча фактично деяка частина може зберігатись понад рік.

**Звіт про фінансові результати**  
**(Звіт про сукупний дохід)**  
за 2015 рік  
Форма №2

I. Фінансові результати

Стаття	Код рядка	За звітний період	За аналогічний період попереднього року
1	2	3	4
Чистий дохід від реалізації продукції (товарів, робіт, послуг)	2000	1 896 018	1 308 195
Чисті зароблені страхові премії	2010	0	0
Премії підписані, валова сума	2011	0	0
Премії, передані у перестраховання	2012	( 0 )	( 0 )
Зміна резерву незароблених премій, валова сума	2013	0	0
Зміна частки перестраховиків у резерві незароблених премій	2014	0	0
Собівартість реалізованої продукції (товарів, робіт, послуг)	2050	( 1 549 592 )	( 1 030 421 )
Чисті понесені збитки за страховими виплатами	2070	( 0 )	( 0 )
<b>Валовий:</b> прибуток	2090	346 426	277 774
збиток	2095	( 0 )	( 0 )
Дохід (витрати) від зміни у резервах довгострокових зобов'язань	2105	0	0
Дохід (витрати) від зміни інших страхових резервів	2110	0	0
Зміна інших страхових резервів, валова сума	2111	0	0
Зміна частки перестраховиків в інших страхових резервах	2112	0	0
Інші операційні доходи	2120	102 113	50 728
Дохід від зміни вартості активів, які оцінюються за справедливою вартістю	2121	0	0

Дохід від первісного визнання біологічних активів і сільськогосподарської продукції	2122	0	0
Дохід від використання коштів, вивільнених від оподаткування	2123	0	0
Адміністративні витрати	2130	( 64 075 )	( 65 927 )
Витрати на збут	2150	( 28 482 )	( 23 330 )
Інші операційні витрати	2180	( 389 390 )	( 276 191 )
Витрати від зміни вартості активів, які оцінюються за справедливою вартістю	2181	0	0
Витрати від первісного визнання біологічних активів і сільськогосподарської продукції	2182	0	0
<b>Фінансовий результат від операційної діяльності:</b>			
прибуток	2190	0	0
збиток	2195	( 33 408 )	( 36 946 )
Дохід від участі в капіталі	2200	0	0
Інші фінансові доходи	2220	0	0
Інші доходи	2240	597 065	117 043
Дохід від благодійної допомоги	2241	0	0
Фінансові витрати	2250	( 9 919 )	( 5 542 )
Втрати від участі в капіталі	2255	( 0 )	( 0 )
Інші витрати	2270	( 1 268 860 )	( 695 115 )
Прибуток (збиток) від впливу інфляції на монетарні статті	2275	0	0
<b>Фінансовий результат до оподаткування:</b>			
прибуток	2290	0	0
збиток	2295	( 715 122 )	( 620 560 )
Витрати (дохід) з податку на прибуток	2300	-4 688	-13 624
Прибуток (збиток) від припиненої діяльності після оподаткування	2305	0	0
<b>Чистий фінансовий результат:</b>			
прибуток	2350	0	0
збиток	2355	( 719 810 )	( 634 184 )

## II. Сукупний дохід

Стаття	Код рядка	За звітний період	За аналогічний період попереднього року
1	2	3	4
Дооцінка (уцінка) необоротних активів	2400	0	0
Дооцінка (уцінка) фінансових інструментів	2405	0	0
Накопичені курсові різниці	2410	0	0
Частка іншого сукупного доходу асоційованих та спільних підприємств	2415	0	0

Інший сукупний дохід	2445	0	0
Інший сукупний дохід до оподаткування	2450	0	0
Податок на прибуток, пов'язаний з іншим сукупним доходом	2455	(0)	(0)
Інший сукупний дохід після оподаткування	2460	0	0
Сукупний дохід (сума рядків 2350, 2355 та 2460)	2465	-719 810	-634 184

## III. Елементи операційних витрат

Стаття	Код рядка	За звітний період	За аналогічний період попереднього року
1	2	3	4
Матеріальні затрати	2500	1 355 769	872 051
Витрати на оплату праці	2505	88 150	79 195
Відрахування на соціальні заходи	2510	28 941	24 984
Амортизація	2515	68 733	58 781
Інші операційні витрати	2520	477 429	363 168
Разом	2550	2 019 022	1 398 179

## IV. Розрахунок показників прибутковості акцій

Стаття	Код рядка	За звітний період	За аналогічний період попереднього року
1	2	3	4
Середньорічна кількість простих акцій	2600	0	0
Скоригована середньорічна кількість простих акцій	2605	0	0
Чистий прибуток (збиток) на одну просту акцію	2610	0,000000	0,000000
Скоригований чистий прибуток (збиток) на одну просту акцію	2615	0,000000	0,000000
Дивіденди на одну просту акцію	2650	0,00	0,00

Примітки: IV. Розрахунок показників прибутковості акцій не заповнюється тому, що акції Компанії не продаються та не купуються відкрито на фондових біржах.

## Continuation of the Appendix C

## Звіт про рух грошових коштів (за прямим методом)

За 2015 рік

Форма №3

Стаття	Код рядка	За звітний період	За аналогічний період попереднього року
1	2	3	4
<b>I. Рух коштів у результаті операційної діяльності</b>			
Надходження від:			
Реалізації продукції (товарів, робіт, послуг)	3000	7 344 898	4 664 260
Повернення податків і зборів	3005	0	0
у тому числі податку на додану вартість	3006	0	0
Цільового фінансування	3010	0	0
Надходження від отримання субсидій, дотацій	3011	0	0
Надходження авансів від покупців і замовників	3015	0	0
Надходження від повернення авансів	3020	0	0
Надходження від відсотків за залишками коштів на поточних рахунках	3025	92	357
Надходження від боржників неустойки (штрафів, пені)	3035	0	0
Надходження від операційної оренди	3040	8 091	2 644
Надходження від отримання роялті, авторських винагород	3045	0	0
Надходження від страхових премій	3050	0	0
Надходження фінансових установ від повернення позик	3055	0	0
Інші надходження	3095	9 615	13 813
Витрачання на оплату:			
Товарів (робіт, послуг)	3100	( 1 970 692 )	( 953 334 )
Праці	3105	( 67 999 )	( 61 198 )
Відрахувань на соціальні заходи	3110	( 28 714 )	( 30 930 )
Зобов'язань з податків і зборів	3115	( 5 459 834 )	( 3 513 300 )
Витрачання на оплату зобов'язань з податку на прибуток	3116	( 0 )	( 4 938 )
Витрачання на оплату зобов'язань з податку на додану вартість	3117	( 846 669 )	( 623 075 )
Витрачання на оплату зобов'язань з інших податків і зборів	3118	( 4 613 165 )	( 2 885 287 )
Витрачання на оплату авансів	3135	( 10 555 )	( 15 526 )
Витрачання на оплату повернення авансів	3140	( 0 )	( 0 )
Витрачання на оплату цільових внесків	3145	( 1 195 )	( 992 )
Витрачання на оплату зобов'язань за страховими контрактами	3150	( 0 )	( 0 )

## Continuation of the Appendix C

Витрачання фінансових установ на надання позик	3155	( 0 )	( 0 )
Інші витрачання	3190	( 6 127 )	( 5 885 )
<b>Чистий рух коштів від операційної діяльності</b>	3195	-182 420	99 909
<b>II. Рух коштів у результаті інвестиційної діяльності</b>			
Надходження від реалізації:			
фінансових інвестицій	3200	0	0
необоротних активів	3205	3 204	61 956
Надходження від отриманих:			
відсотків	3215	0	0
дивідендів	3220	0	0
Надходження від деривативів	3225	0	0
Надходження від погашення позик	3230	559	351
Надходження від вибуття дочірнього підприємства та іншої господарської одиниці	3235	0	0
Інші надходження	3250	0	0
Витрачання на придбання:			
фінансових інвестицій	3255	( 0 )	( 0 )
необоротних активів	3260	( 191 020 )	( 96 482 )
Виплати за деривативами	3270	( 0 )	( 0 )
Витрачання на надання позик	3275	( 684 )	( 511 )
Витрачання на придбання дочірнього підприємства та іншої господарської одиниці	3280	( 0 )	( 0 )
Інші платежі	3290	( 0 )	( 0 )
<b>Чистий рух коштів від інвестиційної діяльності</b>	3295	-187 941	-34 686
<b>III. Рух коштів у результаті фінансової діяльності</b>			
Надходження від:			
Власного капіталу	3300	0	0
Отримання позик	3305	357 077	79 011
Надходження від продажу частки в дочірньому підприємстві	3310	0	0
Інші надходження	3340	0	0
Витрачання на:			
Викуп власних акцій	3345	( 0 )	( 0 )
Погашення позик	3350	( 0 )	( 121 784 )
Сплату дивідендів	3355	( 0 )	( 0 )
Витрачання на сплату відсотків	3360	( 9 622 )	( 5 694 )
Витрачання на сплату заборгованості з фінансової оренди	3365	( 365 )	( 263 )
Витрачання на придбання частки в дочірньому підприємстві	3370	( 0 )	( 0 )
Витрачання на виплати неконтрольованим часткам у дочірніх підприємствах	3375	( 0 )	( 0 )

*Continuation of the Appendix C*

Інші платежі	3390	( 0 )	( 0 )
<b>Чистий рух коштів від фінансової діяльності</b>	3395	347 090	-48 730
<b>Чистий рух коштів за звітний період</b>	3400	-23 271	16 493
Залишок коштів на початок року	3405	29 097	5 504
Вплив зміни валютних курсів на залишок коштів	3410	14 264	7 100
Залишок коштів на кінець року	3415	20 090	29 097





Частка іншого сукупного доходу асоційованих і спільних підприємств	4114	0	0	0	0	0
Інший сукупний дохід	4116	0	0	0	0	0
<b>Розподіл прибутку:</b> Виплати власникам	4200	0	0	0	0	0
Спрямування прибутку до зареєстрованого капіталу	4205	0	0	0	0	0
Відрахування до резервного капіталу	4210	0	0	0	0	0
Сума чистого прибутку, належна до бюджету відповідно до законодавства	4215	0	0	0	0	0
Сума чистого прибутку на створення спеціальних (цільових) фондів	4220	0	0	0	0	0
Сума чистого прибутку на матеріальне заохочення	4225	0	0	0	0	0
<b>Внески учасників:</b> Внески до капіталу	4240	0	0	0	0	0
Погашення заборгованості з капіталу	4245	0	0	0	0	0
<b>Вилучення капіталу:</b> Викуп акцій	4260	0	0	0	0	0
Перепродаж викуплених акцій	4265	0	0	0	0	0
Анулювання викуплених акцій	4270	0	0	0	0	0
Вилучення частки в капіталі	4275	0	0	0	0	0

Зменшення номінальної вартості акцій	4280	0	0	0	0	0
Інші зміни в капіталі	4290	0	0	0	0	0
Придбання (продаж) неконтрольованої частки в дочірньому підприємстві	4291	0	0	0	0	0
<b>Разом змін у капіталі</b>	4295	0	0	0	0	-719 810
<b>Залишок на кінець року</b>	4300	72 405	0	48 342	18 101	-491 739

**Баланс**  
**(Звіт про фінансовий стан)**  
на 31.12.2016 р.  
Форма №1

Актив	Код рядка	На початок звітного періоду	На кінець звітного періоду
1	2	3	4
<b>I. Необоротні активи</b>			
Нематеріальні активи	1000	32 191	24 583
первісна вартість	1001	38 296	38 297
накопичена амортизація	1002	( 6 105 )	( 13 714 )
Незавершені капітальні інвестиції	1005	217 354	16 235
Основні засоби	1010	710 710	879 747
первісна вартість	1011	1 222 396	1 466 300
знос	1012	( 511 686 )	( 586 553 )
Інвестиційна нерухомість	1015	0	0
первісна вартість	1016	0	0
знос	1017	( 0 )	( 0 )
Довгострокові біологічні активи	1020	0	0
первісна вартість	1021	0	0
накопичена амортизація	1022	( 0 )	( 0 )
Довгострокові фінансові інвестиції:			
які обліковуються за методом участі в капіталі інших підприємств	1030	0	0
інші фінансові інвестиції	1035	0	0
Довгострокова дебіторська заборгованість	1040	220	35
Відстрочені податкові активи	1045	0	0
Гудвіл	1050	0	0
Відстрочені аквізиційні витрати	1060	0	0
Залишок коштів у централізованих страхових резервних фондах	1065	0	0
Інші необоротні активи	1090	0	0
Усього за розділом I	1095	960 475	920 600
<b>II. Оборотні активи</b>			
Запаси	1100	1 051 780	1 209 309
Виробничі запаси	1101	1 036 042	1 185 600
Незавершене виробництво	1102	7 915	17 765
Готова продукція	1103	7 823	5 906
Товари	1104	0	38
Поточні біологічні активи	1110	0	0
Депозити перестрахування	1115	0	0
Векселі одержані	1120	0	0
Дебіторська заборгованість за продукцію, товари, роботи, послуги	1125	15 030	73 791
Дебіторська заборгованість за розрахунками:			
за виданими авансами	1130	10 555	8 410

з бюджетом	1135	94	10 320
у тому числі з податку на прибуток	1136	93	93
з нарахованих доходів	1140	0	0
із внутрішніх розрахунків	1145	1 551 324	2 560 761
Інша поточна дебіторська заборгованість	1155	662	546
Поточні фінансові інвестиції	1160	0	0
Гроші та їх еквіваленти	1165	20 090	30 249
Готівка	1166	0	0
Рахунки в банках	1167	20 090	30 249
Витрати майбутніх періодів	1170	3 167	2 852
Частка перестраховика у страхових резервах	1180	0	0
у тому числі в:			
резервах довгострокових зобов'язань	1181	0	0
резервах збитків або резервах належних виплат	1182	0	0
резервах незароблених премій	1183	0	0
інших страхових резервах	1184	0	0
Інші оборотні активи	1190	0	0
Усього за розділом II	1195	2 652 702	3 896 238
III. Необоротні активи, утримувані для продажу, та групи вибуття	1200	0	0
Баланс	1300	3 613 177	4 816 838

Пасив	Код рядка	На початок звітного періоду	На кінець звітного періоду
1	2	3	4
I. Власний капітал			
Зареєстрований (пайовий) капітал	1400	72 405	72 405
Внески до незареєстрованого статутного капіталу	1401	0	0
Капітал у дооцінках	1405	0	0
Додатковий капітал	1410	48 342	48 342
Емісійний дохід	1411	0	0
Накопичені курсові різниці	1412	0	0
Резервний капітал	1415	18 101	18 101
Нерозподілений прибуток (непокритий збиток)	1420	-491 739	-927 195
Неоплачений капітал	1425	(0)	(0)
Вилучений капітал	1430	(0)	(0)
Інші резерви	1435	0	0
Усього за розділом I	1495	-352 891	-788 347
II. Довгострокові зобов'язання і забезпечення			
Відстрочені податкові зобов'язання	1500	35 504	37 525
Пенсійні зобов'язання	1505	27 987	36 456
Довгострокові кредити банків	1510	0	0
Інші довгострокові зобов'язання	1515	2 329 131	3 820 316
Довгострокові забезпечення	1520	3 368	3 041
Довгострокові забезпечення витрат персоналу	1521	3 368	3 041
Цільове фінансування	1525	0	0
Благодійна допомога	1526	0	0

Страхові резерви	1530	0	0
у тому числі:			
резерв довгострокових зобов'язань	1531	0	0
резерв збитків або резерв належних виплат	1532	0	0
резерв незароблених премій	1533	0	0
інші страхові резерви	1534	0	0
Інвестиційні контракти	1535	0	0
Призовий фонд	1540	0	0
Резерв на виплату джек-поту	1545	0	0
Усього за розділом II	1595	2 395 990	3 897 338
III. Поточні зобов'язання і забезпечення			
Короткострокові кредити банків	1600	0	0
Векселі видані	1605	0	0
Поточна кредиторська заборгованість за:			
довгостроковими зобов'язаннями	1610	0	0
товари, роботи, послуги	1615	279 161	185 181
розрахунками з бюджетом	1620	321 440	318 253
у тому числі з податку на прибуток	1621	0	0
розрахунками зі страхування	1625	392	455
розрахунками з оплати праці	1630	1 540	2 513
одержаними авансами	1635	0	0
розрахунками з учасниками	1640	0	0
із внутрішніх розрахунків	1645	948 001	1 177 494
страховою діяльністю	1650	0	0
Поточні забезпечення	1660	18 184	22 732
Доходи майбутніх періодів	1665	0	0
Відстрочені комісійні доходи від перестраховиків	1670	0	0
Інші поточні зобов'язання	1690	1 360	1 219
Усього за розділом III	1695	1 570 078	1 707 847
IV. Зобов'язання, пов'язані з необоротними активами, утримуваними для продажу, та групами вибуття	1700	0	0
Чиста вартість активів недержавного пенсійного фонду	1800	0	0
Баланс	1900	3 613 177	4 816 838

Примітки: Всі запаси сировини відносяться до складу оборотних активів, хоча фактично деяка частина може зберігатись понад рік.

**Звіт про фінансові результати**  
**(Звіт про сукупний дохід)**  
за 2016 рік  
Форма №2

I. Фінансові результати

Стаття	Код рядка	За звітний період	За аналогічний період попереднього року
1	2	3	4
Чистий дохід від реалізації продукції (товарів, робіт, послуг)	2000	2 051 886	1 896 018
Чисті зароблені страхові премії	2010	0	0
Премії підписані, валова сума	2011	0	0
Премії, передані у перестраховання	2012	(0)	(0)
Зміна резерву незароблених премій, валова сума	2013	0	0
Зміна частки перестраховиків у резерві незароблених премій	2014	0	0
Собівартість реалізованої продукції (товарів, робіт, послуг)	2050	( 1 765 395 )	( 1 549 592 )
Чисті понесені збитки за страховими виплатами	2070	(0)	(0)
<b>Валовий:</b> прибуток	2090	286 491	346 426
збиток	2095	(0)	(0)
Дохід (витрати) від зміни у резервах довгострокових зобов'язань	2105	0	0
Дохід (витрати) від зміни інших страхових резервів	2110	0	0
Зміна інших страхових резервів, валова сума	2111	0	0
Зміна частки перестраховиків в інших страхових резервах	2112	0	0
Інші операційні доходи	2120	52 452	102 113
Дохід від зміни вартості активів, які оцінюються за справедливою вартістю	2121	0	0
Дохід від первісного визнання біологічних активів і сільськогосподарської продукції	2122	0	0
Дохід від використання коштів, вивільнених від оподаткування	2123	0	0
Адміністративні витрати	2130	( 86 371 )	( 64 075 )
Витрати на збут	2150	( 74 929 )	( 28 482 )
Інші операційні витрати	2180	( 194 409 )	( 389 390 )
Витрати від зміни вартості активів, які оцінюються за справедливою вартістю	2181	0	0
Витрати від первісного визнання біологічних активів і сільськогосподарської продукції	2182	0	0
<b>Фінансовий результат від операційної діяльності:</b> прибуток	2190	0	0
збиток	2195	( 16 766 )	( 33 408 )
Дохід від участі в капіталі	2200	0	0
Інші фінансові доходи	2220	0	0
Інші доходи	2240	300 575	597 065

## Continuation of the Appendix C

Дохід від благодійної допомоги	2241	0	0
Фінансові витрати	2250	( 15 421 )	( 9 919 )
Втрати від участі в капіталі	2255	( 0 )	( 0 )
Інші витрати	2270	( 701 823 )	( 1 268 860 )
Прибуток (збиток) від впливу інфляції на монетарні статті	2275	0	0
<b>Фінансовий результат до оподаткування:</b>			
прибуток	2290	0	0
збиток	2295	( 433 435 )	( 715 122 )
Витрати (дохід) з податку на прибуток	2300	-2 021	-4 688
Прибуток (збиток) від припиненої діяльності після оподаткування	2305	0	0
<b>Чистий фінансовий результат:</b>			
прибуток	2350	0	0
збиток	2355	( 435 456 )	( 719 810 )

## II. Сукупний дохід

Стаття	Код рядка	За звітний період	За аналогічний період попереднього року
1	2	3	4
Дооцінка (уцінка) необоротних активів	2400	0	0
Дооцінка (уцінка) фінансових інструментів	2405	0	0
Накопичені курсові різниці	2410	0	0
Частка іншого сукупного доходу асоційованих та спільних підприємств	2415	0	0
Інший сукупний дохід	2445	0	0
Інший сукупний дохід до оподаткування	2450	0	0
Податок на прибуток, пов'язаний з іншим сукупним доходом	2455	( 0 )	( 0 )
Інший сукупний дохід після оподаткування	2460	0	0
Сукупний дохід (сума рядків 2350, 2355 та 2460)	2465	-435 456	-719 810

## III. Елементи операційних витрат

Назва статті	Код рядка	За звітний період	За аналогічний період попереднього року
1	2	3	4
Матеріальні затрати	2500	1 589 784	1 355 769
Витрати на оплату праці	2505	104 049	88 150
Відрахування на соціальні заходи	2510	21 597	28 941
Амортизація	2515	92 209	68 733
Інші операційні витрати	2520	316 850	477 429
Разом	2550	2 124 489	2 019 022

## IV. Розрахунок показників прибутковості акцій

Назва статті	Код рядка	За звітний період	За аналогічний період попереднього року
1	2	3	4



Середньорічна кількість простих акцій	2600	0	0
Скоригована середньорічна кількість простих акцій	2605	0	0
Чистий прибуток (збиток) на одну просту акцію	2610	0,000000	0,000000
Скоригований чистий прибуток (збиток) на одну просту акцію	2615	0,000000	0,000000
Дивіденди на одну просту акцію	2650	0,00	0,00

Примітки: IV. Розрахунок показників прибутковості акцій не заповнюється тому, що акції Компанії не продаються та не купуються відкрито на фондових біржах.

## Continuation of the Appendix C

## Звіт про рух грошових коштів (за прямим методом)

За 2016 рік

Форма №3

Стаття	Код рядка	За звітний період	За аналогічний період попереднього року
1	2	3	4
<b>I. Рух коштів у результаті операційної діяльності</b>			
Надходження від:			
Реалізації продукції (товарів, робіт, послуг)	3000	7 491 212	7 344 898
Повернення податків і зборів	3005	0	0
у тому числі податку на додану вартість	3006	0	0
Цільового фінансування	3010	0	0
Надходження від отримання субсидій, дотацій	3011	0	0
Надходження авансів від покупців і замовників	3015	0	0
Надходження від повернення авансів	3020	0	0
Надходження від відсотків за залишками коштів на поточних рахунках	3025	48	92
Надходження від боржників неустойки (штрафів, пені)	3035	0	0
Надходження від операційної оренди	3040	12 930	8 091
Надходження від отримання роялті, авторських винагород	3045	0	0
Надходження від страхових премій	3050	0	0
Надходження фінансових установ від повернення позик	3055	0	0
Інші надходження	3095	7 954	9 615
Витрачання на оплату:			
Товарів (робіт, послуг)	3100	( 2 263 248 )	( 1 970 692 )
Праці	3105	( 75 944 )	( 67 999 )
Відрахувань на соціальні заходи	3110	( 20 942 )	( 28 714 )
Зобов'язань з податків і зборів	3115	( 6 155 722 )	( 5 459 834 )
Витрачання на оплату зобов'язань з податку на прибуток	3116	( 0 )	( 0 )
Витрачання на оплату зобов'язань з податку на додану вартість	3117	( 827 527 )	( 846 669 )
Витрачання на оплату зобов'язань з інших податків і зборів	3118	( 5 328 194 )	( 4 613 165 )
Витрачання на оплату авансів	3135	( 8 410 )	( 10 555 )
Витрачання на оплату повернення авансів	3140	( 0 )	( 0 )
Витрачання на оплату цільових внесків	3145	( 1 073 )	( 1 195 )
Витрачання на оплату зобов'язань за страховими контрактами	3150	( 0 )	( 0 )
Витрачання фінансових установ на надання позик	3155	( 0 )	( 0 )
Інші витрачання	3190	( 7 646 )	( 6 127 )
<b>Чистий рух коштів від операційної діяльності</b>	3195	-1 020 841	-182 420
<b>II. Рух коштів у результаті інвестиційної діяльності</b>			
Надходження від реалізації:			
фінансових інвестицій	3200	0	0
необоротних активів	3205	837	3 204

## Continuation of the Appendix C

Надходження від отриманих:			
відсотків	3215	0	0
дивідендів	3220	0	0
Надходження від деривативів	3225	0	0
Надходження від погашення позик	3230	603	559
Надходження від вибуття дочірнього підприємства та іншої господарської одиниці	3235	0	0
Інші надходження	3250	0	0
Витрачання на придбання:			
фінансових інвестицій	3255	( 0 )	( 0 )
необоротних активів	3260	( 51 884 )	( 191 020 )
Виплати за деривативами	3270	( 0 )	( 0 )
Витрачання на надання позик	3275	( 313 )	( 684 )
Витрачання на придбання дочірнього підприємства та іншої господарської одиниці	3280	( 0 )	( 0 )
Інші платежі	3290	( 0 )	( 0 )
<b>Чистий рух коштів від інвестиційної діяльності</b>	3295	-50 757	-187 941
<b>III. Рух коштів у результаті фінансової діяльності</b>			
Надходження від:			
Власного капіталу	3300	0	0
Отримання позик	3305	1 092 982	357 077
Надходження від продажу частки в дочірньому підприємстві	3310	0	0
Інші надходження	3340	0	0
Витрачання на:			
Викуп власних акцій	3345	( 0 )	( 0 )
Погашення позик	3350	( 0 )	( 0 )
Сплату дивідендів	3355	( 0 )	( 0 )
Витрачання на сплату відсотків	3360	( 13 270 )	( 9 622 )
Витрачання на сплату заборгованості з фінансової оренди	3365	( 146 )	( 365 )
Витрачання на придбання частки в дочірньому підприємстві	3370	( 0 )	( 0 )
Витрачання на виплати неконтрольованим часткам у дочірніх підприємствах	3375	( 0 )	( 0 )
Інші платежі	3390	( 0 )	( 0 )
<b>Чистий рух коштів від фінансової діяльності</b>	3395	1 079 566	347 090
<b>Чистий рух коштів за звітний період</b>	3400	7 968	-23 271
Залишок коштів на початок року	3405	20 090	29 097
Вплив зміни валютних курсів на залишок коштів	3410	2 191	14 264
Залишок коштів на кінець року	3415	30 249	20 090



<b>Розподіл прибутку:</b>	4200	0	0	0	0	0
Виплати власникам						
Спрямування прибутку до зареєстрованого капіталу	4205	0	0	0	0	0
Відрахування до резервного капіталу	4210	0	0	0	0	0
Сума чистого прибутку, належна до бюджету відповідно до законодавства	4215	0	0	0	0	0
Сума чистого прибутку на створення спеціальних (цільових) фондів	4220	0	0	0	0	0
Сума чистого прибутку на матеріальне заохочення	4225	0	0	0	0	0
<b>Внески учасників:</b> Внески до капіталу	4240	0	0	0	0	0
Погашення заборгованості з капіталу	4245	0	0	0	0	0
<b>Вилучення капіталу:</b> Викуп акцій	4260	0	0	0	0	0
Перепродаж викуплених акцій	4265	0	0	0	0	0
Анулювання викуплених акцій	4270	0	0	0	0	0
Вилучення частки в капіталі	4275	0	0	0	0	0
Зменшення номінальної вартості акцій	4280	0	0	0	0	0
Інші зміни в капіталі	4290	0	0	0	0	0

Придбання (продаж) неконтрольованої частки в дочірньому підприємстві	4291	0	0	0	0	0
<b>Разом змін у капіталі</b>	4295	0	0	0	0	-435 456
<b>Залишок на кінець року</b>	4300	72 405	0	48 342	18 101	-927 195

**Баланс (Звіт про фінансовий стан)**  
на 31.12.2017 р.  
Форма №1

Актив	Код рядка	На початок звітного періоду	На кінець звітного періоду
1	2	3	4
<b>I. Необоротні активи</b>			
Нематеріальні активи	1000	24 583	17 076
первісна вартість	1001	38 297	37 875
накопичена амортизація	1002	( 13 714 )	( 20 799 )
Незавершені капітальні інвестиції	1005	16 235	80 002
Основні засоби	1010	879 747	777 734
первісна вартість	1011	1 466 300	1 513 115
знос	1012	( 586 553 )	( 735 381 )
Інвестиційна нерухомість	1015	0	0
первісна вартість	1016	0	0
знос	1017	( 0 )	( 0 )
Довгострокові біологічні активи	1020	0	0
первісна вартість	1021	0	0
накопичена амортизація	1022	( 0 )	( 0 )
Довгострокові фінансові інвестиції:			
які обліковуються за методом участі в капіталі інших підприємств	1030	0	0
інші фінансові інвестиції	1035	0	0
Довгострокова дебіторська заборгованість	1040	35	220
Відстрочені податкові активи	1045	0	0
Гудвіл	1050	0	0
Відстрочені аквізиційні витрати	1060	0	0
Залишок коштів у централізованих страхових резервних фондах	1065	0	0
Інші необоротні активи	1090	0	0
Усього за розділом I	1095	920 600	875 032
<b>II. Оборотні активи</b>			
Запаси	1100	1 209 309	1 491 580
Виробничі запаси	1101	1 185 600	1 433 140
Незавершене виробництво	1102	17 765	21 150
Готова продукція	1103	5 906	37 233
Товари	1104	38	57
Поточні біологічні активи	1110	0	0

Депозити перестраховання	1115	0	0
Векселі одержані	1120	0	0
Дебіторська заборгованість за продукцію, товари, роботи, послуги	1125	73 791	168 758
Дебіторська заборгованість за розрахунками:			
за виданими авансами	1130	8 410	4 308
з бюджетом	1135	10 320	27 403
у тому числі з податку на прибуток	1136	93	0
з нарахованих доходів	1140	0	0
із внутрішніх розрахунків	1145	2 560 761	3 397 666
Інша поточна дебіторська заборгованість	1155	546	2 154
Поточні фінансові інвестиції	1160	0	0
Гроші та їх еквіваленти	1165	30 249	124 586
Готівка	1166	0	0
Рахунки в банках	1167	30 249	124 586
Витрати майбутніх періодів	1170	2 852	3 350
Частка перестраховика у страхових резервах	1180	0	0
у тому числі в:			
резервах довгострокових зобов'язань	1181	0	0
резервах збитків або резервах належних виплат	1182	0	0
резервах незароблених премій	1183	0	0
інших страхових резервах	1184	0	0
Інші оборотні активи	1190	0	274
Усього за розділом II	1195	3 896 238	5 220 079
III. Необоротні активи, утримувані для продажу, та групи вибуття	1200	0	0
Баланс	1300	4 816 838	6 095 111

Пасив	Код рядка	На початок звітного періоду	На кінець звітного періоду
1	2	3	4
I. Власний капітал			
Зареєстрований (пайовий) капітал	1400	72 405	72 405
Внески до незареєстрованого статутного капіталу	1401	0	0
Капітал у дооцінках	1405	0	0
Додатковий капітал	1410	48 342	48 342
Емісійний дохід	1411	0	0
Накопичені курсові різниці	1412	0	0
Резервний капітал	1415	18 101	18 101
Нерозподілений прибуток (непокритий збиток)	1420	-927 195	-1 026 618



Неоплачений капітал	1425	( 0 )	( 0 )
Вилучений капітал	1430	( 0 )	( 0 )
Інші резерви	1435	0	0
Усього за розділом I	1495	-788 347	-887 770
II. Довгострокові зобов'язання і забезпечення			
Відстрочені податкові зобов'язання	1500	37 525	19 119
Пенсійні зобов'язання	1505	36 456	38 963
Довгострокові кредити банків	1510	0	0
Інші довгострокові зобов'язання	1515	3 820 316	2 160 895
Довгострокові забезпечення	1520	3 041	2 684
Довгострокові забезпечення витрат персоналу	1521	3 041	2 684
Цільове фінансування	1525	0	0
Благодійна допомога	1526	0	0
Страхові резерви	1530	0	0
у тому числі:			
резерв довгострокових зобов'язань	1531	0	0
резерв збитків або резерв належних виплат	1532	0	0
резерв незароблених премій	1533	0	0
інші страхові резерви	1534	0	0
Інвестиційні контракти	1535	0	0
Призовий фонд	1540	0	0
Резерв на виплату джек-поту	1545	0	0
Усього за розділом II	1595	3 897 338	2 221 661
III. Поточні зобов'язання і забезпечення			
Короткострокові кредити банків	1600	0	0
Векселі видані	1605	0	0
Поточна кредиторська заборгованість за:			
довгостроковими зобов'язаннями	1610	0	0
товари, роботи, послуги	1615	185 181	145 781
розрахунками з бюджетом	1620	318 253	315 045
у тому числі з податку на прибуток	1621	0	0
розрахунками зі страхування	1625	455	806
розрахунками з оплати праці	1630	2 513	3 132
одержаними авансами	1635	0	1
розрахунками з учасниками	1640	0	0
із внутрішніх розрахунків	1645	1 177 494	4 262 551
страховою діяльністю	1650	0	0
Поточні забезпечення	1660	22 732	33 149
Доходи майбутніх періодів	1665	0	0
Відстрочені комісійні доходи від перестраховиків	1670	0	0

Інші поточні зобов'язання	1690	1 219	755
Усього за розділом III	1695	1 707 847	4 761 220
IV. Зобов'язання, пов'язані з необоротними активами, утримуваними для продажу, та групами вибуття	1700	0	0
Чиста вартість активів недержавного пенсійного фонду	1800	0	0
Баланс	1900	4 816 838	6 095 111

**Звіт про фінансові результати  
(Звіт про сукупний дохід)**

за 2017 рік

Форма №2

I. Фінансові результати

Стаття	Код рядка	За звітний період	За аналогічний період попереднього року
1	2	3	4
Чистий дохід від реалізації продукції (товарів, робіт, послуг)	2000	2 702 761	2 051 886
Чисті зароблені страхові премії	2010	0	0
Премії підписані, валова сума	2011	0	0
Премії, передані у перестраховання	2012	( 0 )	( 0 )
Зміна резерву незароблених премій, валова сума	2013	0	0
Зміна частки перестраховиків у резерві незароблених премій	2014	0	0
Собівартість реалізованої продукції (товарів, робіт, послуг)	2050	( 2 139 219 )	( 1 765 395 )
Чисті понесені збитки за страховими виплатами	2070	( 0 )	( 0 )
<b>Валовий:</b> прибуток	2090	563 542	286 491
збиток	2095	( 0 )	( 0 )
Дохід (витрати) від зміни у резервах довгострокових зобов'язань	2105	0	0
Дохід (витрати) від зміни інших страхових резервів	2110	0	0
Зміна інших страхових резервів, валова сума	2111	0	0
Зміна частки перестраховиків в інших страхових резервах	2112	0	0
Інші операційні доходи	2120	59 630	52 452
Дохід від зміни вартості активів, які оцінюються за справедливою вартістю	2121	0	0
Дохід від первісного визнання біологічних активів і сільськогосподарської продукції	2122	0	0

Дохід від використання коштів, вивільнених від оподаткування	2123	0	0
Адміністративні витрати	2130	( 89 156 )	( 86 371 )
Витрати на збут	2150	( 171 730 )	( 74 929 )
Інші операційні витрати	2180	( 238 554 )	( 194 409 )
Витрати від зміни вартості активів, які оцінюються за справедливою вартістю	2181	0	0
Витрати від первісного визнання біологічних активів і сільськогосподарської продукції	2182	0	0
<b>Фінансовий результат від операційної діяльності:</b>			
прибуток	2190	123 732	0
збиток	2195	( 0 )	( 16 766 )
Дохід від участі в капіталі	2200	0	0
Інші фінансові доходи	2220	0	0
Інші доходи	2240	228 702	300 575
Дохід від благодійної допомоги	2241	0	0
Фінансові витрати	2250	( 20 502 )	( 15 421 )
Втрати від участі в капіталі	2255	( 0 )	( 0 )
Інші витрати	2270	( 449 761 )	( 701 823 )
Прибуток (збиток) від впливу інфляції на монетарні статті	2275	0	0
<b>Фінансовий результат до оподаткування:</b>			
прибуток	2290	0	0
збиток	2295	( 117 829 )	( 433 435 )
Витрати (дохід) з податку на прибуток	2300	18 406	-2 021
Прибуток (збиток) від припиненої діяльності після оподаткування	2305	0	0
<b>Чистий фінансовий результат:</b>			
прибуток	2350	0	0
збиток	2355	( 99 423 )	( 435 456 )

## II. Сукупний дохід

Стаття	Код рядка	За звітний період	За аналогічний період попереднього року
1	2	3	4
Дооцінка (уцінка) необоротних активів	2400	0	0
Дооцінка (уцінка) фінансових інструментів	2405	0	0
Накопичені курсові різниці	2410	0	0
Частка іншого сукупного доходу асоційованих та спільних підприємств	2415	0	0
Інший сукупний дохід	2445	0	0
Інший сукупний дохід до оподаткування	2450	0	0

Податок на прибуток, пов'язаний з іншим сукупним доходом	2455	( 0 )	( 0 )
Інший сукупний дохід після оподаткування	2460	0	0
Сукупний дохід (сума рядків 2350, 2355 та 2460)	2465	-99 423	-435 456

## III. Елементи операційних витрат

Назва статті	Код рядка	За звітний період	За аналогічний період попереднього року
1	2	3	4
Матеріальні затрати	2500	1 954 724	1 589 784
Витрати на оплату праці	2505	120 154	104 049
Відрахування на соціальні заходи	2510	20 009	21 597
Амортизація	2515	101 903	92 209
Інші операційні витрати	2520	472 776	316 850
Разом	2550	2 669 566	2 124 489

## IV. Розрахунок показників прибутковості акцій

Назва статті	Код рядка	За звітний період	За аналогічний період попереднього року
1	2	3	4
Середньорічна кількість простих акцій	2600	0	0
Скоригована середньорічна кількість простих акцій	2605	0	0
Чистий прибуток (збиток) на одну просту акцію	2610	0,000000	0,000000
Скоригований чистий прибуток (збиток) на одну просту акцію	2615	0,000000	0,000000
Дивіденди на одну просту акцію	2650	0,00	0,00

## Continuation of the Appendix C

## Звіт про рух грошових коштів (за прямим методом)

За 2017 рік

Форма №3

Стаття	Код рядка	За звітний період	За аналогічний період попереднього року
1	2	3	4
<b>I. Рух коштів у результаті операційної діяльності</b>			
Надходження від:			
Реалізації продукції (товарів, робіт, послуг)	3000	9 723 892	7 491 212
Повернення податків і зборів	3005	291	0
у тому числі податку на додану вартість	3006	0	0
Цільового фінансування	3010	0	0
Надходження від отримання субсидій, дотацій	3011	0	0
Надходження авансів від покупців і замовників	3015	1	0
Надходження від повернення авансів	3020	0	0
Надходження від відсотків за залишками коштів на поточних рахунках	3025	120	48
Надходження від боржників неустойки (штрафів, пені)	3035	0	0
Надходження від операційної оренди	3040	14 710	12 930
Надходження від отримання роялті, авторських винагород	3045	0	0
Надходження від страхових премій	3050	0	0
Надходження фінансових установ від повернення позик	3055	0	0
Інші надходження	3095	9 786	7 954
Витрачання на оплату:			
Товарів (робіт, послуг)	3100	( 2 777 438 )	( 2 263 248 )
Праці	3105	( 84 826 )	( 75 944 )
Відрахувань на соціальні заходи	3110	( 23 267 )	( 20 942 )
Зобов'язань з податків і зборів	3115	( 7 530 646 )	( 6 155 722 )
Витрачання на оплату зобов'язань з податку на прибуток	3116	( 0 )	( 0 )
Витрачання на оплату зобов'язань з податку на додану вартість	3117	( 1 134 192 )	( 827 527 )
Витрачання на оплату зобов'язань з інших податків і зборів	3118	( 6 396 454 )	( 5 328 194 )
Витрачання на оплату авансів	3135	( 4 308 )	( 8 410 )
Витрачання на оплату повернення авансів	3140	( 0 )	( 0 )
Витрачання на оплату цільових внесків	3145	( 1 525 )	( 1 073 )
Витрачання на оплату зобов'язань за страховими контрактами	3150	( 0 )	( 0 )

## Continuation of the Appendix C

Витрачання фінансових установ на надання позик	3155	( 0 )	( 0 )
Інші витрачання	3190	( 11 305 )	( 7 646 )
<b>Чистий рух коштів від операційної діяльності</b>	3195	-684 515	-1 020 841
<b>II. Рух коштів у результаті інвестиційної діяльності</b>			
Надходження від реалізації:			
фінансових інвестицій	3200	0	0
необоротних активів	3205	647	837
Надходження від отриманих:			
відсотків	3215	0	0
дивідендів	3220	0	0
Надходження від деривативів	3225	0	0
Надходження від погашення позик	3230	708	603
Надходження від вибуття дочірнього підприємства та іншої господарської одиниці	3235	0	0
Інші надходження	3250	0	0
Витрачання на придбання:			
фінансових інвестицій	3255	( 0 )	( 0 )
необоротних активів	3260	( 134 787 )	( 51 884 )
Виплати за деривативами	3270	( 0 )	( 0 )
Витрачання на надання позик	3275	( 946 )	( 313 )
Витрачання на придбання дочірнього підприємства та іншої господарської одиниці	3280	( 0 )	( 0 )
Інші платежі	3290	( 0 )	( 0 )
<b>Чистий рух коштів від інвестиційної діяльності</b>	3295	-134 378	-50 757
<b>III. Рух коштів у результаті фінансової діяльності</b>			
Надходження від:			
Власного капіталу	3300	0	0
Отримання позик	3305	923 244	1 092 982
Надходження від продажу частки в дочірньому підприємстві	3310	0	0
Інші надходження	3340	0	0
Витрачання на:			
Викуп власних акцій	3345	( 0 )	( 0 )
Погашення позик	3350	( 0 )	( 0 )
Сплату дивідендів	3355	( 0 )	( 0 )
Витрачання на сплату відсотків	3360	( 21 242 )	( 13 270 )
Витрачання на сплату заборгованості з фінансової оренди	3365	( 0 )	( 146 )
Витрачання на придбання частки в дочірньому підприємстві	3370	( 0 )	( 0 )
Витрачання на виплати неконтрольованим часткам у дочірніх підприємствах	3375	( 0 )	( 0 )

*Continuation of the Appendix C*

Інші платежі	3390	(0)	(0)
<b>Чистий рух коштів від фінансової діяльності</b>	3395	902 002	1 079 566
<b>Чистий рух коштів за звітний період</b>	3400	83 109	7 968
Залишок коштів на початок року	3405	30 249	20 090
Вплив зміни валютних курсів на залишок коштів	3410	11 228	2 191
Залишок коштів на кінець року	3415	124 586	30 249





<b>Розподіл прибутку:</b> Виплати власникам	4200	0	0	0	0	0
Спрямування прибутку до zareєстрованого капіталу	4205	0	0	0	0	0
Відрахування до резервного капіталу	4210	0	0	0	0	0
Сума чистого прибутку, належна до бюджету відповідно до законодавства	4215	0	0	0	0	0
Сума чистого прибутку на створення спеціальних (цільових) фондів	4220	0	0	0	0	0
Сума чистого прибутку на матеріальне заохочення	4225	0	0	0	0	0
<b>Внески учасників:</b> Внески до капіталу	4240	0	0	0	0	0
Погашення заборгованості з капіталу	4245	0	0	0	0	0
<b>Вилучення капіталу:</b> Викуп акцій	4260	0	0	0	0	0
Перепродаж викуплених акцій	4265	0	0	0	0	0
Анулювання викуплених акцій	4270	0	0	0	0	0
Вилучення частки в капіталі	4275	0	0	0	0	0
Зменшення номінальної вартості акцій	4280	0	0	0	0	0
Інші зміни в капіталі	4290	0	0	0	0	0

Придбання (продаж) неконтрольованої частки в дочірньому підприємстві	4291	0	0	0	0	0
<b>Разом змін у капіталі</b>	4295	0	0	0	0	-99 423
<b>Залишок на кінець року</b>	4300	72 405	0	48 342	18 101	-1 026 618

## Dynamics of net income of “Imperial Tobacco Production Ukraine” PJS

	2013	2014	2015	2016	2017	Actual growth, thous. UAH			
						2014/2013	2015/2014	2016/2015	2017/2016
Sales revenue	1,028,851.00	1,308,195.00	1,896,018.00	2,051,886.00	2,702,761.00	279,344.00	587,823.00	155,868.00	650,000.00
Cost of goods sold	(836,625.00)	(1,030,421.00)	(1,549,592.00)	(1,765,395.00)	(2,139,219.00)	(193,796.00)	(519,171.00)	(215,803.00)	(373,000.00)
Gross profit	193,226.00	277,774.00	346,426.00	286,491.00	563,542.00	84,548.00	68,652.00	(59,935.00)	277,000.00
Other operating income	16,949.00	50,728.00	102,113.00	52,452.00	59,630.00	33,779.00	51,385.00	(49,661.00)	70,000.00
Administrative expenses	(44,516.00)	(65,927.00)	(64,075.00)	(86,371.00)	(89,156.00)	(21,411.00)	1,852.00	(22,296.00)	(20,000.00)
Selling expenses	(15,700.00)	(23,330.00)	(28,482.00)	(74,929.00)	(171,730.00)	(7,630.00)	(5,152.00)	(46,447.00)	(96,000.00)
Other operating expenses	(30,607.00)	(276,191.00)	(389,390.00)	(194,409.00)	(238,554.00)	(245,584.00)	(113,199.00)	194,981.00	(44,000.00)
Operating income	119,352.00	(36,946.00)	(33,408.00)	(16,766.00)	123,732.00	(156,298.00)	3,538.00	16,642.00	140,000.00
Other income	1,468.00	117,043.00	597,065.00	300,575.00	228,702.00	115,575.00	480,022.00	(296,490.00)	(71,000.00)
Interest expenses	(3,738.00)	(5,542.00)	(9,919.00)	(15,421.00)	(20,502.00)	(1,804.00)	(4,377.00)	(5,502.00)	(5,000.00)
Other expenses	(37,610.00)	(695,115.00)	(1,268,860.00)	(701,823.00)	(449,761.00)	(657,505.00)	(573,745.00)	567,037.00	252,000.00
Income before tax	79,472.00	(620,560.00)	(715,122.00)	(433,435.00)	(117,829.00)	(700,032.00)	(94,562.00)	281,687.00	310,000.00
Income tax	(25,363.00)	(13,624.00)	(4,688.00)	(2,021.00)	(18,406.00)	11,739.00	8,936.00	2,667.00	(16,000.00)

Net income	54,109.00	(634,184.00)	(719,810.00)	(435,456.00)	(99,423.00)	(688,293.00)	(85,626.00)	284,354.00	33
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payments									
on advance payments	12,100.00	15,526.00	10,555.00	8,410.00	4,308.00	3,426.00	(4,971.00)	(2,145.00)	(4,102.00)
with budget	103,652.00	102,334.00	94.00	10,320.00	27,403.00	(1,318.00)	(102,240.00)	10,226.00	17,083.00
including income tax	13,192.00	18,130.00	93.00	93.00	-	4,938.00	(18,037.00)	-	(93.00)
внутрішні розрахунки	564,355.00	869,865.00	1,551,324.00	2,560,761.00	3,397,666.00	305,510.00	681,459.00	1,009,437.00	836,905.00
Other current accounts receivable	150.00	997.00	662.00	546.00	2,154.00	847.00	(335.00)	(116.00)	1,608.00
Cash and cash equivalents	5,504.00	29,097.00	20,090.00	30,249.00	124,586.00	23,593.00	(9,007.00)	10,159.00	94,337.00
Deferred charges	1,790.00	2,687.00	3,167.00	2,852.00	3,350.00	897.00	480.00	(315.00)	498.00
Other current assets	208.00	442.00			274.00	234.00	(442.00)	-	274.00
<b>Total current assets</b>	<b>1,385,486.00</b>	<b>1,657,599.00</b>	<b>2,652,702.00</b>	<b>3,896,238.00</b>	<b>5,220,079.00</b>	<b>272,113.00</b>	<b>995,103.00</b>	<b>1,243,536.00</b>	<b>1,323,841.00</b>
<b>Total assets</b>	<b>2,145,584.00</b>	<b>2,442,097.00</b>	<b>3,613,177.00</b>	<b>4,816,838.00</b>	<b>6,095,111.00</b>	<b>296,513.00</b>	<b>1,171,080.00</b>	<b>1,203,661.00</b>	<b>1,278,273.00</b>



debt for:									
accounts payable for commodities, works, services	32,215.00	69,363.00	279,161.00	185,181.00	145,781.00	37,148.00	209,798.00	(93,980.00)	(39,400.00)
calculations with the budget	106,498.00	120,498.00	321,440.00	318,253.00	315,045.00	14,000.00	200,942.00	(3,187.00)	(3,208.00)
insurance calculations	1,255.00	481.00	392.00	455.00	806.00	(774.00)	(89.00)	63.00	351.00
payroll calculations	1,371.00	1,880.00	1,540.00	2,513.00	3,132.00	509.00	(340.00)	973.00	619.00
payments to participants	942,498.00	1,804,406.00	948,001.00	1,177,494.00	4,262,551.00	861,908.00	(856,405.00)	229,493.00	3,085,057.00
Other current liabilities	840.00	1,323.00	1,360.00	1,219.00	755.00	483.00	37.00	(141.00)	(464.00)
<b>Total current liabilities</b>	<b>1,095,089.00</b>	<b>2,013,859.00</b>	<b>1,570,078.00</b>	<b>1,707,847.00</b>	<b>4,761,220.00</b>	<b>918,770.00</b>	<b>(443,781.00)</b>	<b>137,769.00</b>	<b>3,053,373.00</b>
<b>Total liabilities and equity</b>	<b>2,145,584.00</b>	<b>2,442,097.00</b>	<b>3,613,177.00</b>	<b>4,816,838.00</b>	<b>6,095,111.00</b>	<b>296,513.00</b>	<b>1,171,080.00</b>	<b>1,203,661.00</b>	<b>1,278,273.00</b>



## **Organizational structure of Imperial Tobacco Production Ukr**

