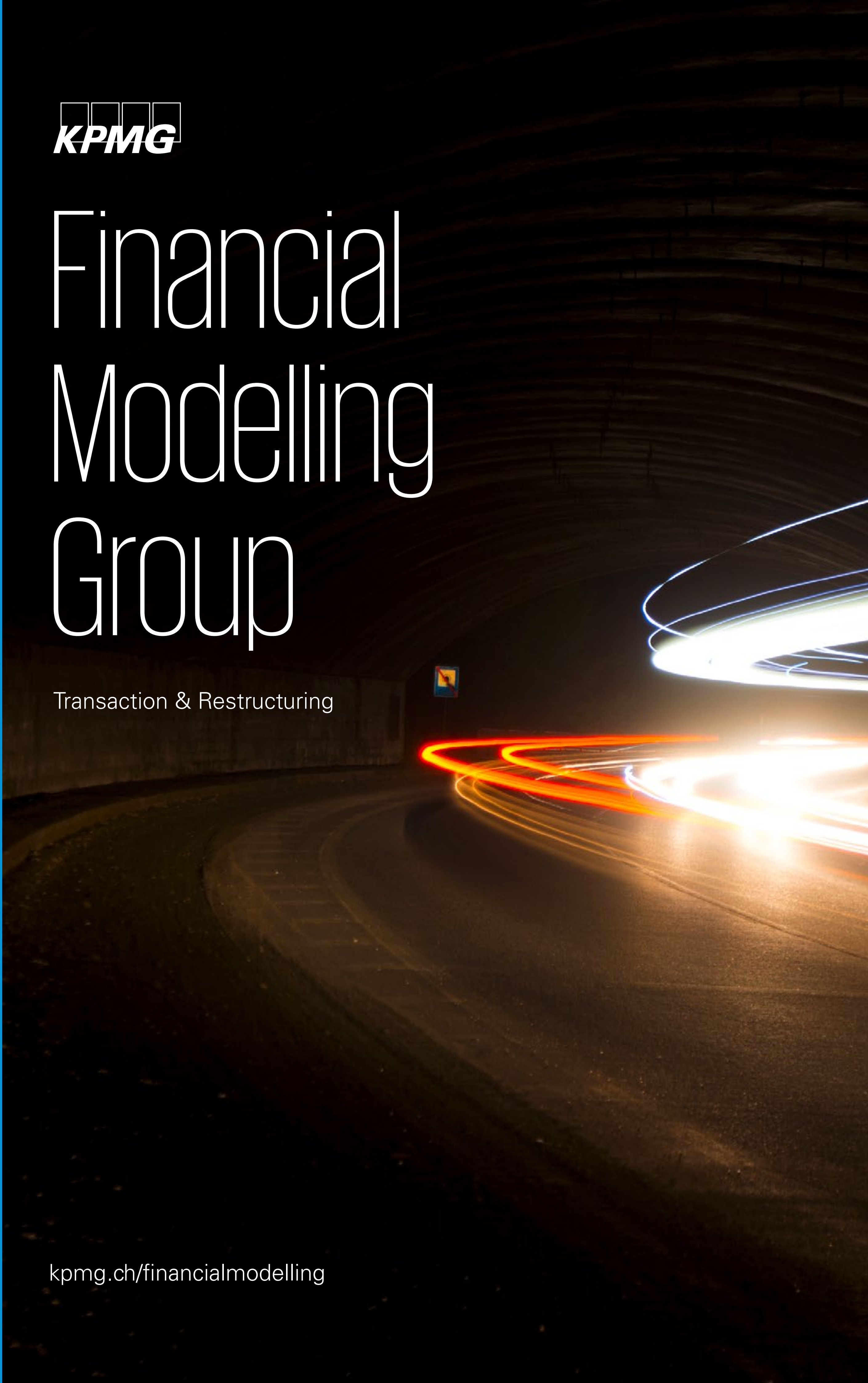


Financial Modelling Group

Transaction & Restructuring

kpmg.ch/financialmodelling

How can we help?

"KPMG can assist in improving organisational flexibility of your organisation and maximising transparency by translating your business decision options into quantifiable financial implications"

Top management is under increasing pressure to analyse business decisions as carefully as possible to withstand shareholder scrutiny and to maximise shareholder value. With our financial modelling solutions, we aim to assist you with personalised modelling tools adapted to your business issues to ease your decision making processes. Our issueled financial modelling offering include model build and model review services to address your business issues across all relevant business areas.

"Run" the business

Whether you are managing your business as usual or through a crisis, the achievement of targeted objectives is dependant on setting realistic forecasts, managing capital spending and ensuring cash and regulatory compliance. The supporting financial models should reflect the current business operations, have the ability to measure the impact of current or future changes in key drivers and must include tracking capabilities.

Strategic decisions

Deciding the future strategy of the business, more often than not, depends on the company's ability to model planned or approved strategies, for instance establishing new sales channels, entering new markets, relocating production sites or launching new products. We can assist you with increasing the transparency of your strategic decisions through multiple tools and analyses.

"Shape" the business

When you are shaping your business to implement future strategies and meet objectives, you will probably consider bringing together the right capabilities, assets and expertise through transactional activities. We can assist you with measuring the impact of synergy benefits or separation/ carve-outs and changes in capital structures on a typical deal. These models must be robust and include the ability to quickly test multiple scenarios and their associated impacts.

Strategic decisions

- Strategic options
- Scenario analyses
- Product/service development
- Product/service convergence
- Product/service cost & profitability
- Pricing analyses
- Cost analyses

- Dashboards, scorecards
- KPI development

"Run" the business

- Cash-flow modelling
- Capital spending and working capital review
- Forecasting and management reporting
- Regulatory reporting compliance

- Operational management
- Model reviews

- Calculation and data flow reviews
- Sensitivity analyses
- Fit for purpose and full opinion
- Parallel build

- Carve-out planning
- Carve-out tracking
- Accounting separation
- Synergy planning
- Synergy tracking
- Integration modelling

"Shape" the business

- Acquisitions
- Disposals
- Mergers
- Leveraged and management buy-outs
- Joint ventures
- Initial public offering
- Debt restructuring
- Covenant modelling

KPMG's Approach

General modelling issues and our responses

Typical modelling issues	KPMG's responses
The model has not been built with a clear focus on the issues for which it is used today	We devote the necessary time to understand the model scope, the need for the required model flexibility and the right level of detail
Junior staff members develop the model but they do not have a full understanding of the business issues. Senior professionals understand the issues but they do not have full knowledge on how the model works	Our senior professionals will assist you in scoping and designing the model, whom have the capability to translate critical business issues into spreadsheet models
High degree of personal dependency – only the model developer know how to run the model accurately	We base our models on a common set of best-practice rules that prompt other professionals to use the model efficiently and safely
Lack of documentation for calculations and assumptions	We have a well-tested approach for documenting model calculations and assumptions as an integral part of our modelling process
High level of complexity without a high level of dynamics and flexibility	Our focus on early model scoping enables us to construct models with a high level of flexibility and a low level of complexity

Our value proposition

- Complexity turned into simplicity
- Achieve full control
- Holistic approach
- Strategic decision making tool
- Visualise financial impact on transformation ideas
- Enabling scenario and sensitivity analyses
- Efficient and transparent communication to internal and external parties
- User-friendly dashboard
- Robust, accurate, flexible and practical

Who we are

"KPMG helps clients to translate key business issues into transparent financial implications. Increased transparency allows for a more effective decision making process, assisting you in maximising shareholder value.

Our Financial Modelling Group combines our strong modelling skills with in-depth sector knowledge and cross-functional expertise from our Corporate Finance, Strategy, Accounting and Tax departments.

Our dedicated professionals have extensive experience in building models – even under the most demanding circumstances – with the right level of detail and flexibility to analyse critical business issues across industries and over the life cycle of the company.

Our services have been highly appreciated by several companies. Please learn more about our solution specific modelling experiences from our embedded factsheets.

Our service portfolio in detail

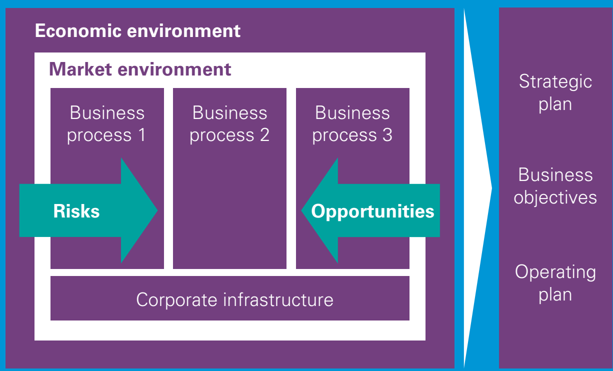
KPMG

Business planning

Advisory

Increasing need for reliable and robust business models

In a volatile market environment there is increasing pressure on top management to quantify the impact of major challenges on business plans. Examples of current issues are worries around the Euro zone, raw material volatilities or a potential double-dip economic recession. With our modelling expertise and commercial understanding we are well positioned to support you and your board to define and analyse alternative scenarios, understand the impact of each scenario and support you in making more robust decisions.



Potential client issues

- Management needs a robust and reliable business plan to be able to assess the impact of the group's strategy on financials or to obtain funding
- Management wants to gain a deeper understanding (e.g. through a sensitivity analysis) on how changing business parameters impact cash flows and valuation
- Management wants to elaborate the impact of different decisions on the business plan through aligning different scenarios
- Business planning has to be aligned with the budgeting process

How can we help?

Why KPMG?

- Extensive experience in setting up business planning and forecasting
- Wide expertise across various sectors (e.g. financial services, diversified industrials, oil & gas, pharmaceuticals, telecommunications, retail, logistics)
- Our deep modelling expertise will help you concentrate on decision making processes and will support you with a dynamic business planning tool

Case study Ledermann Immobilien AG ("LIAG") is a Swiss real estate company with approximately 70 properties. KPMG has assisted the client to gain a consolidated portfolio view in order to more efficiently manage their overall portfolio of properties and their related loans

Our approach We helped to develop an integrated financial model, which provided LIAG with the following features:

- Consolidated view of the profit and loss, balance sheet and cash flow of their portfolio
- Modelled the sale of properties
- Developed a "cockpit" with the flexibility to change key parameters of the planning process (e.g. leverage ratios, price appreciation of properties, etc.)
- Offered the flexibility to model key planning parameters on a property by property basis (e.g. expected sales price, rental income, maintenance)
- Identified liquidity gaps and modelled new short- and long-term loans on a portfolio level as well as on a property by property basis
- Established a set of KPIs to monitor the portfolio

Client benefit The client now has an integrated model to manage their growing real estate portfolio. The model provides a combined view on properties as well as on existing loan portfolio. It also helps the client to identify financing needs and to monitor the KPIs of their portfolio and provides sufficient flexibility to model the effect of the changes to key parameters

Our service - an overview

Define key business drivers
- Identification of key business processes driving profitability
- Ensure business drivers are sufficiently detailed taking account of usual operating practices

Map business processes & profit impact
- Map all key business processes by linking the identified drivers

Identify data, risks & uncertainties
- Identify the required data and data sources and develop a process for ongoing collection of information
- Identify the risks and uncertainties relating to each driver

Categorise risks
- Categorise risks by:
  – Uncontrollable but quantifiable - Incorporate into budget through sensitivity analysis
  – Uncontrollable and unquantifiable – Reasonable exceptions to the planning process
  – Controllable – Ensure business processes are capable of managing the risk

Sensitivity analysis & stress testing
- Specify, design and build a business planning and forecasting tool that supports sensitivity analysis and stress testing

Finalise forecasting
- Develop and adapt methodologies that define full forecasting processes using the prior analysis and process improvement initiatives

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KPMG

Transaction modelling

Advisory

We offer wide range of modelling solutions to facilitate your transaction processes in each phase
In the fast changing macroeconomic environment we aim to support you with robust "top-down" modelling solutions to be able to assess the sensitivity of key risk factors to your transaction and value creation.

	Pre-deal phase	During the deal	Post-deal phase
Acquisition	• Analysis of strategic options • Deal evaluation • Market modelling • Accounting, tax and other regulatory considerations	• Deal model • Financing scenarios • Risks of the deal • Synergy plans • Regulatory requirements	• Provision of management information • Interim management reporting • Business forecasting • Synergies tracking
Disposals / carve-outs	• Preparation of financial data • Development of financial forecasts	• Transaction structuring from tax and commercial aspects • Impact of deal to the acquirer	• On-going business planning

Potential client issues

- Management intends to evaluate all necessary information during a time sensitive transaction to improve bargaining power with the support of a robust business model, scenario and sensitivity analysis
- Management requires tax optimisation regarding a planned acquisition or divestment
- Management has to present an updated business plan to shareholders and creditors
- Management needs to develop financing scenarios around the deal
- Management requires synergy tracking and interim monitoring of newly acquired assets

How can we help?

We offer a wide range of modelling solutions to assist you through the transaction cycle:

Business planning & monitoring → **Scenario analysis, stress testing** → **Tax modelling** → **Synergy tracking, interim monitoring & reporting**

Why KPMG?

- We have a deep understanding of key value drivers in various sectors (such as financials, diversified industrials, oil & gas, pharmaceuticals, telecommunications, retail, logistics, etc.)
- Our deep modelling expertise will allow us to assist you in building an efficient modelling tool to support your business decisions across all key transaction phases

Case study

A major multinational medical service provider acquired several privately owned entities with maximum leverage in Switzerland and was facing the following issues:

- Maximum possible dividend distribution post-acquisition had to be calculated to ensure that the interest payments of the highly leveraged acquisitions could be financed. Furthermore, the existing complex inter-company loan structure had to be simplified. The following limitations had to be considered:
  - Non-distributable reserves due to Swiss concept of indirect partial liquidation (upon acquisition from Swiss resident individuals)
  - Legal and statutory restrictions and Swiss capitalisation rules

Our approach

- We helped to optimise the financing of the acquisition in a tax efficient way without triggering additional cash outflows due to withholding tax payments
- We helped to implement a maximum debt push-down to the operative entities via leveraged dividends by simulating the maximum debt capacity
- We developed a set of tools to support the dividend distribution planning

Client benefit

We reduced cash taxes on group level, which yielded a higher the rate of return on investment for the client. The client had no cash outs due to withholding tax payments on interest and dividends. The company was able to distribute maximum dividends without conflicting with domestic capitalisation rules

Our service – an overview

Buy side transaction modelling

Obtaining the relevant information

- Provide guidance on due diligence from the acquirers strategic perspective
- Scenario analysis is dictated by the risks the business faces, not the technical limitations of the data provided

Establishing a bid price

- Provides the necessary information to establish a bid price

Understanding risk

- Improves the understanding of what the key risks in achieving value for money are
- Enhance the understanding of the relative importance of different risks in achieving the bidders objectives

Sell side transaction modelling

Clarification and confidence

- Facilitates amendment and analysis by an acquirer to adapt the outputs to a format that is consistent with their own information; hence clarifying unknown elements and thus reducing the perceived risk

Value enhancement

- Provides a solid basis upon which to drive value in selling the business by quantifying the key strengths and weaknesses

Flexibility

- Facilitates adaptation of the information available if the nature of the deal changes

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Strategic option modelling

Advisory

"Strategic options modelling provides insight and confidence throughout the decision making process"
Our strategic option modelling solution equips top management with a robust tool that quantifies the financial impact of various business decisions or changes in the underlying macroeconomic, political or technological environment. The tool could be used for example to plan major strategic changes (such as new product launches, acquisitions, investments, divestments, portfolio rationalization or restructurings). Due to our extensive modelling experience across various sectors, we are a reliable partner for you to translate business challenges into financial implications.

Potential client issues

- Top management has a number of options and initiatives to be considered and they wish to elaborate which solutions would lead to the achievement of strategic goals and maximise shareholder value
- Top management would like to gain a clearer understanding on the financing needs related to different scenarios
- Top management needs an early warning alert on business risks and opportunities by challenging any assumptions to business-as-usual

How can we help?

1. Determine value drivers
2. Determine scenario impact
3. Stress test scenarios and value drivers
4. Conclusion

Why KPMG?

- KPMG has extensive experience across various sectors (e.g. financial services, diversified industrials, oil & gas, pharmaceuticals, telecommunications, retail, logistics)
- Our deep modelling expertise will allow us to assist you in building an efficient modelling tool to support your business decisions

Case study

- One of the largest independent refinery businesses in Europe, Petroplus, has engaged KPMG to help the company in setting up a restructuring plan. After refining margins and financials have been deteriorating over the last years, the financing banks decided to freeze their uncommitted lines under the existing revolving credit facility to Petroplus
- KPMG has assisted the client in developing several restructuring cases in order to convince the banks to unfreeze the credit lines and thus avoiding insolvency

Our approach

- We helped Petroplus in building a financial business model that included the possibility to dissect the existing management information into different dimensions. This included the possibility to analyse the data on a cluster by cluster level to assess the effect of potential restructuring measures on the non-core assets, as well as on the core operating assets and on the trading business
- In addition, we have assisted the client in developing scenarios, such as a potential trading joint venture and integrated them into the restructuring business model
- In order to organise the work as efficiently as possible, the model included defined interfaces that allowed the different workstreams to work independently. The seperate workstream models were then uploaded through interfaces into the master model

Client benefit

- The client has received a robust financial model in order to analyze and defend its business plan and the related four major scenarios to the financing banks
- The model also included related documentation to enable the audit by a third party

Our service – an overview

Determine value drivers

- Define strategic goals and options
- Specify relationships (competitors, consumers, internal)
- Quantify risks and uncertainties

Determine scenario impact

- Select scenarios and assess options
- Allows management to fully explore all strategic options and eventualities
- Highlight strengths and weaknesses of the business / current strategy

Stress test scenarios and value drivers

- Conduct stress-testing on the agreed scenarios and the key business drivers

Conclude

- Provide an in-depth analysis on which scenarios would stand up for shareholder and market scrutiny

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KPMG

Interim monitoring & reporting

Advisory

"A focused reporting process and tool can enhance management information facilitating more effective decision making"
We can assist you with building a reusable interim reporting tool and process that allows decision making with an accurate and reliable view of the future. This allows you to focus your efforts on decision making, rather than on a recurring detailed quarterly or monthly analysis. An efficient interim reporting process would equip you with greater confidence in the predicted cash flows and allow you to track any major deteriorations from your strategic plans.

Potential client issues

- Management lacks confidence in current projections and therefore plans to establish a more robust reporting structure
- Listed company has a bad track record of providing guidance to the financial markets and results often fall short of expectations
- Management has difficulties in determining future financing requirements, given inadequate forecasting track record
- Management faces difficulties in allocating funds between subsidiaries due to uncertainty in each subsidiary's forecasts

How can we help?

Why KPMG?

- Our in-depth understanding of value drivers, seasonalities and life cycles of various industries allows us to build a well calibrated interim monitoring and reporting tool with the right focus
- We have extensive expertise in building interim monitoring and reporting models, which generate reports on different aggregation levels

Case study

KPMG advised the client on three wind park acquisitions of a total capacity of 250MW installed capacity. Post acquisition the client's challenge was to produce consistent and reliable financial and management information from a number of different ERP systems. The client faced the following issues:

- Different reporting formats and operating key metrics definition
- Limited workforce to manage large quantities of data
- Multiple reporting requirements for different corporate decision makers

Our approach

KPMG supported the client with the design of a tailored financial reporting framework:

- Provided relevant key performance indicators for the wind park business
- Gathered system requirements to facilitate the build of a management information system
- Developed user-friendly front end, input sheets, Access-based database and customised reporting outputs at group and wind park / entity level
- Provided after sales support (system maintenance and system change requests)

Client benefit

- The client has a bottom-up MIS with historical and prospective financial and operating reports
- The solution was deployed rapidly within three months after transaction close
- KPMG has adapted the approach and solutions to the client`s needs as the project evolved

Our service – an overview

Design reports

- Define report content (including operational and financial KPIs)
- Identify data sources and map data items required

Design information flow & develop reporting tools

- Define reporting and hierarchical structure e.g. by business unit, aggregations by division etc.

Develop and write documentation

- Develop separate report generation and change control processes
- Develop user guide for report generation

Test and train

- Test reporting tools
- User training

Implement

- Full rollout
- Post implementation review
- Sign out model and present handover model documentation
- Provide training
- Support management to achieve broad acceptance of new reporting standards

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Integration and separation modelling

Advisory

Companies are under increasing pressure to focus on their core competences
In the globalising world companies are under increasing pressure to focus on their core competences, which often requires an active portfolio management of activities. Our integration modelling services assist on identifying and tracking synergies from a pre-deal phase of acquisitions to maximise deal value. In addition, our separation modelling offerings include creation of financial statements, business model and valuation for the standalone business model. Furthermore, we can also perform calculations on the financial impact of the separation from the original company.

Potential client issues

- Management needs assistance in quantifying estimated synergy or separation benefits pre-deal in a time critical process
- Management needs advice on tracking synergy benefits following an acquisition
- Management requires advice on how to best monitor benefits from a change program to ensure planned benefits are achieved
- Management aims to better understand the financial and tax implications of a deal

How can we help?

Build the business & benefits case → Derive a base plan → Build a detailed benefits & synergy plan → Track the realized benefits & synergies

Why KPMG?

- Our in-depth understanding of value drivers, seasonalities and life cycles of various industries allows us to build a well calibrated interim monitoring and reporting tool with the right focus
- We have extensive expertise in building interim monitoring and reporting models, which generate reports on different aggregation levels

Case study

A Swiss Private Bank was planning to acquire one of its direct competitors and wanted support in developing a financial model to help them assess the potential synergies that could be achieved with various combinations. The client was also specifically interested in what level of synergies could be achieved if two comparably sized businesses were merged

Our approach

- We delivered a benchmarking and synergy model in combination with our financial due diligence services on the target company
- We worked closely together with management, performing several interviews and workshops to understand the current state of the business and figures arising from the due diligence work
- We built a model that met the target and the client revenue and cost base and included a number of synergy assumptions (e.g. closing branches, cost reductions, etc.) to model potential integration benefits and costs of the merged bank
- To find the best strategic solution for our client we also performed a benchmarking assessment on the bank. This was needed to fully understand its current position in the Swiss private banking market and what potential strategic options were available

Client benefit

- The client had the ability to model potential acquisition scenarios in order to support its investment decision based on highly reliable information (resulting from financial due diligence)
- Due to benchmarking information received, the client has reassessed its strategic positioning in the Swiss Private Banking market and now has a better understanding of its competitor's business models

Our service – an overview

Build the business & benefits case

- Pre-deal identification and justification of synergies

Derive a base plan

- Drives delivery of post-deal synergies based on targets set

Build a detailed benefits & synergy plan

- Frequent updating of financial information allows for credible management forecasting and early warning of KPIs, which fall behind the targeted level

Track the realized benefits & synergies

- Specification of personal responsibilities and allocation of accountability ensures nothing "falls through the cracks"

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KPMG

Tax modelling services – transaction modelling

Advisory

"Our transaction simulator tools are able to anticipate tax consequences"
KPMG Tax Modelling Group is a global network of tax and modelling professionals. We have the capabilities to assist you in modelling the tax effects of your business decisions with the aid of various Excel-based modelling tools allowing for:

- Quick and robust transaction simulations
- Flexible scenario analysis
- Reduction of the effective tax rate
- Optimization of the debt financing leverage

Potential client issues

Transactions such as acquisitions, disposals, carve outs or restructurings (e.g. intercompany share transfers, establishment of tax groups) and mergers can be complex from a tax perspective. Various tax implications, depending on circumstances and structuring. With a tax optimized structure, the overall effective tax rate can be lowered, the leverage can be optimized and a tax efficient cash flow management can be established. With KPMG's tax models, the relevant tax impacts can be taken into account, which will lead to an understanding and an improvement of the tax efficiency of a restructuring or transaction.

How can we help?

KPMG's transaction simulator tool is tailored to anticipate the tax consequences of the intended acquisition financing, establishment of tax groups and debt push down strategies as well as repatriation implications. KPMG's Effective Tax rate (ETR)/cash tax model tool is a tailored approach to calculate realistic and reliable estimates of the cash tax impact, i.e. under consideration of tax loss utilization and interest deduction limitations.

Why KPMG?

KPMG's state-of-the-art tax model tools allow KPMG professionals to efficiently set-up the your tax tool to generate the required model outputs for your restructuring or transaction in a robust manner and tried-and-tested by the market. KPMG has extensive experience in restructuring and transaction modelling and will provide a robust and flexible tax model showing the consequences of various scenarios taking into account the relevant parameters and current tax legislation.

Credentials

KPMG's tax model tools have been acknowledged by PE clients, M&A investment banks, lawyers and deal professionals to be market-leading. A selection from credentials of the Swiss tax practice is shown on the previous page

Delivery

Tax modelling is an integral part of your transaction or restructuring
KPMG's flexible tax models will provide you with the necessary information, for example tax optimized:

- acquisition financing (considering thin capitalization rules, debt capacity, utilization of tax losses, etc.)
- debt push-down and leverage strategies (considering thin capitalization and earning stripping rules, tax groupings etc.)
- cash repatriation (considering withholding taxes, legal restrictions for distributions, FX impacts, etc.)

Our Service Team

As a part of a global Tax Modelling network, our member firms' clients have access to dedicated tax professionals with a global mindset who understand how tax affects transactions across the world and how tax models must be built. With a strong focus on transactions and a private equity background, they are commercially minded and deal hardened. They know how to identify and advise on the material tax exposures in a transaction and to develop deal structures that appropriately address the tax implications. Working on transactions day-by-day, they are process-driven and understand the mechanics of acquisitions and disposals in a competitive environment.

Professionals from across our global network keep in regular contact with each other, our member firms' clients and with the tax authorities. We, therefore, understand the practical impact of tax developments from one country to the next. We can spot opportunities and we know how to act on them to benefit our member firms' clients and their stakeholders.

For more information about our approach, please contact KPMG's Tax Modelling Services practice.

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KPMG

Tax modelling services – fund flow

Advisory

“Our tool provides detailed overview on fund flows, payment instructions and journal entries to ease the closing of a transaction.”
KPMG Tax Modelling Group is a global network of tax and modelling professionals. We have the capabilities to assist you in modelling the tax effects of your business decisions with the aid of a readily available Excel-based fund flow modelling tool allowing for:

- Quick and robust fund flow simulations
- Detailed payment instructions
- Step by step balance sheet projections

Potential client issues

When closing your transaction, the financing banks will probably require a fund flow model, which is typically one of the pre-conditions in a senior facility agreement. Debt providers (banks) want to have an overview of the way in which the equity funding will be introduced in the transaction structure before releasing their debt funding. Futher, in case of complex internal restructurings, a fund flow model can be useful to ensure a swift implementation of the different financing steps.

How can we help?

KPMG’s fund flow model includes a detailed overview of the cash and non-cash-steps in fund flow overviews, a waterfall diagram and payment instructions for all parties involved in the transaction. KPMG’s fund flow model tool can depict the respective transaction steps in the form of journal entries and balance sheets for entities involved in a transaction.

In practice, the tool has proven to be valuable in creating control over and smoothening of transaction processes. It further reduces the risk of errors and delays, e.g. by indicating cash-shortfalls per step.

Why KPMG?

KPMG’s fund flow model tool is state-of-the-art and allows KPMG professionals to quickly set-up fund flow tool, facilitating the required fund flow model outputs for your transaction in a robust manner, which is tried-and-tested by the market.

KPMG has extensive experience in fund flow modelling and will provide a robust and flexible fund flow model according to your needs.

Credentials

KPMG's tax model tools have been acknowledged by PE clients, M&A investment banks, lawyers and deal professionals to be market-leading. A selection from credentials of the Swiss tax practice is shown on the previous page

Delivery

Fund flow modelling is an integral part of your transaction financing KPMG's fund flow model will provide you with the necessary information:

- required for external financing purposes, ensuring no cash deficit and the availability of the funds at closing
- for the timely flow of funds via various legal entities, countries and in various currencies
- showing the booking entries of equity contributions, short term or long term loans, transfer of receivables or shares etc.

Our Service Team

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KPMG

KPMG's Intercompany Pricing Tool (IPT)

Advisory

We provide automated pricing of intercompany loans and guarantees with the support of IPT

Intercompany loans and guarantees are important and commonly used financing instruments utilized by Treasury departments in multinational companies. These internal financing transactions are increasingly scrutinised by tax authorities. This underlines the importance of a common treasury and tax concept on inter-company loan pricing that is simple, efficient and tax compliant. KPMG's consistent and robust approach to determine internal financing conditions with our Intercompany Pricing Tool "IPT" enables companies to manage these challenges and to streamline their treasury processes.

Potential client issues

Intercompany loans, cash pool facilities and guarantees are important elements of group financing. Generally, Treasury coordinates a large number of financing transactions and, in doing so, ensures the efficient use of financial resources. This involves, on the one hand, creating financial incentives for subsidiaries to use the internal financing models, while, on the other hand, avoiding financial slack (local "hoarding" of surplus liquidity). Furthermore, intercompany financing also provides useful planning options from a tax perspective. In order to be aligned with tax authorities' requirements, the selected approach must be in compliance with the arm's length principle. Thus, the requirements of intercompany financing are quite complex and Tax and Treasury have to manage it in an intelligent and resource-efficient manner.

How can we help?

- KPMG has developed an approach to manage intercompany financing that has proven its value in practice and pursues the following core elements:
- Establishing group-wide, consistent, transparent and market oriented pricing of loans, facilities and guarantees
- Adhering to the arm's lengths principle, including the applicable thin cap rules
- Saving time and providing operational relief in Treasury by substantially automating the pricing and documenting process
- The financing terms are calculated based on automatically imported market data, such as country and industry ratings (eg. from Bloomberg). Accordingly, real cost of financing are considered. The tool automatically creates a document on each loan that complies with the tax authority's requirements

Why KPMG?

- Experienced in implementing an efficient process to manage your intercompany financing transactions throughout the organization
- Team includes relevant tax, treasury professionals and valuation experts
- We offer an Excel-based turn key intercompany pricing tool to manage your challenges in a resource-efficient manner

Case study

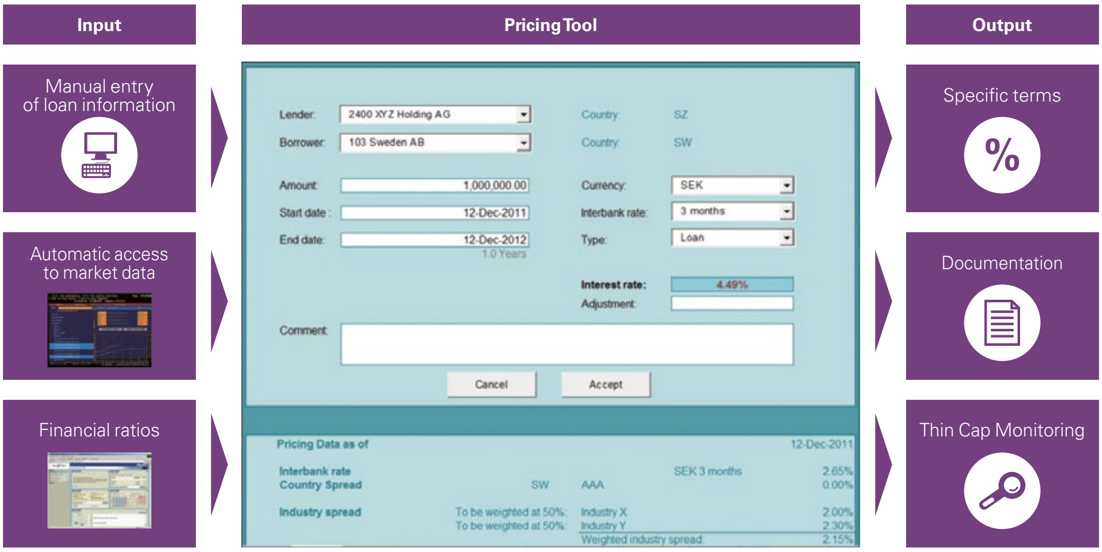
KPMG supported an international catering service provider, which faced with the challenge of managing its inter-group loans and guarantees. KPMG has assisted the company in the following areas:

- Set up compliance with international transfer pricing standards
- Assisted in tax optimisation and mitigation of tax risks
- Helped in defining right inter-company funding incentives to affiliates
- Reduced reliance on third party creditors/banks

Modular Concept for clients' benefit

The concept, and in particular the tool, have been designed on a modular basis incorporating the appropriate components for your business. In this way, you can benefit from:

- Transparent, consistent and largely automated calculation of all inter-company financing terms
- Efficient management of inter-company financing needs by approximating market conditions
- A reduction in tax risks by using widely accepted pricing methods and automatically generated reports for tax purposes
- A reduction in Treasury department's workload
- Ability to independently perform calculations at any time
- In addition to determining the financing terms, IPT can provide an optional preliminary evaluation of the group companies' leverage. This facilitates a further assessment of whether there are any conflicts with the financing rules (i.e. thin cap rules) of the affected countries



Our service

With IPT, we help you to implement an efficient process to manage your inter-company financing transactions throughout your company. We would be happy to discuss the tool with you and demonstrate how it works

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Family wealth forecasting

Advisory

A strategy to help manage family funding
A robust family planning can equip you with the ability to predict the impact of changes in investment strategy and expenditure patterns on your personal wealth. Our approach combines all elements of your financial affairs, providing a holistic view on your and your family members' future wealth. Family forecasting is a core KPMG service designed to assist our clients in making decisions from an as informed position as possible. We can assist you with building a user friendly interactive strategic planning model, which enables testing of different scenarios and sensitivities around families' financial and tax affairs over generations.

Potential client issues

- What if family funding need will rise by 10% over the next few years? Is cash income liable to support this or will there be a need to dispose investments/assets?
- What if there is an urgent need for cash? Which assets can be disposed of without a significant impact on the lifestyle of the family?
- What if tax rates change? Are the investment structures flexible enough? How the family plans future tax liabilities?
- What if I need more income in later life? Does my pension and inheritance tax planning have the right balance between current and future requirements?
- What if there is a financial crisis? Are family investments sufficiently diverse to mitigate against shocks in any one sector of the economy?

How can we help?

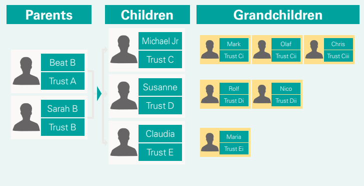
- Calculation of expected cash flows and yields from investment portfolios for each family member
- Visualization of each family member's income and expenditure profile – recurring and exceptional – to analyse if all family members have the right mix of investments
- Drawing annual dividend distribution to family members
- Translate the impact of key life events (such as birth, death, marriage and divorce), trust and tax changes on wealth
- Scenario analysis on personal expenses, investments, life events , tax considerations

Why KPMG?

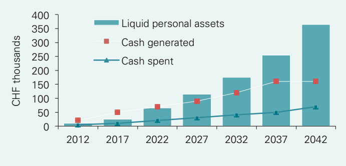
- Our in-depth understanding of value drivers, seasonalities and life cycles of various industries allows us to build a well calibrated wealth management tool with the right focus, freeing up valuable family resources
- Our tax expertise could help you in planning various options to manage your wealth

Best practices tool support

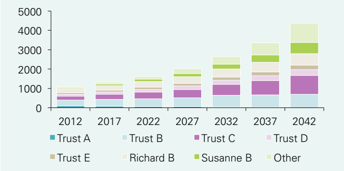
Family forecasting factsheet input



Liquidity & cash flows – Michael Jr



Asset value by trust and beneficiary



Case study

The CFO of a family office based in Zug lacked a consolidated view on how the diverse investments of the family were performing. The family office had three major types of investments: a clothes retail spanning several countries, a real estate portfolio and several indirect investments in renewable energy companies.

Our approach

KPMG supported the client with a detailed model on how the KPIs of the three key business units logically flowed into a consolidated level return-on-invested-capital. We have also advised the client on the appropriate level of cost of capital to apply for the three key business units to adjust performance for the different risks inherent in the respective investments.

Client benefit

We helped the client to identify the major drivers of the family office's three key investments, which enabled the CFO to consider initiatives on how to improve the performance of each underlying unit.

Our service – an overview

Determine value drivers Value preservation

- Forecasting over various generations (40 to 80 years)
- Projecting each family members' expenditure, both recurring and exceptional
- Projecting cash distributions to beneficiaries according to trust deeds split between income and capital for tax purposes reflecting different distribution rules
- Projecting different strategies for wealth distributions across generations
- Projecting each trusts' cash flows
- Projecting detailed financial statements for each trust
- Projecting income yield and capital appreciation on investment portfolios
- Projecting financial impact of key events such as marriage, birth, divorce and tax regulation changes

Complex tax calculations

Projecting income, capital gains and inheritance tax for each trust and each beneficiary

- Projecting grossing up of distributions to achieve net of tax cash flow to beneficiaries
- Projecting inheritance tax complexities: charges on distributions from trusts, 10 year charges on trust assets, charges on death, take account of tax exemptions on assets

Trusts

- Demarcation between types of trusts and multiple jurisdiction strategies
- Perform sensitivity analyses on a multitude of trust structures and fund types
- Simulate asset transfers between trusts and/or beneficiaries
- Ring fencing of income and expenditures according to their nature
- Projecting cash appointments to certain trusts and/or beneficiaries and for specific purposes

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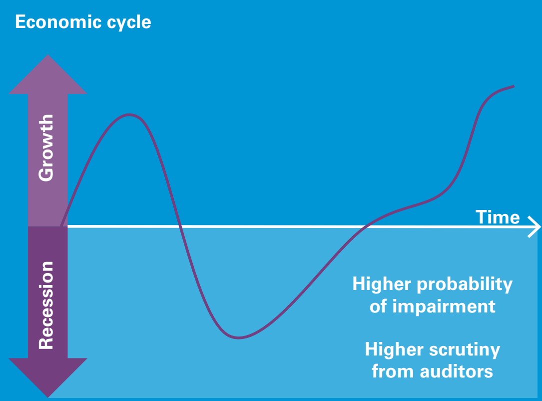
KPMG

Impairment test modelling

Advisory

Uncertain macroeconomic environment keeps impairment tests in focus

The volatile economy and capital markets as well as the decreasing interest rate levels create a relatively uncertain market environment for the companies in the short and medium term. The adequate incorporation of the current risks and uncertainties into the budget figures remains a challenge for corporate decision makers. Accordingly, a key recurring exercise of companies will be the annual impairment testing. We can assist you in performing impairment testing projects as well as conducting reviews of in-house impairment tests.



Potential client issues

- Top management plans to carry out an annual impairment test to examine if there were any triggering events (change in cost of capital, country risk, cross rates, market environment, sales and margin prospects) that could alter the valuation of their investments/CGUs and require creation/ reversal of provisions
- Top management requires assistance to check if in-house impairment testing models are still compliant with the recent accounting rules
- Top management faces tighter scrutiny from auditors and supervisory bodies (eg. RAB). For example, to reassess weather the price paid for an earlier acquisition is still justified

How can we help?

- KPMG has considerable experience with impairment test modelling. We understand the requirements and issues both from a commercial as well as from an auditor's perspective
- Our team has deep knowledge of the current key impairment testing issues and is well placed to determine how they would affect your business
- Our modeling offerings include:
  - Building proprietary and custom made value-in-use and fair value-less-cost-to-sell models
  - Calculation of carrying amount
  - Providing guidance on cost of capital and defining the appropriate rates for CGUs
  - Reviewing in-house impairment tests

Why KPMG?

- Our team has extensive experience in performing impairment testing projects and conducting reviews of in-house impairment tests
- We are better positioned to anticipate areas that are likely be challenged by your auditors
- Our deep sector understanding makes us an ideal partner for your impairment test modelling or review

Client's issue

A Swiss industrial manufacturer of grinding technologies needed assistance with managing their impairment test procedures

Our approach

We helped to develop an integrated financial model for the impairment testing process of the client with the following features:

- Determined recoverable and carrying amount for the four cash generating units (CGUs)
- Set up transparent protocol to determine WACC for each of the CGUs' region (Switzerland, Germany, Austria and Sweden)
- Conducted sensitivity analysis on cost of capital and terminal growth rate
- Performed reasonability check based on forward-looking trading multiples of peer companies

Client benefit

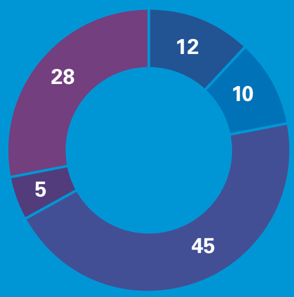
KPMG set up a consistent impairment testing approach across all CGUs, which is compliant with IAS 36. We have also assisted with the development of a repeatable process for impairment testing, which has also been approved by the client's auditor

Our service

Key phases of the impairment testing process

- Population of impairment test with latest business plan
- Determine cost of capital and growth rate based on market participant concept
- Determine recoverable amount (i.e. choose the highest from fair value-less-cost-to-sell and value-in-use) and the carrying amount
- Calculation of any valuation headroom or impairment
- Reconciliation between pre- and post-tax calculation
- Preparation of sensitivity calculations
- Reasonability checks based on trading multiples and current market capitalisation of the company
- Drafting notes to the financial statements
- Preparation of communication towards shareholders/capital markets

Specification of triggering event
Total (in percent)



Source: KPMG

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Model review

Advisory

"A model review provides confidence and credibility"
Our deep understanding of value drivers throughout various industries combined with model review software tools make us to be an ideal partner for you to carry out a third party financial model review. We are prepared to challenge your model from both a technical and a commercial perspective. We offer various levels of reviews, ranging from technical spreadsheet reviews to regulatory reviews, which measure compliance with local tax and accounting rules.

Potential client issues

- Management would like to increase the level of comfort in a financial forecasting tool through a third party review
- Shareholders or lenders require an independent review of the business model prepared by the top management
- Top management would like to review if forecasts are calculated in-line with locaal tax and accounting rules

How can we help?

1. Define scope & tests to be performed
2. Perform testing
3. Discuss preliminary results
4. Optional additional testing
5. Report on issues found
6. Build the business & benefits case
7. Final report

Why KPMG?

- We have deep expertise in carrying out efficient and in-depth spreadsheet reviews
- Our wide ranging sector and functional experience equips us with a thorough understanding of the commercial aspects of financial models
- We are equipped with special software to review your financial models in an efficient way
- We can perform modell reviews as assurance engagements depending on your needs
- Furthermore, we are ready to advise you on structural, mathematical, control and regulatory improvements

Potential review objectives

- Determine whether the model is compliant with the applicable accounting laws and regulations regarding the creation and usage of the spreadsheet
- Determine whether the logic and formulas of the model are used consistently and are mathematically correct
- Determine whether the figures that are used as model input data in the model can be reconciled to approved, external sources

Our service - an overview

Rules & regulation integrity

- Identify the accounting rules/laws/regulations/business rules that should be applicable to the spreadsheet(s) under review
- Determine to what extent the formulas and statements made within the spreadsheet(s) are compliant with these rules
- Document all instances where the spreadsheet(s) deviate(s) from the applicable accounting rules/laws/regulations/business rules

Logic & formula integrity

- Confirm which tests need to be performed regarding the logic and formula integrity of the spreadsheet(s) (determine what possible errors, irregularities or other anomalies should be detected)
- Run the tests on the applicable spreadsheet(s)
- Document all tests performed and document all test results that (might) have an adverse effect on the spreadsheet(s) or that might have a negative effect on the reliability of the spreadsheet(s)

Data entry integrity

- Determine all instances where external data is entered into the spreadsheet(s) (e.g. hard coded input, external links)
- Collect all documentation or data sources that are used to enter data into the spreadsheet(s)
- Reconcile all input data with the external sources
- Document all items that could be reconciled and all items that could not be reconciled

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