EAVEX capital

Ferrexpo SELL

February 24, 2015

When the Bad Market Makes the Rules

Last month, the gloomy medium-term iron ore market outlook pushed Ferrexpo to propose a restructuring of its USD 500mn bonds with maturity in April'16. Given the company's cash balance of USD 608mn (as of Sept 30) and USD 214mn (out of USD 500mn) of bonds restructured, weak cash flows will force Ferrexpo to refinance part of its remaining debt no later than 2017, our calculations show. On the equity side, we lower our target price to GBP 0.48 based on 2015E EBITDA of USD 256mn (45% YoY).

- **Ferrexpo proposed exchange offer for its USD 500mn bonds** on Jan 19 aimed at softening its debt repayment schedule, with two subsequent improvements made to the offer on Feb 4 and Feb 6. The latest conditions envisage prolonging the maturity by 3 years (to April 2019), a 3.5p.p. increase in the coupon to 10.375%, and an amortization schedule with 50% of the principal repayment in April 2018 and April 2019, respectively. Also, the exchange envisages a cash consideration of 25% of the principal of the existing bonds, with 75% of the principal to be received in the form of new 2019 bonds.
- **The offer conditions imply a YTM of 20%** at the current trading level of the 2016 bonds of 79.0. This is lower than the current yield of FXPO-16s of 32%, but we note that FXPO-16s consistently yielded below 15% throughout 10M14. Concerned by the gloomy ore market outlook, bondholders have proven reluctant to accept Ferrexpo's offer (only holders of 34% of the principal accepted it as of Feb 6).
- **Ferrexpo on Feb 23 decided to go ahead with the restructuring though threshold level was not reached.** Holders of USD 214mn (43%) of the 2016 bonds' principal accepted the offer vs. minimum participation level of USD 300mn. This will effectively reduce the debt to be repaid by Ferrexpo over 2015-16 from USD 940mn to USD 780mn if no further debt restructuring/refinancing is done.
- **Ferrexpo's own cash flow will not be sufficient to make all of its scheduled 2015-19 redemptions,** even with a USD 214mn bond restructuring, our calculations show. With a cash balance of USD 608mn as of 30 Sept 2014 and poor FCF-generating ability in the medium term (we project a total of USD 510mn over 2015-19) due to persistently low iron ore pricing, we think Ferrexpo will need an additional debt refinancing not later than 2017.
- **We expect Ferrexpo's EBITDA to halve to USD 256mn in 2015** due to a projected 30% drop in achieved iron ore pellet pricing to USD 71/t (DAF/FOB basis), which will be partly offset by a devaluation-fueled drop in production cash cost.
- **We model the benchmark iron ore price as dropping to USD 64/t** (-34% YoY) in 2015 as sluggish demand for iron ore in China, the major importer globally, will be exacerbated by rising supply from low-cost Australian and Brazilian miners.
- **For the FXPO stock we reiterate our SELL rating** with a target price of GBP 0.48 per share, suggesting a downside of 27%.

STOCK INFORMATION

Ticker	FXPO
Current Price, GBP	0.65
Target Price, GBP	0.48
Current Price, USD	1.00
Target Price, USD	0.73
Upside	-27%
Shares Outstanding, mn	585.1
Market Cap, USD mn	585.7
Est. Free Float	25.8%
Est. Free Float, USD mn	151.1
Price High/Low 12M, GBP	1.71/0.47
Change from High/Low	-62%/34%

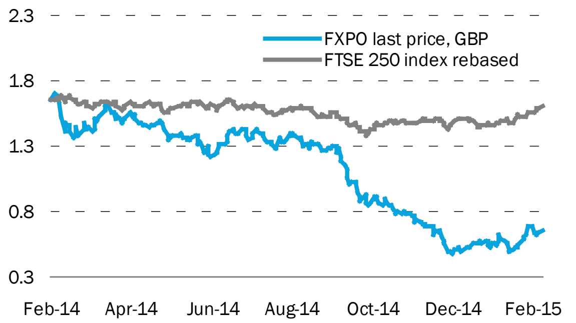
STOCK PERFORMANCE

	3 month	6 month	12 months
Absolute Chg	-9%	-53%	-62%
Chg vs FTSE 250 Index	-16pp	-54pp	-58pp

SHAREHOLDER STRUCTURE

Kostyantyn Zhevago	50.3%
CERCL Holdings	23.9%
Others	25.8%

TRADING INFORMATION



Source: Bloomberg

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	Sales, USD mn	EBITDA, USD mn	NI, USD mn	EBITDA margin	Net margin	EV/Sales	EV/EBITDA	P/E
2013	1,581	506	264	32.0%	16.7%	0.82	2.6	2.2
2014E	1,342	464	185	34.5%	13.8%	0.97	2.8	3.2
2015E	1,059	256	98	24.2%	9.2%	1.22	5.1	6.0

Source: Company data, Eavex Research

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Exchange Offer Aimed at Softening Debt Maturity Profile

CONDITIONS OF THE OFFER

On Jan 19, Ferrexpo proposed an exchange offer for its USD 500mn bonds with maturity in April 2016. The offer represents an attempt to extend the bonds' maturity extension amid an environment of low iron ore prices. The offer's conditions in terms of maturity, coupon and principal amortization are provided in the table below.

Figure 1 BASIC CONDITIONS OF OFFERED VS. EXISTING BONDS OF FERREXPO

	Maturity	Semiannual Coupon	Amortisation schedule
Existing bonds	April 2016	7.875%	non-amortised (100% of principal to be repaid in April 2016)
Proposed bonds	April 2019	10.375%	50% of the principal to be redeemed in April 2018 and April 2019

Source: Company data, Eavex Research

Other conditions of the offer are as follows:

- holders who accepted the offer before Feb 2 (the early exchange deadline) were set to receive 20% of the principal of the existing bonds in a cash redemption (the early cash consideration) and 80% of the principal in new bonds;
- holders who accepted the offer between Feb 2 and Feb 17 (the final exchange deadline) were set to receive new bonds with no cash redemption;
- a call option is included in case of changes in taxation in countries where Ferrexpo is operating and/or registered (UK, Switzerland, Ukraine, the UAE). The call price is 100% of par + accrued interest. A put option is included in case of a change of ownership control of Ferrexpo (at a price of 101% of par + accrued interest);
- the minimum participation threshold for the offer to receive the green light was set at 60% (= USD 300mn of the principal amount of existing bonds).

All the conditions of the offer were subject to revision by the issuer, and Ferrexpo made two amendments to the offer (on Feb 4 and Feb 6) which are described in Figure 2.

Figure 2 AMENDMENTS TO INITIAL CONDITIONS OF FERREXPO'S EXCHANGE OFFER

	19 Jan (initial conditions)	4 Feb (first amends)	6 Feb (second amends)
Early Exchange Deadline	2 February	17 February	20 February
Final Exchange Deadline	17 February	17 February	20 February
Early Cash Consideration, % of existing bonds principal	20%	20%	25%
Settlement Date	19 February	19 February	24 February

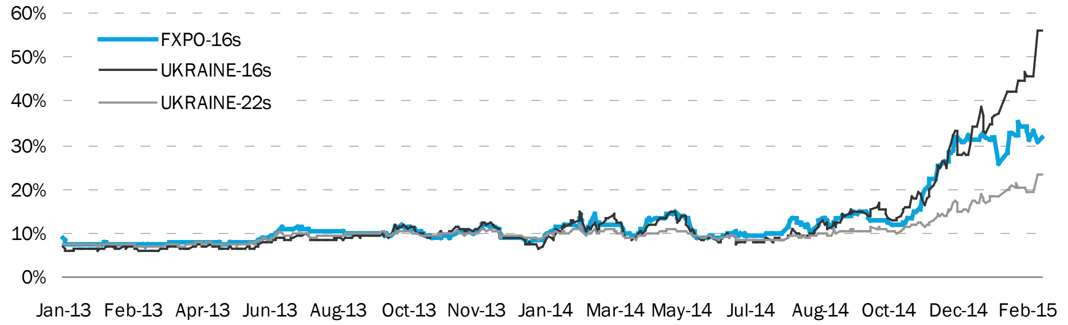
Source: Company data, Eavex Research

On Febuary 23, Ferrexpo announced that it will move forward with the exchange offer even though the company's minimum participation target was not reached. Holders of only 43% of the principal amount of the existing bonds (USD 214.3mn) have accepted the offer, while the target threshold was 60%. For reference, as of Feb 6, 34% of the holders had accepted the offer. We presume that the core reason for the reluctancy of bondholders to agree to the exchange was the gloomy iron ore market outlook.

PROPOSED 2019 BONDS HAVE IMPLIED YIELD NEAR 20%

At a price of 79% of par, the proposed 2019 bonds with a 25% cash redemption have an implied YTM of 20.0% (19.3% for the initial offer conditions), substantially below the current yield of the existing 2016 bonds of 31.6%. We note that the yield on FXPO16s never exceeded 15% before November 2014, and that the upward move thereafter was to large extent a result of the slump in Ukrainian sovereigns. We presume that Ferrexpo's bondholders are reluctant to accept the proposed 20% yield given the gloomy outlook for the global iron ore market.

Figure 3 MID YTM: FXPO VS. UKRAINE'S SOVEREIGN, %



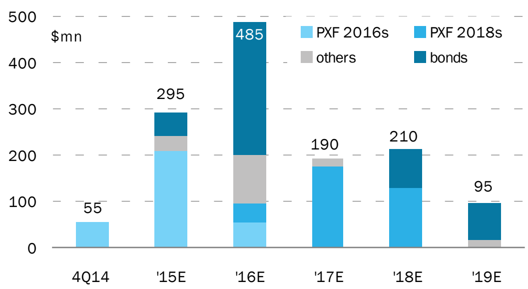
Source: Bloomberg, Eavex Research

DEBT MATURITY SCHEDULE TO BE SMOOTHED OUT BY BOND RESTRUCTURING

The current debt maturity profile of Ferrexpo envisages repayments totally USD 940mn during 2015-16 (Figure 5). Given the restructured USD 214mn of the existing USD 500mn bonds, Ferrexpo will have to repay [barring further refinancing] USD 780mn in debt over the 2015-16 period (Figure 4).

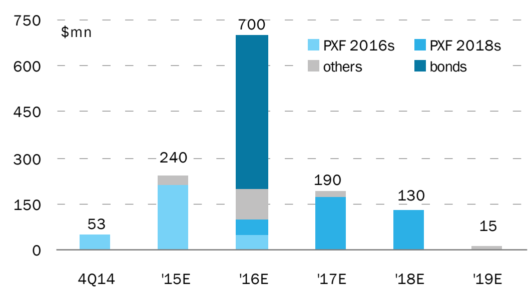
Apart from the USD 500mn bonds, the major debt components of Ferrexpo (as of 30 Sept 2014) were two syndicated amortized pre-export facilities (PXFs) in the outstanding amounts of USD 333mn (maturity in July 2016) and USD 350mn (Aug 2018), respectively. The group's total debt amounts to USD 1.32bn with a cash balance of USD 608mn.

Figure 4 DEBT MATURITY W. BOND RESTRUCT.



Source: Company data, Eavex Research

Figure 5 DEBT MATURITY W/O BOND RESTRUCT.



Source: Company data, Eavex Research

RESTRICTIVE COVENANTS

Ferrexpo faces two restrictive covenants imposed by banks which are:

- maintaining a Net Debt/EBITDA ratio of less than 3.0x;
- maintaining consolidated equity (excluding forex adjustments) of at least USD 500mn.

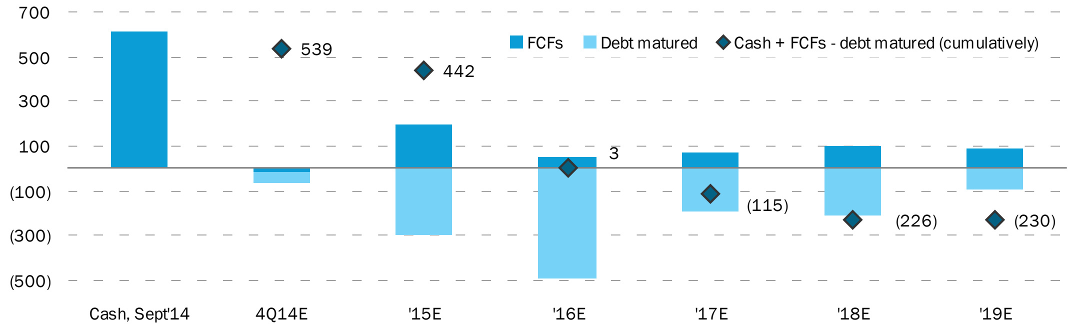
The breach of either covenant could trigger a default by the group.

Also, similarly to the case of existing 2016 bonds, conditions of new 2019 bonds include maintaining total debt/EBITDA ratio below 2.5x. But breach of this metric suggests limitation on raising new debts without triggering a default.

Debt Restructuring: 2016 Bonds May Be Only the First of Several Moves

Even with restructured bonds in the amount of USD 214mn, it will hardly be possible for Ferrexpo to repay its debt over 2015-19 relying only on its own funds (available cash + expected free cash flows (FCFs), our analysis shows. Given our forecast of the group's FCFs, we presume that Ferrexpo will need to partially refinance its debt by 2017 at the latest (Figure 6).

Figure 6 FERREXPO: DEBT MATURITY VS. AVAILABLE CASH & PROJECTED FCFs, USD MN



Source: Company data, Eavex Research

Our calculations of Ferrexpo's FCFs, which will be discussed in more detail in the following sections, are presented in the table below.

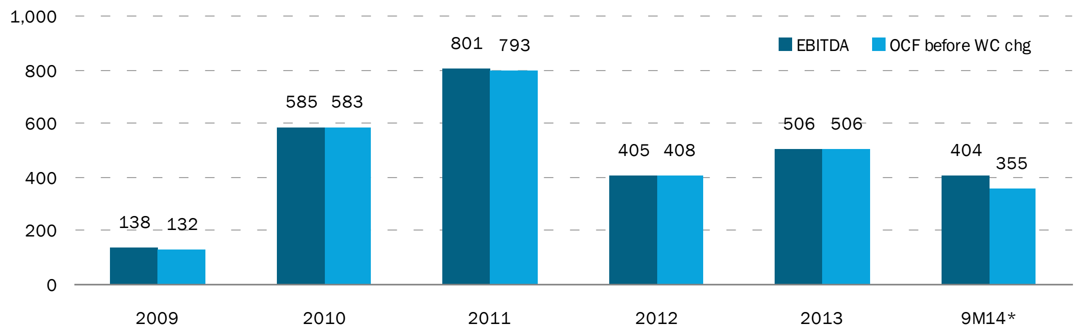
Figure 7 FERREXPO'S PROJECTED FREE CASH FLOWS, USD MN

	9M14	2014E	2015E	2016E	2017E	2018E	2019E
EBITDA	**404**	**464**	**256**	**119**	**149**	**184**	**173**
WC change	(55)	(65)	20	0	0	0	0
Interest paid	(32)	(64)	(61)	(60)	(60)	(60)	(60)
Profit tax paid	(55)	(58)	(20)	(1)	(7)	(14)	(13)
Interest * (1- tax rate)	27	54	51	50	50	50	50
Other effects	(52)	(55)	0	0	0	0	0
CFO	**238**	**275**	**247**	**108**	**132**	**160**	**151**
CapEx	(191)	(245)	(50)	(60)	(60)	(60)	(60)
FCFs	**47**	**30**	**197**	**48**	**72**	**100**	**91**

Source: Company data, Eavex Research

We note that EBITDA has historically served as a good proxy for the company's operating cash flow before changes in working capital (Figure 8).

Figure 8 FERREXPO'S EBITDA & OPERATING CASH FLOWS BEFORE CHANGES IN WC, USD MN



** The difference is due to one-off operating FX gain of USD 55mn*

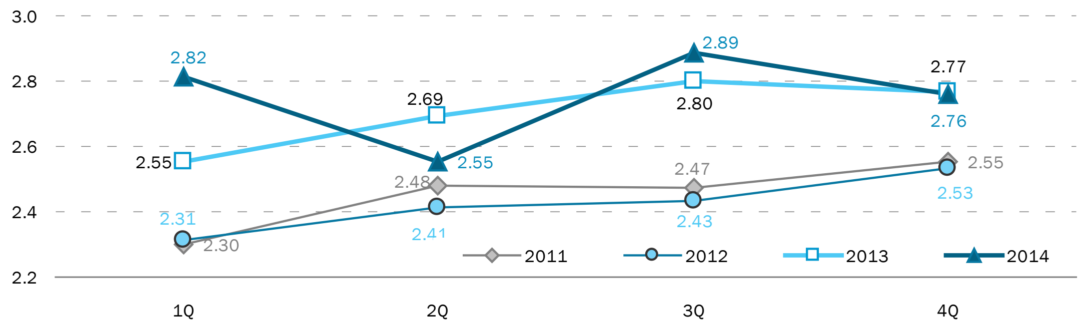
Source: Company data

Operational Projections

SALES/OUTPUT TO BE NEAR 12 MN TONNES IN MEDIUM TERM

Ferrexpo produced 11.0mn tonnes of pellets in full-year 2014, a 2% YoY increase. Still, the achieved result was notably below management's target in March 2014 of 11.5-12.0mn tonnes. The underperformance was due to refurbishment of a pellet production line in 2Q14 and an electricity shortage at the end of the year. We expect the company to raise its pellet output to 11.6mn tonnes in 2015, edging up 11.8mn in 2016 and remaining near that level thereafter.

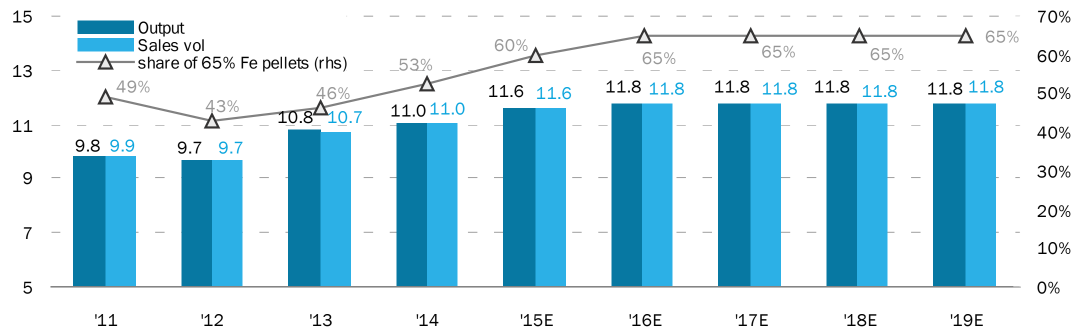
Figure 9 FERREXPO'S QUARTERLY PELLET OUTPUT, MN TONNES



Source: Company data

Ferrexpo managed to expand the share of 65% Fe pellets in its product mix in 2014 by 7p.p. to 53%. While the company should, in theory, be capable of producing nearly all of its pellets with 65% Fe content in 2015, we presume the actual share will be around two-thirds for the foreseeable future, as we think that some of Ferrexpo's customers prefer cheaper pellets with lower (62%) Fe content.

Figure 10 FERREXPO'S PELLET PRODUCTION AND SALES DYNAMICS, MN TONNES



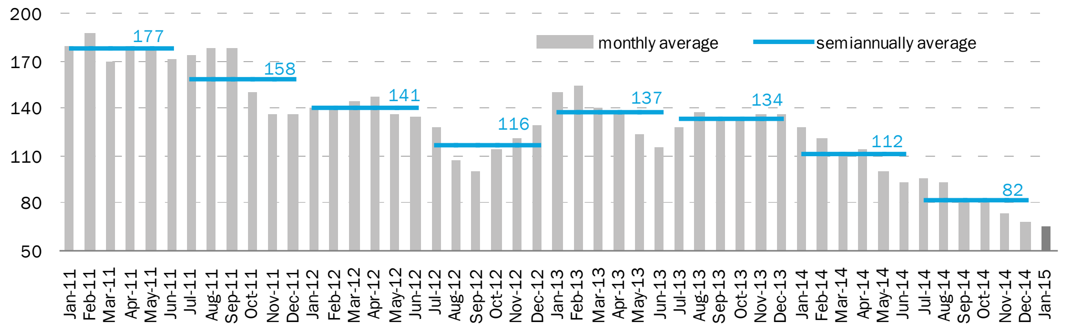
Source: Company data, Eavex Research

We expect Ferrexpo's pellets sales to be in line with its pellet output in the medium and long runs.

IRON ORE PRICE: GLOOMY OUTLOOK

Iron ore prices were on a downward slide throughout most of 2014, falling by 30% in the first half of the year and a further 24% in the second half. Overall, the benchmark price for 62% Fe ore fines experienced a 47% decline over the year, ending at near USD 70/t.

Figure 11 PRICE OFR IRON ORE FINES 62% FE CFR IN CHINESE PORT, USD/T

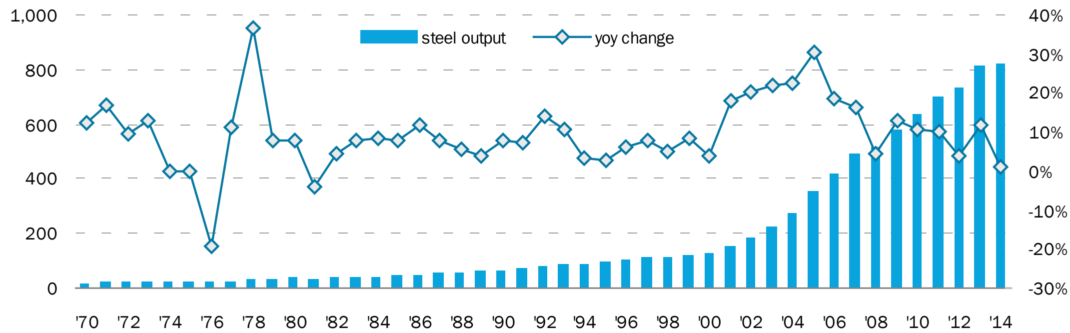


Source: Company data, Eavex Research

The lower pricing resulted mainly from sluggish growth in steel production in China, which accounted for 69% of the global iron ore trade in 2014. The pricing downturn was exacerbated by an intensive ramping-up of iron out output in Australia and Brazil, the world's two dominant ore exporting nations.

In a phenomenon related to its sluggish national real estate market, China showed a steel output increase of just 0.9% YoY in FY14 (compared to its GDP growth rate of 7.5%), representing an incremental rise of a mere 8mn tonnes (to 823mn tonnes).

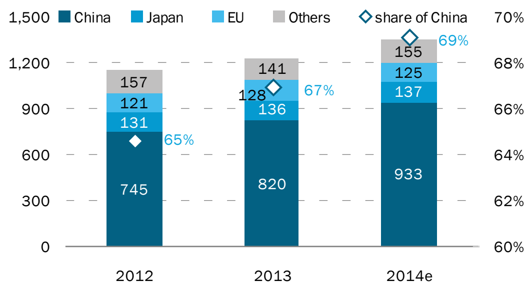
Figure 12 STEEL PRODUCTION EVOLUTION IN CHINA, MN TONNES



Source: Company data, Eavex Research

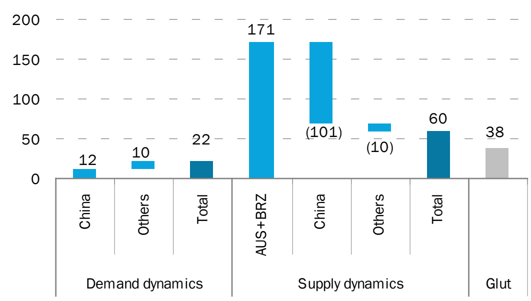
This corresponds to an increase of a mere 12mn tonnes in ore needs, while Australian and Brazilian exporters increased their iron sales in China by a whopping 150mn tonnes in 2014. Thus, even high-cost ore producers (especially Chinese miners) being pushed out, there was a global iron ore glut in 2014 of some 40mn tonnes, we estimate (Figure 14).

Figure 13 WORLD IRON ORE IMPORT, MN T



Source: BREE, CISA, Eavex Research

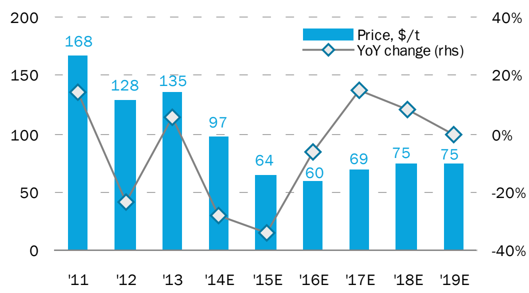
Figure 14 WORLD IRON ORE GLUT (MNT),'14/'13



Source: China customs, CISA, Eavex Research

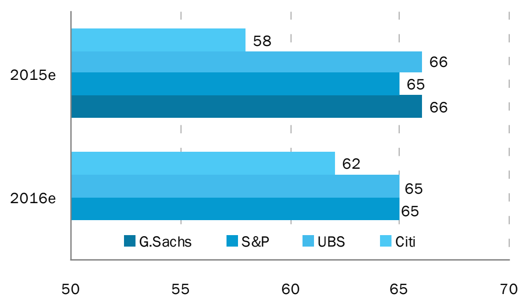
We model the FY15 average iron ore benchmark price at USD 64/t (-34% YoY) and at an even worse USD 60/t in 2016. The main upside risks to the accuracy of our forecast would be an ambitious investment [infrastructure] program by the Chinese government and/or steps toward a more expansionary monetary policy in the next two years.

Figure 15 IRON ORE PRICE FORECAST, $/T



Source: Eavex Research

Figure 16 IRON ORE PRICE PROJECTIONS, $/T

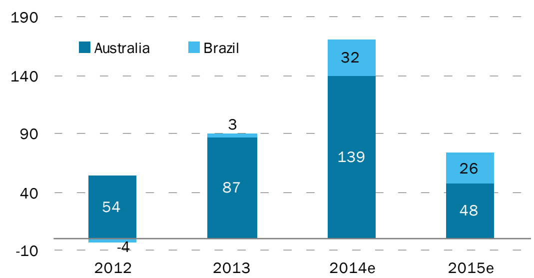


Source: FT, Reuters, Datastream

We see the following reasons for further declines in iron ore prices in 2015-16:

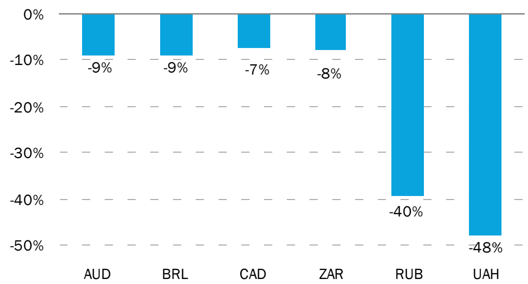
- the expected decline in steel output in China, as a slowdown in the country's GDP growth is compounded with lower steel intensity use in manufacturing sectors. China's Iron&Steel Association projects that the country will show its first decline in annual steel output in more than 30 years (since 1981); the association sees output falling 1.1% to 814mn tonnes in 2015;
- a continuing ramp-up of iron ore supplies from Australia and Brazil. BREE, the Australian government's industry ministry, expects Australia and Brazil to expand their export sales of ore by another 75mn tonnes YoY in 2015;
- high iron ore inventories in Chinese ports. As of end-2014, these inventories were at an incredible level of almost 100mn tonnes, although they had declined to 94mn tonnes by the end of January;
- a steady depreciation over 2014 of the major iron ore exporters' currencies, the Brazilian Real and Australian Dollar, along with the 4Q14 plunge in oil prices, has pushed the iron ore production cost curve lower, thus making ore exporters less reluctant to offer lower prices as a means of closing deals.

Figure 17 INCREMENTAL ORE EXPORT, MN T



Source: BREE, Eavex Research

Figure 18 CURRENCIES' DEVAL. VS. $ OVER 2014



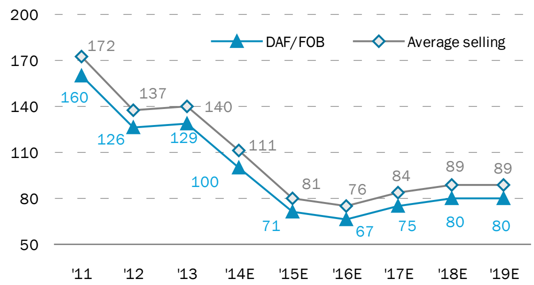
Source: Bloomberg

For 2017 and beyond, we model the benchmark iron ore price as rebounding and stabilizing at USD 75/t. Increasing dominance of the Chinese market by Australian and Brazilian exporters will strengthen their pricing power, we presume. Australia and Brazil accounted for 70% of China's iron ore imports in FY13, with this figure rising to 77% in 2014; we expect it to climb to 85-90% by the end of this decade.

ROBUST PELLET PREMIUM PARTLY MITIGATES LOSSES FROM LOW BENCHMARK PRICE

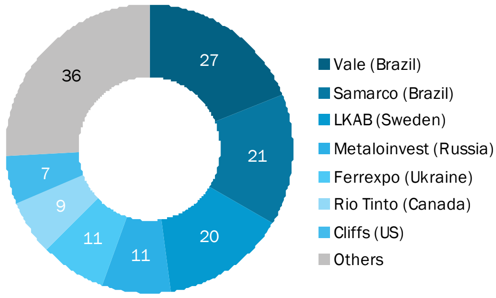
Ferrexpo is adversely affected by the decrease in benchmark iron ore fines price, but this is partly offset by a strong premium for its flagship product, iron ore pellets. Increased demand for the relatively environmentally-friendly pellets globally allowed Ferrexpo to achieve increases of 36% YoY and 42% YoY in its pellet premium in Western Europe and on the Chinese spot market, respectively, to USD 38 and USD 27 per tonne over 9M14. As a result, the group's achieved DAF/FOB pellet price moved down by 15% in 9M14 (to USD 110/t), outperforming the benchmark ore price decline of 23% YoY over the same period.

Figure 19 FXPO PELLET PRICES, USD/T



Source: Company data, Eavex Research

Figure 20 TOP-7 PELLET EXPORTERS 2013, MN T



Source: CRU, Company data

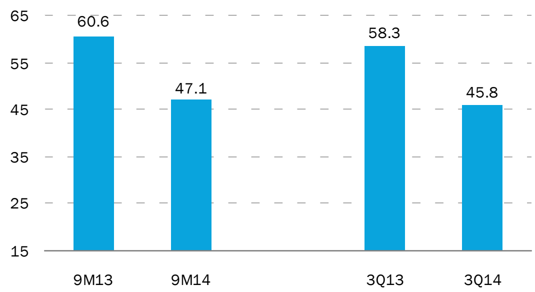
We estimate that including the as-yet unavailable 4Q14 data, the full-year 2014 DAF/FOB pellet price of Ferrexpo will come in at USD 100/t, which would be a 23% YoY decline. Due to our projection of another drop in the benchmark price over 2015, we model Ferrexpo's achieved price for FY15 falling by 29% to USD 71/t, and to USD 67/t in FY16, before a recovery to USD 80/t in the medium term.

Regarding the pellet premium, we project it to remain strong at the current levels throughout 2015 with a reduction by 20% over 2016-17 due to an estimated ramping up by some 35% of pellet exports from Brazil (from 48mn to 65mn tonnes over 2014-18; this estimate is courtesy of global commodity research group CRU).

PRODUCTION COST TO BENEFIT FROM UAH DEVALUATION

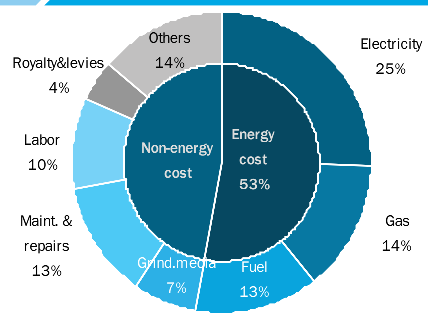
The devaluation of Ukrainian hryvnia (UAH) from near 8 against the dollar to nearly 13 as of end-September, along with rising output from its new ore mine at Yeristovo, allowed Ferrexpo to reduce its production cash cost from in-house ore (C1 cost) by 22% YoY to USD 47.1/t over 9M14. According to our estimates, close to 50% of the company's production cost is in UAH.

Figure 21 FXPO C1 COST, USD/T



Source: Company data, Eavex Research

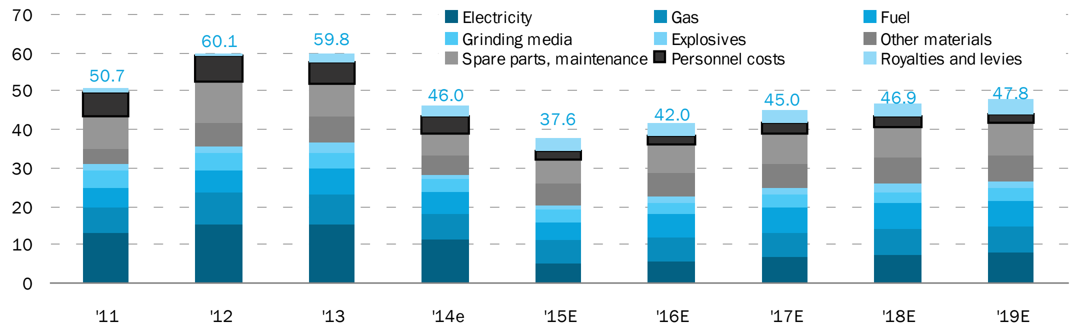
Figure 22 9M14 C1 COST BREAKDOWN



Source: Company data

With the hryvnia having continued to slide in 1Q15 due to the ongoing war in the Donbass region of eastern Ukraine, we model the average UAH/USD rate for FY15 at 23.0. Along with the sharp drop in the price of crude oil, this leads us to forecast Ferrexpo's C1 cost at USD 37.6/t for FY15, implying an 18% YoY reduction after a 23% YoY drop in FY14 to USD 46.0/t. Fueled by industrial price inflation, we project the C1 cost to increase to USD 47.0/t in full-year 2018. We assume a flattening out of the UAH/USD exchange rate in 2016 and onward.

Figure 23 FERREXPO C1 COST DYNAMICS, USD PER TONNE

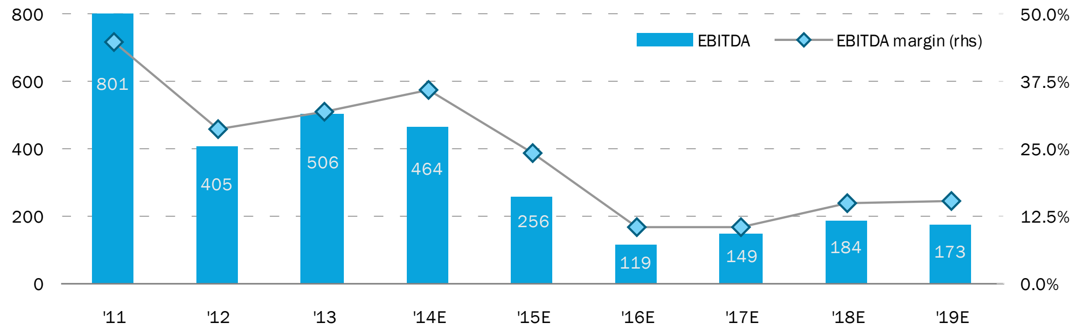


Source: Company data, Eavex Research

EBITDA: POOR RESULTS UNDERWAY DUE TO WEAK ORE PRICING

We estimate that Ferrexpo's full-year 2014 EBITDA will come in 8% lower year-on-year, at USD 464mn. We expect a much sharper decline of 45% YoY to USD 256mn for FY15, as sliding iron ore prices this year will be only partially offset by lower production cost.

Figure 24 FERREXPO EBITDA (USD MN) AND MARGIN (%)



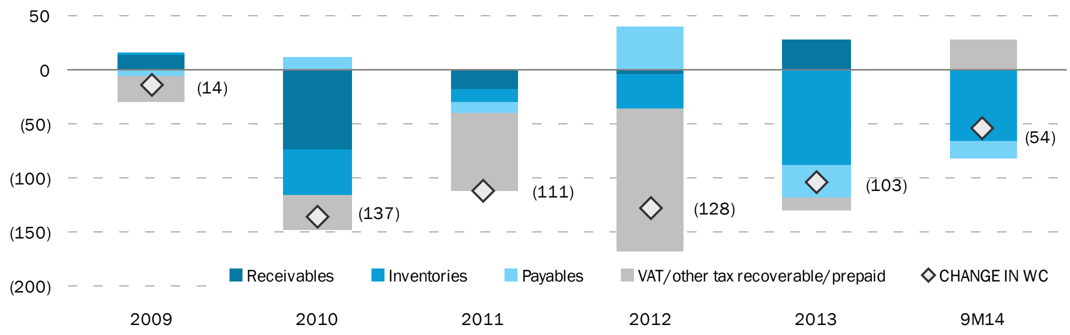
Source: Company data, Eavex Research

We believe that due to an increase in production cost (as inflation catches up with the UAH devaluation), along with a bottoming-out of iron ore prices in 2016, could push the company's FY16 EBITDA all the way down to USD 120mn. We model a recovery to near USD 180mn in 2018 on an improvement in iron ore prices.

WORKING CAPITAL: FOCUS ON RETAINING LIQUIDITY

Over the last several years, the change in Ferrexpo's working capital has been negative (Figure 25). This is mostly due to rising VAT refund receivables owed to the group from the Ukrainian government. Such receivables jumped from USD 81mn in 2009 to USD 302mn in 2012. In 2H12, Ferrexpo reached an agreement with the Yanukovich government to receive timely VAT refunding in exchange for prepayment of a sizable chunk of its profit tax.

Figure 25 FERREXPO CHANGE IN WORKING CAPITAL, USD MN



Source: Company data, Eavex Research

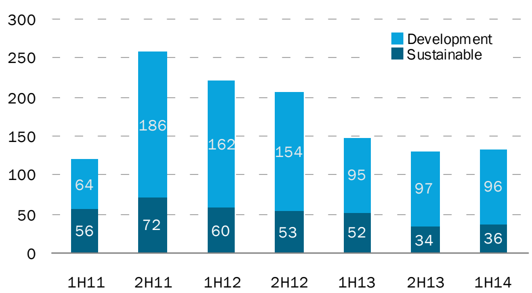
In summer 2014, Ferrexpo received UAH 1.61bn (USD 136mn) in VAT-bonds (face value) as compensation for receivables, with the 8M14 UAH devaluation having "eaten away" USD 106mn from the refund total. The group proceeded to sell its VAT bonds at a discount of some 22% to the face value. As a result, the VAT receivables balance as of Nov 30 amounted to USD 62mn, down from USD 318mn as of end-2013.

We hope the Ukrainian government will follow the IMF's requirement (in its 2014 funding package) to eliminate the practice of profit tax prepayment. That, along with Ferrexpo's need to retain liquidity, will result in small positive change in the group's working capital in 2015 (USD +20mn). As a supportive point to our view, faced with tough ore market, Ferrexpo managed to show close to zero change in WC in tough 2009. For the next several years, we project essentially unchanged WC for the company. Obviously, our optimistic projection for WC is exposed to material downside risk if past government practices of long delays in VAT refunds make a comeback.

CAPEX TO BE MAINTAINED WITHIN USD 50-100MN

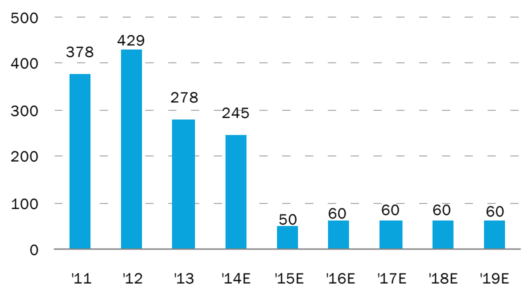
As of end-2014, Ferrexpo had nearly completed all of its major expansion projects. These included the greenfield development at Yeristovo Mine, a lifetime extension of the Poltava Mine, and investment in equipment enabling the group to produce all 65% Fe pellets (vs. the current mix of 62% Fe and 65% Fe).

Figure 26 FXPO CAPEX BREAKDOWN, USD MN



Source: Company data, Eavex Research

Figure 27 CAPEX DYNAMICS, USD MN



Source: Company data, Eavex Research

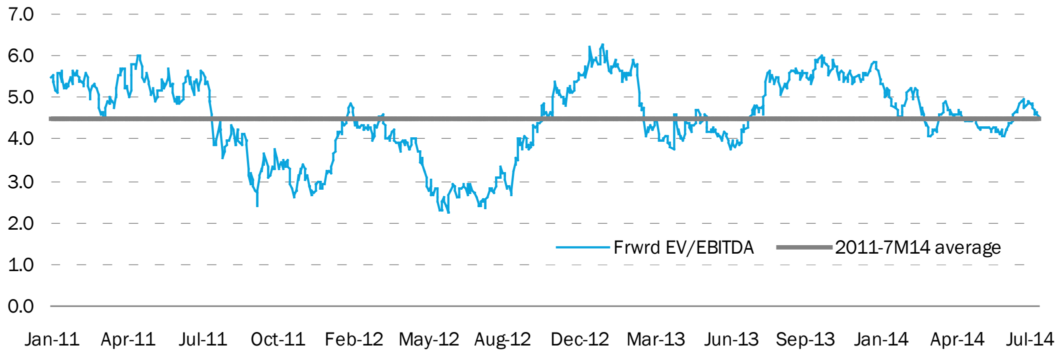
Given the current adverse iron ore market conditions as well the elevated Ukraine country risk, Ferrexpo has put its next development projects (first of all, the proposed USD 700mn iron ore concentrator at Yeristovo) on hold. Management intends to keep CapEx at USD 50-100mn per annum in the foreseeable future, with financing coming only from internal cash flow. Our model uses CapEx at the level of USD 50-60mn p.a. over 2015-19.

Stock Valuation

EV/EBITDA MULTIPLE METHOD

Since the start of 2011 to the present (as of 23 Feb 2015), the FXPO stock has traded with an average forward EV/EBITDA multiple of 4.5x.

Figure 28 FXPO'S FORWARD EV/EBITDA, X



Source: Bloomberg, Company data, Eavex Research

If we apply our forecasted 2015E EBITDA of USD 256m, we derive a 12-month target of USD 0.73 (GBP 0.48) for Ferrexpo's per-share valuation. This implies a 27% downside potential and a SELL recommendation for the FXPO stock.

Figure 29 TARGET PRICE CALCUALTION BASED ON FORWARD EV/EBITDA MULTIPLE

Average EV/EBITDA over 2011-2M15	4.45		
EV implied, USD mn	1,140	2015E EBITDA, USD mn	256
MCap implied, USD mn	428	Net debt, USD mn	712
Target Price, USD per share	0.73	Number of shares outstanding, mn	585.1
Target Price, GBP per share	**0.48**	USD/GBP rate	1.54

Source: Bloomberg, Company data, Eavex Research

As a reference point, below, we have added a graph highlighting the close correlation (with some time lag) between the FXPO stock price and EBITDA per tonne of pellets sold by the group (Figure 30).

Figure 30 FXPO STOCK PRICE VS. GROUP'S EBITDA/T

Source: Bloomberg, Company data, Eavex Research

Annual Financial Statements

Figure 31 INCOME STATEMENT, USD MN

	2007	2008	2009	2010	2011	2012	2013	2014E	2015E
Net Revenues	698	1,117	649	1,295	1,788	1,424	1,581	1,342	1,059
Cost Of Sales	(310)	(405)	(318)	(457)	(621)	(651)	(695)	(577)	(497)
Gross Profit	388	711	331	838	1,167	773	887	765	563
margin, %	*55.6%*	*63.7%*	*51.0%*	*64.7%*	*65.3%*	*54.3%*	*56.1%*	*57.0%*	*53.1%*
SG&A	(145)	(220)	(205)	(261)	(370)	(368)	(391)	(356)	(307)
EBITDA	246	504	138	585	801	405	506	464	256
margin, %	*35.2%*	*45.1%*	*21.3%*	*45.2%*	*44.8%*	*28.5%*	*32.0%*	*34.5%*	*24.2%*
Depreciation	(28)	(34)	(28)	(30)	(41)	(54)	(100)	(85)	(76)
EBIT	187	467	104	555	760	351	359	279	180
Interest Expense	(21)	(21)	(24)	(42)	(62)	(60)	(64)	(64)	(61)
Financial Income	(5)	(3)	(4)	3	3	3	2	21	3
Other Income/(Expense)	(0)	(67)	4	(18)	(8)	(18)	8	(13)	(5)
PBT	161	376	81	498	692	276	305	223	118
Tax	(27)	(63)	(10)	(73)	(116)	(47)	(42)	(38)	(20)
Net Income	134	313	71	425	576	229	264	185	98
margin, %	*19.2%*	*28.0%*	*10.9%*	*32.8%*	*32.2%*	*16.1%*	*16.7%*	*13.8%*	*9.2%*

Source: Company data, Eavex Research

Figure 32 BALANCE SHEET, USD MN

	2007	2008	2009	2010	2011	2012	2013	2014E	2015E
Current Assets	**259**	**291**	**221**	**662**	**1,334**	**1,096**	**915**	**984**	**709**
Cash & Equivalents	87	88	12	319	890	597	390	539	351
Trade Receivables	44	60	38	112	129	117	102	94	85
Inventories	57	61	60	105	117	134	181	150	114
Other current assets	71	82	111	126	198	249	241	201	159
Fixed Assets	**609**	**563**	**599**	**816**	**1,165**	**1,663**	**2,017**	**1,249**	**1,000**
PP&E. net	365	412	452	647	925	1,348	1,534	980	794
Other Fixed Assets	245	151	147	169	241	315	483	269	206
Total Assets	**868**	**854**	**820**	**1,478**	**2,499**	**2,758**	**2,932**	**2,233**	**1,709**
Shareholders' Equity	**587**	**458**	**471**	**861**	**1,393**	**1,570**	**1,735**	**791**	**629**
Share Capital	122	122	122	122	122	122	122	122	122
Reserves and Other	465	336	350	740	1,272	1,448	1,613	670	507
Current Liabilities	**113**	**145**	**310**	**192**	**136**	**163**	**211**	**334**	**427**
ST Interest Bearing Debt	55	75	251	23	19	27	101	240	350
Trade Payables	25	35	28	88	43	63	50	40	35
Other Current Liabilities	12	35	31	81	74	73	60	54	42
LT Liabilities	**168**	**251**	**38**	**424**	**970**	**1048**	**986**	**1107**	**653**
LT Interest Bearing Debt	146	231	18	401	951	993	928	1040	600
Other LT	22	20	20	23	19	55	58	67	53
Total Liabilities & Equity	**868**	**854**	**820**	**1,478**	**2,499**	**2,758**	**2,932**	**2,233**	**1,709**

Source: Company data, Eavex Research

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