

ОАО "Заря"'s Financial Condition Analysis for the period from 01.01.2012 to 31.12.2014

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1. ОАО "Заря"'s Financial Position Analysis

The analysis represented below on ОАО "Заря"'s financial state and activity efficiency is made for the period from 01.01.2012 to 31.12.2014 based on the financial statements data prepared according to International Financial Reporting Standards (IFRS).

1.1. Structure of the Assets and Liabilities

Indicator	Value						Change for the period analysed	
	in thousand RUR				% of the balance total		thousand RUR (col.5-col.2)	± % ((col.5-col.2) : col.2)
	31.12.2011	31.12.2012	31.12.2013	31.12.2014	at the beginning of the period analysed (31.12.2011)	at the end of the period analysed (31.12.2014)		
1	2	3	4	5	6	7	8	9
Assets								
1. Non-current assets	187,625,543	322,277,188	416,305,259	503,103,540	52	76.4	+315,477,997	+168.1
2. Current assets, total	173,184,851	191,660,913	207,513,814	155,460,157	48	23.6	-17,724,694	-10.2
Inventories	4,770,370	4,985,680	76,222	55,162	1.3	<0.1	-4,715,208	-98.8
Trade and other current receivables	128,380,239	147,904,069	175,094,863	89,543,524	35.6	13.6	-38,836,715	-30.3
Cash and cash equivalents	7,132,445	2,811,891	3,354,882	17,435,540	2	2.6	+10,303,095	+144.5
Equity and Liabilities								
1. Equity	236,892,662	263,953,835	296,713,355	328,181,421	65.7	49.8	+91,288,759	+38.5

2. Non-current liabilities	24,814,976	82,299,198	85,052,888	26,447,495	6.9	4	+1,632,519	+6.6
3. Current liabilities	99,102,756	167,685,068	242,052,830	303,934,781	27.5	46.2	+204,832,025	+3.1 times
Assets; Equity and Liabilities	360,810,394	513,938,101	623,819,073	658,563,697	100	100	+297,753,303	+82.5

According to the table above, the share of OAO "Заря" current assets equaled about a quarter (23.6%) on 31 December, 2014, while non-current assets equaled three quarters of the all assets. During the period analysed (31.12.11-31.12.14), it was verified that there was a quick increase in the assets of RUR **297,753,303** thousand, or of **83%** (to RUR 658,563,697 thousand). The company's assets grew in parallel with equity (**+38.5%** during the whole period reviewed). Growth of the equity value is a factor which positively describes the dynamics of OAO "Заря" financial state.

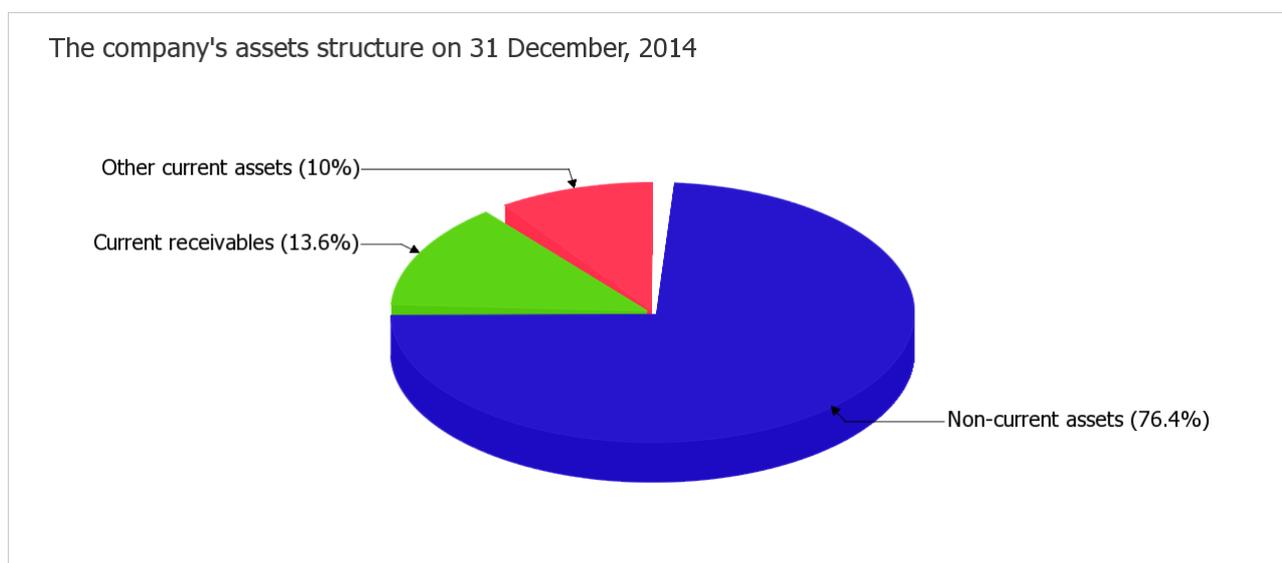
The total growth of OAO "Заря" assets value is primarily connected with the growth value of the item "Other non-current financial assets" by RUR **331,695,629** thousand, that equaled 92.8% of all positively changed assets.

With that, the most significant growth was seen on the following positions in the section "Equity and Liabilities" of the company's balance sheet (the percentage from total equity and liabilities change is shown in brackets):

- Other current financial liabilities - RUR **235,726,372** thousand (**71.2%**)
- Retained earnings - RUR **92,723,023** thousand (**28%**)

Total assets of the company did not grow to a greater degree due to a negative change in items such as "Trade and other current receivables" in assets and "Trade and other current payables" in the company's sources of finance, which were RUR **-38,836,715** thousand and RUR **-31,778,848** thousand respectively for the 3 years.

In the chart below, you will see a correlation of the basic groups of the company's assets.



On 31 December, 2014, the inventories equaled RUR **55,162** thousand. During the period analysed, a reduction in the inventories was RUR **4,715,208** thousand.

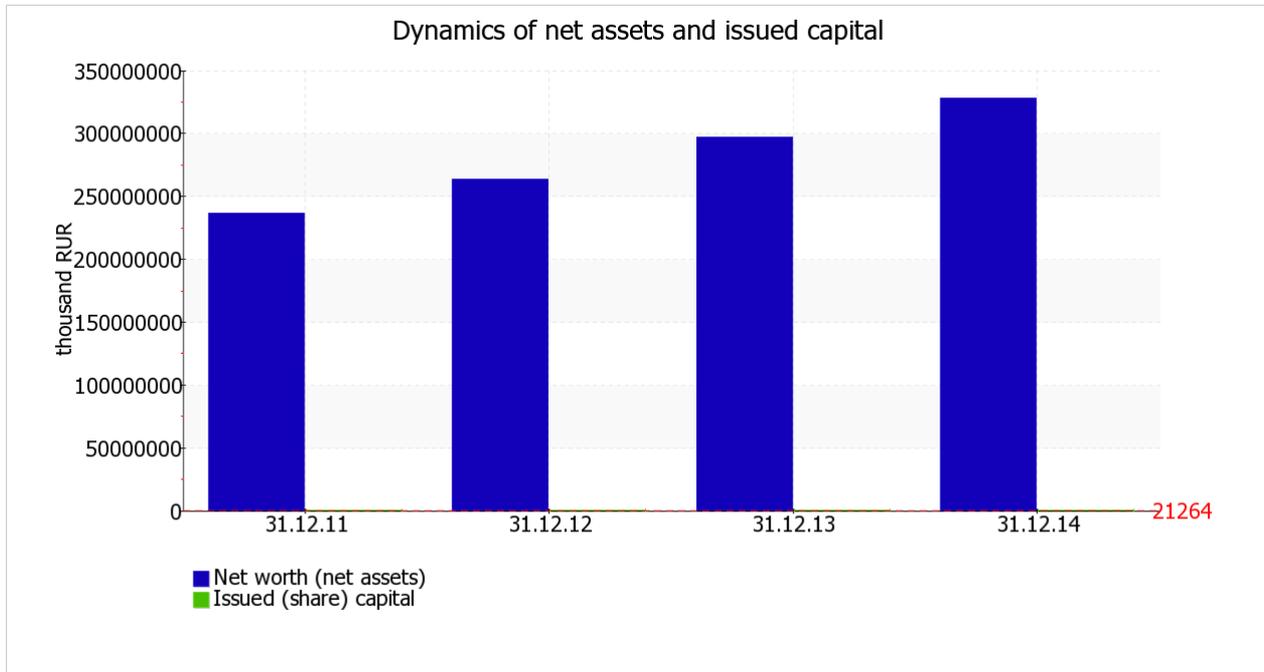
The current receivables fell notably (by RUR **38,836,715** thousand, or by **30.3%**) for the period reviewed.

1.2. Net Assets (Net Worth)

Indicator	Value						Change	
	in thousand RUR		% of the balance total				thousand RUR (col.3-col.2),	%, ((col.3 -col.2) : col.2)
	at the beginning of the period analysed (31.12.2011)	at the end of the period analysed (31.12.2014)	31.12.2011	31.12.2012	31.12.2013	31.12.2014		
1	2	3	4	5	6	7	8	9
1. Net tangible assets	236,857,787	328,064,805	65.6	51.3	47.6	49.8	+91,207,018	+38.5
2. Net assets (Net worth)	236,892,662	328,181,421	65.7	51.4	47.6	49.8	+91,288,759	+38.5
3. Issued (share) capital	21,264	21,264	<0.1	<0.1	<0.1	<0.1	-	-
4. Difference between net assets and Issued (share) capital (line 2 - line 3)	236,871,398	328,160,157	65.6	51.4	47.6	49.8	+91,288,759	+38.5

On the last day of the period analysed (31.12.2014), the net tangible assets were RUR **328,064,805** thousand. During the entire period reviewed, the net tangible assets notably rose (by RUR **91,207,018** thousand). The intangible assets equaled RUR **116,616** thousand on the last day of the period analysed (31.12.2014). This value shows the difference between the value of net tangible assets and all net worth.

The net worth (net assets) of OAO "Заря" was much higher (by **15,433.7** times) than the share capital on 31.12.2014. It positively describes the company's financial state. The net worth (net assets) value is used as one of the tools to estimate the company's value (used together with other methods, such as discounted cash flow method, or an estimation based on shareholder's value etc.). But it is a key value in the estimation of the company's financial condition.



1.3. Financial Sustainability Analysis

1.3.1. Key ratios of the company's financial sustainability

Ratio	Value				Change (col.5-col.2)	Description of the ratio and its recommended value
	31.12.2011	31.12.2012	31.12.2013	31.12.2014		
1	2	3	4	5	6	7
Debt-to-equity ratio (financial leverage)	0.52	0.95	1.1	1.01	+0.49	A debt-to-equity ratio is calculated by taking the total liabilities and dividing it by shareholders' equity. It is the key financial ratio and used as a standard for judging a company's financial standing. Acceptable value: no more than 1.5 (optimum 0.43-1).
Debt ratio (debt to assets ratio)	0.34	0.49	0.52	0.5	+0.16	A debt ratio is calculated by dividing total liabilities (i.e. long-term and short-term liabilities) by total assets. It shows how much the company relies on debt to finance assets (similar to debt-to-equity ratio). Normal value: no more than 0.6 (optimum 0.3-0.5).
Long-term debt to Equity	0.1	0.31	0.29	0.08	-0.02	This ratio is calculated by dividing long-term (non-current) liabilities by equity.

Non-current assets to Net worth	0.79	1.22	1.4	1.53	+0.74	This ratio is calculated by dividing long-term (non-current) liabilities by net worth (equity) and measures the extent of a company's investment in low-liquidity non-current assets. This ratio is important for comparison analysis because it's less dependent on industry (structure of company's assets) than debt ratio and debt-to-equity ratio. Acceptable value: 1.25 or less.
Capitalization ratio	0.09	0.24	0.22	0.07	-0.02	Calculated by dividing non-current liabilities by the sum of equity and non-current liabilities.
Fixed assets to Net worth	0.03	0.01	0.02	0.01	-0.02	This ratio indicates the extent to which the owners' cash is frozen in the form of fixed assets, such as property, plant, and equipment, investment property and non-current biological assets. Acceptable value: 0.75 or less.
Current liability ratio	0.8	0.67	0.74	0.92	+0.12	Current liability ratio is calculated by dividing non-current liabilities by total (i.e. current and non-current) liabilities.

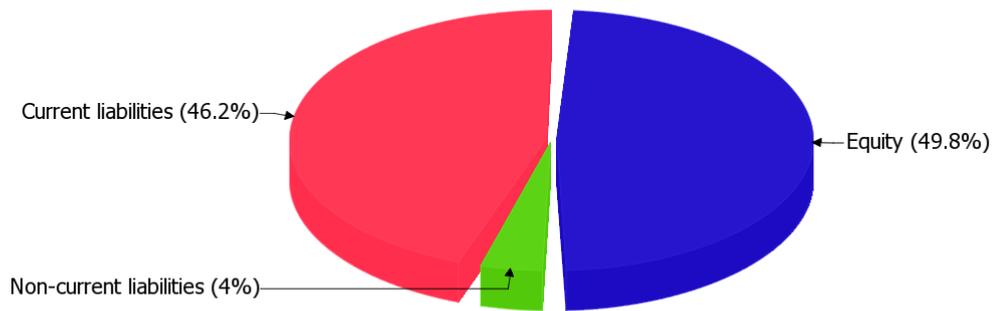
The debt-to-equity ratio and debt ratio are the main coefficients describing financial stability. The ratios are similar in their meaning and indicate a relationship between two main sources of capital: equity and borrowed capital. The difference between the ratios is that the first one is calculated as a relationship of the borrowed capital (liabilities) to the equity, while the second ratio is calculated as a relationship of the liabilities to the overall capital (i.e. the sum of equity and liabilities).

On the last day of the period analysed (31.12.2014), the debt-to-equity amounted to 1.01. At the end of the period reviewed, the debt ratio equaled 0.5. For the period reviewed (31.12.11–31.12.14), it was seen that there was an outstanding growth in the debt ratio (+0.16), moreover, the same tendency is proven by a linear trend during the period.

The value of the debt ratio relates to OAO "Запяр"'s good capital structure at the end of the period reviewed from the point of view of financial stability. The percentages of liability and equity are 50.2% and 49.8%, respectively. During the whole of the analysed period, the debt ratio kept an acceptable value.

The structure of the company's capital is demonstrated in the chart below:

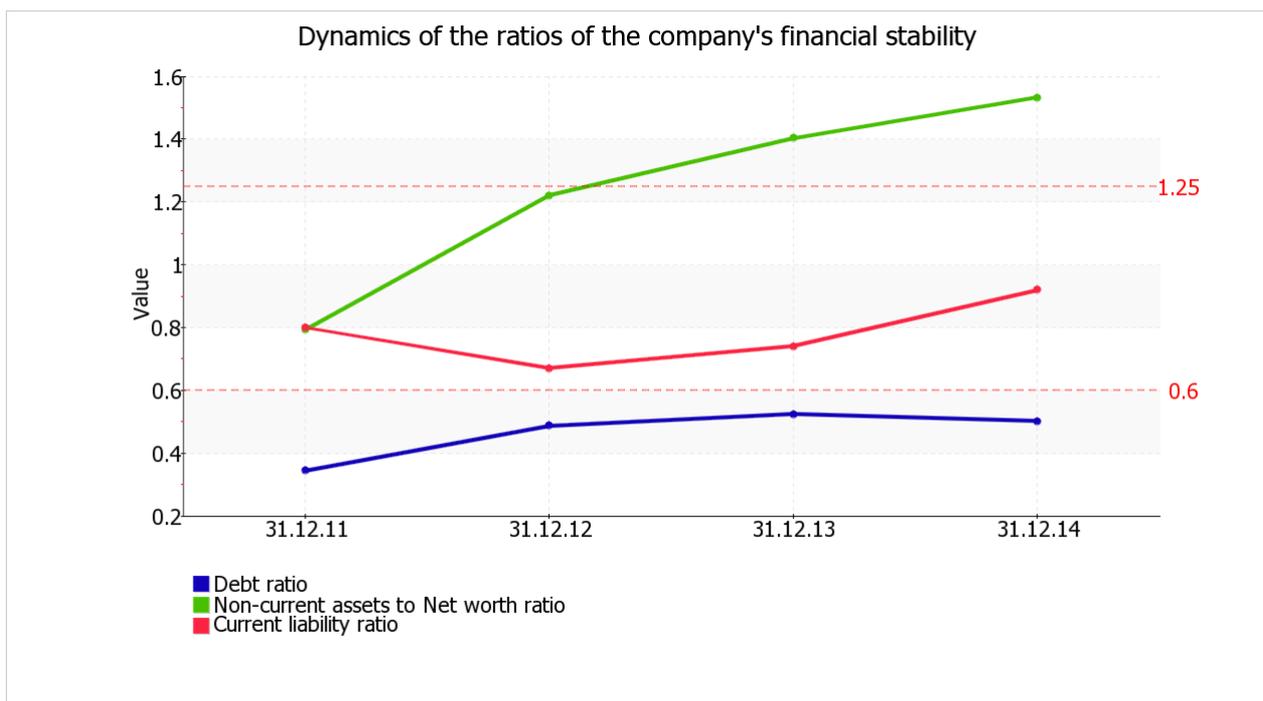
Capital structure of the company on 31 December, 2014



According to common rules, non-current investments should be made, in the first place, with the help of the most stable source of financing, i.e. with the help of own capital (equity). The non-current assets to Net worth ratio shows if this rule is followed. The ratio equaled **1.53** on 31 December, 2014, which is **0.74** higher than at the beginning of the period. At the end of the period analysed, the value of the ratio can be deemed as an unsatisfactory one.

The current liability ratio is 0.92 at the end of the period analysed. It means that the overall shares of current and non-current liabilities of a company's liabilities are 92% and 8%, respectively. An unbalance of financial sources to the side of liabilities with short maturity can negatively influence financial stability and the company's solvency. This is why it is important to be careful with an increase in short-term liabilities.

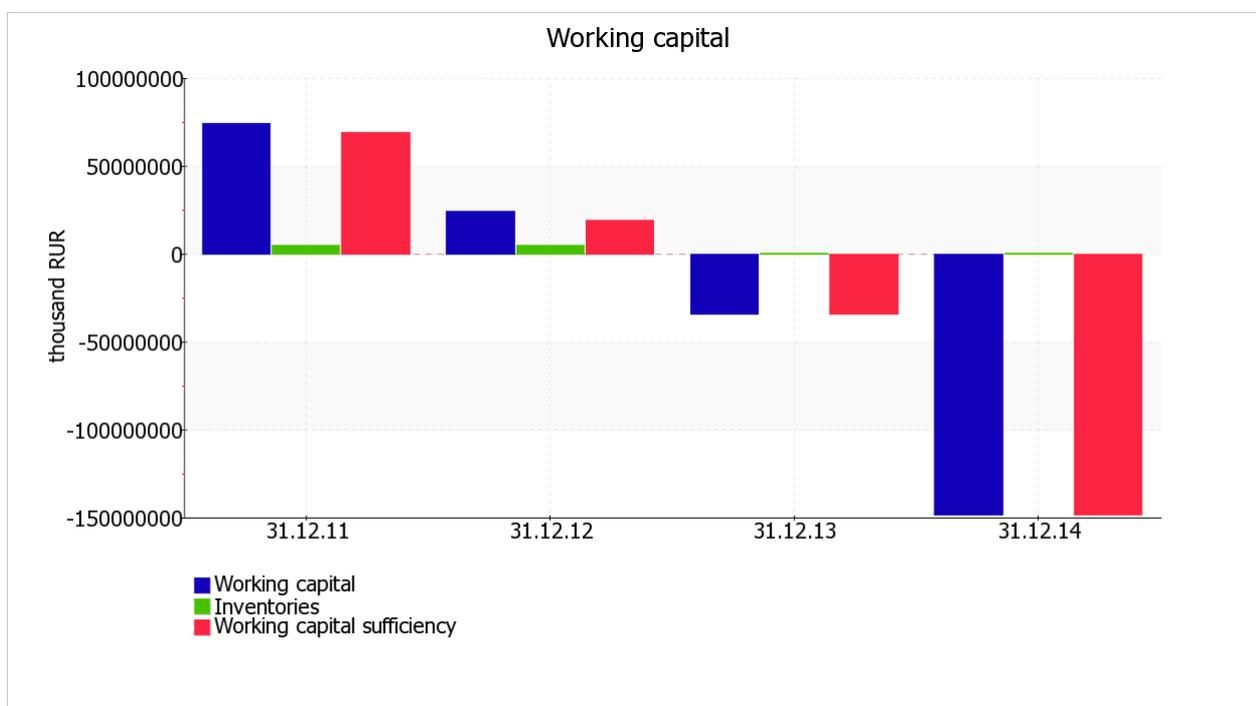
The change in the main ratios of financial stability of OAO "Заря" is demonstrated during the 3 years in the chart below.



1.3.2. Working capital analysis

Indicator	Value				Change for the period analysed	
	31.12.2011	31.12.2012	31.12.2013	31.12.2014	(col.5-col.2)	% ((col.5-col.2) : col.2)
1	2	3	4	5	6	7
1. Working capital (net working capital), thousand RUR	+74,082,095	+23,975,845	-34,539,016	-148,474,624	-222,556,719	↓
2. Inventories, thousand RUR	+4,770,370	+4,985,680	+76,222	+55,162	-4,715,208	-98.8
3. Working capital sufficiency (1-2), thousand RUR	+69,311,725	+18,990,165	-34,615,238	-148,529,786	-217,841,511	↓
4. Inventory to working capital ratio (2:1) Normal value: 1 or less.	0.06	0.21	<-0.01	<-0.01	-0.06	x

OAO "Заря" working capital has a negative value (RUR -148,474,624 thousand) on 31 December, 2014. This means that current liabilities exceed current assets. In such a situation it makes no sense to compare working capital with inventories of the company. Under normal conditions, the inventory to working capital ratio should not be less than 1.



1.4. Liquidity Analysis

Liquidity related ratios are one of the most widespread indicators of a company's solvency. There are three liquidity related ratios: current ratio, quick ratio and cash ratio. Current ratio is one of the most widespread and shows to what degree the current assets of the company are meeting the current liabilities. The solvency of the company in the near future is described with the quick ratio which reflects if there are enough fund's for normal

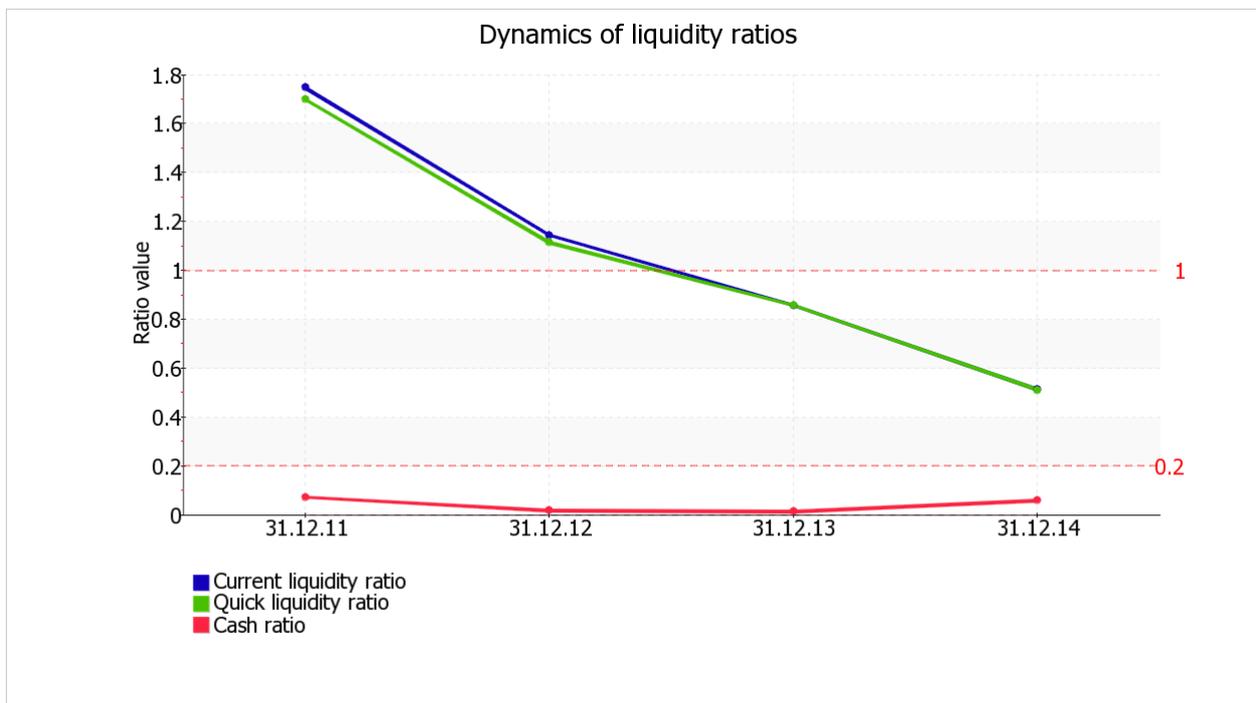
execution of current transactions with creditors. The table below demonstrates all three liquidity ratios for OAO "Заря".

Liquidity ratio	Value				Change (col.5 - col.2)	Description of the ratio and its recommended value
	31.12.2011	31.12.2012	31.12.2013	31.12.2014		
1	2	3	4	5	6	7
1. Current ratio (working capital ratio)	1.75	1.14	0.86	0.51	-1.24	The current ratio is calculated by dividing current assets by current liabilities. It indicates a company's ability to meet short-term debt obligations. Normal value: no less than 2.
2. Quick ratio (acid-test ratio)	1.7	1.11	0.86	0.51	-1.19	The quick ratio is calculated by dividing liquid assets (cash and cash equivalents, trade and other current receivables, other current financial assets) by current liabilities. It is a measure of a company's ability to meet its short-term obligations using its most liquid assets (near cash or quick assets). Acceptable value: 1 or more.
3. Cash ratio	0.07	0.02	0.01	0.06	-0.01	Cash ratio is calculated by dividing absolute liquid assets (cash and cash equivalents) by current liabilities. Acceptable value: 0.2 or more.

The current ratio was equal to **0.51** on 31.12.2014. During the whole period reviewed, the current ratio reduced by **1.24**. The value of the ratio can be characterised as obviously unacceptable at the end of the period analysed. The current ratio did not keep its normal value during the whole of the analysed period.

During the period analysed (31.12.11-31.12.14), a significant lowering in the quick ratio of **1.19** (to **0.51**) was verified. During the whole of the period the ratio was continuously decreasing. The value of the quick ratio is not a normal one on the last day of the period analysed. It means that OAO "Заря" does not have enough assets which can be transferred to monetary funds in a very short time to meet current liabilities.

Similar to the two previous ratios, the cash ratio has an unsatisfactory value (**0.06**) at the end of the period analysed that says about the deficit of the most liquid assets in the company (cash and cash equivalents) to meet all current liabilities.



On 31.12.2014, all three ratios say that the company does not have enough liquid assets compared with OAO "Заря" current liabilities.

2. Financial Performance

2.1. Overview of the Financial Results

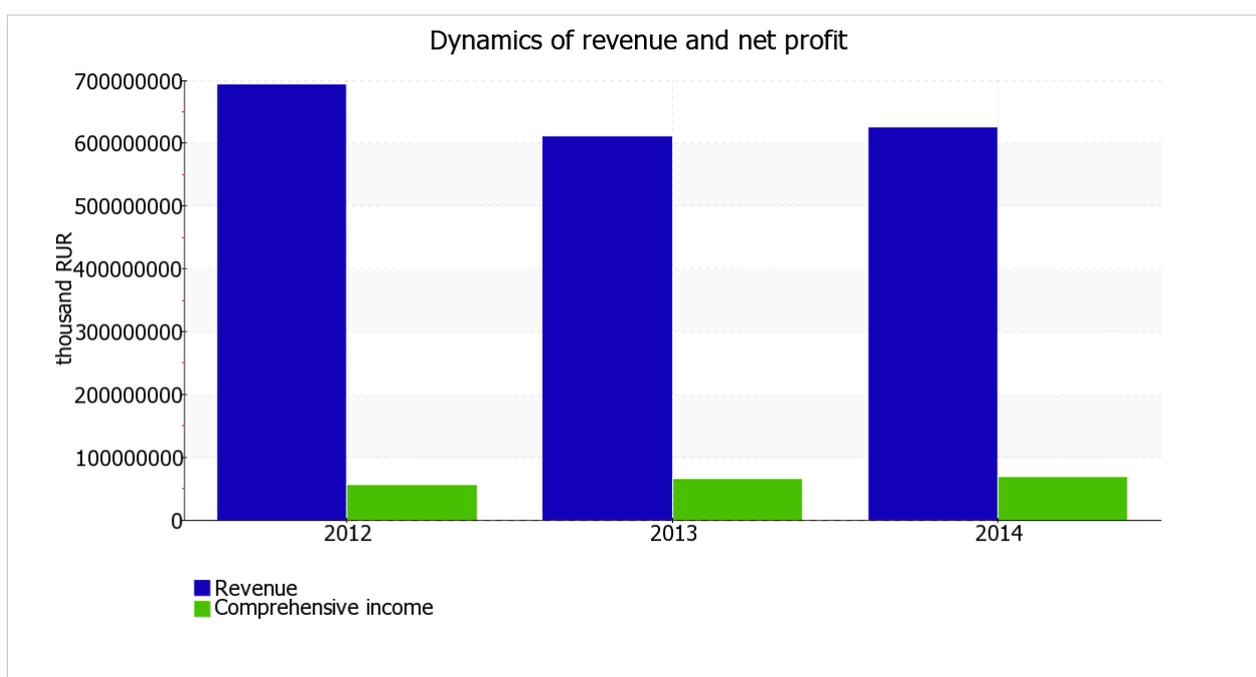
The table below tells us about the main financial results of OAO "Заря" activities during the entire period reviewed.

Indicator	Value, thousand RUR			Change		Average annual value, thousand RUR
	2012	2013	2014	thousand RUR (col.4 - col.2)	± % (4-2) : 2	
1	2	3	4	5	6	7
1. Revenue	693,032,679	609,821,837	623,979,575	-69,053,104	-10	642,278,030
2. Cost of sales	566,143,059	489,837,720	512,028,603	-54,114,456	-9.6	522,669,794
3. Gross profit (1-2)	126,889,620	119,984,117	111,950,972	-14,938,648	-11.8	119,608,236
4. Other income and expenses, except Finance costs	-52,797,606	-26,430,917	-19,887,930	+32,909,676	↑	-33,038,818
5. EBIT (3+4)	74,092,014	93,553,200	92,063,042	+17,971,028	+24.3	86,569,419
5a. EBITDA	206,150,632	275,611,819	304,091,645	+97,941,013	+47.5	261,951,365
6. Finance costs	2,378,700	6,308,164	4,520,565	+2,141,865	+90	4,402,476
7. Income tax expense (from continuing operations)	16,583,554	22,117,859	20,350,754	+3,767,200	+22.7	19,684,056
8. Profit (loss) from continuing operations (5-6-7)	55,129,760	65,127,177	67,191,723	+12,061,963	+21.9	62,482,887

9. Profit (loss) from discontinued operations	-	-	-	-	-	-
10. Profit (loss) (8+9)	55,129,760	65,127,177	67,191,723	+12,061,963	+21.9	62,482,887
11. Other comprehensive income	879	8,566	30,674	+29,795	+34.9 times	13,373
12. Comprehensive income (10+11)	55,130,639	65,135,743	67,222,397	+12,091,758	+21.9	62,496,260

For the period from 01.01.2014 to 31.12.2014, the revenue was equal to RUR 623,979,575 thousand, though the revenue was higher – RUR 693,032,679 thousand (i.e. the drop showed RUR 69,053,104 thousand). The change in revenue is demonstrated on the chart. The gross profit equaled RUR 111,950,972 thousand during the last year. For the period analysed (from 31 December, 2011 to 31 December, 2014), the gross profit went down significantly (by RUR 14,938,648 thousand, or by 11.8%).

During the year 2014, the company posted a gross profit and earnings before interest and taxes (EBIT), which was RUR 92,063,042 thousand. The total comprehensive income was RUR 67,222,397 thousand during the year 2014.

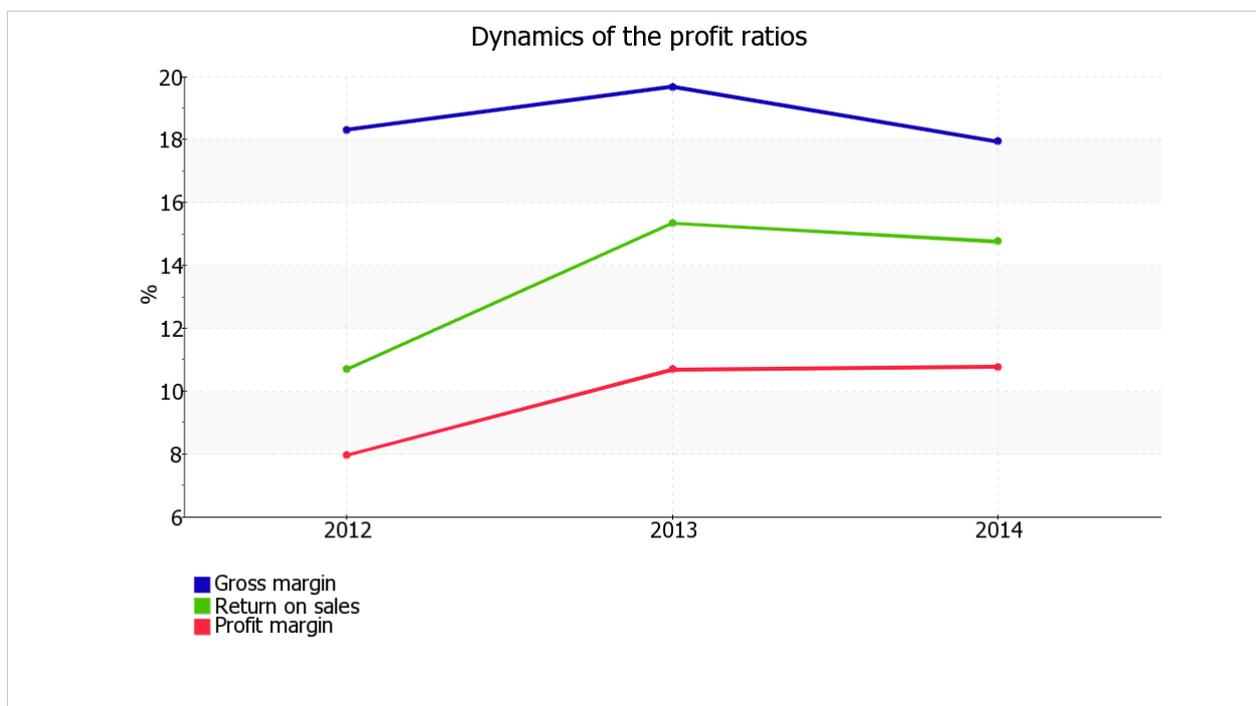


2.2. Profitability Ratios

Profitability ratios	Value in %			Change (col.4 - col.2)
	2012	2013	2014	
1	2	3	4	5
1. Gross margin.	18.3	19.7	17.9	-0.4
2. Return on sales (operating margin).	10.7	15.3	14.8	+4.1
3. Profit margin.	8	10.7	10.8	+2.8
<i>Reference:</i> Interest coverage ratio (ICR). Acceptable value: 1.5 or more.	31.1	14.8	20.4	-10.8

All three profitability ratios given in the table have positive values during the last year, as the company gained gross profit and comprehensive income from operational and financial activity for this period. The gross margin amounted to 17.9% during the year 2014. During the 3 years, the gross margin moderately decreased (by 0.4%).

The profitability calculated by earnings before interest and taxes (Return on sales) is more important from a comparative analyses point of view. During the last year, the return on sales was 0.15 (or 14.8% per annum), and profitability calculated by net profit was 10.8% per annum.



To assess the liabilities that the company should repay for the use of borrowed capital, an interest coverage ratio was calculated. The acceptable value is deemed to be not less than 1.5. In this case, the interest coverage ratio was 20.4 during the last year, which is evidence of ОАО "Заря"'s capability to pay interest on borrowed assets. It should also be mentioned that not all interest payments are necessarily included on the income statement and used to calculate the indicated ratio. Interest related to investments in qualified assets is not included in the financial results (they are taken into account in the asset value).

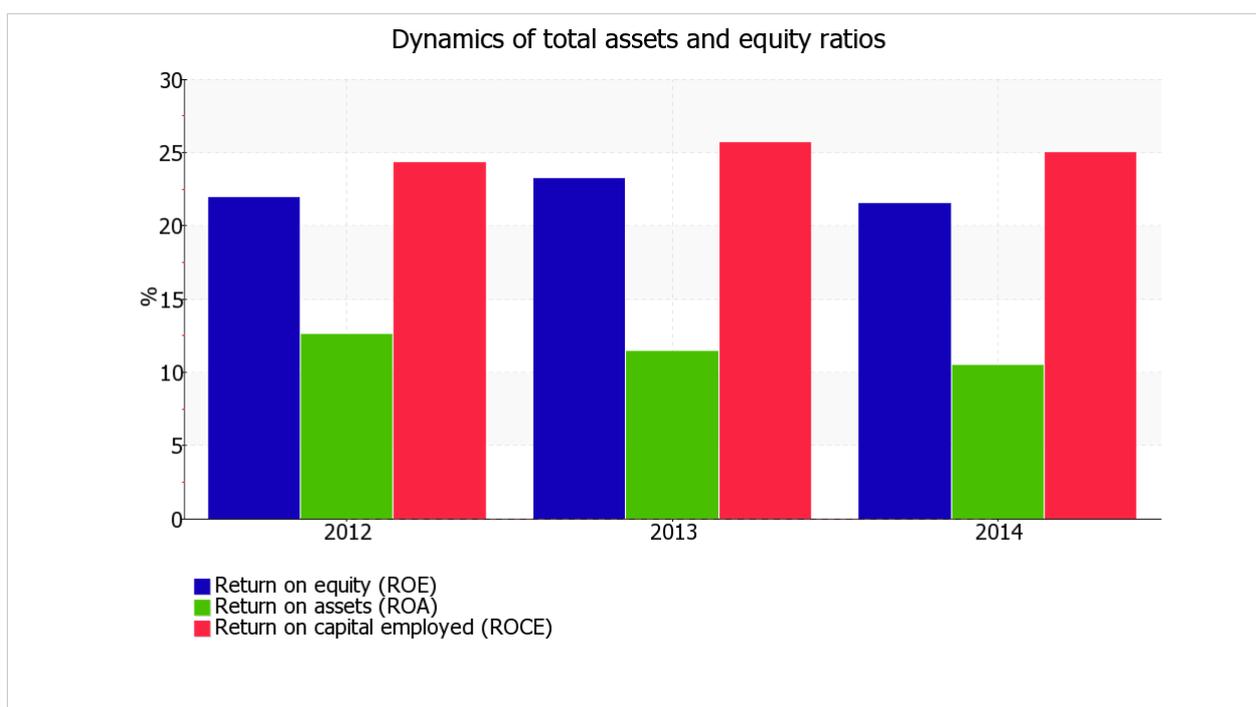
Profitability ratios	Value, %			Change (col.4 - col.2)	Description of the ratio and its reference value
	2012	2013	2014		
1	2	3	4	5	6
Return on equity (ROE)	22	23.2	21.5	-0.5	ROE is calculated by taking a year's worth of earnings (net profit) and dividing them by the average shareholder equity for that period, and is expressed as a percentage. It is one of the most important financial ratios and profitability metrics. Acceptable value: 12% or more.
ROE, calculated using comprehensive income	22	23.2	21.5	-0.5	This ratio is similar to the previous one, but is calculated using comprehensive income instead of net profit. It shows the companies ability to generate profits before leverage, rather than by using leverage. Acceptable value: 12% or more.

Return on assets (ROA)	12.6	11.4	10.5	-2.1	ROA is calculated by dividing net income by total assets, and displayed as a percentage. Normal value: 6% or more.
ROA, calculated using comprehensive income	12.6	11.4	10.5	-2.1	This ratio is similar to the previous one, but is calculated using comprehensive income instead of net profit. Normal value: 6% or more.
Return on capital employed (ROCE)	24.3	25.7	25	+0.7	ROCE is calculated by dividing EBIT by capital employed (equity plus non-current liabilities). It indicates the efficiency and profitability of a company's capital investments.

During the last year, the return on assets was equal to 10.5%. For the entire period reviewed, it was found that there was a marked decrease in the return on assets of 2.1%. During the whole of the evaluated period, the return on assets kept a normal value.

The most important ratio of business profitability is the return on equity (ROE), which reflects the profitability of investments by the owners. For the last year, a return on equity was 21.5% per annum. It is a high rate, but it is influenced not only with factors inside the company, but also the economic environment where the company is located (inflation rate, interest rates, etc).

The following chart demonstrates the dynamics of the main rates of return on total assets and equity of OAO "Заря" for the last 3 years.



2.3. Analysis of the Business Activity (Turnover Ratios)

In the following table, the calculated rates of turnover of assets and liabilities describe how fast prepaid assets and liabilities to suppliers, contractors and staff are effected. Turnover ratios have strong industry specifics and depend on activity. This is why an absolute value of the ratios does not permit making a qualitative assessment. When assets turnover ratios are analysed, an increase in ratios (i.e. velocity of circulation) and a reduction in circulation days are deemed to be positive dynamics. There is no well-defined interaction for accounts payable and capital turnover. In any case, an accurate conclusion can only be made

after the reasons that caused these changes are considered.

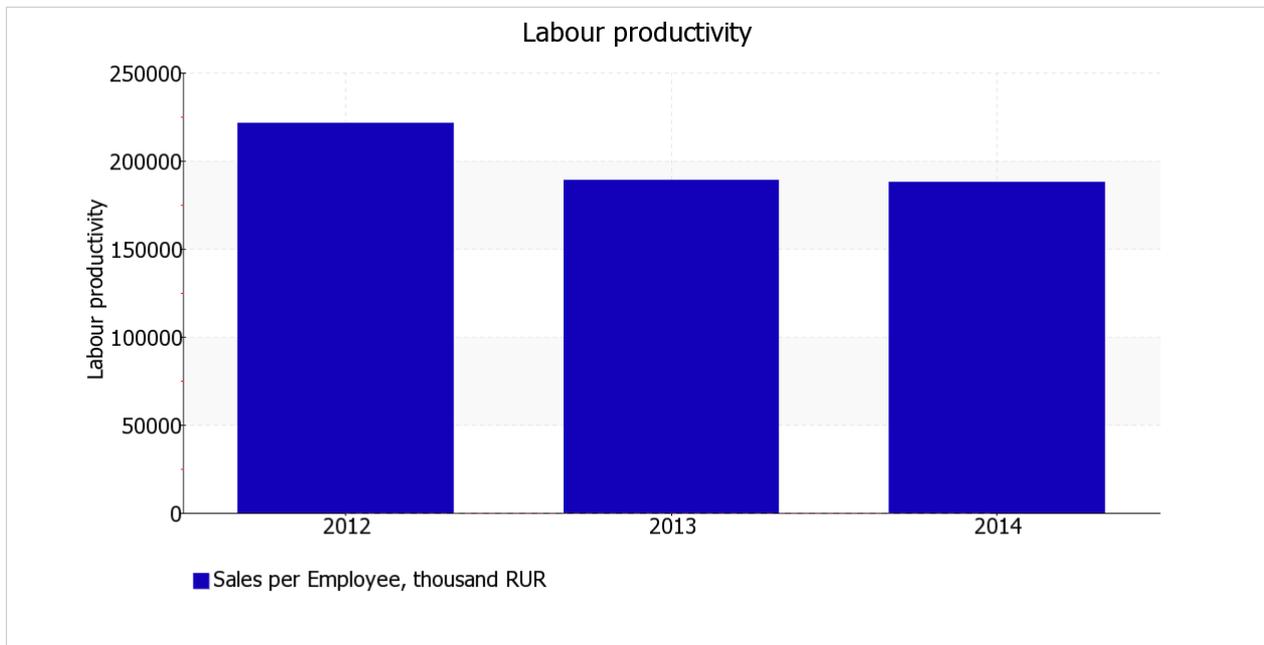
Turnover ratio	Value, days			Ratio 2012	Ratio 2014	Change, days (col.4 - col.2)
	2012	2013	2014			
1	2	3	4	5	6	7
Receivables turnover (days sales outstanding) (average trade and other current receivables divided by average daily revenue*)	73	97	77	5	4.7	+4
Accounts payable turnover (days payable outstanding) (average current payables divided by average daily purchases)	44	61	49	8.3	7.5	+5
Inventory turnover (days inventory outstanding) (average inventory divided by average daily cost of sales)	3	2	<1	115.7	7,794.4	-3
Asset turnover (average total assets divided by average daily revenue)	231	340	375	1.6	1	+144
Current asset turnover (average current assets divided by average daily revenue)	96	119	106	3.8	3.4	+10
Capital turnover (average equity divided by average daily revenue)	132	168	183	2.8	2	+51
<i>Reference:</i> Cash conversion cycle (days sales outstanding + days inventory outstanding - days payable outstanding)	32	38	28	x	x	-4

* Calculation in days. Ratio value is equal to 365 divided by days outstanding.

According to the above table, the average collection period (Days Sales Outstanding), calculated based on the data during the year 2014, was 77 days, while average repayment period for credit debts (Days Payable Outstanding) was 49 days. The data on asset turnover, on average, for the period reviewed (31.12.11-31.12.14), shows that OAO "Заря" gains revenue equal to the sum of all the assets every 316 days.

2.4. Labour productivity

Information on the number of employees was used to calculate the indicator of labour productivity (see graph below) as the ratio of sales revenue for one year to the average number of employees.



The labour productivity was equal to 187,635 thousand RUR/employee during the year 2014. During the whole period analysed, the labour productivity fell significantly (by 33,604 thousand RUR/employee).

3. Conclusion

3.1. Key Ratios Summary

The most important indicators of OAO "Заря"'s financial state and activity results are summarized below by using a qualitative assessment for the entire period reviewed.

There are the following *definitely good* financial indicators:

- high return on equity (21.5% per annum);
- high return on assets, which was 10.5% during the year 2014;
- net worth (net assets) of the company is much higher (by 15,433.7 times) than the share capital at the end of the period.

Such characteristics describe the financial condition of OAO "Заря" relative a *positive* standard:

- the percentage of liabilities in the total balance of OAO "Заря" is 50.2% which is normal for stable activity;
- earnings before interest and taxes (EBIT) showed RUR 92,063,042 thousand for the period 01.01-31.12.2014, although it compares negatively with the previous value (RUR +17,971,028 thousand);
- the income from financial and operational activities (comprehensive income) was RUR 67,222,397 thousand for the last year.

There is one indicator with a *marginally acceptable* value obtained during the analysis – the increase in equity for the period reviewed (from 31 December, 2011 to 31 December, 2014) was lower than the growth rates of total assets.

Financial characteristics with *unacceptable* values are the following:

- the value of the non-current assets to net worth ratio equal to **1.53** is unsatisfactory on 31.12.2014;
- a quick ratio was **0.51** (while the acceptable value is 1);
- the cash ratio is equal to **0.06** on 31.12.2014 (a low cash at hand required for current payments).

Such indicators describe the financial state as *critical* critical:

- the current ratio (**0.51**) is significantly lower than the standard value (2);
- not enough long-term resources of financing company activity (no working capital).

3.2. Rating of the Financial Position and Financial Performance of OAO "Заря"

Financial performance for the period analysed (01.01.12-31.12.14)	Financial position on 31.12.2014									
	AAA	AA	A	BBB	BB	B	CCC	CC	C	D
Excellent (AAA)						.				
Very good (AA)	v
Good (A)						.				
Positive (BBB)						.				
Normal (BB)						.				
Satisfactory (B)						.				
Unsatisfactory (CCC)						.				
Adverse (CC)						.				
Bad (C)						.				
Critical (D)						.				

Final **rating of the financial condition** of OAO "Заря" (period analysed: from 01.01.2012 to 31.12.2014 analysis step - year):

BB
(normal)

According to the analytical results given above, the following qualitative assessments were calculated: OAO "Заря"'s financial position score is **-0.34**; the financial performance score for the entire period analysed is **+1.36**. According to the rating scale, it is B (satisfactory position) and AA (very good financial performance), respectively. These scores are obtained considering both key ratios at the end of the period analysed and the dynamics of the ratios, including their expected values for the next year. Based on these two scores, the final rating score of OAO "Заря"'s financial condition was calculated. The financial condition was assessed at the **BB** rate (**normal**).

"BB" describes the financial condition of a company when the majority of ratios are normal. Companies with this rating should be considered as business partners who will need to be treated carefully when managing risks. These companies can lay a claim to obtain credit but a decision mainly depends on the analysis of additional factors (neutral creditworthiness).

4. Appendix

4.1. Bankruptcy Test (Altman Z-score)

The Altman Z-score was calculated to predict the probability of the company's bankruptcy (a 4-factor model for a private non-manufacturer is taken for OAO "Заря"):

$$Z\text{-score} = 6.56T_1 + 3.26T_2 + 6.72T_3 + 1.05T_4, \text{ where}$$

Ratio	Calculation	Ratio value on 31.12.2014	Weighting factor	Product (col. 3 x col. 4)
1	2	3	4	5
T ₁	Working Capital / Total Assets	-0.23	6.56	-1.48
T ₂	Retained Earnings / Total Assets	0.48	3.26	1.56
T ₃	Earnings Before Interest and Taxes / Total Assets	0.14	6.72	0.94
T ₄	Equity / Total Liabilities	0.99	1.05	1.04
Altman Z-score:				2.07

Discrimination ranges:

- 1.1 or less - "Distress" zone
- from 1.1 to 2.6 - "Grey" zone
- 2.6 or more - "Safe" zone

According to calculations, on the last day of the period analysed (31.12.2014), the Z-score equaled 2.07 for ОАО "Заря". Such a value says about probability that ОАО "Заря" will go into bankruptcy (the value is in the border zone). At the same time, it should be mentioned about the conventionality of this rate, based on which a definite conclusion should not be made but deeper analysis of the company's financial state should be undertaken.

4.2. Calculation of the Final Rating of the Financial Condition

Ratio	Weighting factor	Score			Average score (col.3 x 0.25 + col.4 x 0.6 + col.5 x 0.15)	Weighted average score (col.2 x col.6)
		past	present	future		
1	2	3	4	5	6	7
I. Rating of the company's financial position						
Debt ratio	0.3	+2	+1	+1	+1.25	+0.375
Non-current assets to net worth	0.15	+1	-1	-1	-0.5	-0.075
Current ratio	0.2	-1	-2	-2	-1.75	-0.35
Quick ratio	0.2	+2	-1	-2	-0.4	-0.08
Cash ratio	0.15	-2	-1	-2	-1.4	-0.21
Total	1	Final score (in total col.7 : col. 2):				-0.34
II. Rating of the company's financial performance						
Return on equity (ROE)	0.5	+2	+2	+2	+2	+1
Return on assets (ROA)	0.3	+2	+2	+1	+1.85	+0.555
Sales growth	0.2	-1	-1	-1	-1	-0.2
Total	1	Final score (in total col.7 : col. 2):				+1.355

Final rating score for ОАО "Заря"'s financial condition: $(-0.34 \times 0,6) + (+1.355 \times 0,4) = +0.34$ (BB - normal)

Reference: Financial condition scale

Total score		Sign	The qualitative assessment of a financial condition
from	to (inclusive)		
2	1.6	AAA	Excellent
1.6	1.2	AA	Very good
1.2	0.8	A	Good
0.8	0.4	BBB	Positive
0.4	0	BB	Normal
0	-0.4	B	Satisfactory
-0.4	-0.8	CCC	Unsatisfactory
-0.8	-1.2	CC	Adverse
-1.2	-1.6	C	Bad
-1.6	-2	D	Critical

Note: Report prepared with the assistance of ReadyRatios Software.
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