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PwC credentials in the automotive sector

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PwC credentials in the automotive sector

Our credentials

Automotive companies have indicated that knowledge of their industry is essential to them when selecting a professional services firm. As a result, we have established and fine-tuned our global automotive practice over the years.

How does PwC understand the automotive industry?

- We have worked with majority of large multinational OEMs and automotive components producers with regards to developing the strategy for entering the Russian market.
- We are the dominant firm in automotive – the industry’s preferred provider.
No other professional services firm can claim our credentials:
 - PwC provides audit services to 4 of the 12 largest global automakers*;
 - PwC provides professional services to all 12 of the largest global automakers*;
 - PwC audits 3 of the 7 largest global automotive suppliers**;
 - PwC provides professional services to all 7 of the largest global automotive suppliers**;
- 158,000 staff, including 4,600 dedicated automotive professionals;
- Unparalleled commitment to the industry:
 - “Autofacts”, a key differentiator in the marketplace;
 - Industry-specific service offerings: Supply chain risk management solutions (Emerging market sourcing services; Troubled supplier services); Treasury solutions; Cost management; Transaction services;
 - Thought leadership (Global Automotive Perspectives, M&A Insights, Shareholder Value, etc.);
 - Event sponsorship (Automotive News World Congress, Automobilwoche Congress, etc.);
 - Ongoing Learning & Education programs and events to educate our staff on automotive issues.

**FT Global 500*

***Global Fortune 500*

Our experience with the Russian automotive sector

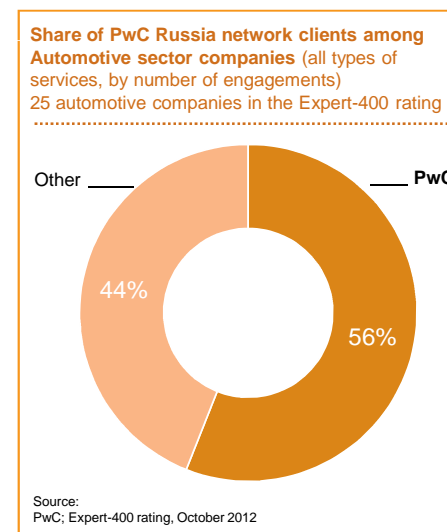
The automotive industry is one of the priorities for PwC in Russia. We work with various industry players: Russian and multinational companies, vehicle and component manufacturers, importers and distributors. Our proactive position in this sector is demonstrated not only through serving our clients but also through high visibility with the mass media, industrial associations, as well as thought leadership.

PwC is known in the Russian market thanks to its knowledge and expertise, which we share by speaking at conferences, publishing industry research and speaking to the press on the future of the sector.

PwC provides audit and consulting services to 56 % of the largest automotive companies in Russia.

Bosch Rexroth*	Hyundai Hysco *	Pirelli
Caterpillar CIS*	Hyundai Motor Rus*	Rolf Holding*
Daimler	Hyundai Mobis*	Sollers*
Faurecia*	JCB	Tenneco*
Frauenthal	Johnson Controls*	Toyota Boshoku*
Ford Motor*	MAN*	Toyota Motor*
Genser*	Magna	Toyota Tsusho Tekhnika Co.*
Goodyear*	Mitsubishi	Volkswagen Group Rus*
Grunenthal*	Mazda	ZF Kama*
Hankook Tire*	Nissan Motor	Volvo Vostok*
Honda Motor	Pilkington	

**PwC audit clients*



Our commitment to the Russian automotive sector

PwC has accumulated significant expertise in planning and implementing set up of multi-national companies in Russia. Our recent work on set up projects included the following:

Leading components producer

As part of the company's project to set up a joint venture with a Russian partner, we provided assistance with:

- Tax, HR and IT due diligence on merger with Russian components producer.
- Tax structuring of the company's presence in Russia.
- Statutory and tax accounting support .

Major multinational OEM

As part of the company's project to set up its operations in Russia, we provided assistance with:

- Obtaining substantial tax incentives at federal, regional and local levels.
- Establishing a preferential customs regime for importation of spare parts and kits.
- Developing a tax planning strategy.
- Setting up a dealer network.

Over the past seven years, PwC has audited the Russian statutory financial statements of the company's assembly plant and trading entity in Russia. Apart from this, we provide advisory services in relation to dealership arrangements, customs and excise duties and compliance with local content requirements.

Large Japanese components producer

PwC Russia provided tax and legal analysis of several options for setting up a production of vehicle parts in Russia, including a Branch, separate legal entity and joint venture and different variations. Our analysis included:

- Analysis of advantages and disadvantages of each option, including tax, legal and practical implications.
- Comments on localization requirements of Industrial Assembly Regime

Legal assistance with set up*, i.e. preparation of required corporate documentation and performance of all registration procedure

- Legal support in establishment of the subsidiary legal entities of Major multinational OEM in Moscow
- Legal support in establishment of a vehicle interior manufacturing company in St. Petersburg to component producer
- Legal support in establishment of a subsidiary legal entity in St. Petersburg and Samara to Japanese component producer

* Please note that the process of the registration is identical for all regions and since we have experience in registration projects, we believe there should be no issues with the registration in other regions

Our commitment to the Russian automotive sector

Several multinational OEMs and Distributors

Structuring warranty arrangements to achieve profits tax and VAT efficiency and to comply with Russian corporate law and customers protection regulations.

Major multinational OEM

PwC helped to structure contract manufacturing arrangements with a third party Russian OEM.

The assignment included structuring IP, consideration of potential risks and review of the contracts to minimize the risks and comply with Russian law.

Major multinational OEM

With respect to brown field project with a Russian partner, PwC assisted in structuring the investment to achieve tax and customs efficiency, to minimize potential risks for the investor, to comply with Russian corporate law and Industrial Assembly regime. PwC also considered the investee proposition to find optimal solutions for both parties.

Major multinational OEM JV with a Russian Partner

- Structuring IP, including review of draft contracts.
- Structuring importation of components to comply with Industrial Assembly regime .
- Structuring contract manufacturing arrangements.
- Preparation of IP documentation on transactions with related parties.
- Consideration of potential use of Industrial Assembly agreements for components production within the JV.

Our commitment to the Russian automotive sector

Major multinational OEM

- PwC assisted the company with setting up a trading entity in Russia.
- PwC provided advice on importation of vehicles and warranty maintenance services.
- We also assisted the company with setting up a dealer network.

Major automotive retailer

For this major automotive retailer focusing on the lower price segment of the market, we have provided a variety of services:

- General advice on business financing options and evaluation of the pros and cons of each option, including evaluation of an exit strategy.
- Charting a road map for the company's owners towards good corporate governance, world-class financial reporting and accessing global capital markets.
- Prepared vendor due diligence for owners seeking a private placement to raise development capital.

Leading Chinese truck manufacturer

PwC Russia conducted a market entry analysis for a leading Chinese trucks manufacturer, including overall analysis of the heavy, medium and light duty segments, review of existing components producers, distribution and service modes and customer segmentation for heavy duty trucks. As part of the engagement we provided an overview of legal and customs environment, foreign investments legislation as well as legislation governing auto manufacturing industry.

Major multinational OEM

- Serving this global client of the firm in Russia, PwC have been auditing both Russian statutory and US GAAP financial statements for their local distribution company.
- PwC also provides tax consulting to the client regarding the establishment of its assembly plant in Russia.
- We provide tax advisory services to global suppliers of this OEM entering the Russian market.
- PwC has also reviewed a proposed structure involving a logistics company and the resulting transfer pricing implications.

Our commitment to the Russian automotive sector

Major automotive importer/retailer

For this major automotive retailer we have provided a variety of services which can be largely grouped as follows:

Legal and operations framework: we have been engaged to carry out a review of the existing structure, identify operational weaknesses and opportunities, propose a number of options of the operating structure with emphasis on the pros and cons of each scenario, and provide support with the implementation of the chosen structure. We have also undertaken a transfer pricing analysis of an overseas based purchasing structure and prepared an economic analysis to be used for discussions with the overseas tax authorities.

People and human capital: we have performed a number of projects aimed at helping the company streamline their evaluation and compensation systems. As part of these engagements, we benchmarked compensation systems with peers, reviewed salary scales and prepared recommendations.

Information systems: our work in this area involved assistance with selecting the company's accounting system and adjusting standard system settings to the specific needs of the company, and provided methodological support during the post-implementation stage.

Audit of IFRS financial statements: we have been appointed auditors of this company's IFRS financial statements.

Our assistance to OEMs on Industrial Assembly (IA) projects

Large Japanese OEM

- PwC provided an advice on implementation of the IA project.
- PwC assisted the company with drafting of the IA Agreement with Russian authorized body (MED).
- We also supported the company in negotiations with MED before signing of the IA Agreement.
- PwC assisted the company with setting up a joint venture with a partner in Russia and amending of the IA Agreement to reflect extension of the scope of obligations, etc.

Major multinational components producer

- PwC assisted the company with negotiations with MED regarding arguable provisions in the legislation towards application of the IA agreements
- PwC assisted the company in reporting to MED under the IA Agreement.
- PwC being an auditor of the company developed an approach towards calculation of an average annual localization level

Major multinational OEM JV with a Russian Partner

- PwC assisted the company with setting up a joint venture with a partner in Russia (i.e. review of commitments, extension of the scope of obligations, etc.).
- PwC provided advice on feasibility of implementation of a IA project vs. set of production in Free Economic Zone.

Major multinational OEM

- PwC provided advice on options of setting up production operations to be in line with requirements set in the IA Agreement.
- PwC assisted the company in reporting to MED under the IA Agreement.

Our assistance in negotiations with the customs authorities

Leading Japanese OEM

- PwC Russia provided support to the company in negotiations with the customs authorities to sustain revision of prices due to TP adjustments.
- PwC also provided support in disputes with the customs authorities.
- We provide on-going support in negotiations with the customs authorities in various issues arising in the course of the customs clearance.

Major multinational OEMs

PwC Russia has significant expertise in support of our clients' position in negotiations with the customs authorities. Our recent work includes the following:

- Negotiations with customs to justify the declared customs value;
- Negotiations regarding the certificates of conformity.

Major multinational OEMs

- PwC helped in obtaining clarification rulings (BTI) on imported production equipment with zero customs duty rate.

Our assistance in obtaining regional tax incentives

We helped a number of clients, in particular in automotive sector to obtain regional tax incentives:

- reviewing available tax incentives and requirements to obtain them;
- preparing/reviewing/certifying business plans for the calculation of recovery period;
- negotiating tax incentives with regional authorities including suggestions for amending regional legislation;
- advising on risks associated with grey areas of regional laws .

Our commitment to the Russian automotive sector

Thought leadership

PwC consistently strives to provide only the highest level of service. Each year we invest a significant amount of time and effort to:

- Conduct in-depth research on evolving automotive industry issues.
- Conduct joint seminars between PwC and our automotive clients on industry and business issues;
- Continue to expand our experience in the automotive industry;
- Perform annual benchmarking studies.

Some of our recent initiatives are listed below.

We work with many of the industry's major associations, including:

Association "Russian Automobile Dealers" (Road) We closely cooperate with Road, including release of marketing researches and reports and participation in annual conferences held by Road.

We cooperate with the **Automobile Manufacturers Committee of the Association of European Businesses (AEB)**, including, but not limited to, market analysis, participation in AEB's open business activities, joint preparation of marketing materials.

Recent industry publications



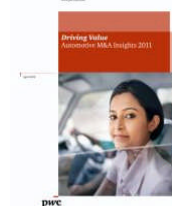
Russian automotive market outperformed expectation in 2012 – why?

Rates of growth of sales in Russian automobile market in 2012 have surpassed expectations however the market slows down the growth. One of the key reasons of such growth is creation of an effective and productive chain of automobile deliveries in territory of Russia. The urgent need to build a modern scrappage and recycling infrastructure could be solved by the same decisions which were applied during the creation of a chain of deliveries last decade: the far-sighted legislation, transparent and efficient control, cooperation with motor-car manufacturers and dealers, and also participation of private entrepreneurs.



Tax Flash Report on the new industrial assembly rules

The report reviews the most important provisions of the Order of the Ministry of Finance and the ministries of Economic Development and Industry and Trade which came into force on 4 February. The paper features the comparative analysis of the new rules and the old ones based on different criteria.



Driving value: Automotive M&A insights 2012 provides an annual review of mergers and acquisitions (M&A) activity and key trends within the global automotive industry. A review of 2011 automotive deal activity among vehicle manufacturers, suppliers, retailers, vehicle financiers, and other related sectors worldwide.



Consolidation in the Global Automotive Supply Industry 2012

The global automotive supply industry is continuing to consolidate at a rapid pace. With all global automotive production markets growing, except for Western Europe, and many automotive supply assets still undervalued, merger and acquisition (M&A) activity is anticipated to remain on a near record level high in 2012 with about 270 auto supplier deals globally. The study reveals that for the second year in a row, European auto suppliers are the key target of auto supplier M&A activity.

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