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FINAL QUALIFYING PAPER

on the topic:

“Export Strategy of the Enterprise of the Machine-building Complex”

(based on the data of PJSC “SIC “BILSHOVYK”, Kyiv)

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INTRODUCTION

Actuality of research. Nowadays, every state strives to develop within the global community and it is impossible to do without foreign trade. In order to strengthen the national economy and establish relevant positions on the world market, foreign trade operations should be developed by revealing the steady potential of national producers.

It is the formation of this potential - export potential, - is a prime objective for further developments in the international market. The efficiency of state's export operations is determined by the ability of the national economy to compete, stimulating national producers' measures and increasing export volumes itself. It is the export activity that shows the state of development of the country's economy, the extent of its innovations and technological development, defining its specialization in the global system and has the aim of improving socio-economic conditions in the result.

Important role is played by exports in the development of the Ukrainian economy, as it forms part of its GDP and helps to integrate into the world economy.

One of the promising industry sectors which the state plans to improve and currently includes into the general Export Strategy of Ukraine is machine building. One of the participants in this complex is the heavy machinery manufacturer, which supplies the goods of the group 8477 (under the Ukrainian classification of goods in foreign economic activity) to the foreign market - the JSC "First Kyiv Machine-building Plant" (formerly the PJSC "SIC "Bilshovyk").

The work of such foreign and domestic scientists as I. Artemenko, E. Beleska-Spasova, Z. Bozhaeva, I. Dakhno, D. Deniels, O. Galagan, V. Gerasymchuk, V. Goncharenko, D. Gorelov, K. Maconell, V. Marchenko, H. Mintzberg, B. Olin, M. Porter, H. Radeb, V. Rokocha, D. Sheveleva, R. Stacey, J. Thomas etc. shows the significant scientific contribution to theoretical and practical questions of the formation of the export strategy of the enterprises and its measures approach. At the same time,

there is a need for an analysis of theoretically methodical aspects of the development of enterprise's foreign economic activity combining it with a comprehensive assessment and a methodology for studying the effectiveness of foreign economic activity for industrial enterprises determining exact features of foreign economic strategy for the development of industrial enterprises.

The **purpose of research** is to develop theoretical, methodological and practical recommendations for improving and ensuring the development of export strategies of the enterprises of the Ukrainian machine-building complex.

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

- to determine the essence and types of export strategy of the industrial enterprise;
- to review determinants of export strategy formation of the enterprise;
- to study methodical approaches of evaluation the export strategy of enterprise;
- to analyze financial and economic activity of PJSC “SIC “BILSHOVYK”;
- to monitor the foreign economic environment of PJSC “SIC “BILSHOVYK”;
- to evaluate of the export strategy of PJSC “SIC “BILSHOVYK”;
- to identify the main directions of improvement of the of export strategy of PJSC “SIC “BILSHOVYK”;
- to substantiate the measures for improvement of export strategy efficiency of observed enterprise;
- to make the forecast of the proposed measures effectiveness.

The **object of research** is the processes of formation of the export strategy of the industrial enterprise.

The **subject of research** is theoretical, methodological and practical aspects of the development of export potential of the enterprise of the machine-building industry of Ukraine.

Research methods. There were used various research methods to solve the main tasks of the scientific paper, such as: the method of analogy, generalization,

formalization, method of systematization and synthesis, grouping, classification, dialectical method of cognition, table and graphic methods of economic-statistical analysis, system and complex approaches, methods of forecasting.

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 scientific conferences, statistical materials of the State Statistics Committee of Ukraine and other international databases.

Practical value: the results obtained during the research can be used to improve the foreign economic relations of enterprises of the machine-building complex of Ukraine.

The final qualifying paper consists of three parts. The first part covers theoretical and methodological aspects of the research of export strategy of enterprises. In the second one, the research of the formation and development processes of export strategy of PJSC “SIC “BILSHOVYK” (JSC “First Kyiv Machine-building Plant” at the present) is conducted. In the third, ways to improve the development of export strategy of the enterprise of machine-building industry are considered.

PART 1

THEORETICAL AND METHODOLOGICAL APPROACHES OF FORMATION OF THE EXPORT STRATEGY OF THE ENTERPRISE

1.1. Essence and Types of Export Strategy of the Enterprise.

Foreign economic activity will be more successful only if the entering international markets by the enterprise will not be only well thought out, well-grounded, but also proceed from the long-term goals. Thus, foreign economic activity is closely linked with the strategic management of the enterprise.

The etymology of the word “strategy” comes from the ancient Greek words “stratus” (army) and “agein” (to lead). This concept is firmly included in the lexicon of management activities and is reasonably considered as a scientific term that generalizes a set of measures which provide the company with a competitive advantage in the current market.

In the 80 years of XX century the great influence on the emergence of new thinking in the field of competitive strategy was made by the works of Canadian scientist H. Mintzberg, who defined the concept of “strategy” through the so-called combination “5 P’s” [44]:

1) strategy as a plan. Planning is something that many managers are happy with, and it’s something that comes naturally. As such, this is the default, automatic approach that we adopt – brainstorming options and planning how to deliver them. This is fine, and planning is an essential part of the strategy formulation process. The problem with planning, however, is that it’s not enough on its own. This is where the other four “Ps” come into play;

2) strategy as ploy. Mintzberg says that getting the better of competitors, by plotting to disrupt, dissuade, discourage, or otherwise influence them, can be part of a strategy. This is where strategy can be a ploy, as well as a plan;

3) strategy as pattern. Strategic plans and ploys are both deliberate exercises. Sometimes, however, strategy emerges from past organizational behavior. Rather than being an intentional choice, a consistent and successful way of doing business can develop into a strategy.

4) strategy as position. “Position” is another way to define strategy – that is, how the manager decides to position the company in the marketplace. In this way, strategy helps to explore the fit between the organization and environment, and it helps to develop a sustainable competitive advantage;

5) strategy as perspective. The choices an organization makes about its strategy rely heavily on its culture – just as patterns of behavior can emerge as strategy, patterns of thinking will shape an organization’s perspective, and the things that it is able to do well [45].

An alternative interpretation of the strategy concept was proposed by Ralph Stacey. In his understanding, the strategy is similar to the game of group of participants, where on the first move of one player the corresponding steps of other players are carried out, and then, by the system of feedback, the one who started it continues the game, etc. Thus, R. Stacey explains the nature of the strategy based on the principle of chain reaction (“challenge - response”) [12].

The strategy can be seen as a combination of planned actions and rapid adaptation of decisions. Any strategy of the company, as a rule, consists of well-considered purposeful actions and also reactions to unforeseen development of events and to the intensification of competition.

Export strategy of an enterprise - a complex economic category, the only interpretation of the essence of which is today does not exist. According to V.V. Rokocha, export strategy is a long-term export activity, which contains a complex of developmental tasks not only commercial but also investment, scientific, technical, production and service activities with foreign partners and a system of measures aimed at solving the tasks [55; p.37]. In the work of Sheveleva D.V. the company’s export strategy is defined as a set of actions aimed at deepening and expanding export

activities in order to more fully meet the economic and social needs of business, along with observance of national interests.

B. Olin defines the export strategy as a fundamental program of action, which defines the priority directions of the enterprise's activity on the foreign market, taking into accounts its available resources and requirements of the foreign market [25].

According to Bozhaeva Z.N., the export strategy is the process of considering alternatives in the field of exports that are related to long-term goals and their justification for decision-making processes [9; p.101-103]. D. Deniels and H. Radeb define the export strategy as a set of actions to assess the export potential of an enterprise by comparing its capabilities and resources, expert advice, market selection, and the definition of export goals for the purpose of accessing the firm's products to foreign markets [14; p.54].

The export strategy is a detailed comprehensive combined plan of company's export activity, aimed to ensure the competitiveness of its products on international markets and the achievement of certain strategic goals. The export strategy should support the overall strategy of the company and orient the individual actions to achieve the fullest possible implementation [12].

The purpose of developing an export strategy is the definition and formulation of specific tasks for servicing the markets of final products in different countries of the world [33].

Determining of the specific goals helps to move from the general direction of the company's export development to separate work plans that can be used to succeed. The strategy identifies with which means, methods and tools it is planned to achieve these goals. During formulating strategic goals, it is very important to define specific positions - "what", "where", "when". In this case, the goal is the ideal result of the activity in the future, so it should:

- to be unambiguously formulated and understandable to the performers;
- be measurable;
- have deadlines;
- motivate actions of the performer;

- be compatible with the general objectives of the organization and the group of performers;

- be formalized.

Most of the companies, which solve strategic planning tasks, fulfill the stage of formulation of the purpose and selection of the factors influencing its achievement based on the data presented by previous marketing researches. From this it becomes obvious that the low quality of marketing research can affect the whole result of the strategic planning task, so special attention should be paid to the problem of increasing the probability of its results.

The export strategy answers the questions “what” and “how”:

- what foreign market to choose;
- what competitive advantages will the company receive;
- what price of the export product (service) will be competitive on the foreign market;
- how to satisfy foreign consumers;
- how to outsmart competitors in foreign markets;
- how to respond to changing market conditions;
- how to achieve strategic goals.

Therefore, there are different types of export strategies (Tab.1.1.1):

Table 1.1.1

Types of Export Strategy of the Enterprise*

Type of the export strategy	Description
1	2
<i>The strategy of internationalization</i>	is the development of new foreign markets, using not only the expansion of goods export, but also the export of capital, when creating an enterprise abroad, bypassing restrictive trade barriers and using the benefits of cheap labor and rich local raw materials.
<i>The strategy of diversification</i>	is the development of new products manufacturing, commodity markets, as well as different types of services, including not just the diversification of product groups, but also the expansion of entrepreneurial activity to the new spheres, which also cannot be related to the main activities of the firm.
<i>The strategy of segmentation</i>	it is a deepening of the degree of saturation of the proposed goods and services of all groups of consumers, the process of choosing the maximum depth of market demand, the study of its small shades.

<i>The strategy of expansion</i>	It is an export strategy of company's market activity. that includes the fourth dimension of market actions - the rhythm (tempo, speed) of these processes. The directions of expansion in the foreign market are determined by the way it operates in the market (old or new) and with which product (old or new).
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Continuation of Table 1.1.1

1	2
<i>The deep penetration strategy</i>	will be most effective on the unsaturated market. In this case, the firm reduces the cost of producing an export product and sells at a price lower than its competitors.
<i>The market development strategy</i>	strategy implies an increase in the volume of sales of existing goods in new foreign markets or in new segments of the existing market.
<i>The product development strategy</i>	is best suited to a company that already has a number of successful brands. Its essence is to create new product modifications for already existing markets. Thus, for example, it may be a product with useful properties of the old product, but cheaper
<i>The communication strategy</i>	The main tasks are the demand formation and stimulation of sales on the foreign market, the realization of other goals of international marketing, (foreign consumers, forming a positive image of a firm in another country, motivation of foreign consumers, formation of consumer loyalty to the brand, reminding about the company and its goods, etc.)
<i>The pricing strategy</i>	In the process of developing a pricing strategy for exports, the company defines target pricing, which should ensure the successful implementation of the export strategy

**Source: compiled by the author on the basis of [12],[65]*

In a market economy, the price is one of the most important indicators, which significantly affects the financial condition of the enterprise. Therefore, the objectives of pricing may be: maximizing current profits; maximizing the volume of export; the conquest of leadership in the quality of products; expansion of the share in the external market.

To achieve these goals, the company can apply such kind of pricing strategies (Tab.1.1.2):

Table 1.1.2

Types of Pricing Strategy of the Exporting Enterprise*

The category of pricing strategy	Types of strategies within the category
1	2
<i>Strategies for determining prices for new products</i>	<ul style="list-style-type: none"> • the strategy of "removing cream"; • strategy of penetration.

<i>Strategies for determining prices for existing products</i>	<ul style="list-style-type: none"> • stable price strategy; • flexible (elastic) price strategy; • contractual price strategy; • pricing strategy based on customer perception
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Continuation of Table 1.1.2

1	2
<i>Strategies within the commodity nomenclature</i>	<ul style="list-style-type: none"> • definition of prices within the range of commodity; • determination of prices for additional equipment; • determination of prices for obligatory affiliations; • definition of the combined price; • determination of prices for by-products of production; • determination of prices for the kit
<i>Competitive pricing strategies</i>	<ul style="list-style-type: none"> • strategy of the price leader; • pricing strategy of the leader's persecutor; • strategy of defining price at the level of competitors
<i>Strategies for price discrimination</i>	<ul style="list-style-type: none"> • considering groups of buyers; • considering variants of the goods; • considering the image; • considering the place and time of sale•
<i>Strategies for price discounts</i>	<ul style="list-style-type: none"> • for quick payment of bills; • quantitative discounts; • functional; • seasonal; • stimulating; • dealerships
<i>Strategies for determining prices by geographic characteristics</i>	<ul style="list-style-type: none"> • FOB prices at the place of origin of the goods; • the united price with the inclusion of delivery costs; • price determination regarding the base point; • determining of prices with the acceptance of delivery costs

**Source: compiled by the author on the basis of [4]*

If to consider the competition on foreign market the another type of export strategies - the competitive strategies, should be noted. The four main types of competitive strategy are indicated in the Tab.1.1.3:

Table 1.1.3

Types of Competitive Strategy of the Exporting Enterprise*

The types of competitive strategy	Description
1	2
<i>Violent strategy</i>	is typical for firms that operate in the field of large, standard production of goods. This is a quite simple strategy: based on its gigantic power, the company tries to dominate on the big market, possibly squeezing out its competitors.

Niche strategy	is typical for firms that act on the path of narrow specialization. It involves the production of special, unusual products for a certain narrow circle of consumers. The market power of these companies is that their products become indispensable for the respective customer group.
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Continuation of Table 1.1.3

1	2
Adaptive strategy	prevails with ordinary business on a local scale. The strength of a small, non-specialized enterprise consists in improving its suitability to meet the small volume or short-term needs of a particular client. This kind of company acts as a connecting fabric of the economy. Increased flexibility is the source of the power of adaptive firms in a competitive struggle.
An exploratory (pioneer) strategy	is associated with the creation of new or radical transformations of the old market segments. This is a very risky search for the revolutionary solutions. The strength of these players is the advance implementation of fundamental innovations ahead of competitors

**Source: compiled by the author on the basis of [12]*

Theoreticians and practices of foreign economic activity have distinguished a large number of different types of strategies that can be systematized and generalized according to individual characteristics. Thus, an export business strategy can also take one of three forms: differentiation, cost leadership or focusing (Fig.1.1.1).

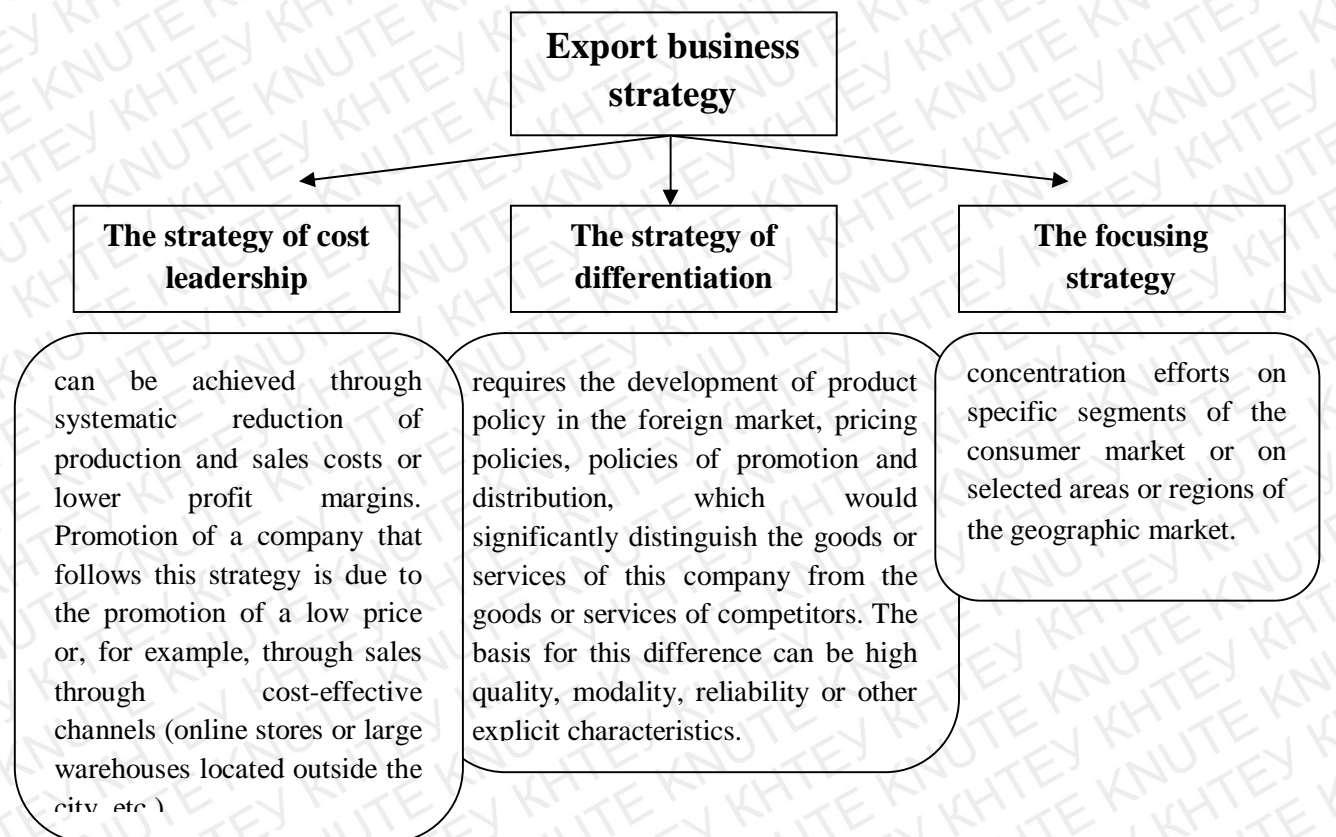


Fig.1.1.1. Types of Export Business Strategy*

**Source: compiled by the author on the basis of [57]*

Besides, there are several strategies for the firm's penetration into foreign markets, the main ones being (Fig.1.1.2):

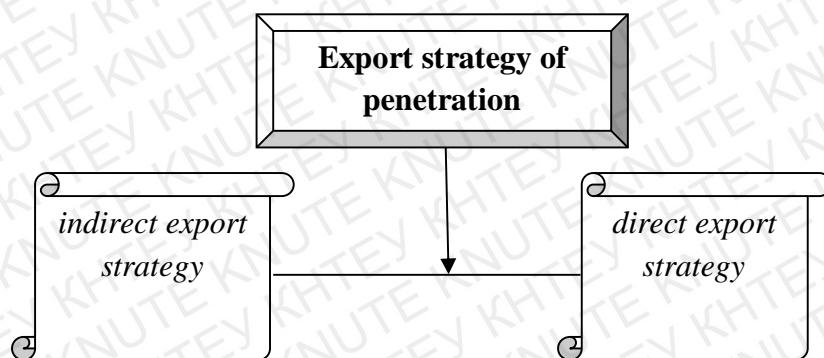


Fig.1.1.2. Types of Export Strategy for the Penetration into Foreign Markets*

**Source: compiled by the author on the basis of [20]*

The principal advantage of indirect marketing is that it is a mechanism to penetrate export markets without the complexities, costs and risks of direct exporting. There are a number of options available to an exporting company for indirect export. These minimize the exporting risk for the supplying company, could keep tightly the length of its export markets but can give the exporting purchaser a higher profile and more control in the export market.

The mechanisms available for indirect exporting include:

- supplying products to domestic purchasers (export agents, merchants, re-marketers) who export products to destinations that are likely to be unknown to the supplying company. This type of sale is impossible to differentiate from other domestic sales as far as the original selling company is concerned. In this case, the domestic purchaser decides that some selected product meets certain foreign demand and takes it upon itself to export these products. The domestic purchaser buys the products directly from the supplying company - possibly packing and marking the products according to its own specification. Then sells the products overseas through its contacts and in its

own names and assume all risks for these sales. The domestic purchaser, therefore, takes all the risk and handles all of the exporting details in many cases without the knowledge of the exporting company;

- searching for domestic buyers who represent foreign end-users or customers. These potential buyers could be a potentially large market for a wide variety of goods and services. For instance, the supplying company may know its product is being exported, but it is still the local domestic purchaser who assumes the risk and handles the export details. Confirming houses or buying agents, can be classed in this category. They seek to obtain in this case, through imports, predetermined required products at the lowest possible price and are paid a commission by their foreign clients in the importing country. In some cases, they may be foreign government agencies or quasi- governmental firms empowered to locate and purchase specific products;
- exporting through intermediaries (export trading companies). Within this approach, the supplying company engages the services (at an agreed cost) of an intermediary firm capable of finding foreign markets and buyers for the company's range of products.

An export trading companies is generally an independent company acting as the exporting arm for one or several local companies who are producers of goods and (or) services. It represents these companies and solicits and transacts business on their behalf either in their name or in its own name for a commission, salary, or retainer plus commission basis. Because of their area of specialization, the export trading companies know their products and markets very well and usually have well-established networks of foreign distributors already in place. This immediate access to overseas markets is one of the principal reasons for using export trading companies. For a local supplier to try to identify, locate and establish a good working relationship with an overseas representative, in the export countries, could be a costly and lengthy process [15].

Obviously, one disadvantage of using an export trading company is that the supplying company may lose control over its foreign sales. Most local supplying companies are likely to be concerned that their product and company image should be

well maintained in the markets abroad. However, one way for the supplying company to retain control in such an arrangement is to carefully select the export trading company and ensure that it can meet the supplying company's needs and then maintain close communication with it. In this way, the supplying company can still retain considerable control over the process and can attain some of the other benefits of exporting, such as being able to control export pricing, learning more about its foreign competitors, assessing new technologies in the market, and evaluate other market opportunities.

The direct exporting approach is the most ambitious and difficult, since the supplying company takes on the responsibility of an exporting company and will, therefore, needs to handle every aspect of the exporting process from market research and planning to setting up local distribution/agency network in each of the export markets, setting pricing structures and arranging freight collection and forwarding facilities. However, the advantage of direct exporting ensures more control over the export process, potentially higher profits, and a closer relationship to the overseas buyer and marketplace. Consequently, a significant commitment is required from management to devote more time, personnel and corporate resources to securing long-term positive results.

This is also the approach that is likely to be the best way to achieve maximum profits and long-term growth. With appropriate help and support from the export distributors, it bankers and freight forwarders, and other service groups, any local company can export directly if it is able to undertake some homework on the export countries concerned and commit enough staff time to the effort of exporting.

When a company chooses to export directly to foreign markets, it usually needs to make internal organizational changes to support the more complex functions needed to manage both domestic and export markets. A company exporting directly normally identifies and selects the markets it wishes to penetrate, chooses the best channels of distribution for each market, and then makes specific foreign business connections in order to sell its product.

To sum up, if the nature of the exporting company's goals and resources makes the indirect method of exporting the best choice, then further export planning requirements

are minimal as the onus will then shift to the domestic purchasers to export. In such a situation, the main task for the company is to find suitable intermediary firms that can then export to the identified overseas markets. Obviously, companies that are new to exporting or are unable to immediately commit staff and funds to the export activities, may initially find the indirect methods of exporting more appropriate. An exporting company may also choose to gradually increase its level of direct exporting over a period of time, after experience has been gained and sales volume appears to justify added investment for direct exporting. On the other hand, other more experienced and adventurous companies may decide to enter the export market directly, after first having identified the specific market requirements for them [20].

1.2. Determinants of Export Strategy Formation of the Enterprise.

In the Ukraine, a large number of enterprises carry out foreign economic activity (FEA) without developing detailed strategic long-term plans, dealing only with the solution for operational tasks. But world experience shows that in conditions of instability of the environment creation and implementation of the company's FEA strategy have many advantages, being the main elements of management of foreign economic activity. Foreign specialists place these advantages in the following order:

- developing and choosing the type of strategy forces the leaders to constantly think perspective.
- the choice of strategy leads to a clear coordination of efforts.
- the strategy allows determining the performance indicators for the next control.
- the chosen strategy forces the company to clearly define its tasks.
- strategic management makes the company more prepared for sudden changes and crises.
- the strategy of the enterprise demonstrates the interrelation of the duties of all officials [12].

Thus, it is worth investigating the foreign experience of the defining the determinants of the company's export strategy formation process.

Australian government has issued special guide to developing an export strategy. In this document mentioned some practical advices to the more important and technical aspects of the export process (Tab.1.2.1):

Table 1.2.1

The Determinants of Export Strategy Formation of the Enterprise according to the Australian Government Guideline*

Determinants	Description
<i>Looking inside the company</i>	It is a first step in export strategy formation. This means that company's operations and growth aspirations need to be analyzed. It also has to be taken into account the competitive position of the company and highlighted strengths as well as unique selling propositions. Assess strengths in terms of product, service, staff, distribution and technical service.
<i>Estimation of the export environment</i>	For doing this the responsible for export strategy formation has to assess the factors that will impact on the export plans. The answers on the following question must be given: "does company has an international expertise?", "what export markets where company's products have been sold previously look like?". In this section, the responsible for the strategy has to undertake the bulk of market research and market selection activities. These include market analysis, ranking market attractiveness, assessing competition, understanding export market environments, distribution and logistics.
<i>The product and service offerings</i>	It needed to define what modifications will company need to make to its product or service to satisfy foreign buyers; what packaging, labeling and presentational modifications are required.
<i>Determining the essential factors which will underwrite the success</i>	These could include product modifications, financial resources, distribution and developing the final marketing model. A SWOT analysis will be also very useful in the process of building a strategy for export. It will enable to segregate the key factors for further work and to help shape priorities in terms of markets, pricing and competitive factors.
<i>Creating the export plan</i>	The export plan should include target setting, market entry strategies and financial management including your export pricing model. Marketing decisions on distribution model will be also required (distributor, agent, representative office, after sales service).
<i>Implementation and monitoring</i>	During performing these actions responsible for the strategy has to instigate the export plan, drive its implementation, regularly view and adjust strategy as market circumstances change.

**Source: compiled by the author on the basis of [31]*

The guidance also explains that essential element in developing a strategy is to identify the key factors that have influenced the decision to export. For this the special

list of all the issues that have prompted the company to export can be drawn up. This list will serve as the basis of discussion with a range of staff to rank these factors and understand why they are important for the success of business. Reducing the list to about 5 of these factors and building the strategy around them will help to develop an export plan.

There are strong advantages to having a written strategy and it need not be long. It must be simple, understood and accepted by all company members. It serves as a constant guide and binds staff commitment to the company's export efforts. The responsible for the strategy can also discuss the strategy with others for instance with company's bank and financial advisers. The strategy should be kept up to 2-3 pages.

Successful exporters always have a clear idea of why they are exporting and the results and benefits they expect to achieve. A strategy marks the professionalism of the company and provides valuable benefits when dealing with banks, customers and support agencies. It provides direction to staff and their involvement in its creation is a critical factor in embedding an export culture in the company.

When the conditions change the strategy will need to adapt to shifting environments, both in national and foreign markets. Thus an export strategy should be modified when unexpected situations emerge. It also needs to be readily available to staff and reviewed on a regular basis.

As the export business matures, the external factors that influence strategy can be managed and adopted. These external issues can include availability of finance, exchange rates, regulations in export markets, new or unexpected competition, technology shifts and logistics. Anticipating change and adapting to external factors is a vital factor in the export planning process. A balanced strategy requires clarity in objectives and also a statement of targets at a broad level [31].

The Saudi Arabia Industrial Development Fund and their Export Consultancy Unit of Marketing Consultancy Division in particular has presented an export bulletin where the export strategy of the enterprise is explained. This bulletin contains various facets that a potential exporting company may need to initially consider before it takes a decision on whether it should export. As the knowing where to start is sometimes is the

hardest part the various aspects relating to the formation of export strategy are determined step-by-step (Table 1.2.2):

Table 1.2.2

The Determinants of Export Strategy Formation of the Enterprise according to the Bulletin of the Saudi Arabia Industrial Development Fund*

Determinants 1	Description 2
<i>Evaluating of export capability</i>	It is the starting point of formulating export strategy. There are several ways to determine foreign market potential of products and services. One of the ways is to assess the product's success in its own domestic market. If a company has been successful in selling in to its local market, there is a good chance that it could also be successful in markets that use the same products abroad where similar needs and conditions exist. Among the other ways of sizing foreign markets is by: undertaking primary and secondary market research; securing/purchasing market reports; evaluating foreign trade statistics; through public/private sector reports on specific markets.
<i>Preparing for export</i>	Establishing the potential export company's short, medium and long-terms goals (for both domestic and export markets) is essential in order to provide corporate direction and to enable the company to develop future strategies and policies on both internal and external areas. Undertaking this evaluation will also help to determine ability to export and its level of readiness. Reasons for exporting need to be justified technically, commercially and financially.
<i>Examining the impact of exporting on the overall performance of the company</i>	There is several management issues which are involved in the decision to export that must be taken into account and evaluated before a final corporate decision will be taken. These include: management objectives, corporate experience, identification of available personnel capabilities, production capacity needed and corporate financial capability.
<i>Choosing the method of exporting</i>	The basic distinction among the various approaches to exporting is related to the company's level of involvement in and commitment to the process of export. The main approaches to exporting, which may be used either singly or in any combined form with the aim to provide the maximum benefit for the company: direct and indirect export.
<i>Export planning</i>	By having a written plan, top management can make sure that the exporting company will be able to concentrate its attention on those factors which can minimize the time and costs and maximize the exposure while establishing a foreign presence. Export planning is, therefore, extremely crucial in the way of determining future resource requirements and market opportunities.
<i>Considering the organizational structure</i>	A company that is new to exporting generally treats its export sales activities no differently to its domestic sales operations - using existing personnel and organizational structures. As international enquiries and sales operations increase, the company may separate the management and operation of its export activities from its domestic sales. The advantages of separating international and domestic business enables the centralization of certain skills needed to deal with international markets and focuse marketing effort.
<i>Organazing the network system</i>	Once a company has organized itself to handle exporting matters, a proper channel for product distribution needs to be carefully identified and selected for

abroad	each export market selected. Product distribution channels can be set up though the local presence of sales representatives, agents, distributors, retailers or directly the end-users. Eventually, once the business is fully established in a country, the exporting company may wish to register its corporate entity in the country and bring its own offices, sales, distribution structure and network.
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Continuation of Table 1.2.2

1	2
Considering the marketing tools	<p>Promotional materials reflect a company's professionalism and a customer's first impressions. They are often the ones that last the longest and determine the future possibility of obtaining and developing business. In this way the following points of potential marketing tools need to be seriously reviewed:</p> <ul style="list-style-type: none"> •business cards should be of good quality and professionally designed; •literature needs to be creative and appealing; •customer testimonials confirming the capability of the company concerned; •news, articles confirming the company is a recognized entity within its industry; •videos (where appropriate) may need to recommend the company as creative and interesting. •website is appealing to the need to be comprehensive and informative.

**Source: compiled by the author on the basis of [20]*

If a product is not new or unique, market research may already be readily available to the public and it could be used to assess the exporting company is foreign market potential. In addition, international trade statistics can provide a preliminary indication of export markets for a particular product by showing where similar or related products are already being sold in significant quantities. If a product is unique or has important features that are hard to duplicate abroad, there may be good opportunities to find it an appropriate export market. For a unique product, competition may be non-existent or very minimal, while demand may be relatively high. Even if local sales of a product are declining in the domestic market, sizeable export markets may exist and only need to be identified.

The methodology a company chooses to export its products can have a significant effect on how it's export plan will be designed to operate. It will also need to identify the specific marketing strategies and policies that need to be implemented in order to achieve the required export success. After the choosing the way to export an export plan has to be created. As the expending a business internationally takes some time (up to 3-

5 years), the exporting company may not see a return on its time and money investments immediately.

The main purpose of export planning is to define specific export opportunities, clearly focus on how to address these opportunities, and develop an action plan to convert these opportunities into profitable business. The plan should assemble facts, determine constraints and goals for each export market. The creation of the action plan takes all of these into account and identifies the responsibilities of the relative people in the organization who will be responsible for exporting and also their specific actions.

It is important that the export plan is written in a clear and concise form so that everyone understands it and implement. It should also form a record of future action that can be used as a basis for future corporate development. For these reasons, a clearly written plan can offer a range of benefits:

- provides management with a clear understanding of what will be required and helps to ensure a commitment to exporting;
- cannot be easily forgotten or overlooked, or even ignored by those charged with executing it;
- allocates staff responsibilities and provides a mechanism for an evaluation of results;
- can be easily explained to others and is less likely to be misunderstood, as it provides a written record of required actions;
- can display its strengths and weakness more readily and it is, therefore, a considerable assistance in formulating and polishing export strategies;
- if any deviation from the original plan appear, it is more likely to be due to a deliberate choice rather than a misunderstanding of the of the written plan;
- can also be of help in seeking and securing corporate finance, as it can indicate to potential lenders a serious approach to business matters.

The initial draft of the export plan is likely to be relatively short and simple, but it should become more detailed and encompassing over time, as the corporate management will learn more about exporting in general and, more specifically, their company's competitive position in export markets. To be able to address the major

factors relating to exporting, the questions given in the Tab 1.2.3 should be considered and addressed in the plan.

Table 1.2.3

Factors that Have to be Considered in the Export Plan as One of the Determinant of Export Strategy Formation*

Factor	Explanation
<i>Country</i>	<ul style="list-style-type: none"> • What countries have been selected? • What is the basic customer profile for each country? • What are the various parameters pertaining to each market undertaking a SWOT analysis which should include details on competition, cultural differences, export controls, etc. • Within each selected country, what marketing and distribution channels are available and which should be used to reach the customers? • What corporate strategy will be utilized to address the specific country challenges?
<i>Product</i>	<ul style="list-style-type: none"> • What products have been selected for the export market? • What modifications, if any, are needed to made or adapt any of the products for the foreign markets? • Basis for determining the product's export sales price(s).
<i>Planning</i>	<ul style="list-style-type: none"> • What specific and identifiable operational steps must be taken and in what timescale? • What will be the timeframe for implementing each element of the plan? • What personnel and company resources will be dedicated to exporting? • What will be the cost in time and money for each element of the export plan? • How will results be evaluated and used to modify the plan in the future?

* *Source: compiled by the author on the basis of [20]*

Considering the organizational structure, it can be noted that large companies, at advanced stages of exporting, may choose to establish an international division that segregates the export markets and territories along by either product or geographic lines. For an exporting company with distinct product lines, it may be appropriate to create an international department for each product division while a company with products that have common end-users may wish to organize on a geographic basis. However, a single

export manager, who has responsibility for the full range of international activities, may satisfy the initial export needs of a small enterprise. Regardless of how a company organizes its exporting efforts, the key to success is to facilitate the job of marketing and sales.

Good business development and marketing skills can assist the export company set up commercial sales operations in an unfamiliar market. Experience has shown that a company's success in foreign markets depends less on the unique attributes of its products than on its own marketing abilities and methods.

What about the network system, so it is also requires to pay attention to the sales representatives (agents). Generally, a sales representative usually handles many complementary lines, from various manufacturers, that do not conflict with each other. They usually work on a commission basis, assume no risk or responsibility, and is under contract for a definite period of time. The contract defines the territory of operation, terms of sale, method of compensation, reasons and procedures for terminating the agreement, and other relevant details. It is important to note that any contract raised, should state whether the agent does or does not have legal authority to obligate the exporting company. The sales agent may operate on either an exclusive or a non-exclusive basis. The exporting enterprise's sales representative can be equated to its sales-force in its domestic market. He uses the company's product literature and samples to present the products to potential buyers in his allocated export territory.

A distributor is a merchant organization that purchases goods from an exporting company, at agreed discount levels, and resells it in the export market for a profit. The terms and length of association between the exporting company and the foreign distributor are established by contract. The foreign distributor generally provides support and service for the product, thus relieving the exporting company of these responsibilities. Although at a later stage, the exporting company may have a sufficiently large business operation in the export territory concerned, that the it may decide to set up a service facility directly owned and controlled by the exporting company.

The distributor usually carries an agreed level of inventory of products, a sufficient supply of spare parts, and also maintains adequate facilities and personnel for normal servicing operations. This organization typically handles a range of non-conflicting but complementary products from various suppliers.

An exporting company in the consumer sector may also sell directly to the foreign retailers. The growth of major retail chains in various markets has created new opportunities for this type of direct sale. This method relies mainly on travelling sales representatives who directly contact foreign retailers - although results could also be achieved through direct mailing catalogues, brochures, or other literature. The direct mail approach has the benefits of eliminating commissions, reducing travelling expenses, and reaching a broader audience, however, the sales-hit levels may be reduced due to direct fact-to-face sales contact not being established.

Exporting companies may also be able to sell their products or services directly to end-users in foreign countries in the public and private sectors. These buyers can be foreign governments, institutions such as hospitals, banks, schools or other businesses. Potential buyers in these countries can be identified at trade shows or through international publications. In this instance, it should be noted that where products are sold in such a manner, the exporting company is responsible for shipping, payment collection, and product servicing - unless other arrangements have been made before hand. In such cases, the cost of providing these services should be built into the export price, otherwise the exporting company could reduce its own profitability.

It is also estimated that, on average, the current world trade in services constitutes about 20% of overall international trade. Since a fifth of world trade is in the service sector it is perhaps worth providing some information for this market sector. The income generated through the sale of services abroad is just as important to the local economy as income resulting from the production and export of manufactured goods.

In view of the shift toward services both domestically and internationally, those local companies who have services to offer could become participants in world trade, offering services which can be positively marketed in an export environment. These primarily tend to be those kinds of services that are highly

innovative, specialized or technologically advanced in nature. Also some services as well as some products may not be exportable and may only be able to thrive within a domestic market situation. For these reasons, service providers considering exporting should research their prospective export markets thoroughly prior to taking any decision to export.

As a direction indicator, services in the following areas have been internationally exportable in the past:

- Banking and financial services
- Management consultancy services
- Accountancy services
- Computer, data, internet, and telephone services
- Insurance services
- Construction
- Design and engineering

There are many obvious differences between services and products and the main features that differentiate exporting services from exporting products are that services are less tangible than products, their intangibility makes financing more difficult, selling services is more personal than selling products, because of direct involvement with the customer, services are much more difficult to standardize than products as service activities must frequently be tailored to the specific needs of the buyer.

Demand for certain services can also be derived though their providing support for product that have already been exports. Many exported products need to be supported by various types of service activities such as after- sales, installation and commissioning, maintenance. In many cases, services can be crucial in stimulating product export and can be a critical factor in maintaining such exports. However, in such cases, services follow products rather than taking the lead over them.

Companies in purely the service sector, working with local manufacturing companies can ascertain whether these manufacturing firms are operating internationally and offer to provide service support for these manufacturers abroad. For service providers whose activities are independent from products, a different strategy is

required as these companies search for market situations abroad that are similar to the own domestic market. Leads for service activities can also be gathered by maintaining information on international projects financed by global organizations such as the World Bank Group and the various UN bodies, as very often such projects are in need of service support [20].

Taking in to account all previous steps and determinants the exporting company may feel that a major task has been accomplished for the finalization of the export strategy. However, this is just the beginning as the other aspects of exporting will be outlined subsequently.

Formulating an export strategy based on good information and proper assessment of markets, increases the chances that the best options will be chosen, that resources will be used effectively, and that efforts will consequently be carried through to positive and profitable completion.

Many firms nowadays commence exporting activities in an unsystematic manner, without undertaking appropriate market research or identifying options and specific opportunities for market entry. As a result of such situations any early export efforts are unsuccessful due to poor initial planning and the company can be misled into believing that it does not have potential in markets abroad, so it may, therefore, consider abandoning decision to export generally [5].

It is also important that all personnel that are involved in the exporting process participate in the development of a successful export plan. This is necessary to ensure that all those people, who will make the plan, agree upon all its aspects and know their specific roles and responsibilities in the future implementation of the plan. Only by that way the export strategy formation will have a sense and such sufficient result as the enterprise expect from it.

1.3. Methodical Approaches of Evaluation the Export Strategy of Enterprise.

To evaluate an export strategy it is essential to analyze the export performance measures that were applied by the enterprise during its foreign economic activity

process. These measures can be classified as economic and noneconomic [7]. There are the following indicators among them (Fig.1.3.1):

Economic	Noneconomic
↓	↓
<u>Sales-related</u>	<u>General</u>
<ul style="list-style-type: none"> • Export intensity • Export intensity growth • Export sales efficiency • Export intensity growth compared to competitors • Export sales growth • Export sales growth compared to competitors • Export sales return on investment • Export sales return on investment compared to competitors • Export sales volume • Export sales volume compared to competitors 	<ul style="list-style-type: none"> • Export success • How competitors rate firm's export performance • Meeting expectations • Overall export performance • Overall export performance compared to competitors • Strategic export performance
<u>Market-related</u>	<u>Miscellaneous</u>
<ul style="list-style-type: none"> • Export market share • Export market share compared to competitors • Export market share growth • Export market share growth compared to competitors • Gaining foothold in the market • Market diversification • Rate of new market entry • Rate of new market entry compared to competitors 	<ul style="list-style-type: none"> • Achievement of objectives regarding response to competitive pressures • Building awareness and image overseas • Contribution of exporting to the growth of the firm and to the quality of firm's management • Customer satisfaction • Gaining new technology/expertise • Product/service quality compared to competitors • Quality of customer relationships compared to competitors • Quality of distributor relationships • Quality of distributor relationships compared to competitors • Reputation of the firm compared to competitors

Fig.1.3.1. Measures of the Export Performance*

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

Also the next indicators are using:

- The indicator of economic effect from the export of goods or services is determined as follows:

$$E_{\text{ex}} = O_{\text{cf}} + B_{\text{p}} - Z_{\text{ex}}, \quad (1.3.1)$$

where:

E_{ex} – the indicator of the economic effect of exports;

O_{cf} – the hryvnia equivalent of deductions to the company's currency fund,

calculated by recalculating currency earnings (minus the state subject to mandatory sales) to UAH at the exchange rate on the date of receipt of the currency;

B_p – revenue from the mandatory sale of part of the currency to the state;

Z_{ex} – the total costs of the enterprise for export, which include: the costs of production and sales of products (advertising, marketing, transportation, insurance, duties, fees, etc).

- The indicator of economic efficiency of exports is calculated as follows:

$$E_{ex} = (O_{cf} + B_p) / Z_{ex} \quad (1.3.2)$$

where:

E_{ex} – the indicator of economic efficiency of exports.

The meaning of the efficiency indicator is that it shows how much benefit there is for each UAH of costs. A necessary condition for the efficiency of exports is that this indicator is greater than one.

- To make a sound decision to export, the export efficiency index (E_{ex}) is compared with the efficiency of production and sales of products in the domestic market (E_{dm}):

$$E_{dm} = V_{ex} / (C_p + C_{dm}) \quad (1.3.3)$$

where:

E_{dm} – the indicator of efficiency of production and sales of products in the domestic market;

V_{ex} – the volume of exports in domestic prices;

C_p – the production cost of export goods (production costs);

C_{dm} – costs for the sale of export products within the country.

The prerequisite for export efficiency is the following:

$$E_{ex} > E_{dm} > 1.$$

The main goal of the analysis of export efficiency is to identify the objective range of possible opportunities for the most rational participation in the international division of labor, as well as to determine the optimal structure of export production for a promising period [7].

Estimation of such kind of measures can be made not only by using mathematical, econometrical, logical, comparative, theoretical and modeling approaches, but also

different kind of their combination. One of these combinations is an Evaluation Framework Assessment Matrix that basically helps to define the relevance, effectiveness, efficiency, impact and the sustainability of the enterprise's export strategy. The matrix usually performed on the basis of tables with several columns, where the main issues, indicators and sources of searching are identified. Therefore, on the Table 1.3.1 we can see how the relevance of the export strategy can be assessed:

Table 1.3.1

Evaluation Framework Matrix for Relevance Determining of the Export Strategy of Enterprise*

Key Issues/Questions	Indicators	Methods/Sources
To what extent is the export strategy function relevant to enterprise's mandate and mission?	<ul style="list-style-type: none"> • Adherence to the principles • Consistent with strategic objectives 	<ul style="list-style-type: none"> • The policy and strategic papers of an enterprise • Annual Report • Field trip interviews with consumers • Results of consumers response to surveys
What are current market requirements for national exporters? Does the strategy address that need?	<ul style="list-style-type: none"> • National trade regulations • Enterprise's program compliance with requirements 	<ul style="list-style-type: none"> • Regulatory framework • Reports, monitoring, assessments ITC produced trade and economic stats
How well does this strategy align with sector and national objectives?	<ul style="list-style-type: none"> • Consumers' sector and national objectives supported by program activities 	<ul style="list-style-type: none"> • Initiative monitoring and progress reports • Measure against log frames • Direct interviews and surveys
Recommendation of any adjustments to the strategy that would make it more relevant to the requirements	<ul style="list-style-type: none"> • Changes feasible and budgets and time allocated adjusted to achieve greater relevance 	<ul style="list-style-type: none"> • Enterprise's initiative documents • Consumers interviews

* *Source: compiled by the author on the basis of [16]*

The next step in strategy evaluation by this method is to define the effectiveness of the export strategy that was determined by the enterprise (Tab. 1.3.2):

Table 1.3.2

Evaluation Framework Matrix for Effectiveness Determining of the Export Strategy of Enterprise*

Key Issues/Questions	Indicators	Methods/Sources
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1	2	3
Given the range of export strategies how effective has an enterprise been in achieving an optimum balance?	<ul style="list-style-type: none"> Choice of strategy programs consistent with consumers' priorities and national objectives – results met or exceed targets 	<ul style="list-style-type: none"> Monitoring and evaluation reports Initiative completion results Consumers feedback

Continuation of Table 1.3.2

1	2	3
Does the methodology developed by enterprise for export strategies effectively integrate the end-market requirements and demand side opportunities?	<ul style="list-style-type: none"> Increased export activity in targeted markets Faster pace of export development and investment in affected export industries 	<ul style="list-style-type: none"> National statistics, business export reports Enterprise's trade and market statistics Feedbacks
How well does it integrate substantive knowledge, in particular trade and marketing intelligence parameters into its methodology?	<ul style="list-style-type: none"> Relevant and up-to-date trade information Increase in demand for methodology 	<ul style="list-style-type: none"> Review and analysis of strategies Peer review within an enterprise
Examples of how the export strategy facilitated the mainstreaming of exports development into the national development policy	<ul style="list-style-type: none"> Central ministries have adopted exports as central to national development and prosperity 	<ul style="list-style-type: none"> Ministry of Finance Central planning statistics National and Trade offices Trade support institutions

** Source: compiled by the author on the basis of [16]*

After the effectiveness estimation there goes the efficiency evaluation of enterprise's export strategy (Tab. 1.3.3):

Table 1.3.3

Evaluation Framework Matrix for Efficiency Determining of the Export Strategy of Enterprise*

Key Issues/Questions	Indicators	Methods/Sources
1	2	3
To what extent have strategy been standardized?	<ul style="list-style-type: none"> Unnecessary variances kept to a minimum, economies of scale in producing strategies realized 	<ul style="list-style-type: none"> Common elements review of national, regional and sector strategies Noting to what extent variances are required

How does the enterprise's strategy compare to competitors in terms of time allocated, results achieved?	<ul style="list-style-type: none"> • Impact of the strategy compares favorably or exceeds timely and cost effective 	<ul style="list-style-type: none"> • Interviews with beneficiaries • Competitors research • Access descriptions of other similar strategies
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Continuation of Table 1.3.2

1	2	3
Have work plan targets related to the implementation of strategies been met?	<ul style="list-style-type: none"> • Outputs delivered on time, variances kept to a minimum 	<ul style="list-style-type: none"> • Annual reports • Interviews with staff
Have appropriate HR principles been applied ensuring maximum efficiency in utilizing skills and potential?	<ul style="list-style-type: none"> • Staff turnover reduced, staff motivated and productive 	<ul style="list-style-type: none"> • Personnel records, progress reports • Interviews with staff • Results of consumers response to surveys

** Source: compiled by the author on the basis of [16]*

One of the matrix elements is an assessment of export strategy's impact (Tab. 1.3.4):

Table 1.3.4

Evaluation Framework Matrix for Impact Determining of the Export Strategy of Enterprise*

Key Issues/Questions	Indicators	Methods/Sources
Is it possible to indicate what practical outcomes have resulted from adopting the strategy?	<ul style="list-style-type: none"> • Improvements in competitiveness rankings • Business friendly public policy measures have been taken 	<ul style="list-style-type: none"> • Competitive reports • National statistics and government documents
Are there examples of how the targeted beneficiaries have improved knowledge, performance and cooperation as a result of this strategy implementation?	<ul style="list-style-type: none"> • Exports have correspondingly increased • Improved cooperation on issues between institutions within the country 	<ul style="list-style-type: none"> • Audits, reviews, evaluations • Direct feedback from consumers during field trip and from survey results
Has the strategy upgraded the export support system?	<ul style="list-style-type: none"> • More responsive and comprehensive support to other sector's exporters 	<ul style="list-style-type: none"> • Annual reports, business feedback • Field interviews

Has the export strategy had any unintended positive or negative impacts?	<ul style="list-style-type: none"> • Unexpected growth along the value chain, • Unexpected employment gains 	<ul style="list-style-type: none"> • Interviews with business groups • Field interviews
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* *Source: compiled by the author on the basis of [16]*

The last matrix component is a sustainability evaluation of the enterprise's export strategy (Tab. 1.3.5):

Table 1.3.5

Evaluation Framework Matrix for Sustainability Determining of the Export Strategy of Enterprise*

Key Issues/Questions	Indicators	Methods/Sources
What financial and institutional measures are/have been taken to assure that local staff has capacity to implement this export strategy program?	<ul style="list-style-type: none"> • Staff training • Budgets 	<ul style="list-style-type: none"> • Regular follow-up by staff • Field interviews and other feedback obtained through evaluation process
How have targeted stakeholders received the export strategy program? Is there evidence that they will continue their participation? The number of beneficiaries will increase?	<ul style="list-style-type: none"> • Demand for additional export strategy formulation and execution increases as a result of positive response • Continued participation in export strategy processes viewed in their self-interest 	<ul style="list-style-type: none"> • Feedback • Strategy following principles
What risks are associated with the long-term sustainability of this strategy?	<ul style="list-style-type: none"> • Risks minimized as results become financially and institutionally sustainable 	<ul style="list-style-type: none"> • Regular contact and strategy's missions confirm

* *Source: compiled by the author on the basis of [16]*

Bliznyuk V. using the "index model", indicates that the export potential of the enterprise can be determined by analyzing and forecasting the state of the macro environment, the micro environment and the possibilities of the enterprise to adapt. It assesses the macro-environment of the target international markets in six indices: the volume and proportion of imported products, the level of entry barriers, the purchasing power of market actors and the share of imports in total consumption in each of their

markets. Four indicators are suggested for the micro-environment: profitability ratio, marketing pressure level, average market price of the products being evaluated, relative rate of development of each of the markets. The assessment of the company's ability to compete for achieving its goals should be determined through indicators: the possibility (ie potential) of supply of the product relative to its total import to the market; the possibility of marketing support in relation to the market; possible company price relative to market price. As can be seen from the above indicators, they are not so much intended to assess the export potential, as for optimizing the portfolio of enterprise orders. Moreover, if the well-known volume of sales of an enterprise is, then this indicator will form the basis of its export potential, since it is export potential in its content that can be estimated in real-value and in value form.

A similar approach to the assessment is also proposed by M. B. Shvetsova who uses the indicator of market capacity, which can be directly and as an export potential of the enterprise. It does not indicate either the procedure for its calculation, nor the sources of data for calculation. In addition, considering the competitiveness of products on the market, it does not take into account the company's ability to export [41].

As there are no specific methodical approaches for the export strategy assessment, so any other common used tools can be applied. Generally, there are several methods for evaluating strategies that help identify the strategic logic of an organization. As a matter of fact, they all are related to the relevance of specific strategy options to the position of the organization in the market and its relative strategic capabilities. There is a whole range of such kind of possible approaches, the most famous of which are the following:

- 1) Portfolio analysis of orders. This approach focuses on the nature of the organization's markets (especially on the rate of growth) and on the organization's competitive strategy. For the most part, the assessment of a strategy in the center of large diversified, scattered across many locations of organizations will be different from the assessment that is made at the level of a separate economic entity. In such more diversified organizations the main problem is to achieve a balance between the results of the work of all units (business units) and activities. The concept of a

portfolio of orders originated from the experience of the Boston Consulting Group (BCG). The main task of the BCG method is to assist managers in determining the needs of different enterprises in cash flows or activities within any individual company. This method allows to solve these questions by finding out where in the matrix each activity is located. The matrix can justify orientation towards long-term product development.

2) The McKinsey Matrix was developed by consultants of McKinsey Consulting. As in the BCG matrix, each kind of economic activity is evaluated in two directions: the attractiveness of the industry and the competitive position of the enterprise. Conclusions for the McKinsey matrix strategy are clear and unambiguous. Depending on the cell in the matrix, there is an appropriate strategy for it.

3) Life Cycle Analysis. In accordance with the concept of the industry's life cycle, which ADL/LC specialists adhere to, as a rule, goes through four stages: implementation, growth (or development), maturity, aging (decay). The basic theoretical position of the ADL/LC model is that a particular type of business of any organization can be located at one of the stages of the life cycle, and therefore it needs to be analyzed in accordance with this particular stage. The position of a specific type of business is indicated on the matrix, along with other types of business organization. Depending on the type of business, the matrix offers a carefully thought-out set of strategic decisions.

4) Benchmarking is a methodology for comparing the effectiveness of the economic activity of the investigated company and the company that is the leader in the industry. The benchmarking procedure is as follows: searching for a small number of companies engaged in similar activities and achieved the best performance indicators in the industry; quantitative assessment of the gap in the efficiency of the company and the best in the industry; developing an action plan to bridge this gap. The advantages of this method include the fact that its application, firstly, allows you to set goals that correspond to the directions of development of the most successful competitors, and secondly, stimulates the management to achieve higher performance of the company, and thirdly, makes more reliable evaluation of the contribution of individual units to

achieve the goals set, and fourthly, changes the culture of the organization, making it more oriented to the outside environment [29].

The SWOT analysis is also very useful approach for the strategy evaluation. This analysis is a strategic planning tool that helps a business owner identifies his or her own strengths and weaknesses, as well as any opportunities and threats that may exist in a specific business situation. A SWOT analysis is most commonly used as part of a marketing plan, but it is also a good tool for general business strategizing, and to use as a starting point for team discussions. When conducted thoroughly, a SWOT analysis can uncover a wealth of information and can be useful in a number of situations [30].

Conclusions to the Part 1

Foreign economic activity of the enterprise cannot be successful and effective enough without well thought out and flexible strategy. Generally, the word “strategy” comes from the ancient Greek words “stratus”, that is translated as “army” and “agein”, that means “to lead”. In the 80 years of last century, scientist G. Mintzberg made big changes in thinking of competitive strategy. He determined a strategy through the concept of “5 P’s” combination: strategy as a plan, as a ploy, as a pattern, as position and as perspective. Ralph Stacey explains the strategy through the “chain reaction” principle, where the strategy is like a group game and first move of one player leads to the corresponding steps of other players.

The export strategy concept was tried to describe by such scientists and researchers as V.V. Rokocha, D.V. Shevelev, B. Olin, Z.N. Bozhaeva, D. Deniels, H. Radeb, R. Stacey and others. The export strategy can be defined as a detailed comprehensive combined plan of company’s export activity the aim of which is to ensure the competitiveness of company’s products on international markets and the achievement of certain strategic goals. The reasons of developing and implementing this strategy the enterprise see in objective necessity of different materials export, in necessity of exporting components to companies that carry out the assembly of finished products, in necessity of finished goods export.

The export strategy answers the a lot of different questions, for instance: what foreign market to choose, what competitive advantages will the company receive, what price of the export product (service) will be competitive on the foreign market, how to satisfy foreign consumers, how to outsmart competitors in foreign markets, how to respond to changing market conditions, how to achieve strategic goals. Because of that there are different types of export strategies: strategy of internationalization, strategy of diversification, strategy of segmentation, strategy of expansion of company's market activity, deep penetration strategy, market development strategy, product development strategy, pricing strategy, communication strategy and competitive strategy. An export strategy can also take the form of differentiation, cost leadership, focusing strategies or has several strategies for the firm's penetration into foreign markets, such as direct or indirect export strategies.

Among the determinants of the enterprise's export strategy formation are: the analysis of internal and export environment of enterprise, the product and service offering, determination of the success factors, export plan creation, implementation and monitoring processes. Some other researchers named these determinants also as evaluating of export capability, sizing foreign markets, preparing for export, choosing the way to export, creating of export plan, organizational structure and a network system determination, marketing tools consideration.

There are no specific methodical approaches for the export strategy evaluation, so any other common used tools can be implemented. The most famous methods for evaluating strategies are portfolio analysis of orders, the McKinsey matrix, life cycle analysis, benchmarking. Extremely useful especially for export strategy assessment is SWOT analysis approach that helps identify the strengths, weaknesses, opportunities and threats of specific situation. The relevance, effectiveness, efficiency, impact and sustainability of the enterprise's export strategy can be determined by using Evaluation Framework Assessment Matrix.

PART 2

THE EXPORT STRATEGY RESEARCH OF PJSC “SIC “BILSHOVYK”.

2.1. Analysis of Financial and Economic Activity of PJSC “SIC “BILSHOVYK”.

On May 10, 2018 the enterprise officially has changed the name from PJSC “SIC “BILSHOVYK” to the JSC “First Kiev Machine-building Plant” (JSC “FKMBP”). “First Kyiv Machine-building Plant” was founded in June of 1883 as “Kyiv Cast Iron and Mechanical Plant”, renamed in 1888 to “JSC “Kyiv engineering and boiler plant of Grether, Krivanek and Co”. Company manufactured equipment for sugar mills, grain silos and railways. At the beginning of the XX century, it became one of the largest plants in Kyiv. In 1922 the plant received the name “Bilshovyk” and started to produce the equipment for chemical and polymer industries. During the period from 1950’s to 1980’s there was a significant development and technical modernization of the plant. Then, company mastered the manufacturing of new types of equipment, a lot of which were unique or world’s first. From the 1980’s “Bilshovyk” produced equipment for enterprises of tire, cable, chemical, plastic processing industry and rubber products manufacturers.

At the beginning of XXI century, company increased the production volume and expanded its specialization. “Bilshovyk” exported its products to the countries of Eastern Europe, to the USA, France, Italy, Denmark, Sweden, Norway, UK, Germany, India, Sri Lanka, China, Vietnam, Singapore and other countries [24].

Now, JSC “First Kyiv Machine-building Plant” (JSC “FKMBP”) is positioning itself as an only multi-purpose machine-building complex with a full cycle production

in Kyiv. Progressive technological processes are being applied, including plasma fusing, figured cutting, local thermal strengthening, fusing with laser beam etc. All these technological possibilities and the intellectual potential are aimed at manufacturing of a wide range of products [49].

The enterprise offers to its customers the services of producing equipment for chemical, rubber and oil processing, transport, building, metallurgical, mining, power and agriculture industries. Today the enterprise is highly focused on a large variety of complete production lines and individual machines, including all types of processing machinery: rubber mixers, mixing mills, extruders, calenders, tire-recycling lines, shaper vulcanizers and variety of spare parts [24].

The enterprise is fully owned by the State Property Fund of Ukraine. Generally, all machinery industry in Ukraine for the last years had deteriorating dynamics especially with the tendency of export's reduction. To understand the reasons of that the PEST-analysis method can be applied (Tab. 2.1.1).

Table 2.1.1

PEST-Analysis of the Machinery Industry in Ukraine*

<p><u>Economic factors:</u></p> <ul style="list-style-type: none"> • Hazardous high inflation level; • Unstable exchange rate of the national currency; • Positive dynamics of GDP • Low solvent demand of the domestic market; • Lack of working capital from enterprises; • High NBU discount rate, high lending rates of commercial banks; • Economic crisis • High level of material and energy intensity of released products; • Growth of prices for goods and services of natural monopolies; • Insufficient investment in machine building industry's enterprises; • Low profitability of production 	<p><u>Social factors:</u></p> <ul style="list-style-type: none"> • Reduction of the number of specialists and workers in the largest industrial regions; • Reduction of the able-bodied population; • Absence of the clear orientation on the quality as the basis of competitiveness; • Reducing of the mechanical engineering labor attractiveness; • Low prestige of labor in the industrial sphere; • Significant gap between the level of wages and needs of the employee
<p><u>Political factors:</u></p> <ul style="list-style-type: none"> • Excessive politicization of society; • Distrust of society to high administrative power and its bodies; • In connection with European integration, the possibilities of state regulation in matters of competition are significantly limited; 	<p><u>Technological factors:</u></p> <ul style="list-style-type: none"> • Ukraine is not a leader in advanced science engineering; • Significant deterioration of the fixed assets active part; • The products manufactured are mainly obsolete, with a low level of

<ul style="list-style-type: none"> • Regional instability as some eastern areas are not controlled by Ukraine 	automation of production technology; <ul style="list-style-type: none"> • Insignificant innovation activity of firms
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* *Source: compiled by the author on the basis of [38]*

The characteristics of the enterprise are shown through the analysis of the main economic indicators of its activity, which are given in the Table 2.1.2:

Table 2.1.2

The Dynamics of Economic Indicators of the Enterprise's Activity during 2013-2017*

№	Indicators	Years					Deviation 2014/2013		Deviation 2015/2014		Deviation 2016/2015		Deviation 2017/2016	
		2013	2014	2015	2016	2017	absolute in ths. UAH	relative in %	absolute in ths. of UAH	relative in %	absolute in ths. of UAH	relative in %	absolute in ths. of UAH	relative in %
1	Equity	228865,50	216564,50	209571,50	173620,50	123295,50	-12301,00	-5,68	-6993,00	-3,34	-35951,00	-20,71	-	-40,82
2	Net income (revenue) from sales	42271,00	49579,00	35704,00	41379,00	59277,00	7308,00	14,74	-13875,00	-38,86	5675,00	13,71	17898,00	30,19
3	Residual value of fixed assets	283560,50	279388,00	274880,00	271209,00	268120,00	-4172,50	-1,49	-4508,00	-1,64	-3671,00	-1,35	-3089,00	-1,15
4	Value of current assets	31255,00	40052,00	52248,50	61213,50	68053,00	8797,00	21,96	12196,50	23,34	8965,00	14,65	6839,50	10,05
5	Average number of full-time employees	681	674	654	473	384	-7,00	-1,04	-20,00	-3,06	-181,00	-38,27	-89,00	-23,18
6	Payroll Fund	23515,00	48784,00	20305,00	21728,00	20138,00	25269,00	51,80	-28479,00	-140,26	1423,00	6,55	-1590,00	-7,90
7	Cost of sold products	43859,00	54228,00	12370,00	17046,00	20096,00	10369,00	19,12	-41858,00	-338,38	4676,00	27,43	3050,00	15,18
8	Net profit (loss)	-20509,00	-28339,00	-6250,00	-53186,00	-35042,00	-7830,00	27,63	22089,00	-353,42	-46936,00	88,25	18144,00	-51,78
9	Productivity of labour (thousand UAH per person)	-2,33	-6,90	35,68	51,44	75,99	-4,57	66,19	42,58	119,33	15,77	30,65	24,55	32,30
10	Return on assets	0,15	0,18	0,13	0,15	0,22	0,03	15,99	-0,05	-36,62	0,02	14,87	0,07	30,99
11	Profitability of production,%	-3,62	-8,57	188,63	142,75	145,21	-4,95	57,77	197,21	104,54	-45,88	-32,14	2,46	1,69

* Source: calculated and compiled by the author on the basis of the JSC "FKMBP" reports

Analyzing the economic performance of JSC “First Kiev Machine Building Plant” during the last 5 years (2013-2017), it can be concluded that there was a big decrease of equity each year, which varied from 228865,50 thousand UAH in 2013 to 123295,50 thousand UAH in 2017. The largest deviation from the previous year was observed in 2017 (compared to 2016) and equaled to almost 41%. General decline of equity for the entire estimated period was by 85,62% or 105 570 thousand UAH. This is extremely negative for the company as the equity is the most important source of property formation.

Analyzing the indicators of net income we can observe rapid fluctuations: reduction of the sales revenue by 38,86% in 2015 and significant increase in 2017 by the amount of 30,19%. Such dynamics is a result of Ukrainian political situation - a war and export difficulties with Russia. However, the last year's trend is quite positive, because it also associates with an increase in production volumes.

The cost of the fixed assets was falling down, and in 2017 it amounted to 268120 thousand UAH, that was by 3089 thousand UAH (or 1.15%) less than previous year of 2016 or 15440,5 thousand UAH (or 5,76%) less than in 2013. Reducing the cost of fixed assets indicates that there is no improvement in the means of labor and the growth of the enterprise's production potential.

Current assets had a tendency to increase, as in 2013 they amounted to 31255 thousand of UAH and then each year grew by an average 17,5% to reach the indicator of 68053 in 2017. Such growth is positive, as it is connected with the growth of production, increase in the cost of inventories and in the value of cash in national and foreign currencies.

The number of employees constantly diminished and in 2017 amounted to 384 person that is by 77,34% less than 4 years before.

As a result, with a decrease in the number of employees the changes in the amount of Payroll Fund occurred. However, we cannot see a clear relationship between the number of staff members and the fund, as it constantly fluctuated by increasing more than 51% in 2014, and then sharply falling by the 140,26% next year 2015 retaining such an alternating trend during subsequent periods. Despite this fact, there was not

strict reflection in the results of work. In particular, labor productivity in 2017 reached 77,99 thousand UAH of gross profit per person, which in turn was 24,55 thousand of UAH (or 32,30%) more than previous year 2016 and 78,32 thousand of UAH (or 103,07%) more than in 2013.

Cost of sold products also had variable dynamics. Thus, the maximum value of the cost over 5 years was recorded in 2014 and amounted to 54228 thousand UAH, while the least - 12370 thousand UAH - had place the next year (2015), indicating a difference of 338,38%. During the last 2017 year, this indicator increased by 15,18% compared with the previous 2016. Such changes were caused by the political situation in the country, inflationary processes and rapid increase in the cost of raw materials, fuel, etc.

The net profit at the enterprise showed a tendency to instability and had a negative indicator during the analyzing period, showing annual losses that increased in the years 2014 and 2016 by 27,63% and 88,25% respectively. The main reason for such fluctuations, basing on the enterprise's reports, was an increase of administrative costs:

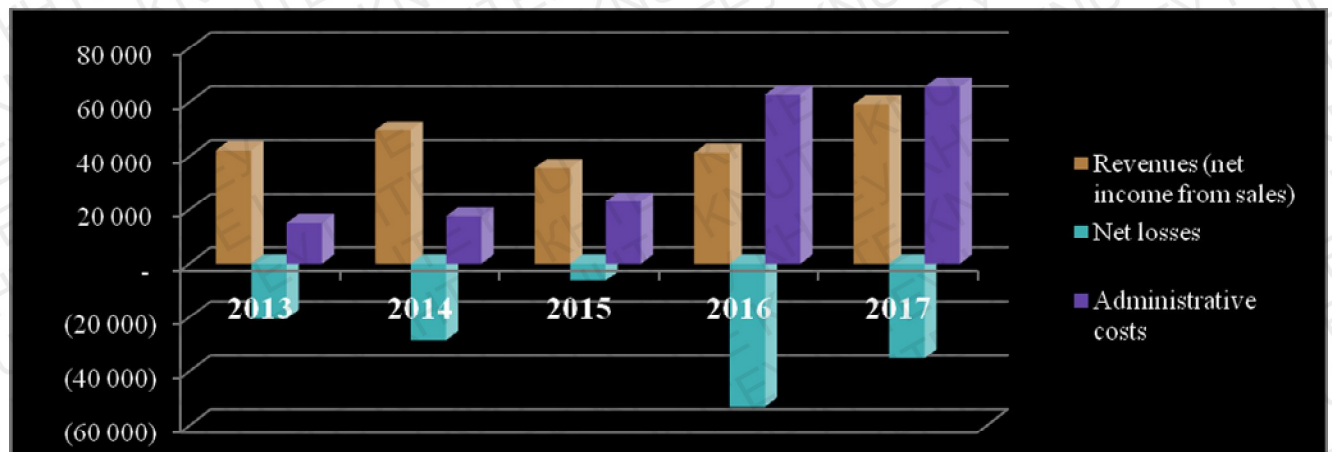


Fig.2.1.1 Administrative Costs of the JSC “FKMBP” in Comparison with Revenues and Net Losses (in ths. UAH) during 2013-2017*

* Source: calculated and compiled by the author on the basis of the JSC “FKMBP”'s reports

One of the stages of the characterizing an operational activity is the assessment of the enterprise's property. The estimation of the property status is analyzed in Table 2.1.2 that shows analyses of the property status indicators of the enterprise for the period under investigation.

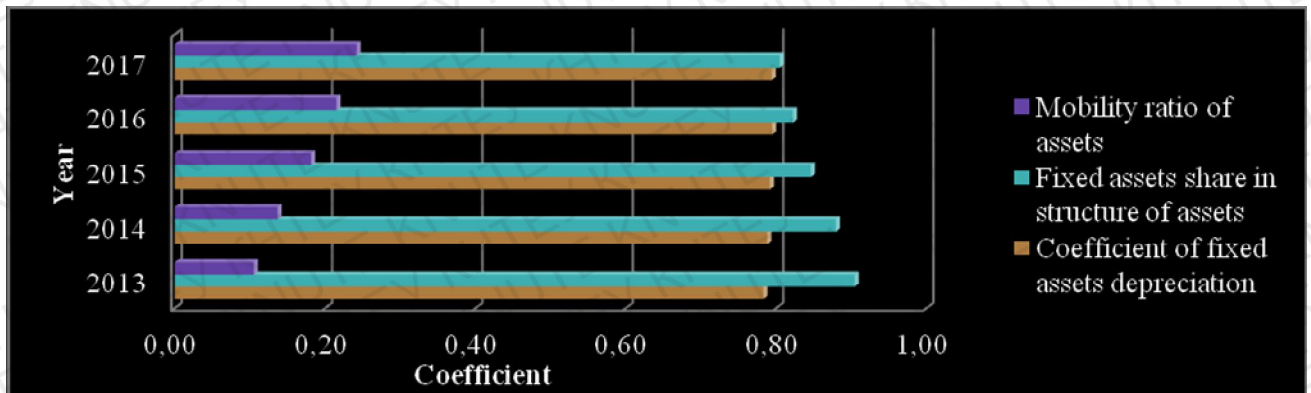


Fig. 2.1.2. The Characteristic of the Property Status of JSC "FKMBP" during 2013-2017*

* Source: calculated and compiled by the author on the basis of the JSC "FKMBP"'s reports

Thus, on the diagram we can see that the depreciation rate of fixed assets was high enough - an average was 0,79 (or 79%), which means that the company's fixed assets need to be upgraded since they constitute the bulk of all its assets (80-90%). The assets mobility ratio is very low, which can become very dangerous for the company in times of crisis. Although despite its declining growth rate, the positive dynamics can be observed: in 2014, it grew by 23,12% compared to 2013, in 2015 by 24,59, in 2016 by 15,73% and in 2017 by 11,09%.

Regarding the dynamics of the basic operating costs of the enterprise over the past 5 years they can be seen in the following table (Tab.2.1.3):

Table 2.1.3

The Dynamics of the Operating Costs Elements*

Indicators	Years					Deviation 2014/2013		Deviation 2015/2014		Deviation 2016/2015		Deviation 2017/2016	
	2013	2014	2015	2016	2017	abs. in ths. of UAH	relative in %	abs. in ths. of UAH	relative in %	abs. in ths. of UAH	relative in %	abs. in ths. of UAH	relative in %
1	2	3	4	5	6	7	8	9	10	11	12	13	14
Material costs	16264	4573	7131	7989	4213	-11691	255,65	2558	35,87	858	10,74	-3776	-89,63
Salary expenses	23515	48784	20305	21728	20138	25269	51,80	-28479	140,26	1423	6,55	-1590	-7,90
Deductions for social events	12568	6259	7390	4606	4453	-6309	100,80	1131	15,30	-2784	60,44	-153	-3,44

Continuation of Table 2.1.3

1	2	3	4	5	6	7	8	9	10	11	12	13	14
<i>Amortization</i>	5070	5138	5328	5160	5131	68	1,32	190	3,57	-168	-3,26	-29	-0,57
<i>Other operating expenses</i>	4604	9078	6693	9650	4494	4474	49,28	-	-	2957	30,64	-	-
<i>Total</i>	62021	43832	46847	49133	38429	-	-41,50	3015	6,44	2286	4,65	-	-
						18189						10704	27,85

* Source: calculated and compiled by the author on the basis of the JSC "FKMBP" 's reports

Analyzing data, it can be observed that the main expenditure part was the salary expenses, the maximum growth of which took place in 2014 (48 784 thousand UAH), and then sharply decreased by almost 1,5 times. In 2017, these costs also showed a negative tendency amounting 20 138 thousand UAH, which is 7,9% less than last year. The second and third places according to the table are occupied by the material costs and expenses for social events, the deductions on which constantly fluctuated. The cost of depreciation was stable and amounted to 5165,4 ths.UAH with a deviation of 2,18% in average . Other operating expenses also showed variable tendencies in 2017, amounting to 4 494 thousand UAH, which is 114% less than in 2016.

After analyzing the assets of the company it was determined that as of December 31, 2013, the share of current assets was 10,7% of all assets of the enterprise (Appendix D, Table 1). During subsequent periods, this indicator grew and as of December 31, 2017 was 20.8% amounting 73442 thousand UAH. It should be noted that the dynamics of bank accounts has changed quite strictly in 2017, since the amount on the accounts exceeded previous year's figure by 10,000 times, amounting to 202 thousand UAH.

It can be concluded that during 2013-2017, the share of fixed assets had the general tendency to decreasing due to an increase in the share of current assets. The average amount of non-current assets in general structure of assets of the enterprise during 2013-2017 was 83,92% that is not good for the enterprise activity. In 2017 non-current assets has decreased by 4002 thousand UAH (or 79,15%) compared to the previous period.

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 D, Table 2). The table shows a constant growth of liabilities due to regular increase of current and decrease in equity structure. Thus, the company's own capital during the period of 2013-2017 decreased by 114636 thousand UAH or 52.53%. This has happened due to a reduction in the amount of retained earnings and the lack of development of other articles in this section of the balance sheet.

Current liabilities increased more than 2 times (by 121,86%) or by 136611 thousand UAH during the period of observation and amounted to 248717 thousand UAH in 2017. It should be noted that in 2015 the enterprise received short-term loans from banks in the amount of 40,000 thousand UAH.

The average share of equity in the structure of the JSC "FKMBP"'s liabilities was 51,75% or 176791 thousand UAH. Current liabilities amounted to 48,25% or 164851 thousand UAH from the sum of all liabilities category.

For a more detailed description of the enterprise's financial activity, the following indicators are used: solvency (financial stability), liquidity, business activity (turnover), profitability [8]. Therefore, the coverage ratio (current liquidity) shows the adequacy of enterprise resources that can be used to repay its current liabilities. At the enterprise, the coefficient of coverage is much smaller than 2 (which is a norm), so we can say that the structure of the balance is unsatisfactory, the enterprise is almost not solvent and has not enough resources to repay current liabilities - 1 UAH of short-term liabilities value in 2017 was amounted to 0,30 UAH of current assets (Tab. 2.1.4).

Table 2.1.4

The Analysis of Liquidity Ratios of JSC "FKMBP" during 2013-2017*

Indicators	Year				
	31.12.13	31.12.2014	31.12.2015	31.12.2016	31.12.2017
Coverage ratio	0,31	0,35	0,40	0,36	0,30
Quick liquidity ratio	0,11	0,11	0,12	0,08	0,07
Absolute liquidity ratio	0,0044	0,0038	0,0007	0,0004	0,0010
Net working capital, ths. UAH	-68226,50	-75987,00	-78206,00	-110517,00	-157567,50

* Source: calculated and compiled by the author on the basis of the JSC "FKMBP"'s report

The quick liquidity ratio reflects the payment facilities of the company according to its current liabilities payments in respect of making settlements with the debtors on time. Normative value of this indicator is 1. However, the enterprise's quick liquidity ratio was low decreased during past 2 years (2016-2017). Thus, the best result was in 2015 - 0,12 and the worst in 2017 - 0,07 that is by 0,05 or 71,43% less from mentioned one. It means that enterprise retains the least liquid working capital - stocks, incomplete production, finished products and not cash and cash equivalents, financial investments and payables.

The absolute liquidity ratio shows which part of the enterprise's debts can be paid immediately or by another words the absolute liquidity (solvency) ratio indicates what proportion of short-term liabilities can be repaid immediately, if necessary, at the expense of available funds.

The value of this coefficient is sufficient if it exceeds 0,2-0,3. The absolute liquidity ratio of the plant during the whole analyzing period was less than 0,005 and after a prolonged annual decline only in 2017 started to indicate little improvement. This means that as for now it can repay near 0,1% of the debts at once.

Net working capital explains an ability of the enterprise to pay its current obligations and expand further activities. An enterprise does not settle on its current liabilities and has sufficient financial instability, since this ratio is not good. Negative factor is the tendency of its annual reduction because of current liabilities fast increasing.

The solvency ratio (autonomy) shows the share of equity in the total amount of funds advanced in its activities. Financial autonomy from external sources was very high in 2013-2015, the indicators for this period considerably exceed the normative value (norm > 0,5) by more than 3-4 times, and even after declining trend of 2016-2017 still remained within a normal limits amounted 1,01 and 0,55 respectively. That is, the enterprise is financially autonomous and independent from external financing during this period (Tab. 2.1.5).

Table 2.1.5

The Analysis of Financial Stability Ratios of JSC “FKMBP” during 2013-2017*

Indicators	Year				
	31.12.2013	31.12.2014	31.12.2015	31.12.2016	31.12.2017
Solvency ratio (autonomy)	2,30	1,87	1,61	1,01	0,55
Coefficient of financial stability	0,70	0,65	0,62	0,50	0,35
Coefficient of security by own working capital	-2,18	-1,90	-1,50	-1,81	-2,32
Flexibility ratio	-0,23	-0,26	-0,27	-0,39	-0,56

* Source: calculated and compiled by the author on the basis of the JSC “FKMBP”’s reports

The coefficient of financing (financial stability) characterizes the dependence of the enterprise on borrowed funds. The coefficient of financing had a tendency for constant significant decline (by 100% in 2017 comparing to 2013). This means, that the capital inflows decreased as well as the share of equity.

The coefficient of security by own working capital shows the security of the enterprise’s own current assets. This ratio has a negative meaning and tends to grow in the last observed years. It is clearly means that the enterprise has a shortage in current assets.

The equity maneuverability indicator (flexibility ratio) shows what part of equity is using to finance current activities - invested in working capital, and what part is capitalized. The value of this indicator may vary depending on the structure of capital (the normative value is 0,2-0,3). This indicator for 2013-2017 decreased by 0,33 or 59%, which can be explained by part of equity capital reduction that was invested in working capital.

The asset turnover ratio characterizes the efficiency of using enterprise’s all available resources, regardless the sources of their formation. The turnover rate of assets has a tendency to the slight fluctuation with decreasing by 0,04 in 2015 (comparing to the previous year) and the maximum increase in 2017 by 0,05 in

compared to 2016. The ratio is rather small that can make some difficulties for the transfer of enterprise's assets into the liquid one (Tab. 2.1.6).

Table 2.1.6

The Analysis of Turnover Ratios Of JSC "FKMBP" during 2013-2017*

Indicators	Year				
	2013	2014	2015	2016	2017
Ratio of assets turnover	0,13	0,15	0,11	0,12	0,17
Ratio of accounts payable turnover	0,44	0,47	0,09	0,10	0,09
Ratio of accounts receivable turnover	5,81	5,07	2,75	3,61	5,29
Period of borrowed capital turnover, days	816,56	770,34	3796,57	3626,83	4041,77
Period of accounts receivable turnover, days	61,91	70,98	131,00	99,63	68,07
Ratio of inventory turnover	2,11	2,00	0,33	0,36	0,38
Ratio of fixed assets turnover	0,15	0,18	0,13	0,15	0,22
Ratio of equity turnover	0,18	0,23	0,17	0,24	0,48

* Source: calculated and compiled by the author on the basis of the JSC "FKMBP"'s reports

The turnover rate of accounts payable shows the speed of turnover of the payables for the analyzed period, expansion or reduction of the commercial loan granted to the enterprise. For the period of 2013-2017 this coefficient tends to decrease (except the increase in 2014 and 2016) and is very low (Fig.2.1.3). That is, the plant pays its obligations very slow especially in the matter of settlements with the budget amount of which grow annually.

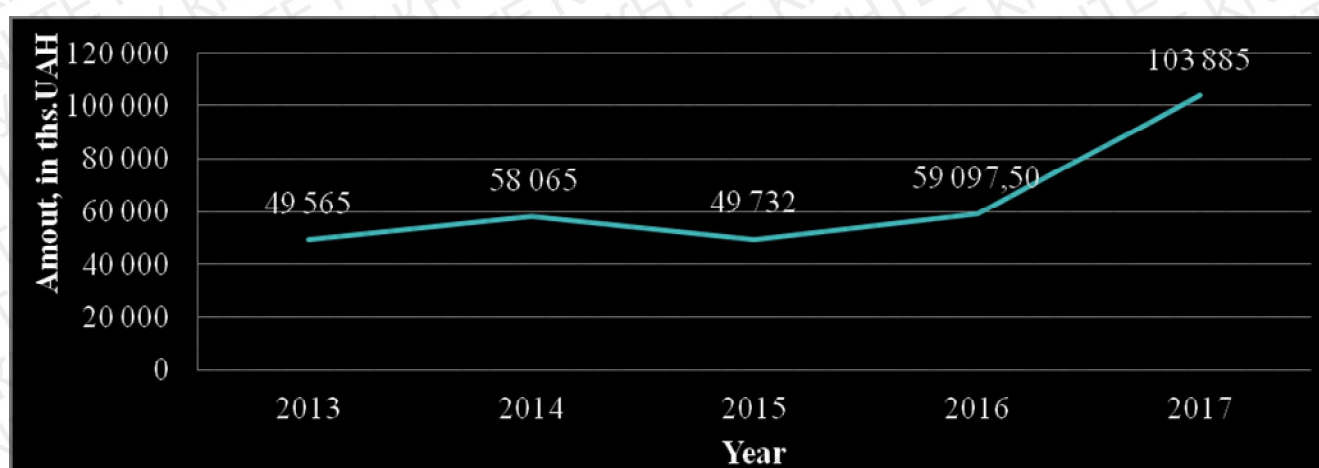


Fig.2.1.3. The Average Annual Value of Accounts Payable within the Settlements With the Budget of JSC "FKMBP" during 2013-2017*

* Source: calculated and compiled by the author on the basis of the JSC "FKMBP"'s reports

The turnover rate of the receivables shows the speed of the receivables' rotation of the enterprise's indebtedness for the analyzed period, the expansion or reduction of the commercial credit provided by the enterprise. For the period of 2013-2017 this indicator had a variable character: the trend of declining by 0,74 and 2,32 in 2014 and 2015 accordingly, and then growth by 0,86 and 1,68 in 2016 and 2017. Increasing of the value of coefficient is a positive trend and indicates that the plant receives more money from its debtors.

For all period that is under observation the repayment term of the receivables was much less than the maturity date of the payables (by more than 10 times). However, despite of the positive tendency of the period of accounts receivable turnover decreasing in 2016-2017, the period of accounts payable continues to grow and amounted to 4041,77 days in 2017 (by 10,27% compared to 2016 and by 80% in comparison with 2013). With the help of that, we can conclude that the enterprise delays payment of its creditors' obligations.

The coefficient of inventory turnover characterizes the rate of material stocks sales in the enterprise activity. The coefficient of plant's inventory turnover exceeded only in 2013 and 2014, and then rapidly decreased by an average of 5,5 times during 2015-2017. Although there is a positive dynamic of this ratio, but still indicates a slow process of plant's inventory realization and the fall in demand for its products.

The coefficient of the fixed assets' turnover (return on capital), which also was mentioned earlier in this chapter, shows the efficiency of the use of the enterprise's fixed assets. This ratio had a changeable dynamic with the maximum drop in 2015 - 0,13, and the maximum growth in 2017 - 0,22. However, the indicator remains low testifying the aging of machinery and equipment of the enterprise.

The coefficient of equity turnover shows the efficiency of the own capital use in the enterprise. The coefficient increased among the last years by almost 1,5-2 times and was 0,48 in 2017. The indicator is not high so that means that the plant uses its equity not effectively enough.

The next group of ratios which should be analyzed is the profitability indexes. There is no normative value for the coefficients of profitability, but there is a general

rule, the higher the value of the coefficient, the better. An increase in the coefficient during the reporting period indicates an improvement in the results of the enterprise.

The return on assets ratio characterizes the efficiency of the assets use in the enterprise activity. Thus, we can clearly see that the profit earned per unit of assets for 2013-2017 decreased by 0,004 (Tab. 2.1.7).

Table 2.1.7

The Analysis of Profitability Ratios of JSC “FKMBP” during 2013-2017*

Indicators	Year				
	2013	2014	2015	2016	2017
Return on assets	- 0,06	- 0,09	- 0,02	- 0,15	- 0,10
Return on equity	- 0,09	- 0,13	- 0,03	- 0,31	- 0,28
Rate of return on business	- 0,49	- 0,57	- 0,18	- 1,29	- 0,59
Ratio of products profitability	- 0,47	- 0,52	- 0,51	- 3,12	- 1,74

** Source: calculated and compiled by the author on the basis of the JSC “FKMBP”’s reports*

The coefficient of return on equity describes the efficiency of investing in this enterprise. The profit earned by the enterprise from each UAH of own capital in 2013-2017 dropped by 0,19.

The coefficient of profitability of the activity (return on business) characterizes the efficiency of the economic activity of the enterprise. The profitability ratio increased during the period of analyses decreased by 0,10. The negative meaning of this indicator shows the decrease in the efficiency of using the economic activity of the enterprise.

The coefficient of products profitability characterizes the profitability of economic activity of the enterprise among the main activity. The profitability coefficient for 2013-2017 dropped by 1,28, that is the enterprise has not enough control of its production costs of production and the sales, and thus obtains a deficit of the net profit. There is no normative value for the coefficients of profitability, but there is a general rule, the higher the value of the coefficient, the better. An increase in the coefficient during the reporting period indicates an improvement in the results of the enterprise.

2.2. Monitoring of the Foreign Economic Environment of PJSC “SIC “BILSHOVYK”.

In the world of machine-building industry, the group of developed countries of the EU occupies a dominant position. These market participants make a contribution accounting for about 37% of the gross output of machine building, China- 35%, the United States - 16%, and Japan - 11%. In these countries, almost all types of modern mechanical engineering have been developed: microelectronics, aerospace industry, robotics, machine tools, atomic and energy engineering, automotive, heavy machinery and others [27].

In the international division of labor, the North America (USA, Canada, Mexico, Puerto Rico) acts as the largest manufacturer and exporter of machines of high complexity, heavy engineering products and knowledge-intensive industries. Thus, in the USA, which occupy leading positions in the region and the world in terms of the total cost of engineering products, a large role belongs to aerospace engineering, military-industrial electronics, computer production, military shipbuilding, etc.

The countries of Europe (without the CIS) also have for about 1/3 of the products of world engineering. The region is represented by all types of machine building, but it is particularly notable for general engineering (machine tool industry, production of equipment for metallurgy, textile, paper, watch and other industries), electrical engineering and electronics, transport engineering (automobile, aircraft building, shipbuilding). The leader of European machine-building - Germany is the largest exporter in the region and in the world of general machinery products.

The countries of East and Southeast Asia, provides about a quarter of the world's engineering products. The main stimulating factor in the development of machine-building is the relative cheapness of labor. The leader of the region is Japan - the second machine-building power in the world, the largest exporter of products from the most qualified industries (microelectronics, electrical engineering, aircraft, robotics, etc.). Other countries - China, the Republic of Korea, Taiwan, Thailand, Singapore, Malaysia, Indonesia, and others - produce labor-intensive, but less complex products (the

production of household electrical appliances, automobiles, ships, etc.) and are also very active in working on the external market.

A special region of the world machine-building complex form the CIS countries. The branches of the military-industrial complex, the aviation and aerospace industry, consumer electronics, some simple branches of general (production of agricultural machinery, metal-consuming machines, power equipment, etc.) have received especially great development here. At the same time, a number of industries, especially high-tech ones, are seriously lagging behind. The CIS leader is Russia, despite the enormous possibilities for the development of mechanical engineering (significant production, scientific and technical, intellectual and resource potential, a large domestic market, which places great demand for various engineering products, etc.), in the international division of labor it stands out only for the production of weapons and the latest space technology and even forced to import many types of machines.

Outside the main machine-building areas there are rather large in scale and complexity of the structure of production engineering centers - India, Brazil, Argentina. Their engineering mainly works on the domestic market [27].

The market for the heavy equipment industry is poised for growth. The next statistic represents size of the global heavy equipment market in 2017, with a breakdown by segment [58].

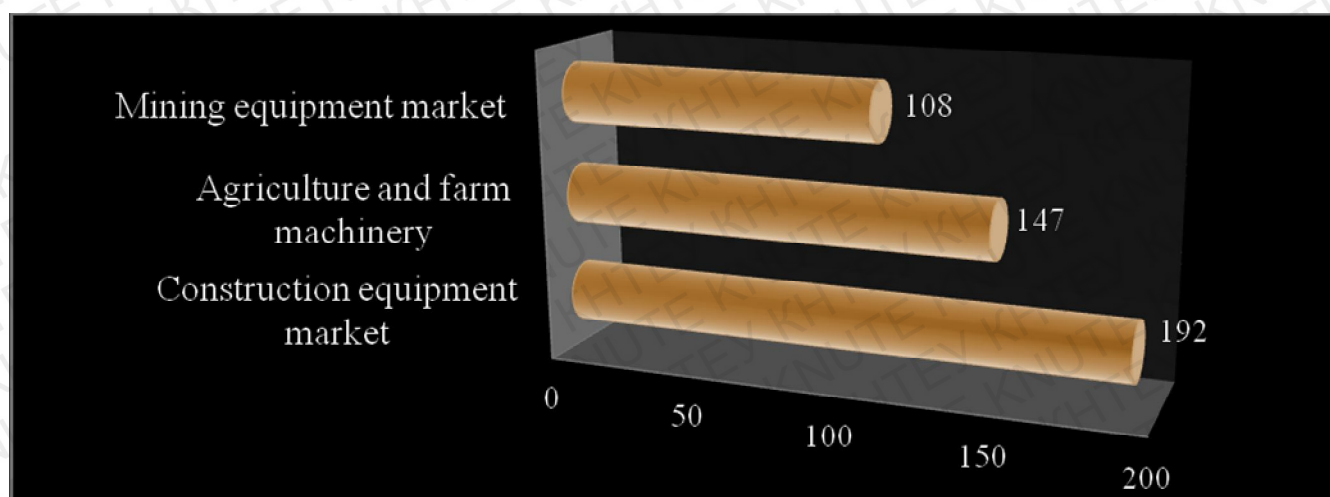


Fig. 2.2.1 Size of the Global Heavy Equipment Market in 2017 by Segment (in billion U.S. dollars)*

* Source: compiled by the author on the basis of [58]

The global construction equipment market was worth 192 billion USD by the end of 2017. This is due to increasing demand for better technology and improved decision-making in the building and construction industry overall [64].

The range of the analyzing enterprise also has equipment of construction machinery. Thus, this separate market situation also can be observed. The heavy construction equipment market is segmented into: excavation and demolition; heavy lifting; material handling; recycling and waste management; tunneling. The International Trade Organization of USA has determined the following 25 markets for construction equipment (Tab. 2.2.1):

Table 2.2.1

The Top 25 Markets for Construction Equipment*

№	Country	№	Country
1	Canada	14	Sweden
2	China	15	Mexico
3	Singapore	16	Malaysia
4	Australia	17	Russia
5	United Kingdom	18	Norway
6	Germany	19	South Korea
7	Japan	20	Netherlands
8	Quatar	21	France
9	United Arab Emirates	22	Belgium
10	Saudi Arabia	23	Indonesia
11	Brazel	24	Thailand
12	Chile	25	South Africa
13	India		

** Source: compiled by the author on the basis of [67]*

The report of this organization says that the global construction equipment sector has long been dominated by manufacturers in North America, Western Europe, Japan and South Korea, due in large part to the comparative advantages of these manufacturers' products. The economics of construction activities require equipment that operates efficiently, economically and with minimal downtime. In some cases, such as large mining operations, 24-hour continuous operation of machinery is necessary. To

achieve this goal, purchasers of construction machinery look for products with the following qualities:

- productivity: ability to move large quantities of material from point to point as quickly as possible;
- reliability: ability to operate with minimal downtime for scheduled service or unscheduled breakdowns;
- level of advancement in technology: utilizes the best available technology to increase machinery productivity and reliability.

The great difficulty of entering this kind of foreign markets is based on the fact of availability of the localization (or relocation) of manufacturing and domestic production programs. In efforts to maximize regional labor/production/financial incentives offered by globalized production and longer supply chains, many construction equipment sector manufacturers have moved towards “globalized” production of sector products.

By shortening supply chains and producing in local markets, construction equipment sector manufacturers hope to reduce the impact of delays in shipments, customs challenges, and currency fluctuations. While localized manufacturing reduces the impact of these issues, it negatively impacts export opportunities for producers in these markets. As a result some countries are enacting plans to support domestic producers. Those plans are also intended to encourage local production by foreign competitors.

The well-known example of these plans can be “Plano Brasil Maior” (“Greater Brazil Plan”) that aims to expand access to domestic and external markets for Brazilian companies through a variety of preferential tax and financing incentives for foreign investment. Government procurement advantages for Brazilian companies and aggressive use of trade remedies, such as AD/CVD, assist Brazilian companies in accessing export markets [67].

The excavation and demolition segment accounted for the largest market share. This segment provides the construction industry with earthmoving equipment for jobs such as digging foundations and landscaping. Earthmoving equipment is also known as

heavy trucks, heavy machines, construction equipment, engineering equipment, heavy vehicles and heavy hydraulics.

Due to The Global Earth Moving Equipment Market Research Report earthmoving equipment market challenges are:

- fluctuating prices of raw materials;
- competition from equipment manufacturers in emerging markets;
- changing customer demands and expectations.

Earthmoving equipment market trends are rise in demand for energy-efficient equipment, fluctuating oil revenue and provision of attractive financing options [64]. Earthmoving machinery is likely to dominate the heavy construction equipment market over the past four years (2014-2018). Product demand is largely catered to by developing countries such as India, Malaysia, and Indonesia. These countries have invested in the development of transport infrastructure, which majorly use earthmoving machinery, to support economic growth. For instance, the East Coast Rail Link project to link Malaysia's eastern and western region commenced in August 2017. This project is valued at nearly 13,0 billion USD and is a part of China's ambitious "One Belt and One Road" infrastructure program [32].

Global vendors such as Caterpillar (USA), Komatsu Ltd.(Japan), and AB Volvo (Sweden) are some of the leading market players. These vendors dominate the market in terms of technology, experience, and quality. Local vendors are forming joint ventures with international players to move up the value chain by acquiring various technologies. For instance, in 2016, India-based SRB Group entered into a joint venture with Russia-based Uralmash Machine-Building Corporation to manufacture heavy duty construction equipment.

Rise in prominence of Chinese vendors in the industry has been observed in the last few years. Manufacturers in China have capitalized on government-funded infrastructure projects and are continuously evolving by acquiring European vendors. For instance, Liugong Machinery Co. Ltd., a leading manufacturer of wheeled loaders in China, acquired bulldozer manufacturer Dressta in 2012. Manufacturers in China are growing at an exponential rate and investing in the expansion of their facilities.

Some other key players in the market for heavy duty construction equipment are the following (Tab. 2.2.2):

Table 2.2.2

The List of the Biggest Participants in the Heavy Duty Construction Equipment Market*

Company	Country
<i>Hitachi Construction Machinery Co. Ltd.</i>	Japan
<i>Komatsu</i>	Japan
<i>AB Volvo</i>	Sweden
<i>Liebherr</i>	Switzerland
<i>Caterpillar</i>	USA
<i>Deere & Company</i>	USA
<i>Doosan Bobcat</i>	South Korea
<i>XCMG Group</i>	China
<i>SANY Group</i>	China
<i>Zoomlion Heavy Industry Science & Technology Co. Ltd.</i>	China

* Source: compiled by the author on the basis of [32]

The demand for construction equipment, such as construction vehicles for mining and infrastructural activities, is on the rise. The market reached a size of 22,9 billion dollars in 2017.

The material handling market segment grew rapidly, registering a compound annual growth rate (CAGR) of 8,4% during the last 2 years (2016-2017). This is due to an increased usage of material handling equipment, such as cranes and telehandlers, in large building construction, and due to mining operations. The material handling segment was anticipated to be the fastest growing segment during the period of 2016-2022 [64].

Material handling machinery accounted for 28,0% of the heavy construction equipment market in terms of revenue in 2017. Construction of high-rise buildings is expected to generate steady demand for material handling machinery. Cranes, dumpers,

forklifts, and telescopic handlers are few examples of material handling machinery extensively used in the development of high-rise buildings.

Concrete and road construction equipment constituted 18,9% of the market by revenue in 2017. This category of machine-building products includes equipment such as asphalt pavers, rollers, and transit mixers, which are used in the development of roads and in handling or transporting concrete material. Road construction projects are anticipated to be a key driver for the growth of this product segment. For instance, in U.S., investment in roadways construction is expected to increase from nearly 91,0 billion USD in 2017 to 99,0 billion USD by 2020 [32].

The largest share of the agricultural machinery market is in the EU and NAFTA, accounting for 26% and 22% in 2017, respectively. China accounted for 15%, South America - 8%, India and CIS countries - 6%, Japan and Turkey accounted for 4% and 3% of all market share (Fig.2.2.2):

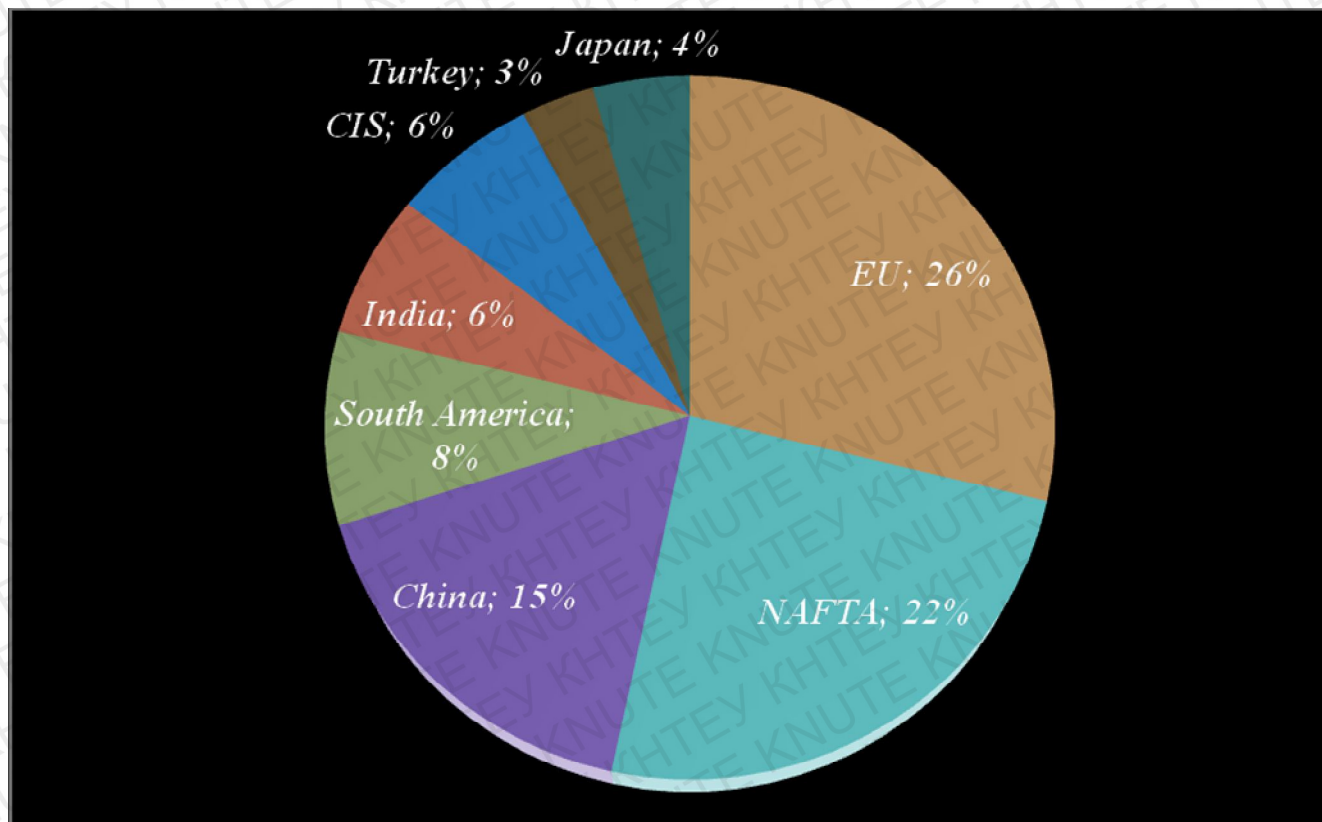


Fig 2.2.2. The List of Countries Occupying the Largest Shares in the Foreign Agriculture Machinery Manufacturing Market during 2017*

* Source: compiled by the author on the basis of [27], [33]

In general, the production of agricultural machinery until 2015 had a positive trend, reaching production level of 103 billion EUR per year. In 2017 there was a decrease of production by 9%, as compared to last year (Fig. 2.2.3).

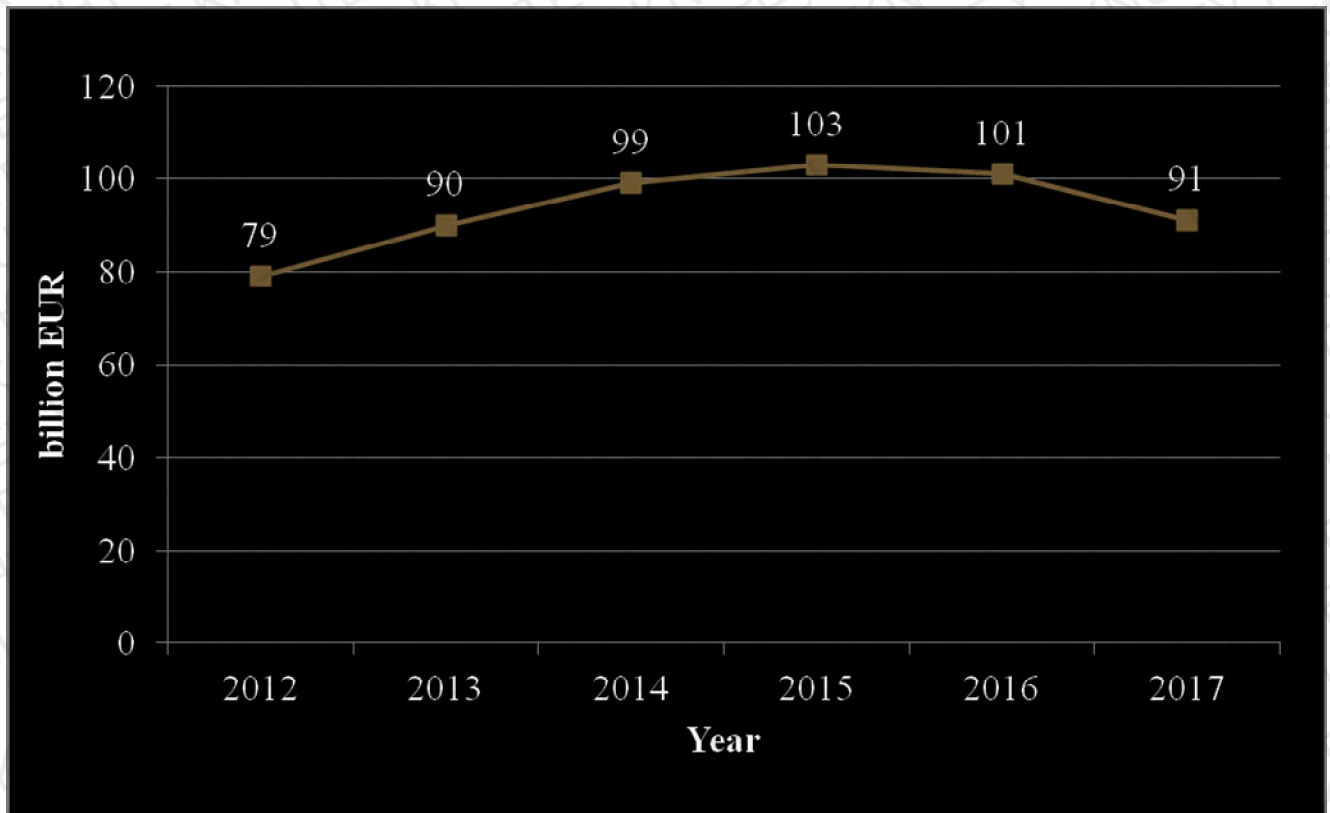


Fig 2.2.3. Volume of The Agriculture Machinery Manufacturing in the Foreign Market (in billion EUR)*

* Source: compiled by the author on the basis of [27], [33]

In the top three companies in the field of agricultural machinery are also companies from United States and Japan. Among them are American companies Caterpillar Inc. with a market value of 88,1 billion USD, Deere & Company - 50,3 billion USD, and the Japanese company Komatsu Ltd. - 31,9 billion USD.

In the category of machine tools, so the main consumers of machine tools are China, the United States, Germany and Japan. In general, there is a drop in demand for machine tools among countries. In 2017, global demand for machines fell by 11% compared to the previous 2016 (Tab. 2.2.3).

Table 2.2.3

**Worldwide Machine Tools Consumers List And Their Consumption Volumes
(in Millions USD) During 2017***

№	Country	Year					Deviation 2016/2017 (in %)
		2013	2014	2015	2016	2017	
1.	China	20658,00	30210,65	25062,00	27500,00	22000,00	-25,00
2.	USA	7325,41	6584,36	8643,67	7361,00	6256,90	-17,60
3.	Germany	5687,55	6172,37	5631,22	6360,80	6042,80	-5,30
4.	Japan	5102,00	5536,14	57952,00	5804,50	5224,10	-11,10
5.	Republic of Korea	3792,00	3756,20	3902,00	3823,00	3631,90	-5,30
6.	Italy	2964,10	3524,00	3295,80	3136,10	3763,30	16,70
7.	Mexico	1658,00	1752,00	2056,10	2214,13	2324,80	4,80
8.	Russian Federation	2356,00	3651,90	2534,80	2177,00	1741,60	-25,00
9.	Taiwan	1025,00	1365,40	1458,00	1564,00	1485,80	-5,30
10.	India	1428,10	1598,13	1601,35	1541,90	1695,10	9,10
11.	Turkey	1028,46	1258,36	1124,50	1278,00	1316,30	2,90
12.	Canada	958,02	1201,90	998,25	1178,30	942,60	-25,00
13.	Thailand	1024,6	1258,60	1126,30	1173,80	1115,10	-5,30
14.	Switzerland	658,62	756,20	862,09	1038,00	778,50	-33,30
15.	Vietnam	756,25	824,60	912,90	969,90	1066,90	9,10

* Source: compiled by the author on the basis of [27]

As for production of machine tools, their main manufacturers in the world are China, Japan and Germany. Worldwide machine tools production in 2017 fell by 12% compared to 2016, reaching 8 019,6 million in 2017. Global importers of machine tools are China - 8600,0 million USD, USA - 4506,0 million USD and Germany - 2730,8 million USD per year. China covers imports of about 31% of its consumption, the United States - 61%, Germany - 43%.

The main exporters of machine tools in the world are Germany and Japan, countries exported in 2016-2017 about 8792,0 million USD and 8625,0 million USD respectively. Germany exports 71% of own machine tools, Japan - 64% [27].

2.3. Evaluation of the Export Strategy of PJSC “SIC “BILSHOVYK”.

It is extremely difficult to characterize and evaluate the export strategy of the enterprise, since the Bilshovyk works only on specific orders and since 2017 has stopped to export directly. Direct export is carried out through the subsidiary of the enterprise, which in its turn concludes a separate contract with the plant or works according to the protocol. Thus, the customer sends a letter to the company or its subsidiary asking for the manufacture or processing of certain products. After this, the plant's managers consider the proposal and decide whether to execute such an order. If it possible, the subsidiary of the enterprise “Zhashkiv Heavy Machinery Plant of the SIC “Bilshovyk” concludes a contract with the customer on its behalf, and then another separate agreement with its parent company - the plant. The execution of the order, fulfillment of the terms of the contract that deals with the loading/shipping and transportation of the finished goods or services to the customer, terms, payment, determination of the raw materials' supplier, etc. are carried out. After payment by the customer of all payments that were needed, mutual settlements are made between the subsidiary and the plant.

Analyzing the specificity and effectiveness of the export strategy implemented before 2017 and later with the help of subsidiary, we can see the following (Tab. 2.3.1):

Table 2.3.1

The Analysis of Export Activity of the JSC “FKMBP” (in ths.UAH) during 2013-2017*

Indicators	2013	2014	2015	2016	2017
Number of countries the enterprise carries out foreign economic activity with	5	3	3	1	1
Number of foreign customers	9	5	6	1	1
Revenues from sales of products, ths. UAH.	5040,13	2322,91	3204,18	4,84	3880,50
Export share in total sales,%	11,92	4,69	8,97	0,01	6,55

* Source: calculated and compiled by the author on the basis of the JSC “FKMBP”'s reports

The number of countries with which the plant had export relationship during the analyzed period has decreased from 5 in 2013 to 1 in the next years. Despite the slight improving in 2015 and 2017, the same tendency was observed with the number of foreign firms that were enterprise's clients.

Among the customers of plant's production were such companies from outside of Ukrainian borders: (Tab. 2.3.2)

Table 2.3.2

The List of Foreign Clients of JSC "FKMBP" during 2013-2017*

Foreign company	Country	Year				
		2013	2014	2015	2016	2017
JSC Estrokom	Russia	+	+	+	+	
Origin Technologies, Inc.	USA	+	+	+		
JSC Newfact	Belarus	+	+	+	+	
JSC Bobruisk machine-building factory	Belarus	+	+	+		
JSC Belagrozpetsmashbud	Russia	+				
CEAT-KELANI International tyres (Pvt.) LTD	Sri Lanka	+				+
MRF Limited	India	+				
JSC "Trading House "Equipment and materials"	Russia	+	+			
JSC "Trading House "MF "TADEM"	Russia	+				
JSC Rosplast	Russia			+		
JSC Tula Plant RP	Russia			+		
Harub LTD	Bulgaria				+	

* Source: compiled by the author on the basis of the JSC "FKMBP"'s reports

As we can see, 50% of the buyers were Russian companies, 16,7% - Belarusian, 8,3% - others. For a 3 years plant has cross-border cooperation with the US company "Origin Technologies", but after 2015 it has stopped because of the political and economical situation in our country, and bad state of the enterprise. Also, plant was working once with the customers from Bulgaria, Sri Lanka and India. Now, the daughter enterprise of the plant negotiates with the buyers from Sri Lanka and India.

The indicators of revenues from sales of exported products may be inaccurate since they show the amount of income for a particular year when the contracts, concluded

between the plant and foreign buyers, could be fulfilled during the incomplete 2-3 years. However, even in this situation, we clearly see that despite the improvement in 2015 (revenue growth by 38% compared to 2014), the decline in production for exports and sales continued to increase with the next year. Since half of the foreign customers of the plant were from Russia, the exacerbation of the socio-political situation in the country was one of the reasons for the exports decline and its cessation. Now, both the plant and its subsidiary are not dealing with the Russian Federation.

Another reason of export termination was the difficult financial and economic condition of the plant, in particular open internal corruption, which continued until the forced replacement of the top management in 2016.

Export share ratio shows what part of all enterprise's sales is occupied by the income from export operations. There is the same dynamic as with the previous indicators: a slight increase - by 4,29% in 2015, and a further rapid decline - by 8,96% and growth of the export share by 6,53 in 2017 (Fig.2.3.1)

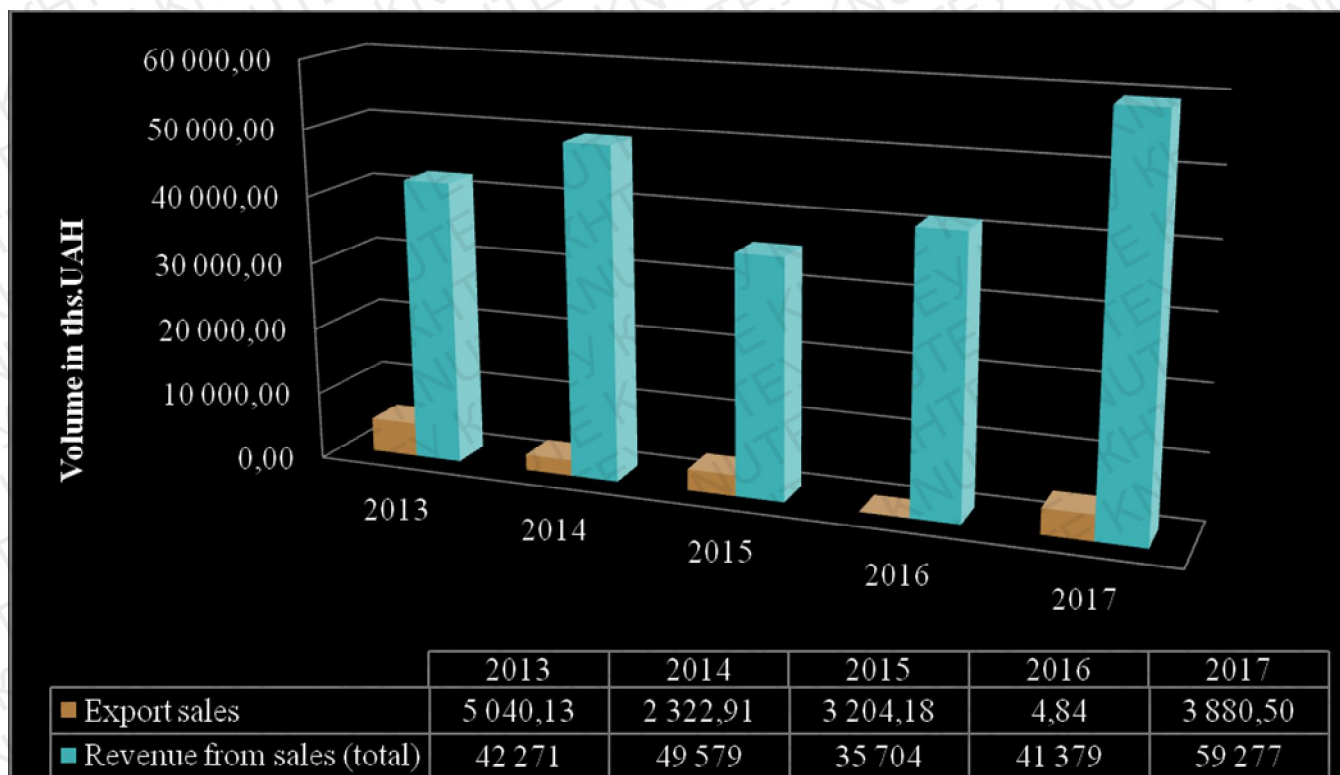


Fig. 2.3.1. The Sales From Export Operations of JSC “FKMBP” for the period of 2013-2017*

* Source: calculated and compiled by the author on the basis of the JSC “FKMBP”'s reports

Since the plant did not count its export performance separately, and as in the machine-building industry prices depend on the specification of orders and are commercial secrets which are strictly adhered to, it is difficult to calculate economic (sales-related and market-related) indexes of the plant's performance on export, which was mentioned in Part 1 of this work. It should be also noted that since the plant operates on customer orders and has been financially unstable for a long time, it did not have a precisely defined export plan that would help determine the effectiveness of the export strategy during the analyzed period.

Therefore, we will continue to analyze the effectiveness of the export strategy of the plant through non-economic factors. They are presented in the form of SWOT-analysis (Tab. 2.3.3):

Table 2.3.3

The SWOT-Analysis of the JSC "FKMBP" Export Strategy*

Strengths		Weaknesses	
<i>Factor</i>	<i>Estimation mark</i>	<i>Factor</i>	<i>Estimation mark</i>
Achievement of objectives regarding response to competitive pressures	1	Meeting expectations	-5
Customer satisfaction	3	Strategic export performance	-5
Product/service quality compared to competitors	4	Gaining new technology/expertise	-3
Quality of customer relationships	3		
<u>Total</u>	<u>11</u>	<u>Total</u>	<u>-13</u>
Opportunities		Threats	
<i>Factor</i>	<i>Estimation mark</i>	<i>Factor</i>	<i>Estimation mark</i>
Building awareness and image overseas	4	Overall export performance	-5
Contribution of exporting to the growth of the firm and to the quality of firm's management	5	Reputation of the firm compared to competitors	-3
<u>Total</u>	<u>9</u>	<u>Total</u>	<u>-8</u>

* Source: calculated and compiled by the author

Thus, as we can see on the table, despite the absence of the direct exporting the plant achieves some of the objectives regarding response to competitive pressures. The fact that the plant still continues to manufacture products for export is a main of such objectives or goals. Also, the plant continues to take an active part in international and national exhibitions. In July, a delegation from the plant and its subsidiary visited Vietnam at the exhibition of industrial production in Ho Chi Minh City. Earlier, in May, the delegation represented the plant at an exhibition in Germany.

The confirmation that foreign consumers were satisfied with the production of the plant is that most of the foreign firms listed above have been working with the plant for years. Some of them continue to work with a subsidiary even now (Indian company for example).

One of the reasons of customer satisfaction is the product and service quality compared to competitors. For example, not so long time ago (in 2016) there was a foreign client that ordered the factory to manufacture certain equipment. After some time, the customer recalled his order pointing out that he was going to buy such equipment from a Chinese manufacturer, offering him a lower price than the factory. After a long time, this customer contacted the enterprise again with the request to make the same equipment and explaining that the equipment of the Chinese industry had already broken down and he did not trust him anymore. Besides, in the domestic market, the plant has many new and regular clients, who prefer to contact it precisely because of the trust in quality and long-term results.

The previous fact can be also the proof of a high quality of customer relationships. In addition to that, there is an intermediary firm in India that has been cooperating with the plant for many years, offering its services to the local Indian producers and putting the request for orders and the possibility of their execution by the plant. Representatives of this company often came to the factory with the purpose of familiarization and continued cooperation.

As for the enterprise's weaknesses, it can be summarized that there was a bad situation with the meeting expectations during the making export activities and as a

result of this - absence of strategic export performance and closing of the direct exporting from the plant.

The confirmation of unjustified expectations is a plan for the release of industrial products (including export) during the 2013-2017 (Fig. 2.3.2):

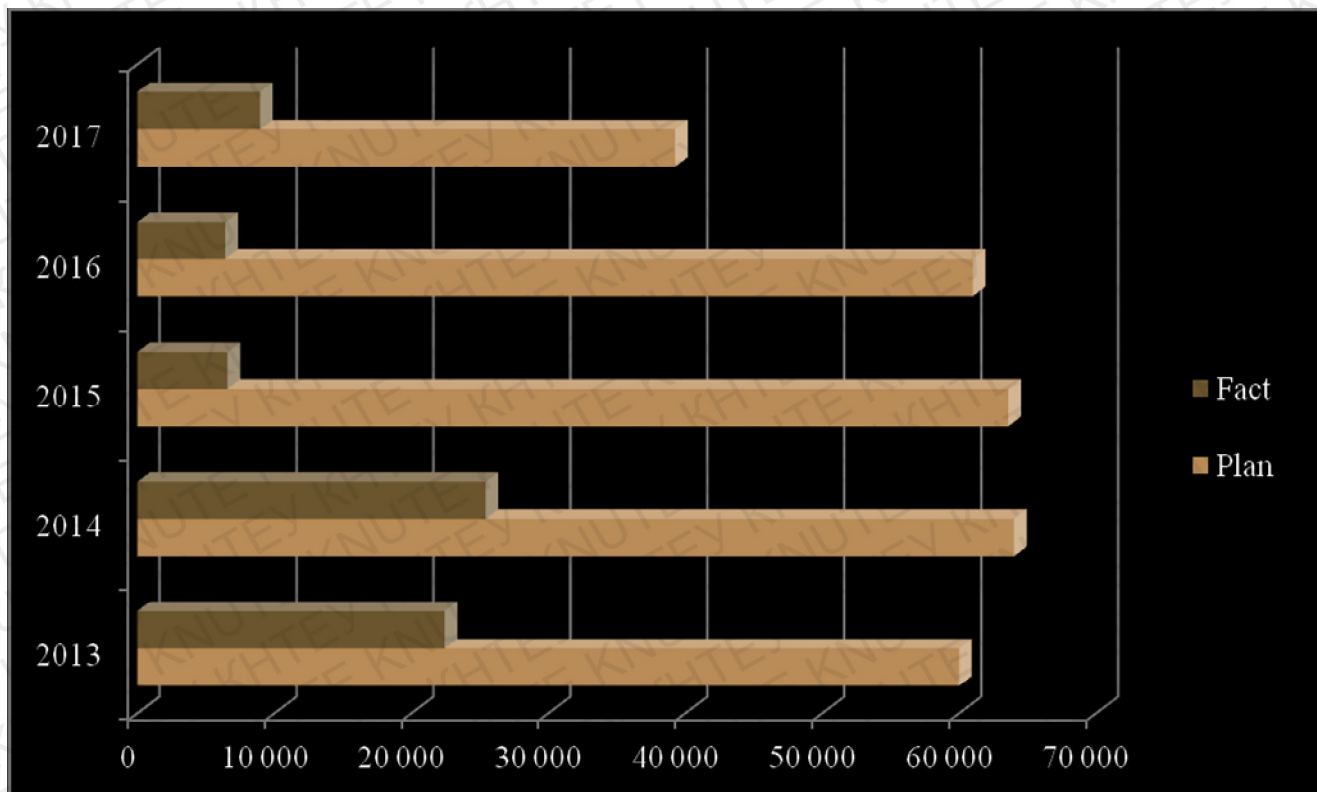


Fig.2.3.2. The Industrial Products' Release (Goods and Services) of The JSC "FKMBP" without Taking into Account VAT (in ths. UAH)*

* Source: calculated and compiled by the author on the basis of the JSC "FKMBP"'s reports

Here we can clearly see, that every year actual production was produced in smaller amount than planned by several times: in 2013 by 2,7 times, in 2014 by 2,5 times, in 2015 by 9,7 times, in 2016 by 9,5 times and in 2017 by 4,4 times. A clear correlation between the dynamics of the plan and the fact was not followed, since the planned amount declined each year and actual volume increased then in comparison with the last year (in 2014 and 2017), then fell sharply (2015-2016).

Another weakness of the enterprise is that despite its prominent technological possibilities, a large number of process equipment is outdated and worn out. Especially notable (in particular for the execution of export orders) is the absence of the foundry

and blacksmith departments, which were forced to close due to the location of the enterprise in the central part of the city. In addition to the shortage of new equipment, the plant also lacks in staff members - to a large extent in young and progressively-minded workers, who would develop it in different directions.

Considering the opportunities of the enterprise, it should be noted that after the change of name in the 10th of May 2018, the plant carried out the so-called rebranding and renovation (Fig.2.3.3):

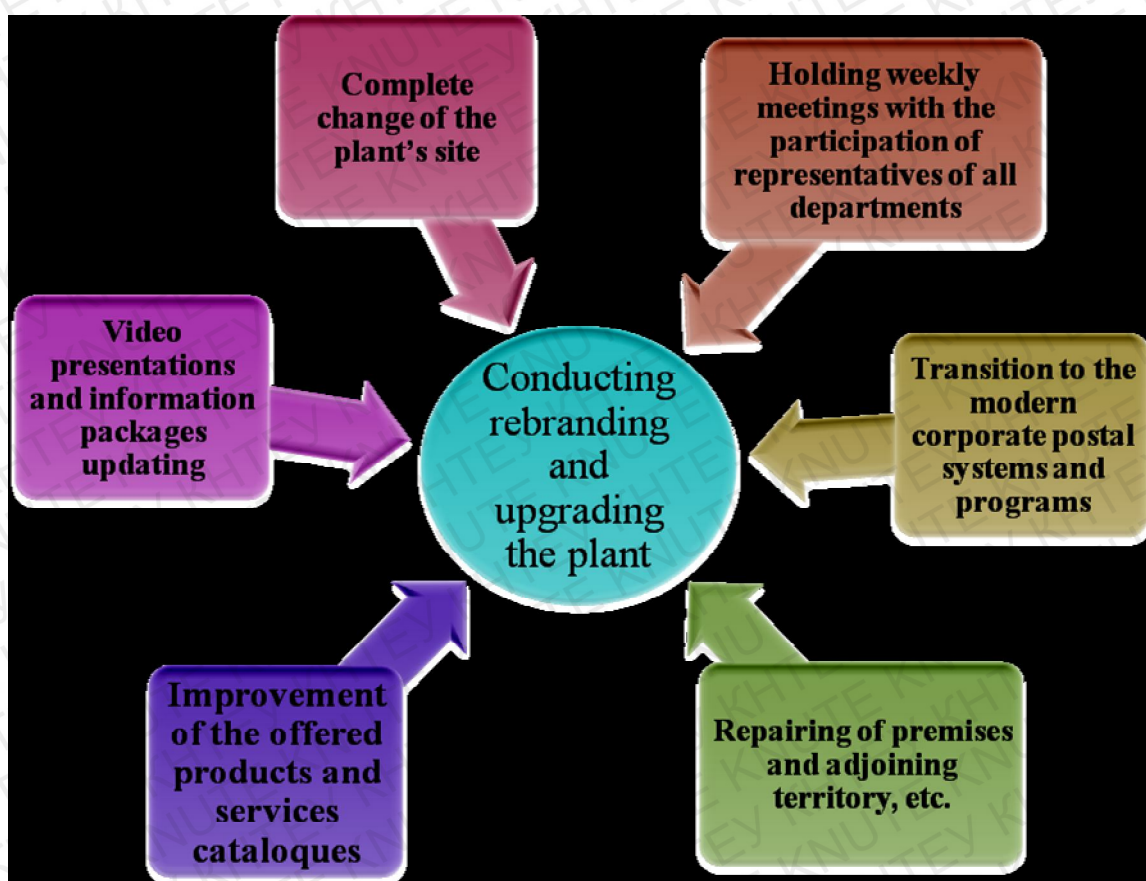


Fig.2.3.3. The Changes in the Process of Updating the JSC “FKMBP”*

* Source: calculated and compiled by the author on the basis of the JSC “FKMBP”’s reports

Nowadays a lot of efforts are made on advertising and distribution of information about the plant to the potential clients of external market. Despite attending exhibitions and participating in numerous tenders the plant constantly holds negotiations (through

the “Skype” network, telephone calls and personal meetings) with representatives of various regional markets (Sri Lanka, Vietnam, Lithuania, Belarus, Germany, etc.) In this way, the company is trying to improve its image abroad and attract new customers.

With the improvement of export operations, the plant could not only change its financial and economic situation, partially update the material and technical base, but also encourage the necessary personnel to cooperate. It would be a great contribution to the development of the machine-building industry of Ukraine as a whole.

With regard to threats that are potential for the enterprise, among them the most influential are the further: reduction of the overall export activity and deterioration of the plant’s reputation comparing with its competitors. As it has been already noted, exports are strategically important for the enterprise, so to not to complicate relations with the customers, it would be worth restoring its direct deliveries on behalf of the plant. It is also very dangerous to reduce export transactions through a subsidiary too, as this will significantly reduce the activity of the enterprise and will further aggravate its economic situation.

Since the transition to indirect exports was caused precisely because of the poor financial and economic condition of the plant, its further deterioration may affect very negatively its reputation, despite the process of partial modernization that was initiated recently. In the external market (and now in the national market also), image and reputation play an important role in the establishment and maintenance of partners relationships, so therefore their keeping and improvement is one of the key tasks for such an enterprise operating on the basis of clients orders. Although, plant has 4 main competitors on the domestic market: the Novokramatorsk machine-building plant (Novokramatorsk), MAGMA and Azovmash (Mariupol), as well as the Berdychiv machine-building plant (Berdychiv), which produce similar products and services, the maintenance of a positive reputation on their background will help to attract more of new foreign customers.

Conclusions to the Part 2

JSC “First Kyiv Machine-building Plant” (earlier PJSC “SIC “BILSHOVYK”) was established in 1883 and today has more than 135 years of experience in the field of machine building industry. The wide range of technological processes are being applied in the catalogue of the plant’s services, including plasma fusing, figured cutting, local thermal strengthening, fusing with laser beam etc. The products manufactured by the enterprise are the following: rubber mixers, mixing mills, extruders, calenders, tire-recycling lines, shaper vulcanizers and variety of spare parts. Under the legal status, the plant is a joint-stock company with 100% of its shares owned by the State Property Fund of Ukraine.

Despite its rich history, the plant is not so successful in the financial and economic terms. Thus, there is a growth of net sales revenue though the company suffers losses each year due to rising of administrative costs and while reducing the amount of equity capital. The number of employees is also significantly reducing.

The financial analysis of the company showed that it has problems with liquidity and financial stability, despite the high level of independence from external financing. Turnover indicators were also mostly unsatisfactory and profitability - had a negative meanings and dynamics.

Considering the foreign economic environment of the plant, it can be argued that the market is large and well-developed. 37% of the machine-building market in terms of released products volume is occupied by the EU, 35% - China, 16 % - the United States and 11% by Japan. The largest players on the market can be called Caterpillar (USA), Komatsu Ltd.(Japan), and AB Volvo (Sweden), Liugong Machinery Co. Ltd and Dressta (China), Hitachi Construction Machinery Co. Ltd. (Japan), Liebherr (Switzerland), Deere & Company (USA), Doosan Bobcat (South Korea), XCMG Group, SANY Group and Zoomlion Heavy Industry Science & Technology Co. Ltd. (China) etc.

If we consider the category of machine tools and this kind of equipment, then China, the USA, Germany, Japan and South Korea are the largest consumers and

producers of such products. However, the demand in this market has fallen by 11%. The largest exporters of those products are Germany and Japan.

The export operations of the company since 2017 ceased to be carried out by direct methodology and as for now the plant uses for this purpose its subsidiary "Zhashkivzhavshmashbud". The reason of such changes was mostly a difficult financial and economic situation of the company, which undermined its reputation as a reliable supplier of quality products. Another reason is the bad political and economical situation in the country, which in its turn led to the refusal to conduct trade relations with the Russian Federation (near 50% of foreign customers of the plant's products and services Russian companies then). That is why it is very difficult to assess the export strategy of the plant. However, judging by the recent years in which export operations were made (2013-2016), the strategy was very ineffective, which also led to the termination of direct exporting.. At the moment, the company has been renamed and is gradually rebranding and upgrading. A lot of attention is also paid to maintaining existing international partnerships, as well as finding new markets and potential consumers, including Europe (Germany), South-East Asia (Vietnam), North-America (Canada), etc. The company actively participates in numerous exhibitions and international tenders, attends conferences, negotiates with potential customers and encourages cooperation in every way.

At this stage, exports are strategically important for the plant, because improving the reputation and image of the company both in the external and in the domestic markets, as well as partially repaying the remaining debts, attracting the corresponding personnel, modernization of the material and technical base depend on it.

PART 3. THE WAYS OF INCREASING EXPORT STRATEGY EFFECTIVENESS OF PJSC “SIC “BILSHOVYK”.

3.1. Directions of Improvement of the Export Strategy of PJSC “SIC “BILSHOVYK”.

If we consider ways to improve the export strategy of this enterprise, it is worth pointing out different variants in which this can be done. So, in the international practice the experts of the International Trade Center advise to apply the following steps (Fig.3.1.1):

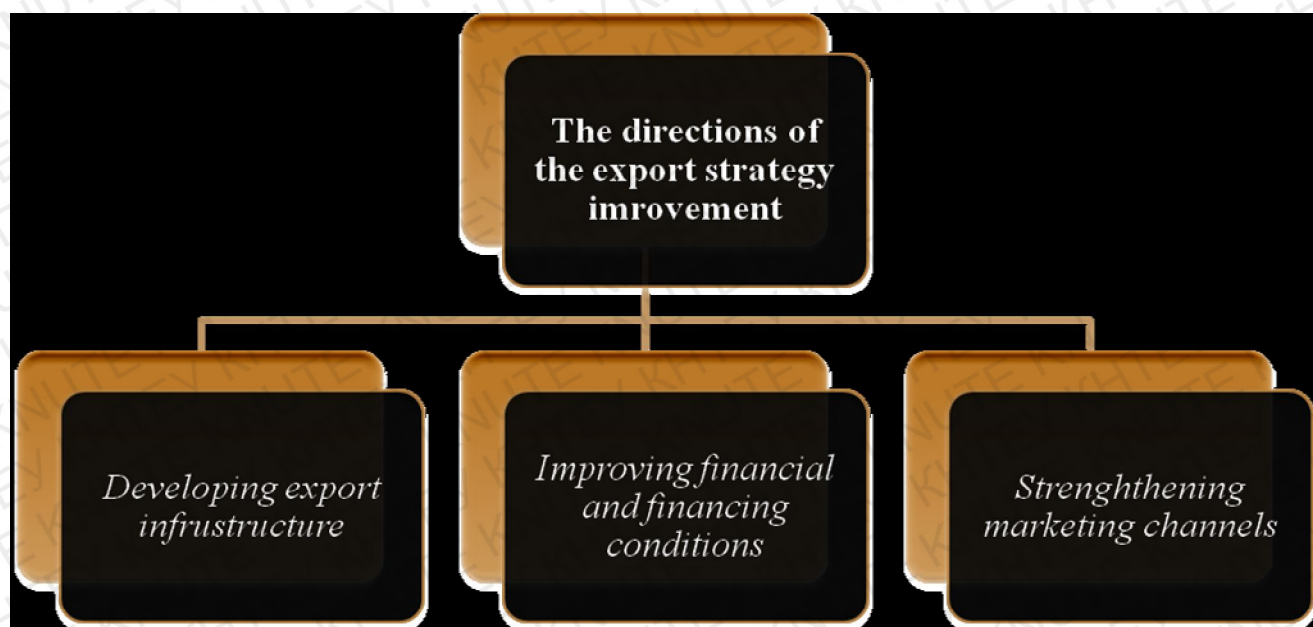


Fig.3.1.1. The General Directions of Improving the Export Strategy of JSC
“FKMBP”*

* Source: compiled by the author on the basis of [72]

Therefore, the developing export infrastructure means setting up infrastructure like export industrial establishments, export processing zones, and bonded production centers can provide a real boost to export development.

Restricted access to finance for firms which lack collateral and are considered high-risk borrowers make the situation difficult for the further production expansion. That is why the improvement of financial position and financing methods are needed

and it is sufficiently obvious in the current state of JSC “First Kyiv Machine-building Plant”.

As for the strengthening marketing channels, do it can be noted that a lot of enterprises are unable to market their goods effectively in existing markets. Small firms continue to lack knowledge of marketing channels and fail to establish marketing networks, or have not entered into strong market relationships with existing customers [72].

In the area of international marketing strategy, British scientists suggest an improvement of its effectiveness in the following way:

Table 3.1.1

The Ways of Improving the International Marketing Strategy Effectiveness of JSC “FKMBP”*

№	The approach of improvement	Description
1	2	3
1	Finding out if the product can travel	Many firms get occasional orders from overseas - thanks to the reach of the internet. But should the enterprise actively market its products abroad? As not every product travels well so if firm plans to expand into new territories, it needed to be found out if that product can be sold widely without having to be adapted.
2	Research of new territories	The experience and resources that the firm has built up means that it's not starting from scratch. But it should be known how to leverage them appropriately - and that means researching new markets and thinking about issues such as logistics, order fulfillment and customer service.
3	Assessing the size of the market	How big is the market for the firm's product in other countries? It has to see how established they are, find out how many players there are in that sector and how big the customer base could be or are there any potential trade barriers or restrictions.
4	Adapting marketing strategy	The firm may have a product that can easily cross borders but its marketing strategy will have to be adapted. Local values, customs, language and currencies will all impact on your marketing plan. There have to be a correspondence between unique selling points and branding, and the needs of targeted markets.
5	Working with local partners	Working with affiliates, partners, distributors, licensees or agents can help to get established in a new market. Close consultation with business partners on the ground will ensure that marketing materials have local appeal and don't include any mistakes.

Continuation of Table 3.1.1

1	2	3
6	Checking the prices	Pricing is not just about understanding currency differences - the firm needs to research price levels in each new territory. The overheads may also be higher so ensure that prices take into account the cost of freight and transport, packaging and agent's commission.
7	Adjusting media mix	The marketing channels the firm uses will vary in each territory. In some countries, it may rely mostly on social media or online advertising. In other places, it could be local newspapers, outdoor advertising or radio.
8	Learning local customs	When it comes to customer service, what works in one country may not work in another due to cultural differences, language and health and safety regulations. Levels of formality, business etiquette, the way to address them - all these are issues that could make or break expansion plans.
9	Getting the timing right	Timing is everything. In some places, what firm sells may be ahead of its time, in others it could be seen as outdated. Is demand for firm's type of product already peaking? Or is it just starting to grow?
10	Exhibiting overseas	Taking a stand at trade shows abroad is a good way of dipping a toe in the water, meeting contacts and making first sales in a new market. It's also a chance to see what the competitors are doing.

** Source: compiled by the author on the basis of [62]*

Another important direction in improving the export strategy can be state support within the framework of the program of implementation of the Export Strategy of Ukraine, which is now at the 2nd stage of its development by the Ministry of Economic Development. The Initiative of the Export Strategy of Ukraine was approved by the Government on December 27, 2017. The document provides the creation of conditions for the development of exports of all sectors of the economy. First of all, thanks to the creation of favorable conditions that stimulate trade and innovation for export diversification, the development of business and trade support services that can increase the competitiveness of enterprises, in particular small and medium enterprises, to improve their skills and competencies necessary for participation in international trade. "During the development of the Export Strategy, seven promising sectors were selected, which include the added value that remains in the country and that is in great demand in

the global markets where innovations are developing alongside with the SMEs. Therefore, together with business, we will work on the creation of sectoral strategies, because exports qualitatively change the country”, - the Deputy Minister of Economic Development and Trade of Ukraine - Natalia Mykolska has commented.

She also stated that among the promising sectors of the Ukrainian economy are the following:

- information and communication technologies (ICTs);
- creative industries;
- tourism;
- maintenance and repair of aircraft;
- manufacturing of spare parts and accessories for the aerospace and aviation industry;
- machine building;
- food and processing industries.

In order to maximize sectoral strategies to meet the needs of export-oriented enterprises, they will be developed inclusively, that is, in close cooperation with business, business and industry associations, as well as with the participation of the International Trade Center (ITC) and the support of Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ).

It should be noted that the main objective of the Export Strategy is the transition to the export of high-tech innovative products for sustainable development and Ukraine's success in world markets. Also, the document approved the list of “markets in focus” for Ukrainian exports, including EU's and top 20 markets of other countries, in particular China, the USA, Turkey, India, etc [21].

Generally, effectiveness of implementing the export strategy is achieved due to the ability of the exported products to meet the requirements of the external market, which is ensured by a high level of competitiveness and conformity of the basic functional capabilities of the product to the requirements of consumers. Therefore, in the process of assessing the impact of the environment, the assessment of competition and the

estimation of existing and hidden needs of the consumer is a guarantee of its realization. Thus, based on marketing approaches, there are two types of markets: B2B (business to business) and B2C (business to consumer).

Ukrainian enterprises of the food, light, woodworking, textiles and its materials, footwear, hats, furniture industries are oriented on the implementation of export strategies in the B2C markets. Enterprises engaged in agriculture, metallurgy, mining, chemical, logging, some kinds of textiles and, in particular, machine building (as well as the object of our research) have been exporting on the B2B markets for a long period of time.

Firms that are focused on the B2B markets having a narrow range of products and limited opportunities for commodity diversification, try to implement export strategies aimed at the “breadth” of development like in the case of JSC “FKMBP”. Such strategies can be usually the geographical diversification and absorption of competitors (Fig.3.1.2).

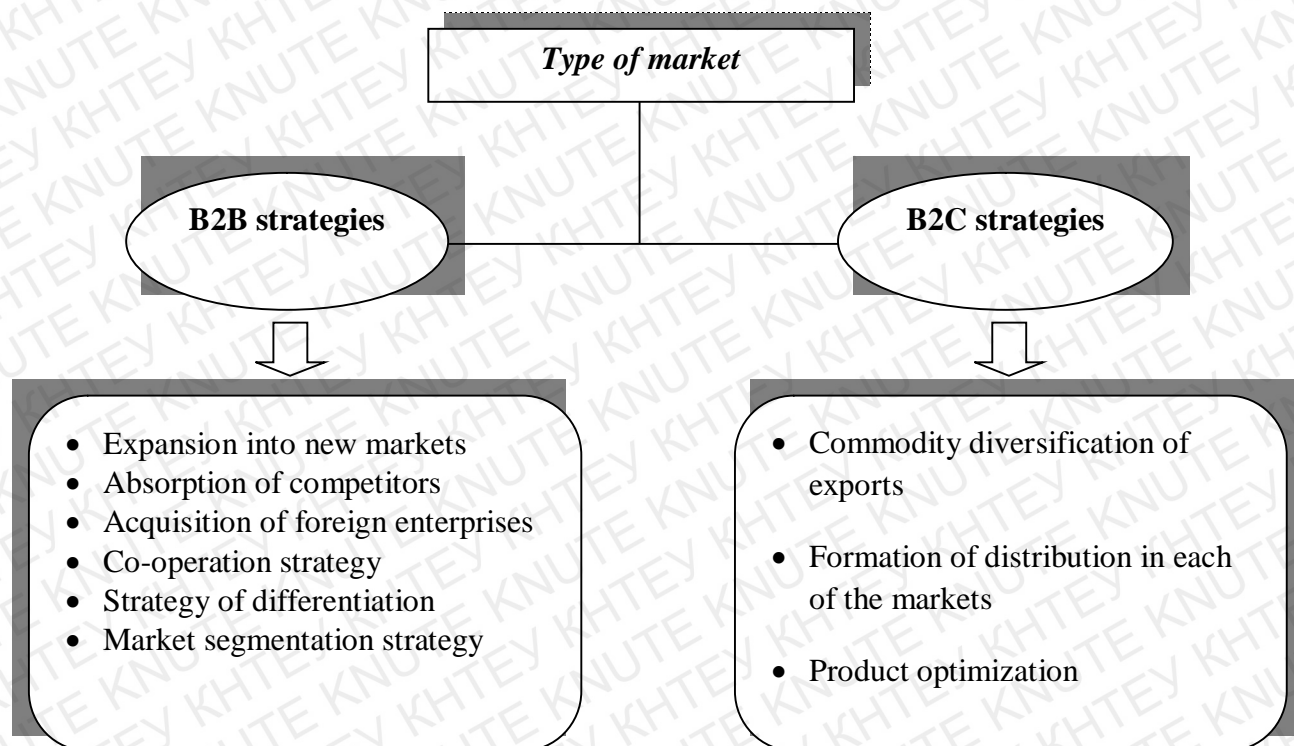


Fig.3.1.1. A Range of Export Strategies for Different Type of Market as the one of Directionsto Improve the JSC “FKMBP” Export Strategy*

* Source: compiled by the author on the basis of [39]

Therefore, a market expansion is a growth strategy, often called market development, entails selling current products in a new market. There several reasons why the enterprise may consider a market expansion strategy. First, the competition may be such that there is no room for growth within the current market. If a business does not find new markets for its products, it cannot increase sales or profits. A small company may also use a market expansion strategy if it finds new uses for its product [34].

The absorption strategy is an option when the threat of an innovation can't be eliminating through shaping. In this case, the enterprise can persue two distinct maneuvers:

- 1) Acquire new skills - the enterprise have to promotes the acquisition of new skills and new technologies in order to improve the competitive content of the current value proposition or business model.

- 2) Create blocks to facilitate the acquisitions of revolutionary firms. A fast and efficient way to remove the threats of innovative firm is to acquire them. To do so, the incumbent needs to reduce the innovator's manaeuvering room so as to force it to accept an alliance or to pave the way for a buyout. The incumbent can effectively restrict the innovator's freedom of movement by creating a network that integrates suppliers, distributors, strategic partners, impeding access to customers, raw materials and other collaborations [70, p.143-144].

Businesses may be more inclined to acquire an existing foreign business in situations where it is difficult to enter a foreign market. Buying an overseas business simplifies a lot of potentially tedious details. For example, the purchased business will already have its own personnel - both labor and management - allowing the acquiring company to avoid having to hire and train new employees [51].

Furthermore, the purchased company may already have a good brand name and other intangible assets, helping the company start off with a good customer base. Purchasing a foreign company can also provide the parent company with easier access to financing, because there may be less red tape to navigate around. Finally, if a foreign

market is at or near its saturation point, buying an existing company may be the only viable way to enter [28].

Cooperative strategy refers to a planning strategy [strateg plan basics] in which two or more firms work together in order to achieve a common objective [Hoskinson]. Several companies apply cooperative strategies to increase their profits through cooperation with other companies that stop being competitors.

A cooperative strategy gives a company advantages, specially to companies that have a lack of competitiveness, know how or resources. This strategy gives to the company the possibility to fulfill the lack of competitiveness [11].

Cooperative strategy also offers access to new and wider market to companies and the possibility of learning through cooperation. Cooperative strategy has been recently applied by companies that want to open their markets and have a liberalist vision of negotiation through cooperation [40].

Differentiation strategy is one of the most important marketing strategy in today's business environment. Differentiation strategy is being used by all top companies for their products. There are various ways to differentiate your product:

1) Innovation (invention) – the best way to implement differentiation strategy is to invent or innovate. By innovating or inventing, you become the market leader because your product is the first entrant in the market. Inventions are of course difficult and require regular R&D expenditure.

2) Product-level differentiation – kind of differentiations observed in many industries and is executed at product level. Thus, by incorporating product differentiation strategy at product level, the brands can differentiate themselves from competitors in the eyes of the customer.

3) Price differentiation – the most used form of differentiation strategy. Price segmentation is the biggest differentiation category in marketing.

4) Branding – promotion mix and the marketing communications of the company, that play a crucial role in the differentiation strategy of product. Promotion mix helps to target the correct segment and hence plays a crucial role in differentiation.

5) Packaging.

- 6) Service pre sale and post sale.
- 7) Point of customer interaction – the enterprise have to be ensured that it is taking care of all kinds of customers when they interact with the company. For this, you have to take care of point of interactions and ensure that the customer has a good experience whenever he interacts with the company.
- 8) User convenience.
- 9) Offer variety of products – another way to implement differentiation strategy is to attack the psychology of the customers. Many a customer will tell that they picked a brand just because the brand had more variety in the number of products it offered. A customer, during prospecting, likes to have more variety so that he finds the right product and can pick that product for himself. Thus, the more variety of products the enterprise can offer, the more chances it have to get a higher positioning in the mind of the customer and therefore, differentiating itself from competition. This is a high investment strategy, because it is needed to invest in a product line, but it is useful and profitable in the long run [8].

Market segmentation is the activity of dividing a broad consumer or business market, normally consisting of existing and potential customers, into sub-groups of consumers (known as segments) based on some type of shared characteristics. In dividing or segmenting markets, researchers typically look for common characteristics such as shared needs, common interests, similar lifestyles or even similar demographic profiles. The overall aim of segmentation is to identify high yield segments – that is, those segments that are likely to be the most profitable or that have growth potential – so that these can be selected for special attention (i.e. become target markets) [54, p. 87].

Many different ways to segment a market have been identified. Business-to-business (B2B) sellers might segment the market into different types of businesses or countries. While business to consumer (B2C) sellers might segment the market into demographic segments, lifestyle segments, behavioural segments or any other meaningful segment.

Market segmentation assumes that different market segments require different marketing programs – that is, different offers, prices, promotion, distribution or some combination of marketing variables. Market segmentation is not only designed to identify the most profitable segments, but also to develop profiles of key segments in order to better understand their needs and purchase motivations [26].

Insights from segmentation analysis are subsequently used to support marketing strategy development and planning. Many marketers use the S-T-P approach (segmentation-targeting- positioning) to provide the framework for marketing planning objectives. That is, a market is segmented, one or more segments are selected for targeting, and products or services are positioned in a way that resonates with the selected target market or markets.

However, observing the JSC “First Kyiv Machine-building plant” it can be sum up, that from all of those B2B strategies, that can be applied with the aim to improve export performance and were mentioned before, only few (the strategy of differentiation and cooperation) is possible to use for the purpose of the enterprise.

3.2 Substantiation of Measures for Improvement of Export Strategy Efficiency of PJSC “SIC “BILSHOVYK”.

To define the measures of the export strategy improvement it needed to structure them according to the directions that were named in the previous chapter (3.1). Thus, regarding the Trade Center advice the enterprise should develop an export infrastructure. Here, plant have to establish cooperation relationship with institutions that provide service assistance in the process of export operations abroad and in those countries where the enterprise wants to sell its products in particular.

Plant already cooperates with some of such organizations in the India (Amersey Exports Pvt.Ltd) and Ukraine (Ukraine intensive exports Program created by experts of the Kratos’ company). As the focus of the enterprise is now directed on several countries among which are:

- Czech Republic,
- the USA,
- Germany,
- Bulgaria,
- Canada,
- Vietnam,
- Sri Lanka.

Then, such co-operative connections need to be formed with their local firms offering intermediary services in the process of foreign economic operations. Despite the fact that such agents take a commission percentage for their services in the amount of 2%-15% of the cost of contract, their active participation in the research of potential customers for the enterprise's export goods will have a very positive impact directly on the flow of orders and the dissemination of information about the plant and its products as a whole.

Since the main problem of the company is the poor financial condition through which plant has stopped direct export deliveries on the foreign markets, so one of the essential measures in improving the efficiency of the export strategy of the company is improving its financial position. The debts of the enterprise for past periods are a big burden therefore it is necessary to work in the direction of their reduction. Given the current level of operational activity, it becomes clear that plant will not be able to pay them quickly, even with a crazy flow of orders.

In this case, it is inevitable that they should be restructured at least in part, and since the company is a state property, then state support is also needed. In September 2018 an agreement on restructuring the debts with the "Kyivvodokanal" was signed. Also, "Kyivenergo" recently removed the plant from the list of debtors. Taxes and debts form the bulk of the administrative expenses, which, according to the financial statements of the enterprise, is the biggest burden. Reducing these costs by about 59% will allow to reach the minimum level of net profit.

Also, the financial and economic position of the JSC “First Kyiv Machine-building Plant” shows that in order to exit from this crisis, it requires an increase in production volumes especially of the goods that will be exported later. In order to do this, it is necessary to update the material and technical base first. According to expert estimates, it is necessary to replace 78% of all machines and machines tools with modern samples with numerical control. They will allow reducing labor costs by about 10%.

The great necessity of the plant is also the restoration of its own forging and foundry production. This measure requires a lot of time, efforts and resources. Since the enterprise is located almost in the city’s central district, it will not be possible to restore it in its own territory.

In addition to finding a suitable premises and means for its construction the enterprise must obtain official permission from the State Property Fund since it is state owned property. Nevertheless, despite all of this, according to the calculations of specialists the restoration of this department will allow plant to make the workpieces of equipment by itself and reduce the cost of finished products by about 12,2%, which in turn will increase the share of value added products.

Besides, the effective management on the top level is extremely needed for the current state of the enterprise as it is crucial for such critical conditions. As for now there is some problems with organization of the work in the enterprise. Those problems contains, first of all, unclear tasks introduction for different departments, especially the marketing one. The next is that there is absence of effective control of operational performorming and moreover there is no motivational approach to improve the quality of doing their work among the employees of the JSC “First Kyiv Machine-building plant”. All of these creates the barrier for the proper productivity and efficiency of the making the targeting amount of profit of financial result that were planned.

As for the marketing channels so the biggest attention needs to be put on the promotion of the plant and its products by different methods. The most useful information and advertising measures for the current situation of the enterprise would be the following (Fig.3.2.1) :



Fig.3.2.1. A Range of Export Strategies for Different Type of Market as the One of Directions to Improve the JSC "FKMBP" Export Strategy*

* Source: compiled by the author

Taking into account the development of the site, it is worth mentioned that the official site has already been translated into English and the option to switch to this version is already available. However, it definitely needs some renewal and improvement, as well as adding to the list of goods those that the company plans to supply in the near future to foreign markets - the complete lines for the processing of secondary products, tires, etc for instance. Since there is a specialist among the staff who is responsible for performing such kinds of tasks, no additional funds are required for this.

A professional marketing research would undoubtedly be useful. Today, the prices of such services range from 2800 to 420000 UAH and more depending on the complexity of execution. Since the company is interested in studying the entire world market of heavy machinery and its participants, and most potential buyers, then the price of the services of marketing company will not be small.

80% of commerce in the B2B market takes place via the Internet with the help of electronic platforms. One of these platforms is the www.All.Biz. Registration on the site can be free, but in this case, the company will be unavailable some opportunities such as participation in tenders and the most important is the lack of promotion in other countries. For an appropriate annual fee, such facilities may be open to the company (Tab.3.2.1):

Table 3.2.1

The Characteristics of the Registration Packages of the www.All.Biz*

Registration package	Price	Description
Free of charge	0 UAH per year	<ul style="list-style-type: none"> • the lowest priority of products in the catalog • no budget for participation in tenders at tenderers.all.biz • 20 products and services in a catalog available • no advertising budget on Allbiz • promotion at national market
Premium Standard	7000 UAH per year	<ul style="list-style-type: none"> • low priority of products in the catalog • 340 UAH of budget for participation in tenders at tenderers.all.biz • 1000 products and services in a catalog • 1000 UAH of advertising budget on Allbiz • promotion at national market • original site templates
Premium Business	12000 UAH per year	<ul style="list-style-type: none"> • high priority of products in the catalog • 510 UAH of budget for participation in tenders at tenderers.all.biz • 10000 products and services in a catalog • 2300 UAH of advertising budget on Allbiz • +10 extra countries for promotion • original site templates
Premium Gold	23000 UAH per year	<ul style="list-style-type: none"> • the highest priority of products in the catalog • 1 700 UAH of budget for participation in tenders at tenderers.all.biz • 50000 products and services in a catalog • 5000 UAH of advertising budget on Allbiz • +25 extra countries for promotion • original site templates

*Source: [56]

Targeting of the exporting products is the selection and informing about the product only the target audience - potential buyers. In this case, it is necessary to constantly monitor the markets and try to contact the targeted buyers independently, and not just wait for them to do the first step.

An important role in this process should play a marketing department therefore it is worth to improve their professional skills from time to time through a system of thematic courses, seminars, internships, etc. An effective organization as well as control of their work performance are extremely needed too.

Also in the context of targeting, it should be noted that the company owns about 120 items in its range, and in addition to the products of the “Mixers” and “Rollers” groups (on which at the moment the plant concentrates its export goals), there are developments for the products manufacturing in such group as the following:

- calanders;
- shaper vulcanizers;
- worm machines and aggregates;
- lines on the basis of worm machines;
- tunel-going machines.

Also other equipment such as:

- sawmill frames;
- drilling rigs;
- oil presses;
- passage shields etc.

With such a great variety of products, it is worthwhile to start promoting others besides category of rubber mixers and rollers.

As it was already mentioned, the company plans to carry out export operations with countries such as India, Sri Lanka, Germany, Vietnam, Canada, the USA, Bulgaria and the Czech Republic. Therefore, it is necessary to plan in which international exhibitions in the near future is worth taking part. Thus, according to the objectives of the enterprise the following events should be visited (Tab.3.2.3):

Table 3.2.2

The List of Exhibitions Recommended to JSC “FKMBP” to Visit in 2019*

Country	Date and place	Name of the exhibition	Approximate attendance costs (for 2 person)
India	17.01.19- 19.01.19/Mumbai	India Rubber Expo	40000 UAH
Vietnam	27.11.19- 29.11.19/Hanoi	Plastic & Rubber	65000 UAH
Germany	05.03.19-07.03.19/ Hannover	Tire Technology Expo 2019	23000 UAH
Bulgaria	15.04.19- 18.04.19/Sofia	MachTech & InnoTech	17000 UAH
Czech Republic	20.05.19- 21.05.19/Prague	Future Armoured Vehicles Eastern Europe	18000 UAH

**Source: calculated and compiled by the author on the basis of [66]*

As can be seen from the table, in order to save money, it is most suitable to visit exhibitions in Europe. However, as the practice shows, buyers from Asian countries are more inclined to show interest in products of JSC “First Kiev machine-building plant”. In addition, in June 2018, representatives of the plant have already visited the exhibition in Vietnam, and in October 2018 - in India, so it is worth continuing to move in those directions.

At the beginning of 2018, the company already printed along with Ukrainian an English-language brochures and booklets. But alike with the site, some information needs to be updated and changed. A lot of attention should also be paid to the compilation of an accurate price list as because of its lack or inaccuracy many questions often arise from both clients and managers of the enterprise who contacts with them. At the moment, the administration has already raised this issue so the range of the products and their prices are already under review and setting.

If to consider the B2B strategies that were presented in the previous subchapter, then the most optimal for JSC “FKMBP” will be expansion into new markets, co-operation strategy and the strategy of differentiation.

As for expansion into new markets the company, as it has already been pointed out, is targeting customers from countries such as Germany, India, Sri Lanka, Canada, the USA, Bulgaria, Vietnam and the Czech Republic. The interest of the enterprise in these markets can be explained by one of two reasons:

- 1) the enterprise has already worked with them in the past;
- 2) customers who are residents of these countries began to be interested in the products of the company, by taking requests on their own.

When we look closer at the general trends in demand for machine-building equipment (were analyzed in the chapter 2.2), then it can be clearly seen that consumption of such goods in Germany, the USA and Canada is decreasing each year. Instead, demand in Vietnam and India has shown a growth in recent years. In addition, it is worth paying attention to other countries, such as Italy, Mexico and Turkey where demand is also increasing. Excellent variants for the plant would be Turkey and Italy, as transportation costs in these cases would be minimal compared to other variants, but since the products manufactured by the company are highly specialized, it is difficult to predict the possibility of demand for it. Nevertheless, it is worthwhile to include these markets in building an export strategy.

Willing to make supplies in the US the certificate of products should keep in mind. As for now JSC “FKMP” has a certification for compliance with international standards of quality management system ISO 9001: 2015. But for deliveries to North America it needs to pass the certification of ASME, which is one of the oldest standard-developing organizations in America that produces around 600 codes and standards covering many technical areas. The procedure for filing and receiving this certificate is sufficiently long and may be 185 days (6 months). The price varies depending on the type of product and costs 14865 USD averagely [53].

Considering the strategy of cooperation it is worth noting that it is already activated as the plant cooperates with its subsidiary company - SC “Zhashkiv Heavy Machinery Plant of the SIC “Bilshovyk”, which is direct exporter. It would also be advisable to work more actively with the Chamber of Commerce and Industry of Ukraine. It would be very good if the state started to create a program-initiative,

encouraging and, above all, helping enterprises such as JSC “FKMBP” to reveal its foreign economic potential, as Canada intends to do [43].

The strategy of differentiation means the creation of a certain unique product. In the case of a plant it is an improvement of existing goods or creation of a new product. Improvement is quite possible and necessary in the context of adding the option of automated equipment control, instead of mechanical one that prevails in the plant’s production. In our modern world, such equipment has been generally considered technologically outdated. To do this, the managers of the enterprise should give the task to the design department of the plant to develop the necessary technical documentation and calculate the cost. However, it is obvious that such an improvement will allow the plant to more confidently go on the foreign markets overcoming competition.

As for the creation of new products, certain developments have been already made - the complex lines for the processing of secondary raw materials, tires, etc. As the problem of recycling garbage and various types of waste worries the global community for almost a decade then the introduction of this product would be very relevant and appropriate for the world market, especially the European one, which the enterprise seeks to get into.

The company plans to sell this equipment at a price of about 700000 USD/pc. approximately. The term for the manufacture of such equipment will be on average from 7 to 10 months, depending on the workload of the plant and the possible specialized wishes of the buyers of parameters changes or capacity for example.

3.3. Forecast of the Proposed Measures Effectiveness.

Increasing the efficiency of the export strategy of JSC “First Kyiv Machine-building Plant” primarily concerns the growth of exports. Taking this into account, our forecast will have 2 ways of eventual development: optimistic and pessimistic.

In order to predict the results of the company's export activity for subsequent periods, it is necessary to construct a trend line and derive the corresponding equation based on the indicators of past years (Fig.3.3.1):

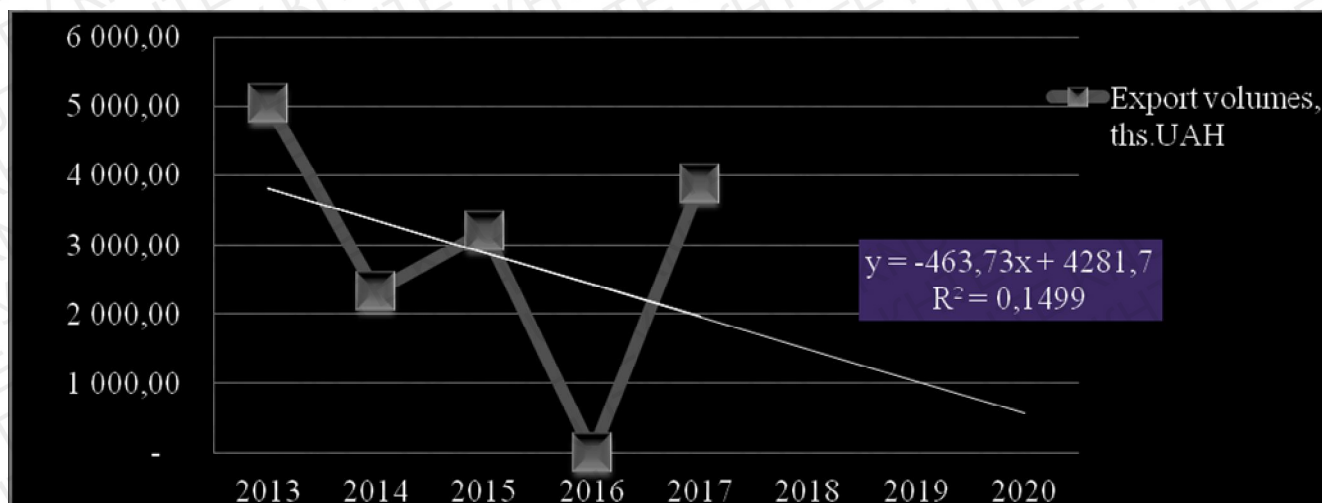


Fig. 3.3.1. Linear Trend Forecast of Export Volumes in 2018-2020*

*Source: calculated and compiled by the author on the basis of the JSC “FKMBP”’s reports

As we see under the present conditions of the enterprise without any change and lack of influence of other factors there is a tendency to decline in export volumes. Substituting in the derived equation the corresponding values of years we can get what exports can look like in the following periods (Tab.3.3.1):

Table 3.3.1

Forecast of Expected Export Amounts of JSC “FKMBP” on the Basis of Linear Equation in 2018-2020*

№	Year	Calculation	Result (in ths. UAH)	Absolute deviation	Relative deviation (in %)
1	2013		5 040,13	-	-
2	2014		2 322,91	- 2 717,22	- 53,91
3	2015		3 204,18	881,27	37,94
4	2016		4,84	- 3 199,34	- 99,85
5	2017		3 880,50	3 875,66	80 075,62
6	2018	$y = -463,73 \cdot 6 + 4281,7$	1 499,32	- 2 381,18	- 61,36
7	2019	$y = -463,73 \cdot 7 + 4281,7$	1 035,59	- 463,63	- 30,92
8	2020	$y = -463,73 \cdot 8 + 4281,7$	571,86	- 463,63	- 44,77

*Source: calculated and compiled by the author on the basis of the JSC “FKMBP”’s reports

So the table shows that in 2018 export sales can be reduced by 61,36% or 2381,18 thousand UAH compared to 2017. In the period from 2019-2020, export volumes may be reduced by 463,63 thousand UAH or by 30,92% and 44,77% respectively.

Another variant of the pessimistic course of events is the cessation of the export activity of the enterprise at all, including through the subsidiary also. In this case, it will significantly reduce the company's revenue (Tab.3.3.2).

Table 3.3.2

Forecasted Amount of Revenues of the JSC "FKMBP" in 2018-2020*

Year	Calculation	Result (in ths. UAH)	Absolute deviation	Relative deviation (in %)
2018	$y=2581,2*6 + 37898$	53385,2	- 5 891,80	- 9,94
2019	$y=2581,2*7 + 37898$	55966,4	2 581,20	4,84
2020	$y=2581,2*8 + 37898$	58547,6	2 581,20	4,61

*Source: calculated and compiled by the author on the basis of the JSC "FKMBP"'s reports

Despite the tendency of exports to decline, revenues tend to fluctuate with growth at the end. However, if we take into account the average share of export sales in the structure of incomes, then it can be assumed that its absence will affect the company's sales by approximately 2% (Fig.3.3.2):

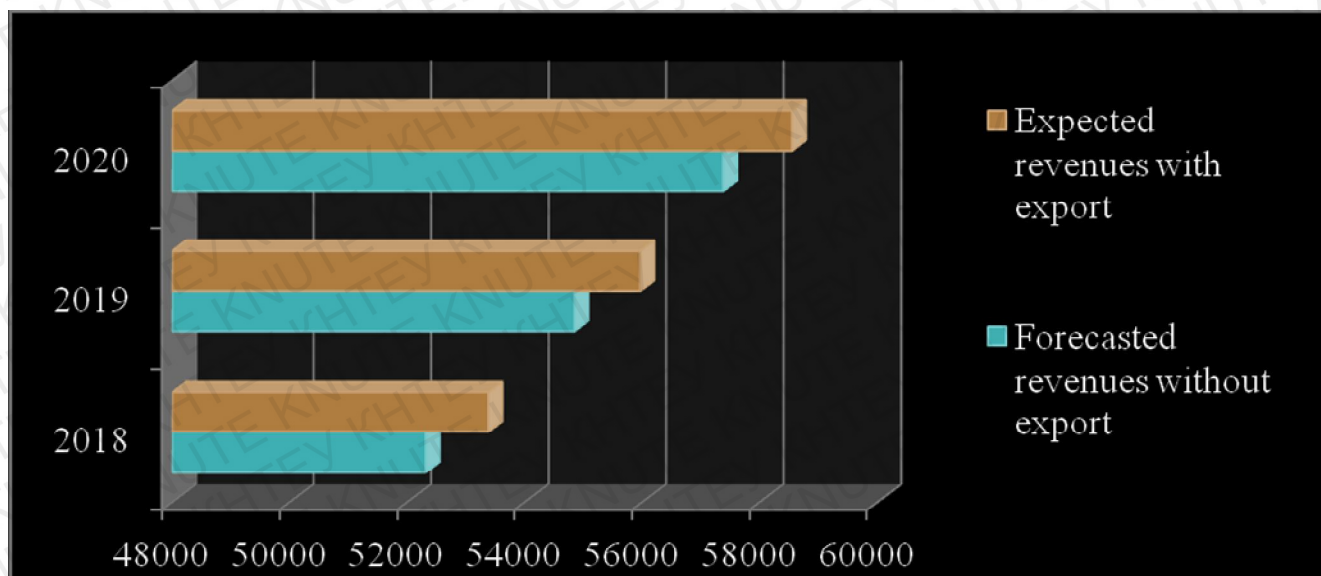


Fig.3.3.2. Comparison Between Forecasted Revenues with and without Export Sales of JSC "FKMBP" (in ths.UAH) for the Period of 2018-2020*

*Source: compiled by the author on the basis of the JSC "FKMBP"'s reports

Regarding the optimistic forecast, it includes taking into account all the proposed measures mentioned in the previous chapter that are aimed to improve the effectiveness of the export strategy of JSC “First Kyiv Machine-building Plant”.

Let’s start with the development of cooperative ties with intermediary companies and cooperation with the Chamber of Commerce and Industry of Ukraine, as well as other organizations. It is assumed that such a measure will help to find customers faster and in more quantity. So, if the average search for a potential client and negotiations with him last from 2 to 6 months, then by using such institutions time will be reduced by at least 3-4 times.

Improving the financial situation will help re-start direct export activities. Restoration of the casting-forging production will allow increase the value added of goods. Thus, in the conditions of the restoration of this production, the cost of production will decrease and the forecast of gross profit will as follows (Tab.3.3.3):

Table 3.3.3

Forecasted volume of gross profit of JSC “FKMBP” under the condition of casting-forging production restoration (in ths. UAH)*

Year	Expected gross profit	Expected gross profit after recovery of casting-forging production	Deviation
2018	41 278	46 314	5 036
2019	50 330	56 470	6 140
2020	59 382	66 627	7 245

**Source: calculated and compiled by the author on the basis of the JSC “FKMBP”’s reports*

Further development of the site will enable the company to familiarize potential customers with its products in a more convenient and quick way, as well as answer their questions.

According to the experts of the plant, professional marketing research and registration on an electronic platform, despite its high cost, will allow to speed up the search for buyers at least by 2 times and will increase the number of buyers by 2-3 times. Thus, if the tendency of past years continues and the enterprise will continue to

have 1 foreign client per year, then these measures have a large percentage of the chance to change this situation (Fig.3.3.3):

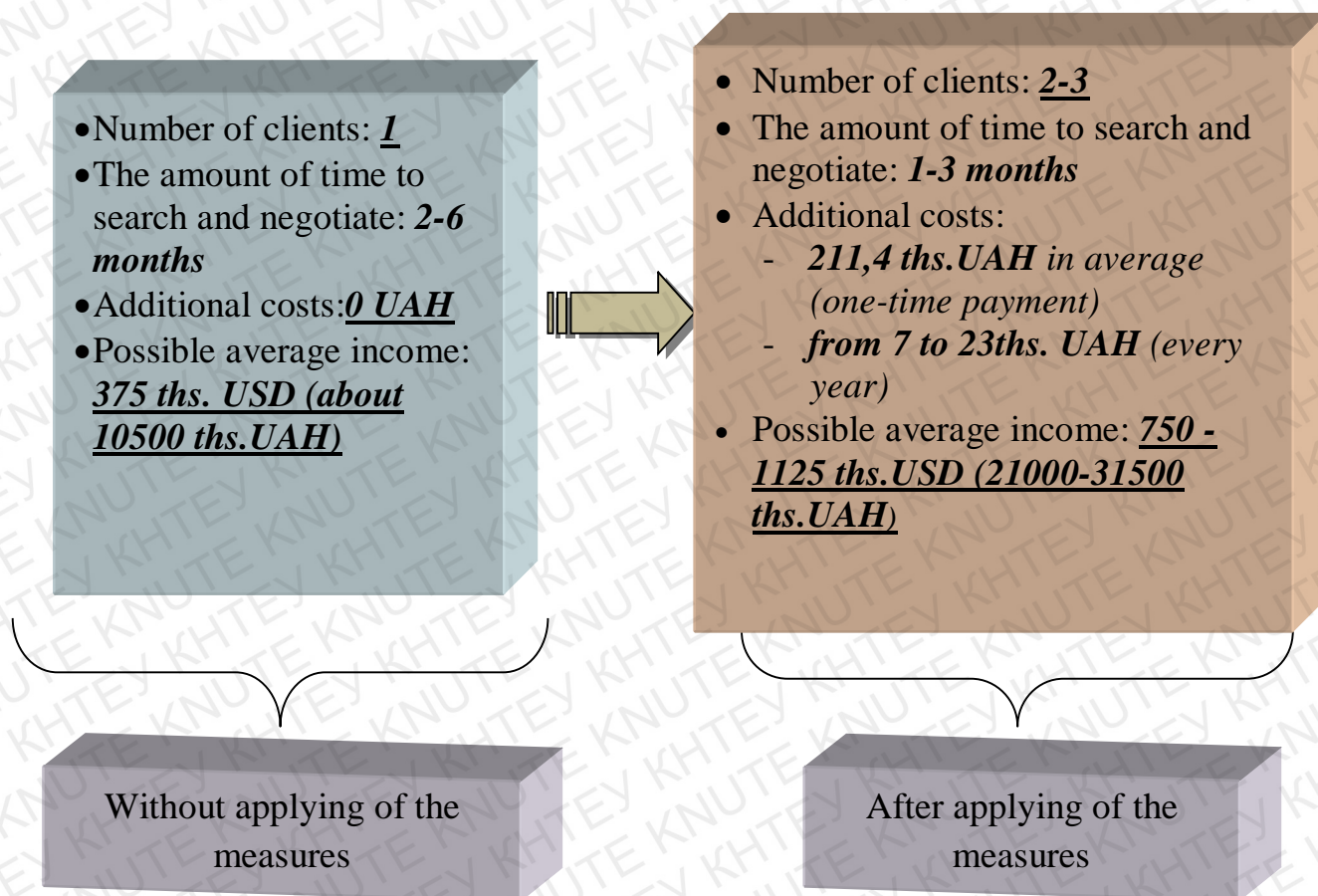


Fig.3.3.3. Possible Results of JSC "FKMBP" Taking into Account the Proposed Measures*

*Source: calculated and compiled by the author on the basis of the JSC "FKMBP"'s reports

The situation with participation in international exhibitions is similar. For a type of enterprise operating in the B2B market, this is one of the few options for finding customers, so it is obvious that it is necessary to continue to do so. So, if we believe that out of the 5 (listed in the previous subchapter) exhibitions, at least 1 will have in result contracts worth 340 thousand dollars (the price of rubber mixer of medium size and capacity), then exports in 2019 will increase to 9 996 ths. UAH taking into account the projected exchange rate (Fig.3.3.4).

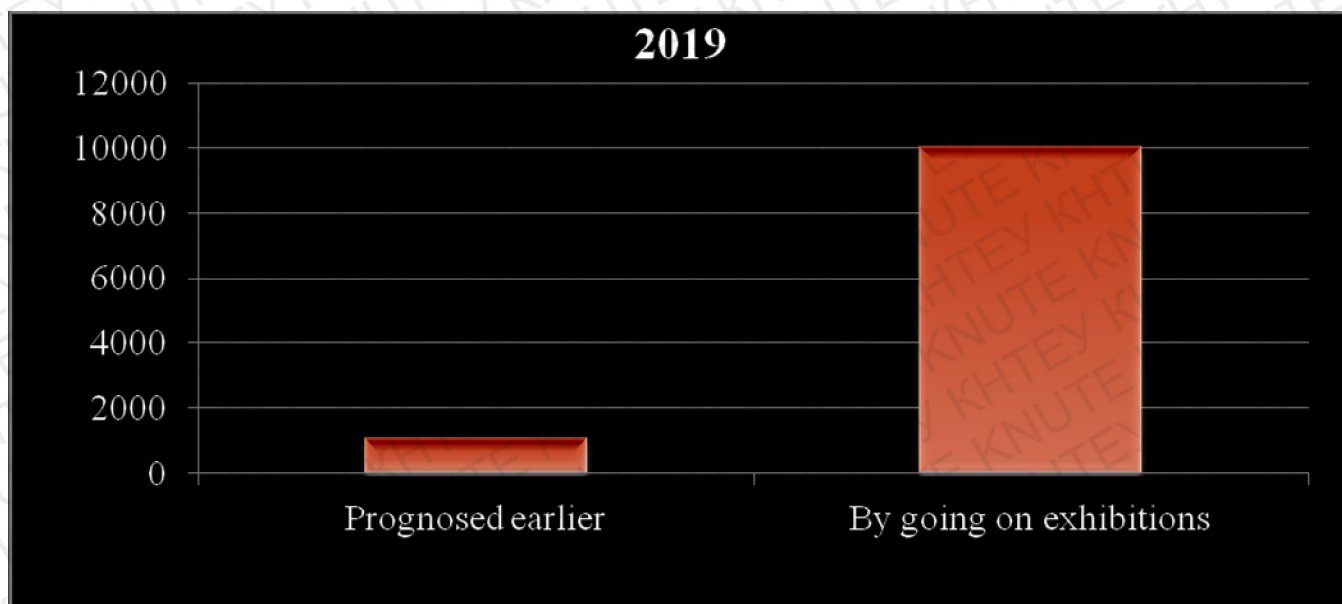


Fig.3.3.4 The Difference in Export Volumes of JSC “FKMBP” after Applying an Exhibition Measures for the Year of 2019*

*Source: calculated and compiled by the author on the basis of the JSC “FKMBP”’s reports

Improvement of skills of personnel, their updating in numbers and effective management are vital for an enterprise. As the enterprise production, despite its quality becomes technologically outdated for external markets and can not withstand the competition of China’s innovations, the plant needs to refine existing models or to reorient to the production of fundamentally new products.

However, because of existing tendency to reduce staff quantity this will be difficult if it does not start to change immediately (Tab.3.3.4):

Table 3.3.4

Forecasted Dynamic of JSC “FKMBP” Employees’ Amounts in 2018-2020*

Year	Calculation	Result (in persons)	Absolute deviation	Relative deviation (in %)
2018	$y = -79,5*6 + 811,7$	335	- 49	- 12,84
2019	$y = -79,5*7 + 811,8$	255	- 80	- 23,75
2020	$y = -79,5*8 + 811,9$	176	- 80	- 31,15

*Source: calculated and compiled by the author on the basis of the JSC “FKMBP”’s reports

The reorientation for the creation of a new product should begin with the production of a prototype of a complete line for the processing of secondary raw materials, tires and other wastes. If no other factors will affect the plan, then at the end of 2019 (early 2020), JSC “FKMBP” will sell those product at a price of 700 ths. USD. In regard of the “State Debt Management Strategy of Ukraine” approved by the Cabinet of Ministers of Ukraine, which foresees in 2019 the exchange rate up to 29,4 UAH/USD, and in 2020 - to 30,2 UAH/USD [63], then for the supply of this equipment, the enterprise will receive about 20 580-21 140 ths. UAH, which exceeds the export of 2017 by 5,30-5,45 times or makes up 35% of its revenues. And taking into account the previous forecasts, the situation will look like this (Fig.3.3.5):

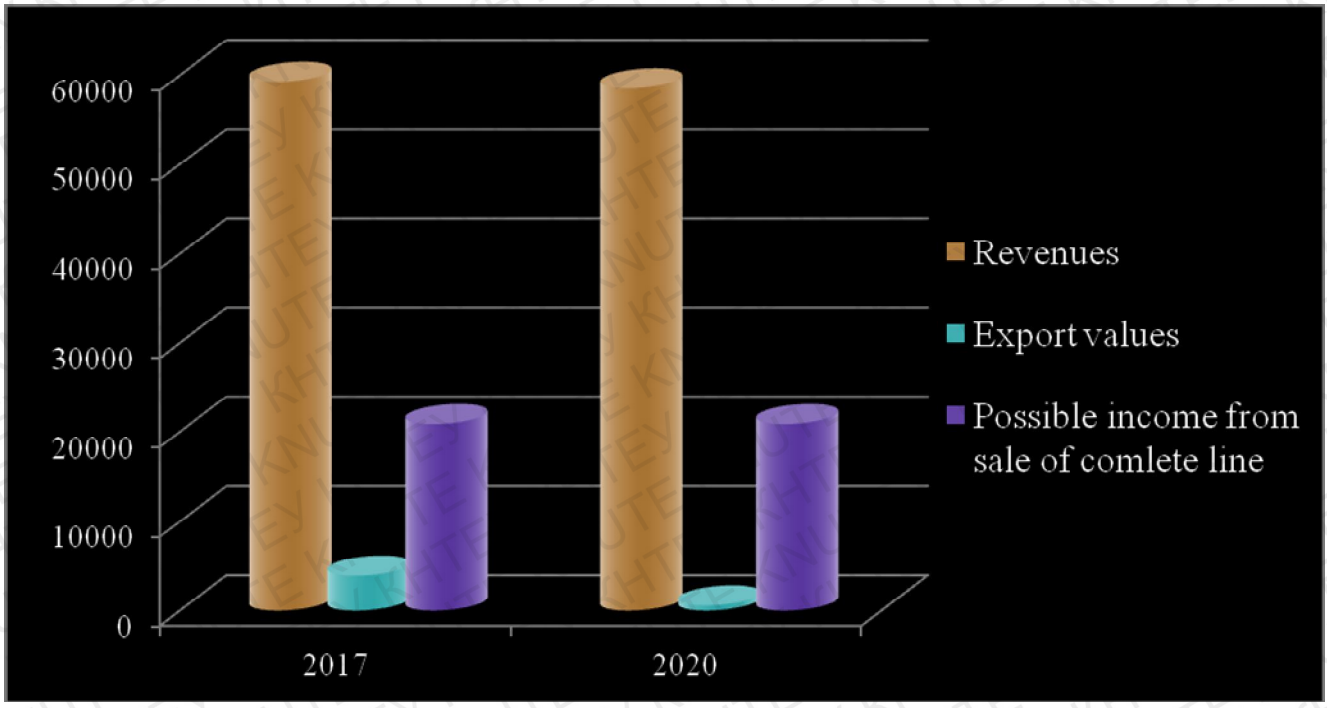


Fig.3.3.5. Forecasted Income of JSC “FKMBP” from Selling New Equipment in Comparison to Revenues and Export Sales in 2017 and 2020 (in UAH)*

*Source: calculated and complied by the author on the basis of the JSC “FKMBP”’s reports

It is also assumed that the provision of after-sales service guarantee in the form of free supplies (within one year after termination of the contract) of spare parts or separate parts of the equipment in case of their malfunction or breakage will increase the interest of buyers and strengthen their trust in the enterprise.

Despite the fact that the transport costs of supplying goods in the United States are large enough, the USA ranked №1 in the world in terms of industrial production and has the largest market for machinery and equipment. At the same time, the US buys a quarter of the world's exports of machinery and equipment. This market is solvent, therefore, most enterprises want get on it. Thus, the technological updating of JSC "FKMBP"'s production and the receipt of ASME standards would have had a chances of generating significant commercial profit with such counterparts. In addition, only 2 years passed (the last time was in 2015) after the plant ceased to work from the United States.

In 2015, supplies to the United States amounted to 63% of the total export of the company, so assuming that at least 1 time per year, starting from 2020, there will be supplies in the US, then the projected revenue will increase by at least 6% (Tab.3.3.5):

Table 3.3.5

The Possible Minimum Revenues' Amounts of JSC "FKMBP" after Starting of Trading with the USA (in ths. UAH) during 2019-2020*

Year	<i>Expected revenues without export in the USA</i>	<i>Expected revenues with export in the USA</i>	<i>Absolute deviation</i>	<i>Relative deviation (in%)</i>
2019	55968,40	acquiring ASME certification and searching for the customer		
2020	58550,60	62063,64	3513,04	6

**Source: calculated and compiled by the author on the basis of the JSC "FKMBP"'s reports*

Based on the reports of 2017, the break-even point (BEP) of the company reaches a starting point of 97 174 ths. UAH of revenue from sales, while the fact of such income was 61% less. Thus, with the same level of domestic sales, only an increase in exports by 81% will help improve the financial position and to restore direct deliveries in the future (Fig.3.3.6).

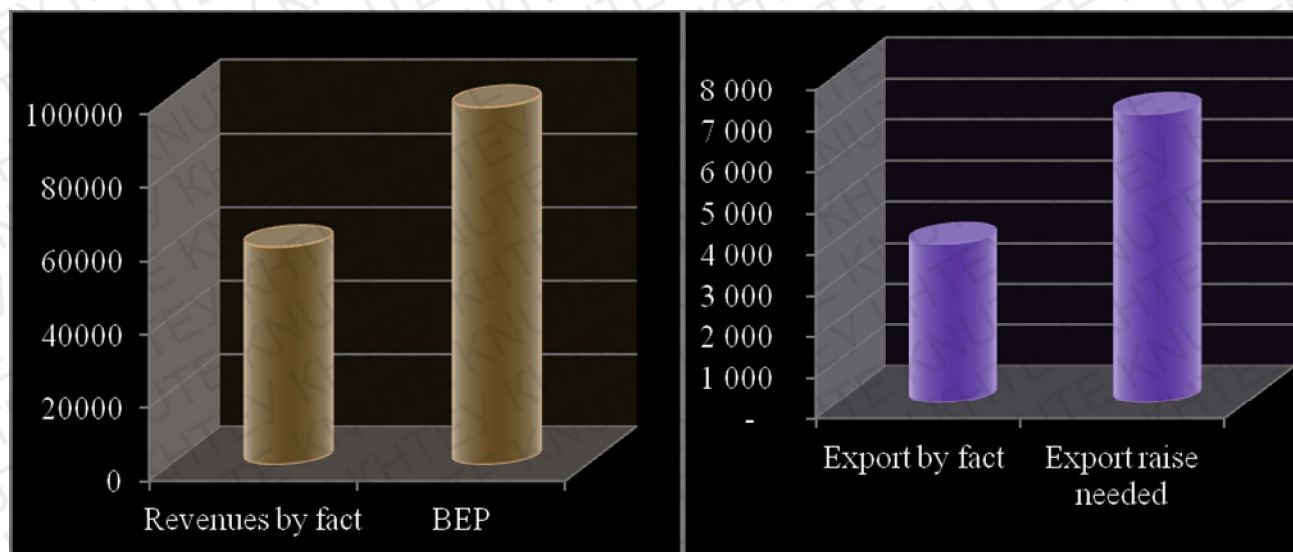


Fig.3.3.6. The Required Amount of Export Growth of JSC “FKMBP” according to the Break-Even Point of the Year 2017*

*Source: calculated and complied by the author on the basis of the JSC “FKMBP”’s reports

Thus, understanding the urgency of improving products at the moment the company plans to raise the export of products by 2020 at least by 40% and continue to building it up during the next periods (Tab.3.3.7):

Table 3.3.7

Forecast of the Export of JSC “FKMBP” for the Year 2019-2020

Year	Actions	Optimistic scenario	Pessimistic scenario
2019	implementation of the proposed measures	at least level of forecasted amount - 1 035,59 ths. UAH	Absence of export
2020	getting results from implementation	at least 5 433 ths.UAH	Absence of export

*Source: calculated and complied by the author on the basis of the JSC “FKMBP”’s reports

In the case of a further deterioration of the financial position of the enterprise, it is necessary to look for ways to privatization. In the worst case - the liquidation of the plant as an enterprise and the development of the subsidiary as an independent economic entity.

Conclusions to the Part 3

To summarize, the strategically important for the JSC “First Kyiv Machine-building Plant” is now to effectively identify areas that can improve its export activities. It is very important also to draw a clear concept of the export strategy, since the plant operates on orders, besides, there is enough specialized products.

Among the different approaches of the export strategy improvement the following are proposed: to develop export infrastructure, to improve financial conditions, to strength the marketing channels, to cooperate with the state etc. In order to achieve this, the following measures must be implemented:

- the forming co-operative connections with the local firms offering intermediary services in the process of foreign economic operations in such countries as Czech Republic, the USA, Germany, Bulgaria, Canada, Vietnam, Sri Lanka, Turkey, Italia, as well as the Chamber of Commerce and Industry of Ukraine. This will help to reduce time for the search of buyers by 3-4 times;

- the improving of financial position, that means reducing the administrative costs by about 59% to reach the break-even point or even minimum level of net profit;

- the replacing of plant’s technical base by about 78% and restoration of the casting-forging production to reduce the costs of finished products by about 12,2%, and increase the sum of products’ value added. It is expected that because of this the gross profit have to growth for about 18412 ths. UAH in 2020;

- the development of the English version of the official site. It is needed further renewal and improvement, and an adding to the list of goods those that the company plans to supply in the near future to foreign markets also;

- the ordering of marketing research on external markets for the purpose of determining the demand for products as well as the filling in the information cards of the exporting products and placing them on global resources (www.All.Biz platform for example). Despite its high cost, it will allow to speed up the search for buyers at least by 2 times and will increase the number of buyers by 2-3 times bringing to the plant 21000-31500 ths. UAH/year approximately.

- the targeting of the exporting products. This implies that the plant first of all should be more actively to enter into negotiations without waiting for requests and to begin promote another product range of the enterprise stronger (not emphasize on mixers and rollers only);

- the representing JSC “First Kyiv Machine-building Plant” in catalogs and other promotional products that are issued in Ukraine and abroad;

- the participation in international specialized exhibitions. As the company wants to carry out export operations with countries such as India, Sri Lanka, Germany, Vietnam, Canada, the USA, Bulgaria and the Czech Republic it is calculated that visiting some specialized exhibition there in the next years can increase the export in 2019 up to 9 996 ths. UAH;

- ordering the production and distribution of English-language promotional products;

- the improvement of personnel’s skills and growth of their quantity to be able produce innovative equipment and to carry on the plant’s export operations;

- the creation of a new product - a complete line for the processing of secondary raw materials, tires and other wastes. It is scheduled for 2019 and according to the plan to be sold for 700 ths. USD for each without taking into account the cost of the contract. That has to exceeds the export of 2017 by 5,30-5,45 times making up to 35% of its revenues;

- the starting of after-sales service guarantee provision. The guarantee would be in the form of free supplies of spare parts or separate parts of the equipment in case of their malfunction or breakage after making the delivery under the contract;

- the restoring of the trading with US. It requires ASME standards certification passing and will increase the revenues of the enterprise by 6% at least starting from 2020 (until that time the 6 month for obtaining the certificate and time for looking for the customer are needed).

The break-even point (BEP) of the company reaches a starting point of 97 174 ths. UAH of revenue from sales, while the fact of such income was 61% less in 2017. Thus,

with the same level of domestic sales, only an increase in exports by 81% will help improve the financial position and to restore direct deliveries in the future. While understanding this enterprise plans to make growth of the export by 40% in 2019-2020 and continue building it up later.

In the case of a further deterioration of the financial position of the enterprise the privatization can be one of the most possible ways to further existing. Another way is the making the subsidiary “Zhashkiv Heavy Machinery Plant of the SIC “Bilshovyk” an independent enterprise while liquidating the JSC “First Kyiv Machine-building Plant”

CONCLUSIONS

According to the results of the research, the following conclusions can be drawn:

It is determined that the export can be defined as a detailed comprehensive combined plan of company's export activity the aim of which is to ensure the competitiveness of company's products on international markets and the achievement of certain strategic goals. The reasons of developing and implementing this strategy the enterprise see in objective necessity of different materials export, in necessity of exporting components to companies that carry out the assembly of finished products, in necessity of finished goods export

It is investigated that the export performance of the enterprise can be estimated in different approaches: from using Evaluation Framework Assessment Matrix to portfolio analysis of orders, the McKinsey matrix, life cycle analysis, benchmarking. Extremely useful especially for export strategy assessment is SWOT and PEST analysis approach. Estimation of export potential is a prerequisite for making decisions regarding the choice of direction, justification of goals and their resource support, optimization of expenses and control over the process of realization of measures on development of export potential of the enterprise.

Object of research is JSC "First Kyiv Machine-building Plant" (in the past PJSC "SIC "BILSHOVYK") – Ukrainian state enterprise with 135-years history working in machine-building complex.

Having analyzed the financial performance of JSC "First Kyiv Machine-building Plant" during 2013-2017, we can make a conclusion that a falling trend of solvency indicators means that the enterprise has a financial risk existence and cannot pay the its debts. Low ratios of financial stability indicate the insufficient level of financial independence of the enterprise. Analysis of turnover ratios shows a fluctuation of these indicators during the analyzed period. Periods of accounts receivable turnover and borrowed capital turnover also have a positive trend in 2017. Negative profitability ratios in 2013-2017 indicate shortage of assets and difficulties with product sales. The investigated company should search for alternative sources of optimization of financial resources of the enterprise by repaying the debts and improve its marketing policy.

Analysis of foreign economic activity of the enterprise shows that the export of JSC “First Kyiv Machine-building Plant” has a tendency to decrease. For example, the export of products of the company in 2016 was 4,84 thousand UAH, having decreased by 99% compared to the previous year. The export operations of the company carried out by direct methodology has ceased since 2017 and as for now the plant uses for this purpose its subsidiary “Zhashkivzhavshmachbud”. Enterprise plans to promote its goods in different countries and visiting numerous exhibitions every year for this reason. The main targeted market of its products was Russia before, but in next few years the company wants entered European (German, Czech Republic) and North America (the USA, Canada) markets. Thus, it has established some one time export activities before with Bulgarian customer in 2016, Belarusian in 2013-2015, Sri-Lanka and India in 2013 and the USA –2013-2015. Also JSC “FKMBP” hopes star exporting to the Vietnam.

The main products promoted for export are rubber mixers and mixing mills (93%). The company also has among the exports assortment the extruders, calenders, tire-recycling lines, shaper vulcanizers and variety of its spare parts.

There was concluded that it is very hard to determine a strategy for entering new foreign markets for a business that works only on orders.

Among the main strategic tasks of the JSC “First Kyiv Machine-building Plant” are the following complex:

- the forming of co-operative connections with the local firms offering intermediary services in the process of foreign economic operations in such countries as Czech Republic, the USA, Germany, Bulgaria, Canada, Vietnam, Sri Lanka, Turkey, Italia, as well as the Chamber of Commerce and Industry of Ukraine. This will help to reduce time for the search of buyers by 3-4 times;
- the improving of financial position by reducing the administrative costs by about 59% to reach the break-even point or even minimum level of net profit;
- the replacing of plant’s technical base by about 78% and restoration of the casting-forging production to reduce the costs of finished products by about 12,2%, and increase the sum of products’ value added. It is expected that because of this the gross profit have to growth for about 18 412 ths. UAH in 2020;

- the development of the English version of the official site. It is needed further renewal and improvement, and an adding to the list of goods those that the company plans to supply in the near future to foreign markets also;
- the ordering of marketing research on external markets for the purpose of determining the demand for products as well as the filling in the information cards of the exporting products and placing them on global resources (www.All.Biz platform for example). It will allow the enterprise to speed up the search for buyers at least by 2 times and will increase the number of buyers by 2-3 times bringing to the plant 21000-31500 ths. UAH/year approximately.
- the targeting of the exporting products. This implies that the plant first of all should be more actively to enter into negotiations without waiting for requests and to begin promote another product range of the enterprise stronger (not emphasize on mixers and rollers only). Also it is recommended to pay attention to such market as Italian and Turkish as the demand for machinery and tools there grow;
- the representing JSC “First Kyiv Machine-building Plant” in catalogs and other promotional products that are issued in Ukraine and abroad;
- the participation in international specialized exhibitions. As the company wants to carry out export operations with countries such as India, Sri Lanka, Germany, Vietnam, Canada, the USA, Bulgaria and the Czech Republic it is calculated that visiting some specialized exhibition there in the next years can increase the export in 2019 up to 9 996 ths. UAH;
- ordering the production and distribution of English-language promotional products;
- the improvement of personnel’s skills and growth of their quantity to be able produce innovative equipment and to carry on the plant’s export operations;
- the creation of a new product - a complete line for the processing of secondary raw materials, tires and other wastes. It is scheduled for 2019 and according to the plan to be sold for 700 ths. USD for each without taking into account the cost of the contract. That has to exceeds the export of 2017 by 5,30-5,45 times making up to 35% of its nowadays revenues;

- the starting of after-sales service guarantee provision. The guarantee would be in the form of free supplies of spare parts or separate parts of the equipment in case of their malfunction or breakage after making the delivery under the contract;
- the restoring of the trading with the US. It requires ASME standards certification. Passing it can increase the revenues of the enterprise by 6% at least starting from 2020 (until that time the 6 month for obtaining the certificate and time for looking for the customer are needed).

An execution of all measures immediately will be impossible as some of them need particular financing or time, therefore the determination of the forecast of the export volumes will depend on the choice and direction of its implementation into economic activity. However, it was analyzed that, generally, the break-even point (BEP) of the company reaches a starting point of 97 174 ths. UAH of revenue from sales, while the income in fact was 61% less in 2017. Thus, with the same level of domestic sales, only an increase in exports by 81% will help improve the financial position and to restore direct foreign trade in the future. While understanding this enterprise plans to make growth of the export by 40% in 2019-2020 amounting from 1035,59 ths. UAH to 5 433 ths. UAH as the minimum of optimistic scenario and continue building it up later.

In the case of a further deterioration of the financial position of the enterprise the search for the ways of privatization is recommended.

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APPENDICES

Appendix A

Table 1

**Consolidated Statement of Assets of JSC “First Kyiv Machine-building Plant”
during 2013-2017**

Assets	31.12.2013	31.12.2014	31.12.2015	31.12.2016	31.12.2017
1	2	3	4	5	6
I. Fixed assets					
Intangible assets	277	289	80	76	103
Purchase value	685	778	841	883	921
Accumulated depreciation	408	489	761	807	818
Incomplete capital investment	737	281	399	556	0
Fixed assets	281575	277201	272559	269859	266381
Purchase value	1309737	1321709	1322123	1324537	1285056
Accumulated depreciation	1028162	1044508	1049564	1054678	1018675
Long-term financial investments: accounted by the method of participation in the capital of other enterprises	12370	12370	12370	12370	12370
other financial investment	0	0	3	3	3
Total net fixed assets	294959	290144	285411	282864	278862
II. Current assets					
Stocks	24450	29802	44260	49638	56281
Inventory	1773	4357	5206	6028	8313
Unfinished production	14827	13337	26330	31650	35993
Finished goods	7826	12084	12713	11950	11965
Goods	24	24	11	10	10
Accounts receivable for products, goods, works, services	3348	9540	9946	7482	9917
Accounts receivable by settlement:					
on advance payments	1046	959	909	111	538
with budget	3	4	4	2	2

Continuation of Table 1

1	2	3	4	5	6
from internal settlements	32	24	5	0	0
Other Current Accounts Receivable	2263	2332	2262	2183	2183
Money and their equivalents	401	45	47	29	207
Cash	7	1	5	27	5
Bank accounts	394	44	42	2	202
Other current assets	3827	2028	2330	3219	4314
Total current assets	35370	44734	59763	62664	73442
Total assets	330329	334878	345174	345528	352304

Table 2

Consolidated Statement of Liabilities of JSC “First Kyiv Machine-building Plant” during 2013-2017

Liabilities	31.12.2013	31.12.2014	31.12.2015	31.12.2016	31.12.2017
1	2	3	4	5	6
I. Owner's equity					
Registered (share) capital	9 234	9 234	9 234	9 234	9 234
Retained earnings (uncovered loss)	208 989	205 672	195 003	133 770	94 353
Total equity	218 223	214 906	204 237	143 004	103 587
III. Short-term loans					
Short-term loans from banks			40 000		
Short-term debt for:					
accounts payable for commodities, works, services	12 263	19 062	28 231	80 896	78 070
calculations with the budget	54 009	62 120	37 344	80 851	126 919
including income tax	6 757	6 757			-
insurance calculations	15 292	23 832	17 709	23 848	26 812
payroll calculations	2 483	1 605	1 121	1 383	1 078
received advances	27 241	12 543	14 401	14 003	13 453

Continuation of Table 2

1	2	3	4	5	6
Other current liabilities	818	810	2 131	1 543	2 385
Total current liabilities	112 106	119 972	140 937	202 524	248 717
Total liabilities and equity	330 329	334 878	345 174	345 528	352 304

Appendix B

Table 1

Balance Sheet
(Statement of Financial Position)
as of December 31, 2013
Form № 1

Assets	Line code	At the beginning of the reporting period	At the end of the reporting period
1	2	3	4
I. Non-current assets			
Intangible assets	1000	260	277
initial value	1001	604	685
accumulated depreciation	1002	344	408
Incomplete capital investment	1005	739	737
Fixed assets	1010	285 546	281 575
initial value	1011	1 308 899	1 309 737
accumulated depreciation	1012	1 023 353	1 028 162
Investment Property	1015	-	-
initial value	1016	-	-
accumulated depreciation	1017	-	-
Long-term biological assets	1020	-	-
initial value	1021	-	-
accumulated depreciation	1022	-	-
Long-term financial investments: accounted for using the equity method of other enterprises	1030	12 370	12 370
other financial investments	1035	-	-
Long-term receivables	1040	-	-
Deferred tax assets	1045	-	-
Goodwill	1050	-	-
Deferred aquaculture expenses	1060	-	-
Balances of funds in centralized insurance reserve funds	1065	-	-
Other non-current assets	1090	-	-

Continuation of Table 1

1	2	3	4
Total for Section I	1095	298 915	294 959
II. Current assets			
Stocks	1100	17 117	24 450
Inventories	1101	1 682	1 773
Unfinished production	1102	10 057	14 827
Final product	1103	5 354	7 826
Goods	1104	24	24
Current biological assets	1110	-	-
Deposits of reinsurance	1115	-	-
Promissory notes received	1120	-	-
Accounts receivable for products, goods, works, services	1125	4 403	3 348
Accounts receivable by settlement:		-	-
on advance payments	1130	1 140	1 046
with budget	1135	4	3
including income tax	1136	-	-
from accrued income	1140	-	-
from internal settlements	1145	115	32
Other Current Accounts Receivable	1155	2 185	2 263
Current financial investments	1160	-	-
Money and their equivalents	1165	79	401
Cash	1166	-	7
Bank accounts	1167	-	394
Costs of future periods	1170	1	-
The share of a reinsurer in insurance reserves	1180	-	-
including: long-term liabilities reserves	1181	-	-
provisions for losses or provisions for due payments	1182	-	-
reserves of unearned premiums	1183	-	-
other insurance reserves	1184	-	-
Other current assets	1190	2 096	3 827
Total for Section II	1195	27 140	35 370
III. Non-current assets held for sale and disposal groups			
	1200	-	-
Balance	1300	326 055	330 329
Liabilities			
	Line code	At the beginning of the reporting period	At the end of the reporting period
1	2	3	4
I. Own capital			
Registered (share) capital	1400	9 234	9 234
Contributions to unregistered capital	1401	-	-

Continuation of Table 1

1	2	3	4
Capital in surplus	1405	-	-
Additional capital	1410	466	-
Emission Income	1411	-	-
Accumulated exchange rate differences	1412	-	-
Reserve capital	1415	-	-
Retained earnings (uncovered loss)	1420	229 498	208 989
Unpaid capital	1425	-	-
Capital withdrawn	1430	-	-
Other reserves	1435	-	-
Total for Section I	1495	239 198	218 223
II. Long-term commitments and collateral		-	-
Deferred tax liabilities	1500	-	-
Pension obligations	1505	-	-
long-term bank credits	1510	-	-
Other long-term liabilities	1515	-	-
Long-term security	1520	-	-
Long-term maintenance of staff costs	1521	-	-
Targeted financing	1525	-	-
Charity	1526	-	-
Insurance reserves	1530	-	-
including: reserve of long-term liabilities	1531	-	-
loss reserve or due allowance	1532	-	-
reserve of unearned premiums	1533	-	-
other insurance reserves	1534	-	-
Investment contracts	1535	-	-
Prize fund	1540	-	-
reserve for jackpot payment	1545	-	-
Total for Section II	1595	-	-
III. Current liabilities and security		-	-
Short-term bank credits	1600	2 180	-
Promissory notes issued	1605	-	-
Current payables for:		-	-
long-term liabilities	1610	-	-
goods, work, services	1615	6 214	12 263
calculations with the budget	1620	45 121	54 009
including income tax	1621	6 757	6 757
insurance calculations	1625	10 528	15 292
payroll calculations	1630	9 751	2 483
for received payments	1635	12 228	27 241
according to calculations from participants	1640	-	-
from internal settlements	1645	-	-
for insurance activity	1650	-	-
Current provision	1660	-	-
Future revenues	1665	-	-

Continuation of Table 1

1	2	3	4
Deferred commission income from reinsurers	1670	-	-
Other current commitments	1690	835	818
Total for Section III	1695	86 857	112 106
IV. Liabilities related to non-current assets held for sale and disposal groups	1700	-	-
V. Net asset value of non-state pension fund	1800	-	-
Balance	1900	326 055	330 329

Table 2

Balance Sheet
(Statement of Financial Position)

as of December 31, 2014

Form № 1

Assets	Line code	At the beginning of the reporting period	At the end of the reporting period
1	2	3	4
I. Non-current assets			
Intangible assets	1000	277	289
initial value	1001	685	778
accumulated depreciation	1002	408	489
Incomplete capital investment	1005	737	281
Fixed assets	1010	281 575	277 201
initial value	1011	1 321 026	1 321 709
accumulated depreciation	1012	1 039 451	1 044 508
Investment Property	1015	-	-
initial value	1016	-	-
accumulated depreciation	1017	-	-
Long-term biological assets	1020	-	-
initial value	1021	-	-
accumulated depreciation	1022	-	-
Long-term financial investments: accounted for using the equity method of other enterprises	1030	12 370	12 370
other financial investments	1035	-	-
Long-term receivables	1040	-	-
Deferred tax assets	1045	-	-
Goodwill	1050	-	-
Deferred aquaculture expenses	1060	-	-
Balances of funds in centralized insurance reserve funds	1065	-	-
Other non-current assets	1090	-	-

Continuation of Table 2

1	2	3	4
Total for Section I	1095	294 959	290 144
II. Current assets			
Stocks	1100	24 450	29 802
Inventories	1101	1 773	4 357
Unfinished production	1102	14 827	13 337
Final product	1103	7 826	12 084
Goods	1104	24	24
Current biological assets	1110	-	-
Deposits of reinsurance	1115	-	-
Promissory notes received	1120	-	-
Accounts receivable for products, goods, works, services	1125	3 348	9 540
Accounts receivable by settlement:		-	-
on advance payments	1130	1 046	959
with budget	1135	3	4
including income tax	1136	-	-
from accrued income	1140	-	-
from internal settlements	1145	32	24
Other Current Accounts Receivable	1155	2 263	2 332
Current financial investments	1160	-	-
Money and their equivalents	1165	401	45
Cash	1166	7	1
Bank accounts	1167	394	44
Costs of future periods	1170	-	-
The share of a reinsurer in insurance reserves	1180	-	-
including: long-term liabilities reserves	1181	-	-
provisions for losses or provisions for due payments	1182	-	-
reserves of unearned premiums	1183	-	-
other insurance reserves	1184	-	-
Other current assets	1190	3 827	2 028
Total for Section II	1195	35 370	44 734
III. Non-current assets held for sale and disposal groups	1200	-	-
Balance	1300	330 329	334 878
Liabilities	Line code	At the beginning of the reporting period	At the end of the reporting period
1	2	3	4
I. Own capital			
Registered (share) capital	1400	9 234	9 234
Contributions to unregistered capital	1401	-	-
Capital in surplus	1405	-	-

Continuation of Table 2

1	2	3	4
Additional capital	1410	-	-
Emission Income	1411	-	-
Accumulated exchange rate differences	1412	-	-
Reserve capital	1415	-	-
Retained earnings (uncovered loss)	1420	208 989	205 672
Unpaid capital	1425	-	-
Capital withdrawn	1430	-	-
Other reserves	1435	-	-
Total for Section I	1495	218 233	214 906
II. Long-term commitments and collateral			
Deferred tax liabilities	1500	-	-
Pension obligations	1505	-	-
long-term bank credits	1510	-	-
Other long-term liabilities	1515	-	-
Long-term security	1520	-	-
Long-term maintenance of staff costs	1521	-	-
Targeted financing	1525	-	-
Charity	1526	-	-
Insurance reserves	1530	-	-
including: reserve of long-term liabilities	1531	-	-
loss reserve or due allowance	1532	-	-
reserve of unearned premiums	1533	-	-
other insurance reserves	1534	-	-
Investment contracts	1535	-	-
Prize fund	1540	-	-
reserve for jackpot payment	1545	-	-
Total for Section II	1595	-	-
III. Current liabilities and security			
Short-term bank credits	1600	-	-
Promissory notes issued	1605	-	-
Current payables for:		-	-
long-term liabilities	1610	-	-
goods, work, services	1615	12 263	19 062
calculations with the budget	1620	54 009	62 120
including income tax	1621	6 757	6 757
insurance calculations	1625	15 292	23 832
payroll calculations	1630	2 483	1 605
for received payments	1635	27 241	12 543
according to calculations from participants	1640	-	-
from internal settlements	1645	-	-
for insurance activity	1650	-	-
Current provision	1660	-	-
future revenues	1665	-	-

Continuation of Table 2

1	2	3	4
Deferred commission income from reinsurers	1670	-	-
Other current commitments	1690	818	810
Total for Section III	1695	112 106	119 972
IV. Liabilities related to non-current assets held for sale and disposal groups	1700	-	-
V. Net asset value of non-state pension fund	1800	-	-
Balance	1900	330 329	334 878

Table 3

Balance Sheet
(Statement of Financial Position)

as of December 31, 2015

Form № 1

Assets	Line code	At the beginning of the reporting period	At the end of the reporting period
1	2	3	4
I. Non-current assets			
Intangible assets	1000	289	80
initial value	1001	778	841
accumulated depreciation	1002	489	761
Incomplete capital investment	1005	281	399
Fixed assets	1010	277 201	272 559
initial value	1011	1 321 709	1 322 123
accumulated depreciation	1012	1 044 508	1 049 564
Investment Property	1015	-	-
initial value	1016	-	-
accumulated depreciation	1017	-	-
Long-term biological assets	1020	-	-
initial value	1021	-	-
accumulated depreciation	1022	-	-
Long-term financial investments: accounted for using the equity method of other enterprises	1030	12 370	12 370
other financial investments	1035	3	3
Long-term receivables	1040	-	-
Deferred tax assets	1045	-	-
Goodwill	1050	-	-
Deferred aquaculture expenses	1060	-	-

Continuation of Table 3

1	2	3	4
Balances of funds in centralized insurance reserve funds	1065	-	-
Other non-current assets	1090	-	-
Total for Section I	1095	290 144	285 411
II. Current assets			
Stocks	1100	29 802	44 260
Inventories	1101	4 357	5 206
Unfinished production	1102	13 337	26 330
Final product	1103	12 084	12 713
Goods	1104	24	11
Current biological assets	1110	-	-
Deposits of reinsurance	1115	-	-
Promissory notes received	1120	-	-
Accounts receivable for products, goods, works, services	1125	9 540	9 946
Accounts receivable by settlement:		-	-
on advance payments	1130	959	909
with budget	1135	4	4
including income tax	1136	-	-
from accrued income	1140	-	-
from internal settlements	1145	24	5
Other Current Accounts Receivable	1155	2 332	2 262
Current financial investments	1160	-	-
Money and their equivalents	1165	45	47
Cash	1166	1	5
Bank accounts	1167	44	42
Costs of future periods	1170	-	-
The share of a reinsurer in insurance reserves	1180	-	-
including: long-term liabilities reserves	1181	-	-
provisions for losses or provisions for due payments	1182	-	-
reserves of unearned premiums	1183	-	-
other insurance reserves	1184	-	-
Other current assets	1190	2 028	2 330
Total for Section II	1195	44 734	59 763
III. Non-current assets held for sale and disposal groups			
	1200	-	-
Balance	1300	334 878	345 174
Liabilities	Line code	At the beginning of the reporting period	At the end of the reporting period
1	2	3	4
I. Own capital			

Continuation of Table 3

1	2	3	4
Registered (share) capital	1400	9 234	9 234
Contributions to unregistered capital	1401	-	-
Capital in surplus	1405	-	-
Additional capital	1410	-	-
Emission Income	1411	-	-
Accumulated exchange rate differences	1412	-	-
Reserve capital	1415	-	-
Retained earnings (uncovered loss)	1420	205 672	195 003
Unpaid capital	1425	-	-
Capital withdrawn	1430	-	-
Other reserves	1435	-	-
Total for Section I	1495	214 906	204 237
II. Long-term commitments and collateral			
Deferred tax liabilities	1500	-	-
Pension obligations	1505	-	-
long-term bank credits	1510	-	-
Other long-term liabilities	1515	-	-
Long-term security	1520	-	-
Long-term maintenance of staff costs	1521	-	-
Targeted financing	1525	-	-
Charity	1526	-	-
Insurance reserves	1530	-	-
including: reserve of long-term liabilities	1531	-	-
loss reserve or due allowance	1532	-	-
reserve of unearned premiums	1533	-	-
other insurance reserves	1534	-	-
Investment contracts	1535	-	-
Prize fund	1540	-	-
reserve for jackpot payment	1545	-	-
Total for Section II	1595	-	-
III. Current liabilities and security			
Short-term bank credits	1600	-	40 000
Promissory notes issued	1605	-	-
Current payables for:		-	-
long-term liabilities	1610	-	-
goods, work, services	1615	19 062	28 231
calculations with the budget	1620	62 120	37 344
including income tax	1621	6 757	
insurance calculations	1625	23 832	17 709
payroll calculations	1630	1 605	1 121
for received payments	1635	12 543	14 401
according to calculations from participants	1640	-	-
from internal settlements	1645	-	-

Continuation of Table 3

1	2	3	4
for insurance activity	1650	-	-
Current provision	1660	-	-
future revenues	1665	-	-
Deferred commission income from reinsurers	1670	-	-
Other current commitments	1690	810	2 131
Total for Section III	1695	119 972	140 937
IV. Liabilities related to non-current assets held for sale and disposal groups	1700	-	-
V. Net asset value of non-state pension fund	1800	-	-
Balance	1900	334 878	345 174

Table 4

Balance Sheet
(Statement of Financial Position)

as of December 31, 2016

Form № 1

Assets	Line code	At the beginning of the reporting period	At the end of the reporting period
1	2	3	4
I. Non-current assets			
Intangible assets	1000	80	76
initial value	1001	841	883
accumulated depreciation	1002	761	807
Incomplete capital investment	1005	399	556
Fixed assets	1010	272 559	269 859
initial value	1011	1 322 123	1 324 537
accumulated depreciation	1012	1 049 564	1 054 678
Investment Property	1015	-	-
initial value	1016	-	-
accumulated depreciation	1017	-	-
Long-term biological assets	1020	-	-
initial value	1021	-	-
accumulated depreciation	1022	-	-
Long-term financial investments: accounted for using the equity method of other enterprises	1030	12 370	12 370
other financial investments	1035	3	3
Long-term receivables	1040	-	-
Deferred tax assets	1045	-	-
Goodwill	1050	-	-

Continuation of Table 4

1	2	3	4
Deferred aquaculture expenses	1060	-	-
Balances of funds in centralized insurance reserve funds	1065	-	-
Other non-current assets	1090	-	-
Total for Section I	1095	285 411	282 864
II. Current assets			
Stocks	1100	44 260	49 638
Inventories	1101	5 206	6 028
Unfinished production	1102	26 330	31 650
Final product	1103	12 713	11 950
Goods	1104	11	10
Current biological assets	1110	-	-
Deposits of reinsurance	1115	-	-
Promissory notes received	1120	-	-
Accounts receivable for products, goods, works, services	1125	9 946	7 482
Accounts receivable by settlement:		909	111
on advance payments	1130	4	2
with budget	1135	-	-
including income tax	1136	-	-
from accrued income	1140	-	-
from internal settlements	1145	5	-
Other Current Accounts Receivable	1155	2 262	2 183
Current financial investments	1160	-	-
Money and their equivalents	1165	47	29
Cash	1166	5	27
Bank accounts	1167	42	2
Costs of future periods	1170	-	-
The share of a reinsurer in insurance reserves	1180	-	-
including: long-term liabilities reserves	1181	-	-
provisions for losses or provisions for due payments	1182	-	-
reserves of unearned premiums	1183	-	-
other insurance reserves	1184	-	-
Other current assets	1190	2 230	3 219
Total for Section II	1195	59 763	62 664
III. Non-current assets held for sale and disposal groups	1200		
Balance	1300	345 174	345 528
Liabilities	Line code	At the beginning of the reporting period	At the end of the reporting period
1	2	3	4

Continuation of Table 4

1	2	3	4
I. Own capital			
Registered (share) capital	1400	9 234	9 234
Contributions to unregistered capital	1401	-	-
Capital in surplus	1405	-	-
Additional capital	1410	-	-
Emission Income	1411	-	-
Accumulated exchange rate differences	1412	-	-
Reserve capital	1415	-	-
Retained earnings (uncovered loss)	1420	195 003	133 770
Unpaid capital	1425	-	-
Capital withdrawn	1430	-	-
Other reserves	1435	-	-
Total for Section I	1495	204 237	143 004
II. Long-term commitments and collateral			
Deferred tax liabilities	1500	-	-
Pension obligations	1505	-	-
long-term bank credits	1510	-	-
Other long-term liabilities	1515	-	-
Long-term security	1520	-	-
Long-term maintenance of staff costs	1521	-	-
Targeted financing	1525	-	-
Charity	1526	-	-
Insurance reserves	1530	-	-
including: reserve of long-term liabilities	1531	-	-
loss reserve or due allowance	1532	-	-
reserve of unearned premiums	1533	-	-
other insurance reserves	1534	-	-
Investment contracts	1535	-	-
Prize fund	1540	-	-
reserve for jackpot payment	1545	-	-
Total for Section II	1595	-	-
III. Current liabilities and security			
Short-term bank credits	1600	40 000	-
Promissory notes issued	1605	-	-
Current payables for:			
long-term liabilities	1610		
goods, work, services	1615	28 231	80 896
calculations with the budget	1620	37 344	80 851
including income tax	1621	-	-
insurance calculations	1625	17 709	23 848
payroll calculations	1630	1 121	1 383
for received payments	1635	14 401	14 003
according to calculations from participants	1640	-	-

Continuation of Table 4

1	2	3	4
from internal settlements	1645	-	-
for insurance activity	1650	-	-
Current provision	1660	-	-
future revenues	1665	-	-
Deferred commission income from reinsurers	1670	-	-
Other current commitments	1690	2 131	1 543
Total for Section III	1695	140 937	202 524
IV. Liabilities related to non-current assets held for sale and disposal groups	1700	-	-
V. Net asset value of non-state pension fund	1800	-	-
Balance	1900	345 174	345 528

Table 5

Balance Sheet
(Statement of Financial Position)

as of December 31, 2017

Form № 1

Assets	Line code	At the beginning of the reporting period	At the end of the reporting period
1	2	3	4
I. Non-current assets			
Intangible assets	1000	76	103
initial value	1001	883	921
accumulated depreciation	1002	807	818
Incomplete capital investment	1005	556	-
Fixed assets	1010	269 859	266 381
initial value	1011	1 324 537	1 285 056
accumulated depreciation	1012	1 054 678	1 018 675
Investment Property	1015	-	-
initial value	1016	-	-
accumulated depreciation	1017	-	-
Long-term biological assets	1020	-	-
initial value	1021	-	-
accumulated depreciation	1022	-	-
Long-term financial investments: accounted for using the equity method of other enterprises	1030	12 370	12 370
other financial investments	1035	3	3
Long-term receivables	1040	-	-
Deferred tax assets	1045	-	-

Continuation of Table 5

1	2	3	4
Goodwill	1050	-	-
Deferred aquaculture expenses	1060	-	-
Balances of funds in centralized insurance reserve funds	1065	-	-
Other non-current assets	1090	-	-
Total for Section I	1095	282 864	278 862
II. Current assets			
Stocks	1100	49 638	56 281
Inventories	1101	6 028	8 313
Unfinished production	1102	31 650	35 993
Final product	1103	11 950	11 965
Goods	1104	10	10
Current biological assets	1110	-	-
Deposits of reinsurance	1115	-	-
Promissory notes received	1120	-	-
Accounts receivable for products, goods, works, services	1125	7 482	9 917
Accounts receivable by settlement:		111	538
on advance payments	1130	2	2
with budget	1135	-	-
including income tax	1136	-	-
from accrued income	1140	-	-
from internal settlements	1145	-	-
Other Current Accounts Receivable	1155	2 183	2 183
Current financial investments	1160	-	-
Money and their equivalents	1165	29	207
Cash	1166	27	5
Bank accounts	1167	2	202
Costs of future periods	1170	-	-
The share of a reinsurer in insurance reserves	1180	-	-
including: long-term liabilities reserves	1181	-	-
provisions for losses or provisions for due payments	1182	-	-
reserves of unearned premiums	1183	-	-
other insurance reserves	1184	-	-
Other current assets	1190	3 219	4 314
Total for Section II	1195	62 664	73 442
III. Non-current assets held for sale and disposal groups	1200	-	-
Balance	1300	345 528	352 304

Continuation of Table 5

Liabilities	Line code	At the beginning of the reporting period	At the end of the reporting period
1	2	3	4
I. Own capital			
Registered (share) capital	1400	9 234	9 234
Contributions to unregistered capital	1401	-	-
Capital in surplus	1405	-	-
Additional capital	1410	-	-
Emission Income	1411	-	-
Accumulated exchange rate differences	1412	-	-
Reserve capital	1415	-	-
Retained earnings (uncovered loss)	1420	133 770	94 353
Unpaid capital	1425	-	-
Capital withdrawn	1430	-	-
Other reserves	1435	-	-
Total for Section I	1495	143 004	103 587
II. Long-term commitments and collateral			
Deferred tax liabilities	1500	-	-
Pension obligations	1505	-	-
long-term bank credits	1510	-	-
Other long-term liabilities	1515	-	-
Long-term security	1520	-	-
Long-term maintenance of staff costs	1521	-	-
Targeted financing	1525	-	-
Charity	1526	-	-
Insurance reserves	1530	-	-
including: reserve of long-term liabilities	1531	-	-
loss reserve or due allowance	1532	-	-
reserve of unearned premiums	1533	-	-
other insurance reserves	1534	-	-
Investment contracts	1535	-	-
Prize fund	1540	-	-
reserve for jackpot payment	1545	-	-
Total for Section II	1595	-	-
III. Current liabilities and security			
Short-term bank credits	1600	-	-
Promissory notes issued	1605	-	-
Current payables for:			
long-term liabilities	1610	-	-
goods, work, services	1615	80 896	78 070
calculations with the budget	1620	80 851	126 919
including income tax	1621	-	-
insurance calculations	1625	23 848	26 812
payroll calculations	1630	1 383	1 078

Continuation of Table 5

1	2	3	4
for received payments	1635	14 003	13 453
according to calculations from participants	1640	-	-
from internal settlements	1645	-	-
for insurance activity	1650	-	-
Current provision	1660	-	-
future revenues	1665	-	-
Deferred commission income from reinsurers	1670	-	-
Other current commitments	1690	1 543	2 385
Total for Section III	1695	202 524	248 717
IV. Liabilities related to non-current assets held for sale and disposal groups	1700	-	-
V. Net asset value of non-state pension fund	1800	-	-
Balance	1900	345 528	352 304

Appendix C

Table 1

**Report on Financial Results
(Cumulative Income Statement)**

for 2013
Form №2

I. FINANCIAL RESULTS			
Article	Line code	For the reporting period	For the same period of the previous year
1	2	3	4
Net income from sales of goods (goods, works, services)	2000	42 271	60 629
Net earned insurance premiums	2010	-	-
Awards signed, gross amount	2011	-	-
Awards transferred to reinsurance	2012	-	-
Change in reserve of unearned premiums, gross amount	2013	-	-
Change in the share of reinsurers in the reserve of unearned premiums	2014	-	-
Cost of sold products (goods, works, services)	2050	- 43 859	- 60 113
Net losses incurred on insurance payments	2070	-	-
Gross:	2090	-	516

Continuation of Table 1

1	2	3	4
Profit			
Loss	2095	- 1 588	
Income (expense) from changes in long-term liability provisions	2105	-	-
Income (expenses) from changes in other insurance reserves	2110	-	-
Change in other insurance reserves, gross amount	2111	-	-
Change in the share of reinsurers in other insurance reserves	2112	-	-
Other operating income	2120	865	720
Income from changes in the value of assets measured at fair value	2121	-	-
Income from initial recognition of biological assets and agricultural products	2122	-	-
Revenue from the use of funds released from taxation	2123	-	-
Administrative expenses	2130	- 15 078	- 132 285
Selling expenses	2150	- 195	- 324
Other operating expenses	2180	- 4 169	- 2 126
Cost of changes in the value of assets that are measured at fair value	2181	-	-
Costs from the initial recognition of biological assets and agricultural products	2182	-	-
Financial result from operating activities:	2190	-	-
profit			
loss	2195	- 20 165	- 17 822
Income from equity participation	2200	-	-
Other financial income	2220	-	-
Other income	2240	11	12 444
Income from charity	2241	-	-
Financial expenses	2250	- 355	- 447
Losses from equity participation	2255	-	-
Other expenses	2270	-	-
Profit (loss) from the influence of inflation on monetary items	2275	-	-
Financial results before tax:	2290	-	-
profit			
loss	2295	- 20 509	- 5 926
Income from income tax	2300	-	-
Profit (loss) from discontinued operations after tax	2305	-	-
Net financial result:	2350	-	-
Profit			
loss	2355	- 20 509	- 5 926

Continuation of Table 1

II. COMULATIVE INCOME			
Article	Line code	For the reporting period	For the same period of the previous year
1	2	3	4
Revaluation (subtraction) of non-current assets	2400	-	-
Revaluation (subtraction) of financial instruments	2405	-	-
Accumulated exchange rate differences	2410	-	-
Share of other aggregate income of associates and joint ventures	2415	-	-
Another cumulative income	2445	-	-
Other comulative income before tax	2450	-	-
Income tax linked to other comprehensive income	2455	-	-
Other comprehensive income after tax	2460	-	-
Comulative income	2465	- 20 509	- 5 926
III. OPERATING EXPENSES			
Article	Line code	For the reporting period	For the same period of the previous year
1	2	3	4
Material costs	2500	16 264	24 472
Salary expenses	2505	23 515	28 677
Calculation of social measures	2510	12 568	13 417
Amortization	2515	5 070	5 012
Other operating expenses	2520	4 604	6 363
Together	2550	62 021	78 211
IV. CALCULATION OF SHARES PROFITABILITY			
Article	Line code	For the reporting period	For the same period of the previous year
1	2	3	4
Average annual number of ordinary shares	2600	-	-
Adjusted average annual cost of simple items	2605	-	-
Net profit (loss) per one ordinary share	2610	-	-
Adjusted net profit (loss) per one ordinary share	2615	-	-
The dividend for one simple share	2650	-	-

Table 2

**Report on Financial Results
(Cumulative Income Statement)**

for 2014
Form №2

I. FINANCIAL RESULTS			
Article	Line code	For the reporting period	For the same period of the previous year
1	2	3	4
Net income from sales of goods (goods, works, services)	2000	49 579	42 271
Net earned insurance premiums	2010	-	-
Awards signed, gross amount	2011	-	-
Awards transferred to reinsurance	2012	-	-
Change in reserve of unearned premiums, gross amount	2013	-	-
Change in the share of reinsurers in the reserve of unearned premiums	2014	-	-
Cost of sold products (goods, works, services)	2050	- 54 228	- 43 859
Net losses incurred on insurance payments	2070	-	-
Gross:	2090	-	-
Profit			
Loss	2095	- 4 649	- 1 588
Income (expense) from changes in long-term liability provisions	2105	-	-
Income (expenses) from changes in other insurance reserves	2110	-	-
Change in other insurance reserves, gross amount	2111	-	-
Change in the share of reinsurers in other insurance reserves	2112	-	-
Other operating income	2120	3 690	865
Income from changes in the value of assets measured at fair value	2121	-	-
Income from initial recognition of biological assets and agricultural products	2122	-	-
Revenue from the use of funds released from taxation	2123	-	-
Administrative expenses	2130	- 17 571	- 15 078
Selling expenses	2150	- 731	- 195
Other operating expenses	2180	- 9 078	- 4 169
Cost of changes in the value of assets that are measured at fair value	2181	-	-
Costs from the initial recognition of biological assets and agricultural products	2182	-	-

Continuation of Table 2

1	2	3	4
Financial result from operating activities:	2190	-	-
profit			
loss	2195	- 28 339	- 20 165
Income from equity participation	2200	-	-
Other financial income	2220	-	-
Other income	2240	-	11
Income from charity	2241	-	-
Financial expenses	2250	-	355
Losses from equity participation	2255	-	-
Other expenses	2270	-	-
Profit (loss) from the influence of inflation on monetary items	2275	-	-
Financial results before tax:	2290	-	-
profit			
loss	2295	- 28 339	- 20 509
Income from income tax	2300	-	-
Profit (loss) from discontinued operations after tax	2305	-	-
Net financial result:	2350	-	-
profit			
loss	2355	- 28 339	- 20 509
II. COMULATIVE INCOME			
Article	Line code	For the reporting period	For the same period of the previous year
1	2	3	4
Revaluation (subtraction) of non-current assets	2400	-	-
Revaluation (subtraction) of financial instruments	2405	-	-
Accumulated exchange rate differences	2410	-	-
Share of other aggregate income of associates and joint ventures	2415	-	-
Another cumulative income	2445	-	-
Other comulative income before tax	2450	-	-
Income tax linked to other comprehensive income	2455	-	-
Other comprehensive income after tax	2460	-	-
Comulative income	2465	- 28 339	- 20 509
III. OPERATING EXPENSES			
Article	Line code	For the reporting period	For the same period of the previous year

Continuation of Table 2

1	2	3	4
Material costs	2500	4 573	16 624
Salary expenses	2505	48 784	23 515
Calculation of social measures	2510	6 259	12 568
Amortization	2515	5 138	5 070
Other operating expenses	2520	9 078	4 604
Together	2550	43 832	62 021
IV. CALCULATION OF SHARES PROFITABILITY			
Article	Line code	For the reporting period	For the same period of the previous year
1	2	3	4
Average annual number of ordinary shares	2600	-	-
Adjusted average annual cost of simple items	2605	-	-
Net profit (loss) per one ordinary share	2610	-	-
Adjusted net profit (loss) per one ordinary share	2615	-	-
The dividend for one simple share	2650	-	-

Table 3

**Report on Financial Results
(Cumulative Income Statement)**

for 2015
Form №2

I. FINANCIAL RESULTS			
Article	Line code	For the reporting period	For the same period of the previous year
1	2	3	4
Net income from sales of goods (goods, works, services)	2000	35 704	49 579
Net earned insurance premiums	2010	-	-
Awards signed, gross amount	2011	-	-
Awards transferred to reinsurance	2012	-	-
Change in reserve of unearned premiums, gross amount	2013	-	-
Change in the share of reinsurers in the reserve of unearned premiums	2014	-	-
Cost of sold products (goods, works, services)	2050	- 12 370	- 54 228
Net losses incurred on insurance payments	2070	-	-
Gross:	2090	23 334	-

Continuation of Table 3

1	2	3	4
Profit			
Loss	2095	-	- 4 649
Income (expense) from changes in long-term liability provisions	2105	-	-
Income (expenses) from changes in other insurance reserves	2110	-	-
Change in other insurance reserves, gross amount	2111	-	-
Change in the share of reinsurers in other insurance reserves	2112	-	-
Other operating income	2120	2 156	3 690
Income from changes in the value of assets measured at fair value	2121	-	-
Income from initial recognition of biological assets and agricultural products	2122	-	-
Revenue from the use of funds released from taxation	2123	-	-
Administrative expenses	2130	- 23 149	- 17 571
Selling expenses	2150	- 280	- 731
Other operating expenses	2180	- 6 693	- 9 078
Cost of changes in the value of assets that are measured at fair value	2181	-	-
Costs from the initial recognition of biological assets and agricultural products	2182	-	-
Financial result from operating activities:	2190	-	-
profit			
loss	2195	- 4 632	- 28 339
Income from equity participation	2200		-
Other financial income	2220		-
Other income	2240	384	-
Income from charity	2241	-	-
Financial expenses	2250	- 1 961	-
Losses from equity participation	2255	-	-
Other expenses	2270	- 41	-
Profit (loss) from the influence of inflation on monetary items	2275	-	-
Financial results before tax:	2290	-	-
profit			
loss	2295	- 6 250	- 28 339
Income from income tax	2300	-	-
Profit (loss) from discontinued operations after tax	2305	-	-
Net financial result:	2350	-	-
profit			
loss	2355	- 6 250	- 28 339
II. COMULATIVE INCOME			

Continuation of Table 3

Article	Line code	For the reporting period	For the same period of the previous year
1	2	3	4
Revaluation (subtraction) of non-current assets	2400	-	-
Revaluation (subtraction) of financial instruments	2405	-	-
Accumulated exchange rate differences	2410	-	-
Share of other aggregate income of associates and joint ventures	2415	-	-
Another cumulative income	2445	-	-
Other cumulative income before tax	2450	-	-
Income tax linked to other comprehensive income	2455	-	-
Other comprehensive income after tax	2460	-	-
Comulative income	2465	- 6 250	- 28 339
III. OPERATING EXPENSES			
Article	Line code	For the reporting period	For the same period of the previous year
1	2	3	4
Material costs	2500	7 131	4 573
Salary expenses	2505	20 305	48 784
Calculation of social measures	2510	7 390	6 259
Amortization	2515	5 328	5 138
Other operating expenses	2520	6 693	9 078
Together	2550	46 847	43 832
IV. CALCULATION OF SHARES PROFITABILITY			
Article	Line code	For the reporting period	For the same period of the previous year
1	2	3	4
Average annual number of ordinary shares	2600	44 579 720	44 579 720
Adjusted average annual cost of simple items	2605	44 579 720	44 579 720
Net profit (loss) per one ordinary share	2610	- 0,14020	- 0,63569
Adjusted net profit (loss) per one ordinary share	2615	- 0,14020	- 0,63569
The dividend for one simple share	2650	-	-

Table 4

**Report on Financial Results
(Cumulative Income Statement)**

for 2016
Form №2

I. FINANCIAL RESULTS			
Article	Line code	For the reporting period	For the same period of the previous year
1	2	3	4
Net income from sales of goods (goods, works, services)	2000	41 379	35 704
Net earned insurance premiums	2010	-	-
Awards signed, gross amount	2011	-	-
Awards transferred to reinsurance	2012	-	-
Change in reserve of unearned premiums, gross amount	2013	-	-
Change in the share of reinsurers in the reserve of unearned premiums	2014	-	-
Cost of sold products (goods, works, services)	2050	- 17 046	- 12 370
Net losses incurred on insurance payments	2070	-	-
Gross:	2090	24 333	23 334
Profit			
Loss	2095	-	-
Income (expense) from changes in long-term liability provisions	2105	-	-
Income (expenses) from changes in other insurance reserves	2110	-	-
Change in other insurance reserves, gross amount	2111	-	-
Change in the share of reinsurers in other insurance reserves	2112	-	-
Other operating income	2120	2 180	2 156
Income from changes in the value of assets measured at fair value	2121	-	-
Income from initial recognition of biological assets and agricultural products	2122	-	-
Revenue from the use of funds released from taxation	2123	-	-
Administrative expenses	2130	- 62 840	- 23 149
Selling expenses	2150	- 465	- 280
Other operating expenses	2180	- 9 650	- 6 693
Cost of changes in the value of assets that are measured at fair value	2181	-	-

Continuation of Table 4

1	2	3	4
Costs from the initial recognition of biological assets and agricultural products	2182	-	-
Financial result from operating activities:	2190	-	-
profit			
loss	2195	- 46 442	- 4 632
Income from equity participation	2200	-	-
Other financial income	2220	-	-
Other income	2240	87	384
Income from charity	2241	-	-
Financial expenses	2250	- 6 831	- 1 961
Losses from equity participation	2255	-	-
Other expenses	2270	-	41
Profit (loss) from the influence of inflation on monetary items	2275	-	-
Financial results before tax:	2290	-	-
profit			
loss	2295	- 53 186	- 6 250
Income from income tax	2300	-	-
Profit (loss) from discontinued operations after tax	2305	-	-
Net financial result:	2350	-	-
profit			
loss	2355	- 53 186	- 6 250
II. COMULATIVE INCOME			
Article	Line code	For the reporting period	For the same period of the previous year
1	2	3	4
Revaluation (subtraction) of non-current assets	2400	-	-
Revaluation (subtraction) of financial instruments	2405	-	-
Accumulated exchange rate differences	2410	-	-
Share of other aggregate income of associates and joint ventures	2415	-	-
Another cumulative income	2445	-	-
Other comulative income before tax	2450	-	-
Income tax linked to other comprehensive income	2455	-	-
Other comprehensive income after tax	2460	-	-
Comulative income	2465	-53186	- 6 250
III. OPERATING EXPENSES			
Article	Line code	For the reporting period	For the same period of the previous year

Continuation of Table 4

1	2	3	4
Material costs	2500	7 989	7 131
Salary expenses	2505	21 728	20 305
Calculation of social measures	2510	4 606	7 390
Amortization	2515	5 160	5 328
Other operating expenses	2520	9 650	6 693
Together	2550	49 133	46 847
IV. CALCULATION OF SHARES PROFITABILITY			
Article	Line code	For the reporting period	For the same period of the previous year
1	2	3	4
Average annual number of ordinary shares	2600	44 579 720	44 579 720
Adjusted average annual cost of simple items	2605	44 579 720	44 579 720
Net profit (loss) per one ordinary share	2610	- 1,19305	- 0,14020
Adjusted net profit (loss) per one ordinary share	2615	- 1,19305	- 0,14020
The dividend for one simple share	2650	-	-

Table 5

Report on Financial Results
(Cumulative Income Statement)

for 2017
Form №2

I. FINANCIAL RESULTS			
Article	Line code	For the reporting period	For the same period of the previous year
1	2	3	4
Net income from sales of goods (goods, works, services)	2000	59 277	41 379
Net earned insurance premiums	2010	-	-
Awards signed, gross amount	2011	-	-
Awards transferred to reinsurance	2012	-	-
Change in reserve of unearned premiums, gross amount	2013	-	-
Change in the share of reinsurers in the reserve of unearned premiums	2014	-	-
Cost of sold products (goods, works, services)	2050	- 20 096	- 17 046
Net losses incurred on insurance payments	2070	-	-
Gross:	2090	29 181	24 333
Profit			

Continuation of Table 5

1	2	3	4
Loss	2095	-	-
Income (expense) from changes in long-term liability provisions	2105	-	-
Income (expenses) from changes in other insurance reserves	2110	-	-
Change in other insurance reserves, gross amount	2111	-	-
Change in the share of reinsurers in other insurance reserves	2112	-	-
Other operating income	2120	2 693	2 180
Income from changes in the value of assets measured at fair value	2121	-	-
Income from initial recognition of biological assets and agricultural products	2122	-	-
Revenue from the use of funds released from taxation	2123	-	-
Administrative expenses	2130	- 65 901	- 62 840
Selling expenses	2150	- 62	- 465
Other operating expenses	2180	- 4 494	- 9 650
Cost of changes in the value of assets that are measured at fair value	2181	-	-
Costs from the initial recognition of biological assets and agricultural products	2182	-	-
Financial result from operating activities:	2190	-	-
profit		-	
loss	2195	- 28 583	- 46 442
Income from equity participation	2200	-	-
Other financial income	2220	-	-
Other income	2240	162	87
Income from charity	2241	-	-
Financial expenses	2250	- 6 621	- 6 831
Losses from equity participation	2255	-	-
Other expenses	2270	-	-
Profit (loss) from the influence of inflation on monetary items	2275	-	-
Financial results before tax:	2290	-	-
profit			
loss	2295	- 35 042	- 53 186
Income from income tax	2300	-	-
Profit (loss) from discontinued operations after tax	2305	-	-
Net financial result:	2350	-	-
profit			
loss	2355	- 35 042	- 53 186
II. COMULATIVE INCOME			

Continuation of Table 5

Article	Line code	For the reporting period	For the same period of the previous year
1	2	3	4
Revaluation (subtraction) of non-current assets	2400	-	-
Revaluation (subtraction) of financial instruments	2405	-	-
Accumulated exchange rate differences	2410	-	-
Share of other aggregate income of associates and joint ventures	2415	-	-
Another cumulative income	2445	-	-
Other cumulative income before tax	2450	-	-
Income tax linked to other comprehensive income	2455	-	-
Other comprehensive income after tax	2460	-	-
Comulative income	2465	- 35 042	-53186

III. OPERATING EXPENSES

Article	Line code	For the reporting period	For the same period of the previous year
1	2	3	4
Material costs	2500	4 213	7 989
Salary expenses	2505	20 138	21 728
Calculation of social measures	2510	4 453	4 606
Amortization	2515	5 131	5 160
Other operating expenses	2520	4 494	9 650
Together	2550	38 429	49 133

IV. CALCULATION OF SHARES PROFITABILITY

Article	Line code	For the reporting period	For the same period of the previous year
1	2	3	4
Average annual number of ordinary shares	2600	44 579 720	44 579 720
Adjusted average annual cost of simple items	2605	44 579 720	44 579 720
Net profit (loss) per one ordinary share	2610	- 0,78605	- 1,19305
Adjusted net profit (loss) per one ordinary share	2615	- 0,78605	- 1,19305
The dividend for one simple share	2650	-	-

1	2	3	4	5	6	7	8	9	10
Stocks	24450	29802	44260	49638	56281	5352	22	14458	4
Inventory	1773	4357	5206	6028	8313	2584	146	849	1
Unfinished production	14827	13337	26330	31650	35993	-1490	-10	12993	6
Finished goods	7826	12084	12713	11950	11965	4258	54	629	2
Goods	24	24	11	10	10	0	0	-13	-
Accounts receivable for products, goods, works, services	3348	9540	9946	7482	9917	6192	185	406	1
Accounts receivable by settlement:									
on advance payments	1046	959	909	111	538	-87	-8	-50	-
with budget	3	4	4	2	2	1	33	0	0
from internal settlements	32	24	5	0	0	-8	-25	-19	-
Other Current Accounts Receivable	2263	2332	2262	2183	2183	69	3	-70	-
Money and their equivalents	401	45	47	29	207	-356	-89	2	2
Cash	7	1	5	27	5	-6	-86	4	4
Bank accounts	394	44	42	2	202	-350	-89	-2	-
Other current assets	3827	2028	2330	3219	4314	-1799	-47	302	3
Total current assets	35370	44734	59763	62664	73442	9364	26	15029	3
Total assets	330329	334878	345174	345528	352304	4549	1	10296	1

The Dynamics of Liabilities of JSC “First Kyiv Machine-building Plant”

Liabilities	31.12.2013	31.12.2014	31.12.2015	31.12.2016	31.12.2017	Deviation 2014/2013		Deviation 2015/2014	
						absolute in ths. of UAH	relative in %	absolute in ths. of UAH	relative in %
I. Owner's equity									
Registered (share) capital	9234	9234	9234	9234	9234	0	0	0	
Retained earnings (uncovered loss)	208989	205672	195003	133770	94353	-3317	-2	-10669	
Total equity	218223	214906	204237	143004	103587	-3317	-2	-10669	
III. Short-term loans									
Short-term loans from banks			40000			0		40000	
Short-term debt for:									
accounts payable for commodities, works, services	12263	19062	28231	80896	78070	6799	55	9169	
calculations with the budget	54009	62120	37344	80851	126919	8111	15	-24776	
including income tax	6757	6757			0	0	0	-6757	
insurance calculations	15292	23832	17709	23848	26812	8540	56	-6123	
payroll calculations	2483	1605	1121	1383	1078	-878	-35	-484	
received advances	27241	12543	14401	14003	13453	-14698	-54	1858	
Other current liabilities	818	810	2131	1543	2385	-8	-1	1321	
Total current liabilities	112106	119972	140937	202524	248717	7866	7	20965	
Total liabilities and equity	330329	334878	345174	345528	352304	4549	1	10296	