

October 11, 2012

Europe | Russia | Industrials

DR. KALLIWODA
RESEARCH GmbH

Initiating Coverage

BUY

RUB 126.80 / EUR 3.14

Industry: Industrial
Country: Russia
ISIN: RU000A0JQZ42
Reuters: SEMZ.RTS
Bloomberg: SEMZ RM
Website: www.se-mz.ru

Last price: 112.40
High 68.00
Low 155.55
Price 52 weeks: 155.55
Market cap. (RUBm) 2536.64
No of shares (m) 22.57

Shareholders

Anatoly B. Kostenko 29.81%
Vladimir S. Belyakov 27.15%
Anastasia V. Kostenko 22.29%
Free float 20.75%

Performance

4 weeks -2.17%
13 weeks -3.93%
26 weeks -3.58%
52 weeks 32.49%
YTD -19.14%

Dividend

	in EUR	in %
2008	0.00	0.00%
2009	0.00	0.00%
2010	0.00	0.00%
2011	0.00	0.00%

Joint-stock company "SEMP"

A leader with excellent growth prospects

- The joint-stock company "Sofrinsky Experimental Mechanical Plant (SEMP)" is one of largest producers of tin cans in Russia. With its plant in Sofrino, c. 60 km from Russia's most important commercial center Moscow, the company is able to serve its customers quickly and at low costs. In 2011, total production volume amounted to 125m tin cans and 3.5m aerosol cans, which equaled a capacity utilization of less than 50%.
- In order to expand in its domestic market, SEMP plans to introduce new products and establish additional production facilities in the Krasnodar and Kaliningrad region, which are most important for the Russian vegetable and fish packaging industry. With the new plants, SEMP wants to benefit more from the fast-growing Russian metal packaging market, which is worth c. USD 16.4bn and grows at >10% y-o-y. As metal packaging in Russia makes up only 10% of the total packaging market vs. 18% worldwide, the segment will likely grow at higher rates than the whole market in the coming years.
- After a successful fiscal-year 2011, when the company generated sales of EUR 14.2m and an operating margin of 15.7%, SEMP also reported excellent figures for H1/12. Total revenues came in at EUR 12.4m and were 114% higher y-o-y. Due to a much lower share of CoGS y-o-y EBIT increased by 695.8% to EUR 2.4m and net income by 318.6% to EUR 2.1m, resulting in a significant increase of both the operating and net margin.
- We initiate coverage of SEMP with a 12-months price target of RUB 126.8 / €3.14, which is a weighted average of our DCF model(70%) and peer group (30%). Our PT equals an upside of 12.8% and a BUY rating. We like the company because it operates in a very promising market, has a sound strategy and a business model with a significant operating leverage. However, as key risks we regard the legal uncertainty in Russia and cheaper competition from Asia.

EURm	2011	2012E	2013E	2014E	2015E	2016E
Net sales	14.15	24.48	36.06	47.31	54.97	60.47
EBITDA	2.33	5.12	7.16	9.27	10.80	11.91
EBIT	2.23	4.77	6.67	8.66	10.12	11.19
Net income	1.88	3.50	4.98	6.53	7.65	8.47
EPS	0.08	0.16	0.22	0.29	0.34	0.38
BVPS	0.10	0.25	0.47	0.76	1.10	1.48
RoE	148.15%	88.94%	60.90%	46.87%	36.42%	29.13%
EBIT margin	15.73 %	19.50 %	18.50 %	18.30 %	18.40 %	18.50 %
P/E	33.44	17.96	12.63	9.63	8.21	7.42
P/BVPS	28.77x	11.06x	5.90x	3.66x	2.53x	1.89x
EV/EBITDA	28.88x	13.13x	9.39x	7.25x	6.22x	5.64x

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1 Company profile

The joint-stock company "Sofrinsky Experimental Mechanical Plant (SEMP)" was founded in 1963 and was originally a manufacturer of machines for forestry. Since 2001, the year when it was restructured, the company has produced aerosol cans, welded tin cans and components, which are used for packaging e.g. food and beverages. With a current production capacity of 250m welded tin cans per year, SEMP is one of the largest companies in its segment in Russia. By Q1/13, it plans to establish two additional manufacturing facilities, in Krasnodar and Kaliningrad region. SEMP, which is headquartered in Sofrino, has been listed on the MICEX-B stock exchange in Moscow since 2011 and since March 2012 also in the Entry Standard of the Frankfurt Stock Exchange (as GDRs). Currently, the company has c. 50 employees (KRe).

2 SWOT

Strengths	Weaknesses
<ul style="list-style-type: none"> - One of the largest companies in the metal packaging segment in Russia - Main plant is located in Sofrino in the Moscow region, thus SEMP can serve its customers quickly and at low costs - SEMP has modern production equipment, which allows adjusting production to each customer's needs; currently manufactures 30 different kinds of metal packaging products - Products can be used for packaging food, beverages, household cleaning products, paint and cosmetics, thus have large potential market - SEMP owns 21,700 sqm of buildings and facilities; for land, it has signed leasing contracts with a duration until 2045 - Since 2007 also production of components, thus lower dependence on external suppliers - Revenues have increase >30 times since 2006 - Management own majority of shares 	<ul style="list-style-type: none"> - Main listing is on the Russian stock exchange - High valuation, especially on P/BVPS - High net gearing of 109.8% as of June 2012
Opportunities	Risks
<ul style="list-style-type: none"> - Current capacity allows increase of production volume by 100%, thus strong improvement of margins possible - By Q1/13 new plants in Krasnodar and Kaliningrad region, which are most important for canned vegetables and fish; both make up 54% of total food packaging segment in Russia - Planned purchase of a steel plant near Moscow will reduce dependence on foreign raw material suppliers; it will also lower production costs and diversify sales - Market leadership in Russia through higher production volumes and increase of efficiency - Expansion of sales all over Russia, which is a market with 142m consumers - Metal packaging segment in Russia has only a share of 10% compared to c. 18% worldwide - Kaliningrad region offers attractive tax incentives for companies (no taxes over the first six years of operation) - Exports to Western Europe 	<ul style="list-style-type: none"> - Risks associated with operations in Russia - Intensifying competition, especially from Asia, where production costs are even lower than in Russia - Loss of key employees - Liquidity risks - Legal risks - Most raw material e.g. tin plates have been purchased in the Euro zone so far, thus exchange rate risk - Rising raw material and energy prices can reduce the competitiveness of metal packaging - Bisphenol-A-related concerns may have a significant negative impact on the metal packaging market - Potentially large share dilution relating to the financing of the steel plant

3 Valuation

We have based our valuation of SEMP on a DCF model and a peer group, which includes its listed competitors Ball Corporation and CROWN Holdings Inc. Our 12-months price target for the company, which is a weighted average of both valuation methods (70% DCF, 30% peer group), equals RUB 126.80 or EUR 3.14 respectively (RUB/EUR exchange rate of 40.33). On current level, this corresponds to an upside of 12.8%.

DCF model

Discounted Cash Flow Model (Basis 10/2012)									
in EURm	Phase 1								
	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Net sales	24.48	36.06	47.31	54.97	60.47	65.31	69.55	72.68	74.86
(y-o-y change)	73.0%	47.3%	31.2%	16.2%	10.0%	8.0%	6.5%	4.5%	3.0%
EBIT	4.77	6.74	8.80	10.45	11.72	12.64	13.40	14.00	14.37
(EBIT margin)	19.5%	18.7%	18.6%	19.0%	19.4%	19.4%	19.3%	19.3%	19.2%
NOPLAT	3.82	5.39	7.04	8.36	9.38	10.11	10.72	11.20	11.50
+ Depreciation & Amortization	0.54	0.79	1.04	1.21	1.33	1.44	1.53	1.60	1.65
= Net operating cash flow	4.36	6.19	8.08	9.57	10.71	11.55	12.25	12.80	13.15
- Total investments (Capex and WC)	-5.01	-10.13	-7.08	-2.72	-2.20	-2.03	-1.88	-1.60	-1.38
Capital expenditures	-2.54	-7.49	-4.62	-1.19	-1.23	-1.25	-1.27	-1.26	-1.27
Working capital	-2.46	-2.65	-2.46	-1.54	-0.98	-0.78	-0.61	-0.34	-0.11
= Free cash flow (FCF)	-0.65	-3.95	1.00	6.84	8.50	9.51	10.37	11.20	11.76
PV of FCFs	-0.63	-3.43	0.78	4.72	5.23	5.21	5.06	4.87	4.56
PV of FCFs in explicit period	26.37								
PV of FCFs in terminal period	48.38								
Enterprise value (EV)	74.75								
+ Net cash / - Net debt (30 June 2012)	-4.34								
+ Investments / - Minorities	0.00								
Shareholder value	70.42								
Number of shares outstanding (m)	22.55								
WACC	12.21%								
Cost of equity	14.0%								
Debt costs before tax	10.0%								
Tax rate	20.0%								
Debt costs after tax	8.0%								
Equity ratio	70.0%								
Debt ratio	30.0%								
Fair value per share in EUR (today)	3.12								
Fair value per share in EUR (in 12 months)	3.50								
Fair value per share in RUB (in 12 months)	141.29								

Sensitivity Analysis		Terminal EBIT margin						
		16.2%	17.2%	18.2%	19.2%	20.2%	21.2%	22.2%
WACC	9.2%	5.08	5.32	5.56	5.80	6.04	6.28	6.52
	10.2%	4.24	4.44	4.63	4.82	5.01	5.20	5.39
	11.2%	3.61	3.77	3.92	4.08	4.24	4.39	4.55
	12.2%	3.12	3.25	3.37	3.50	3.63	3.76	3.89
	13.2%	2.72	2.83	2.94	3.04	3.15	3.26	3.37
	14.2%	2.39	2.48	2.58	2.67	2.76	2.85	2.94

Source: Dr. Kalliwoda Research GmbH

Peer group analysis

Company	EV/Sales		EV/EBITDA		EV/EBIT		P/E		EBITDA margin	Net gearing	P/BVPS
	2012E	2013E	2012E	2013E	2012E	2013E	2012E	2013E	Latest	Latest	Latest
Ball Corporation (USD)	1.16	1.13	8.69	8.34	11.44	10.93	13.97	12.78	13.07%	298.28%	5.62
CROWN Holdings Inc. (USD)	1.09	1.05	8.39	7.93	10.03	9.37	12.94	11.28	12.54%	neg	neg
Median	1.12	1.09	8.54	8.14	10.74	10.15	13.45	12.03	12.81%	298.28%	5.62
SEMP (RUB)	2.74	1.86	13.13	9.29	14.08	9.97	17.96	12.49	21.04%	109.80%	16.13
Premium/Discount	144.07%	70.79%	53.81%	14.21%	31.11%	-1.85%	33.52%	3.76%			
Fair value SEMP (RUB)	82.87										

Source: Thomson Reuters Knowledge, Bloomberg, Dr. Kalliwoda Research GmbH

4 H1/12 financial results and outlook

Revenues

In H1/12, SEMP generated total sales of EUR 12.4m, which corresponded to a 114% increase y-o-y. The growth resulted from a higher capacity utilisation in the company's plant in Sofrino and the introduction of two shifts. Revenues included EUR 372k (H1/11: EUR 324k) from leasing relating to land in Sofrino, which the company does not currently use.

Between January and June 2012, the RUB-RUB exchange rate varied between 37.77 RUB per EUR and 41.83 RUB per EUR. In the previous year, the range was between 39.08 and 40.88 RUB per EUR.

H1/12 results compared to the previous year

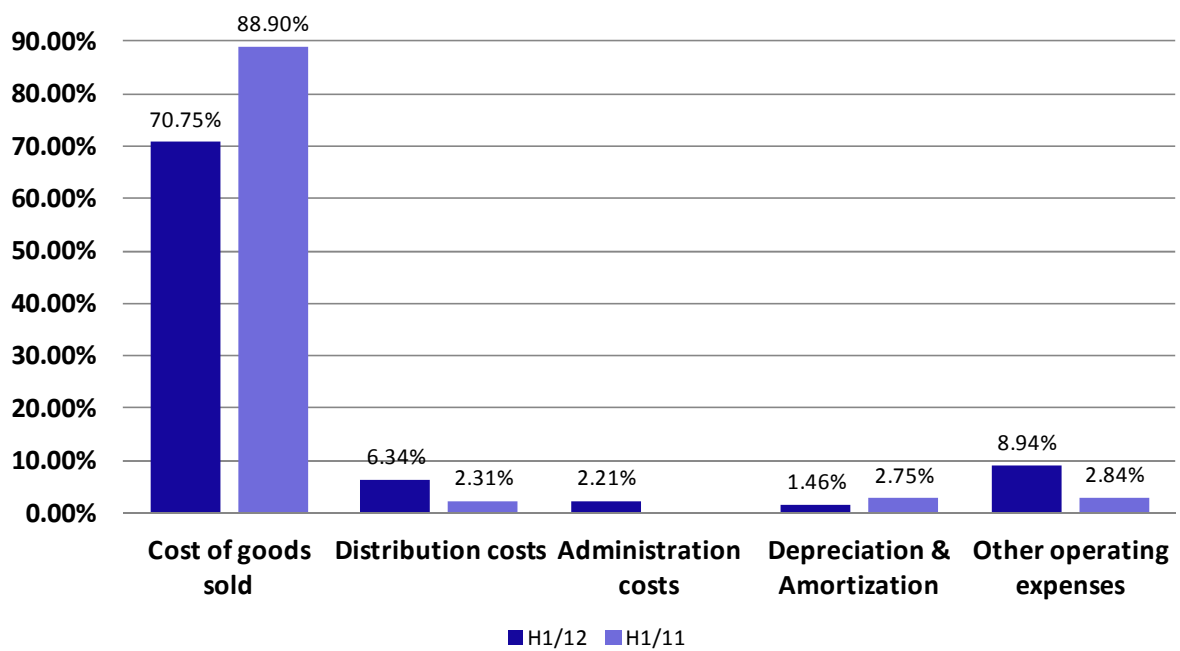
H1/2012 vs. previous year			
in EURm	H1/12	H1/11	change (%)
Net sales	12.40	5.79	114.0%
EBITDA	2.61	0.46	461.7%
EBITDA margin	21.0%	8.0%	
EBIT	2.43	0.31	695.8%
EBIT margin	19.6%	5.3%	
Net income	2.07	0.49	318.6%
Net margin	16.7%	8.5%	

Source: Company information, Dr. Kalliwoda Research GmbH

Profitability

For the first half of 2012, SEMP reported a dynamic increase of EBIT and net income. The operating profit improved by 695.8% y-o-y to EUR 2.4m (19.6% margin) and the net income by 318.6% y-o-y to EUR 2.1m (16.7% margin). In H1/12, the company benefitted from lower material costs, which significantly reduced the share of Cost of Goods Sold y-o-y. In addition, other operating income increased from EUR 120k in H1/11 to EUR 1.2m. Due to much higher interest and tax expenses y-o-y net income grew at a lower rate than EBIT.

Share in total sales H1/12 vs. H1/11



Balance Sheet and Cash Flow

As of 30 June 2012, the most important positions on SEMP's balance sheet were trade payables (EUR 9.1m), trade receivables (EUR 7.3m) and inventories (EUR 7m). In total, the company's working capital position amounted to EUR 5.2m or 25.2% of total assets.

At the end of June 2012, SEMP had interest-bearing debt of EUR 4.7m (thereof 67.1% long term) and liquid funds of EUR 347k. With equity of EUR 4m (equity ratio of 19.2%), the company's net gearing equalled 109.8%.

As CAPEX and investments into working capital could be offset by a c. EUR 1.6m increase of net income and new loans of c. EUR 1m, SEMP's cash position has improved from EUR 74k to EUR 347k since June 2011.

Outlook

In our view, SEMP is a solid and well-managed company, which despite its relatively high valuation still has upside potential. As the company's main production site is situated c. 60 km from the largest and economically strongest Russian city Moscow, its clients are very close. Thus, it is able to deliver its products quickly and without high transportation costs.

Although the capacity utilisation in its Sofrino plant is still less than 50%, SEMP plans to open additional production facilities in the Krasnodar and Kaliningrad region by Q1/13. This will cost c. EUR 9m (KRe), however is positive for two reasons: (1) Krasnodar and Kaliningrad are most important regions in Russia for the production of canned vegetables and canned fish and (2) with the new plants SEMP will be able to sell its products all over Russia and maybe also abroad. Due to the planned expansion of capacity and the large potential of the Russian metal packaging market we believe that our revenue forecast of EUR 55m in 2015 (CAGR 11-15 of 40.4%) is rather conservative.

On the profitability level, we think that despite the high operating leverage of SEMP's business model margins will go down in the next two years. The reason are the new facilities in Krasnodar and Kaliningrad as well as the planned acquisition of a steel plant near Sofrino. In the future, we also expect a negative impact on margins from increasing labour costs in Russia and cheap competition especially from Asia. Thus, in the long run operating margins should reach no more than 19%-19.5%.

Our forecasts 2012E-2014E

Our forecasts 2012E-2014E			
in EURm	2012E	2013E	2014E
Net sales	24.48	36.06	47.31
EBITDA	5.12	7.23	9.41
EBITDA margin	20.9%	20.1%	19.9%
EBIT	4.77	6.74	8.80
EBIT margin	19.5%	18.7%	18.6%
Net income	3.50	5.03	6.64
Net margin	14.3%	14.0%	14.0%

Source: Dr. Kalliwoda Research GmbH

5 Business description

The joint-stock company “Sofrinsky Experimental Machinery Plant (SEMP)” was founded in 1963 and is headquartered in Sofrino. The company is one of the oldest players within the tin can market in Russia. In its production facility, which is located 60 km from Moscow, it currently produces more than 30 different kinds of packaging on 18 production lines. The products are shipped to customers in e.g. Moscow, Krasnodar, Stavropol, Smolensk, Chelyabinsk and the Republic of Tatarstan. In fiscal-year 2011, SEMP produced 125m tin cans and 3.5m aerosol cans, which were sold to c. 50 customers. Currently, the company has c. 50 employees.

Over the next years, SEMP plans to become the market leader of the metal packaging market in Russia. The company wants to achieve it by constructing additional plants in Krasnodar and Kaliningrad, which is expected to increase its yearly production capacity from currently c. 250m welded tin cans to c. 440m. In the Kaliningrad region, which is the most important in Russia for the production of canned fish, SEMP will be able to benefit from a six-year tax holiday for investors, who create new jobs there.

Moreover, SEMP plans to buy a tin and steel plant close to Sofrino, which would make it less dependent on foreign suppliers. Currently, the company’s main supplier of raw materials is German Rasselstein GmbH, which is part of ThyssenKrupp AG.

Company history

- 1963: Foundation of joint-stock company “Sofrinsky Experimental Mechanical Plant” in the Moscow region; back then it was specialized on designing and producing machinery for forestry
- 1993: Privatization of the company
- 2000: Restructuring as production of forestry equipment had become unprofitable; SEMP became one of the first producers of welded tin cans in Russia
- 2001: Launch of a line for production of aerosol cans with diameter 65 mm
- 2003: Launch of a line for production of coffee cans
- 2004-2005: Launch of production of welded tin cans with diameter 73 and 83 mm for two grocery brands; line for production of solid-drawn cans with 73 mm diameter for a producer of baby food

- 2007-2009: Launch of two lines for the production of components for cans with diameter 73 and 83 mm; new line for production of aerosol cans with diameter 52 mm
- 2010: Launch of production of aerosol lids and bottoms with diameter 52 mm as well as of easy open lids sized 73 mm
- 2011: Launch of a line of welded tins sized 52 mm and tins sized 153 mm; listing of SEMP's shares on the MICEX-B stock exchange in Moscow
- 2012: Listing of SEMP's Global Depositary Receipts (GDRs) in the Entry Standard segment of the Frankfurt Stock Exchange; the amount of securities, which have been listed, constitutes 25% of SEMP's total number of shares outstanding; the share to GDR ratio equals 1:1

Products

As of 1 January 2012, SEMP operated 18 production lines. The following table provides an overview:

Overview over SEMP's production lines

	Output product	Working efficiency, item/minute	Comment
<i>Production lines put into operation</i>			
1	Welded tin cans	220	2 diameters: 72,8; 83; fast changeover
2	Welded tin cans	500	1 diameter: 72,8
3	Aerosol cans	250	2 diameter: 52; 65
4	Welded tin cans	550	1 diameter: 72,8
5	Lids/Bottoms	500	1 diameter: 72,8
6	Lids/Bottoms	500	1 diameter: 83/80
7	Lids/Bottoms	500	1 diameter: 73,4 (GOST)
8	Lids/Bottoms	360	2 diameter: 72,8; 73,4 (GOST)
9	Lids/Bottoms	360	1 diameter: 99
10	Aerosol bottoms	400	1 diameter: 65
11	Aerosol closures	100	1 diameter: 65
12	Easy-open lid	360	1 diameter: 72,8
13	Solid-dawn can	100	1 diameter: 99
14	Welded tin cans	400	3 diameters: 72,8; 83; 99; case dividing function
15	Lids/Bottoms	400	1 diameter: 99
16	Lids/Bottoms	400	1 diameter: 83
17	Lids/Bottoms	400	1 diameter: 72,8
18	Drawn can	240	1 diameter: 99

Source: Company, Dr. Kalliwoda Research GmbH

SEMP's packaging solutions can be used for

- (1) Food products e.g. canned meat, fish, vegetables and fruit; animal food
- (2) Beverages e.g. beer, low-alcoholic drinks, soft drinks
- (3) Household cleaning products
- (4) Industrial chemicals
- (5) Paint
- (6) Healthcare products
- (7) Cosmetics

6 Market and competition

The global market for metal packaging

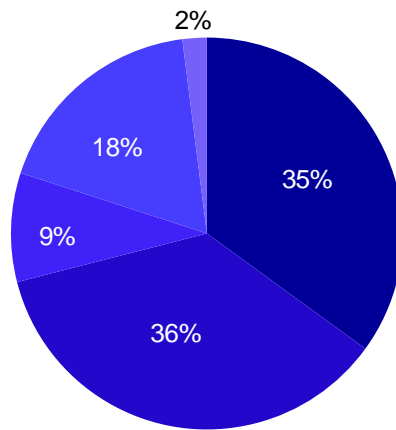
According to plastemart.com, the global market for metal packaging had a volume of USD 120.6bn in 2010. As a main growth driver, the market research firm Visiongain sees the demand from emerging markets, where rising incomes lead to a shift of consumer preference towards packaged food products.

Globally, key factors, which cause the market for metal packaging to grow are (1) population ageing, which increases the demand for convenient food packaging (2) growing environmental concerns, which move consumers and producers towards recyclable packaging materials and (3) rising health awareness, which benefits nutrient-retaining packaging.

The metal packaging market in Russia

According to linestorg.ru, the Russian container and packaging market had a size of USD 16.4bn in 2011 and grew by 11% y-o-y. Compared to 18% worldwide, metal packaging had a share of only 10%, which in our view shows the significant catch-up potential of this segment in Russia.

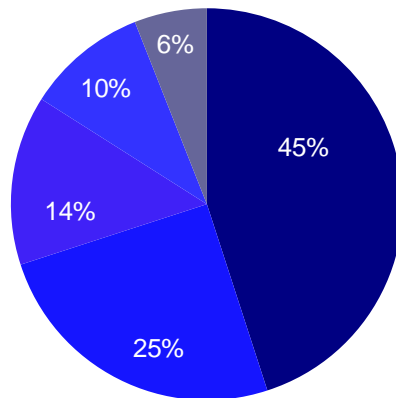
Structure of the global packaging market in 2010



■ Cardboard/paper ■ Polymers ■ Glass ■ Metal ■ Other materials

Source: plastemart.com, Dr. Kalliwoda Research GmbH

Structure of the Russian packaging market in 2011



■ Cardboard/paper ■ Polymers ■ Glass ■ Metal ■ Other materials

Source: plastemart.com, Dr. Kalliwoda Research GmbH

Competitive landscape

We have identified five companies, which offer similar products to SEMP. They include:

(1) *Ardagh Group:*

The Irish company Ardagh Group is a leading packaging business, which operates 91 facilities across 25 countries. The company, which is privately owned, provides metal and glass packaging as well as packaging technology. With annual sales of more than €4bn and c. 15,000 employees worldwide, the Ardagh Group holds number 1 or 2 positions in all of its markets.

(2) *The Ball Corporation:*

The Ball Corporation, which is based in Broomfield/Colorado and is listed on the New York Stock Exchange, consists of the business units Ball Packaging and Ball Aerospace & Technology. Ball Packaging is one of the largest manufacturers of metal packaging for the food and beverage industry. With a share of 90% in total revenues, it is by far most important for Ball in terms of sales. The Ball Corporation was founded in 1880 and today employs c. 14,500 people worldwide. In 2011, it generated sales of USD 8.6bn.

(3) *Crown Holdings Inc.:*

Crown Holdings, Inc., which was founded in 1892 and is based in Philadelphia, is a leading manufacturer of packaging products for consumer marketing companies around the world. Crown makes a wide range of metal packaging for food, beverage, household and personal care, industrial products as well as metal vacuum closures and caps. At the end of December 2011, the company operated 134 plants in 41 countries and employed 20,655 people. In 2011, it generated total sales of USD 8.6bn. Crown is listed on the New York Stock Exchange.

(4) *Silgan Metal Packaging GmbH:*

Silgan, which is based in Vienna/Austria, is a leading producer of metal packaging in Europe. The company, which is privately owned, has manufacturing facilities in 10 European countries as well as in Jordan.

(5) *HUBER Packaging Group:*

HUBER Packaging, which is based in Öhringen, is the largest producer of tinplate packaging in Germany. The company, which was founded in 1871, has production facilities in Germany, Austria, Hungary and Russia. It employs c. 2,000 people and generates yearly sales of €250m. HUBER Packaging is privately owned.

7 Management



Anatoly B. Kostenko
Chairman of the Board of Directors

Master's degree in economics, National Academy of Economics "Plekhanov", Moscow

20 years of management experience



Igor S. Lobunko
General Manager (Chief Executive Officer - CEO)

Master's degree from MADI (Moscow Road Institute)

General Director of SEMP since 2006



Valery S. Grebeshkov
Chief Operating Officer

Diploma of Orenburg Higher Military Aviation School for Pilots

Director of SEMP since 1996



Sergey A. Smimov
Chief Engineering Officer

Master's degree from VGPU (Volgograd State Pedagogical University)

Chief Engineer of SEMP since 2003



Nina V. Vedeneeva
Chief Accounting Officer

Master's degree in Accounting from MGUESi (Moscow State University of Economics, Statistics and Informatics)

Chief Accountant of SEMP since 2006

8 Profit and loss statement

Profit and loss statement - SEMP						
in EURm	Fiscal year					
	2011	2012E	2013E	2014E	2015E	2016E
Net sales	14.15	24.48	36.06	47.31	54.97	60.47
<i>Cost of goods sold</i>	-12.38	-17.01	-25.04	-32.83	-38.12	-41.91
Gross profit	1.78	7.47	11.02	14.48	16.85	18.56
<i>Other operating income</i>	3.41	2.00	2.10	2.21	2.32	2.43
<i>Selling and marketing costs</i>	-0.57	-1.42	-2.07	-2.70	-3.11	-3.39
<i>Administration costs</i>	-0.36	-0.54	-0.79	-1.04	-1.21	-1.33
<i>Depreciation & Amortization</i>	-0.10	-0.34	-0.49	-0.62	-0.69	-0.73
<i>Other operating expenses</i>	-1.93	-2.39	-3.02	-3.53	-3.72	-3.83
EBIT	2.23	4.77	6.74	8.80	10.45	11.72
<i>Net financial result</i>	-0.39	-0.40	-0.45	-0.50	-0.55	-0.60
Income before income taxes and minority interests	1.84	4.37	6.29	8.30	9.90	11.12
<i>Income taxes</i>	-0.37	-0.87	-1.26	-1.66	-1.98	-2.22
<i>Other income</i>	0.41	0.00	0.00	0.00	0.00	0.00
Net income / loss	1.88	3.50	5.03	6.64	7.92	8.90
EPS	0.08	0.16	0.22	0.29	0.35	0.39
Change y-o-y						
<i>Net sales</i>	n.a	72.98%	47.30%	31.20%	16.20%	10.00%
<i>Cost of goods sold</i>	n.a	37.47%	47.19%	31.11%	16.12%	9.92%
<i>Gross profit</i>	n.a	320.48%	47.54%	31.41%	16.39%	10.18%
<i>Other operating income</i>	n.a	-41.30%	5.00%	5.00%	5.00%	5.00%
<i>Selling and marketing costs</i>	n.a	149.08%	46.03%	30.06%	15.18%	9.03%
<i>Administration costs</i>	n.a	51.05%	47.30%	31.20%	16.20%	10.00%
<i>Depreciation & Amortization</i>	n.a	239.78%	42.04%	26.34%	11.73%	5.60%
<i>Other operating expenses</i>	n.a	23.95%	26.25%	16.90%	5.31%	3.14%
EBIT	n.a	114.45%	41.26%	30.50%	18.70%	12.20%
<i>Net financial result</i>	n.a	3.55%	12.50%	11.11%	10.00%	9.09%
Income before income taxes and minority interests	n.a	137.73%	43.89%	31.88%	19.22%	12.37%
<i>Income taxes</i>	n.a	137.73%	43.89%	31.88%	19.22%	12.37%
<i>Other income</i>	n.a	n.a	n.a	n.a	n.a	n.a
Net income / loss	n.a	86.15%	43.89%	31.88%	19.22%	12.37%
EPS	n.a	86.15%	43.89%	31.88%	19.22%	12.37%
Share in total sales						
<i>Net sales</i>	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
<i>Cost of goods sold</i>	-20.47 %	-28.14 %	-41.41 %	-54.30 %	-63.05 %	-69.30 %
<i>Gross profit</i>	2.94 %	12.35 %	18.22 %	23.94 %	27.86 %	30.70 %
<i>Other operating income</i>	5.63 %	3.31 %	3.47 %	3.65 %	3.83 %	4.02 %
<i>Selling and marketing costs</i>	-0.94 %	-2.35 %	-3.43 %	-4.46 %	-5.14 %	-5.60 %
<i>Administration costs</i>	-0.59 %	-0.89 %	-1.31 %	-1.72 %	-2.00 %	-2.20 %
<i>Depreciation & Amortization</i>	-0.17 %	-0.57 %	-0.81 %	-1.02 %	-1.14 %	-1.20 %
<i>Other operating expenses</i>	-3.19 %	-3.96 %	-4.99 %	-5.84 %	-6.15 %	-6.34 %
EBIT	3.68 %	7.89 %	11.15 %	14.55 %	17.27 %	19.38 %
<i>Net financial result</i>	-0.64 %	-0.66 %	-0.74 %	-0.83 %	-0.91 %	-0.99 %
Income before income taxes and minority interests	3.04 %	7.23 %	10.41 %	13.72 %	16.36 %	18.39 %
<i>Income taxes</i>	-0.61 %	-1.45 %	-2.08 %	-2.74 %	-3.27 %	-3.68 %
<i>Other income</i>	0.67 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %
Net income / loss	3.11 %	5.79 %	8.33 %	10.98 %	13.09 %	14.71 %

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9 Balance sheet

Balance sheet - SEMP						
in EURm	Fiscal year					
	2011	2012E	2013E	2014E	2015E	2016E
Assets						
Cash and cash equivalents	0.01	0.00	0.84	0.52	0.50	6.18
Inventories	1.41	2.61	3.54	5.14	6.65	7.62
Trade accounts and notes receivable	2.36	3.31	5.67	8.25	10.69	12.27
Other receivables	1.56	1.33	2.30	3.38	4.44	5.16
Current assets	5.34	7.25	12.34	17.30	22.29	31.24
Property, plant and equipment	1.74	2.40	4.60	11.60	15.60	16.10
Deferred tax assets	0.00	0.01	0.00	0.00	0.00	0.00
Non-current assets	1.74	2.41	4.60	11.60	15.60	16.10
Total assets	7.08	9.66	16.94	28.90	37.89	47.34
Liabilities						
Trade payables	4.95	2.70	3.71	5.46	7.16	8.32
Other payables	0.44	1.07	1.85	2.72	3.57	4.14
Short-term financial debt	0.43	1.13	1.70	4.00	3.90	3.80
Current liabilities	5.83	4.90	7.26	12.18	14.63	16.26
Long-term financial debt	0.76	2.58	4.00	6.00	5.90	5.80
Deferred tax liabilities	0.14	0.00	0.00	0.00	0.00	0.00
Long-term liabilities	0.90	2.58	4.00	6.00	5.90	5.80
Total liabilities	6.73	7.48	11.26	18.18	20.53	22.06
Shareholder's equity	0.35	2.18	5.68	10.72	17.36	25.27
Total liabilities and equity	7.08	9.66	16.94	28.90	37.89	47.34

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10 Cash flow statement

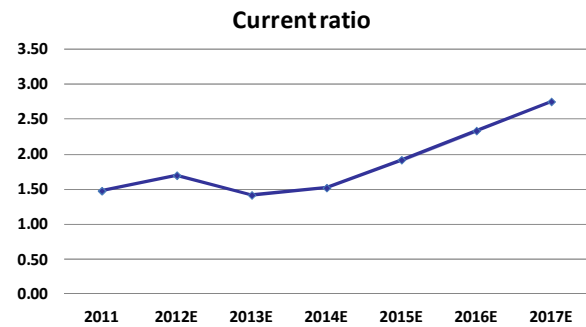
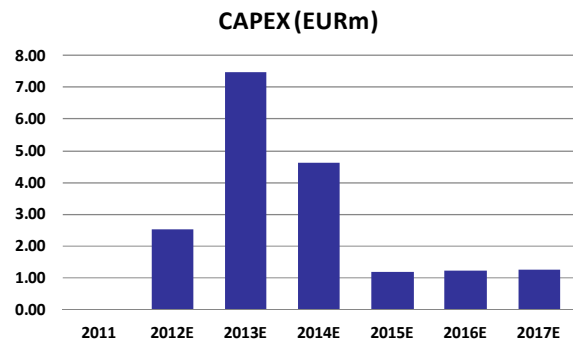
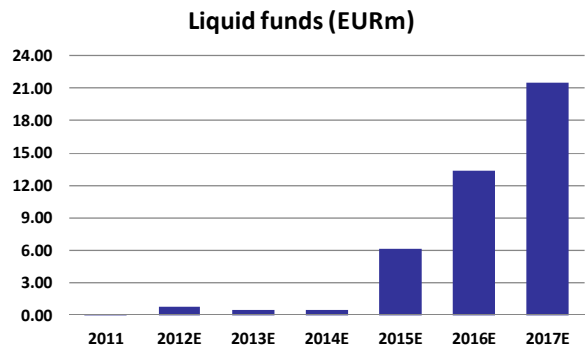
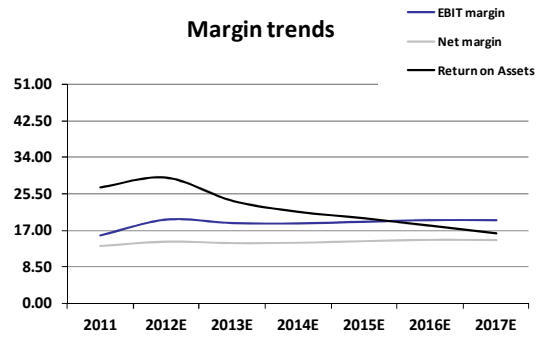
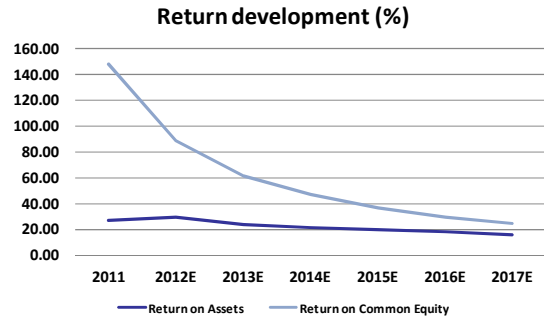
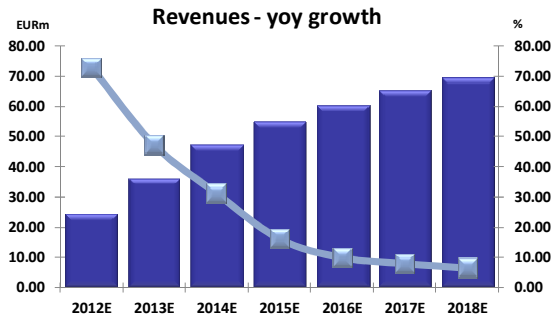
Cash flow statement - SEMP						
in EURm	Fiscal year					
	2011	2012E	2013E	2014E	2015E	2016E
Net income / loss	1.88	3.50	5.03	6.64	7.92	8.90
Depreciation & Amortization	0.10	0.34	0.49	0.62	0.69	0.73
Change of working capital	-5.28	-2.46	-2.65	-2.46	-1.54	-0.98
Others	0.30	-0.01	0.00	0.00	0.00	0.00
Net operating cash flow	-3.00	1.37	2.88	4.79	7.07	8.64
Cash flow from investing	0.00	-2.54	-7.49	-4.62	-1.19	-1.23
Free cash flow	-3.00	-1.17	-4.61	0.18	5.88	7.42
Cash flow from financing	2.98	2.01	4.30	-0.20	-0.20	-0.20
Change of cash	-0.01	0.84	-0.31	-0.02	5.68	7.22
Cash at the beginning of the period	0.01	0.00	0.84	0.52	0.50	6.18
Cash at the end of the period	0.00	0.84	0.52	0.50	6.18	13.40

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11 Financial ratios

Fiscal year	2011	2012E	2013E	2014E	2015E	2016E	2017E
Gross margin	12.55%	30.50%	30.55%	30.60%	30.65%	30.70%	30.75%
EBITDA margin	16.44%	20.90%	20.05%	19.90%	20.25%	20.58%	20.50%
EBIT margin	15.73%	19.50%	18.70%	18.60%	19.00%	19.38%	19.35%
Net margin	13.28%	14.29%	13.96%	14.03%	14.40%	14.71%	14.68%
Return on equity (ROE)	148.15%	88.94%	61.39%	47.30%	37.14%	29.93%	24.61%
Return on assets (ROA)	27.07%	29.31%	23.93%	21.38%	19.87%	18.15%	16.38%
Return on capital employed (ROCE)	37.39%	39.44%	32.27%	30.27%	26.89%	23.52%	20.48%
Net gearing (in EURm)	3.71	4.86	9.48	9.30	3.42	-4.00	-12.30
Net gearing	169.73%	85.58%	88.41%	53.57%	13.52%	-11.70%	-28.12%
Equity ratio	22.61%	33.55%	37.09%	45.81%	53.39%	59.66%	64.59%
Current ratio	1.48	1.70	1.42	1.52	1.92	2.34	2.75
Quick ratio	0.68	0.90	0.72	0.77	1.13	1.54	1.94
Net interest cover	5.76	11.93	14.98	17.60	18.99	19.53	19.44
Net debt/EBITDA	1.59	0.95	1.31	0.99	0.31	-0.32	-0.92
Book value per share	0.10	0.25	0.48	0.77	1.12	1.52	1.94
Capex/Sales	-5.39%	-10.39%	-20.76%	-9.75%	-2.16%	-2.03%	-1.92%
Working capital/Sales	24.63%	24.30%	23.83%	23.37%	22.91%	22.44%	21.98%
EV/Sales	4.75	2.74	1.86	1.42	1.22	1.11	1.03
EV/EBITDA	28.88	13.13	9.29	7.14	6.04	5.40	5.02
EV/EBIT	30.19	14.08	9.97	7.64	6.43	5.73	5.32
P/BVPS	28.77	11.06	5.86	3.62	2.49	1.84	1.44
P/E	33.44	17.96	12.49	9.47	7.94	7.07	6.55
P/FCF	-20.99	-53.66	-13.63	353.70	10.69	8.48	7.57

Source: Company, Dr. Kalliwoda Research GmbH



Source: Company, Dr. Kalliwoda Research GmbH

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