



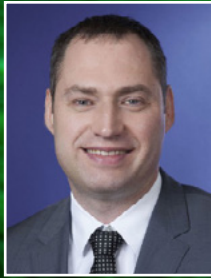
KPMG services for agricultural companies

2016

KPMG IN RUSSIA AND THE CIS

kpmg.ru





Vitaly Sheremet
Head of Agribusiness,
KPMG in Russia
and the CIS

Introduction

Russia has the potential to become one of the strongest agricultural leaders globally. As of today, this potential has not been fully realised, however, steps taken to support and enhance competitiveness of agricultural companies signal that the state has a strong interest in this sector.

Over the recent years, KPMG in Russia and worldwide has been paying special attention to strengthening relations with agricultural producers. For these purposes, a dedicated team was set up to cooperate with agricultural companies that is capable of contributing its Russian and global sectoral experience to relations with our clients. Feedback provided by our clients indicates that industry-related experience is a significant competitive advantage of our team.

In this brochure, you will find information about our agricultural team and learn how KPMG can help you. We will use our best endeavours to deal with your challenges and contribute to the success of the agricultural sector in Russia and the CIS.

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KPMG global agriculture practice

Our aim is to provide high quality services by continuously sharing experiences and knowledge between our global teams and by improving the best practices and practical strategies that assist our clients in achieving their goals.

KPMG strategy

KPMG seeks to maintain its leading position in rendering audit and advisory services to agricultural companies globally. Our aim is to provide high quality services by continuously sharing experiences and knowledge between our global teams and by improving the best practices and practical strategies that assist our clients in achieving their goals.

KPMG in Russia established the group to work with agricultural companies that belongs to a larger KPMG global agriculture group. The group comprises partners and managers, who are in charge of collaborating with agricultural companies in various lines of business. This ensures close ties between specialists from various functions and creates a comfortable environment for preparing efficient complex solutions to resolve problems that agricultural companies are facing today.

KPMG's major global clients that receive our audit and advisory services include: Forfarmers B.V. (Netherlands), Bunge (USA), Fonterra Co-Operative Group (New Zealand), Olam (Singapore), Tyson Foods (USA), Monsanto and many others.

Examples of agricultural companies that are KPMG's clients in Russia and the CIS:

- Agricultural Company Don
- Agro-Gard
- AgroKubanResurs
- AgroTerra
- AFG National Agro Holding
- Aston
- Avangard-Agro
- Belaya Ptica
- Cherkizovo
- Charoen Pokphand Foods
- Norebo
- Rusagro
- Solnechnye produkty (Sunny products)



*According to the rating agency Expert, 2009–2015

KPMG in Russia and the CIS



25 years in Russia
More than 4,000 specialists

CIS:
7 countries
18 offices

KPMG in Russia and the CIS

- Russia
- Azerbaijan
- Armenia
- Georgia
- Kazakhstan
- Kyrgyzstan
- Ukraine

KPMG services for various lines of business

Audit

- Audit of financial statements prepared in accordance with international standards (IFRS, US GAAP)
- Audit of financial statements prepared in accordance with the Russian accounting standards (RAS)
- Audit-related services
- Accounting and reporting services
- Corporate governance and sustainable development services

Advisory

Deal Advisory

- Corporate finance
- Business restructuring
- Transactional support

Risk management advisory services

- Financial risk management
- Forensic
- Internal audit and risk management services

Management consulting

- Strategic consulting
- Increasing operational efficiency
- Financial management
- Finance and treasury management

Tax and legal

Taxation

- Corporate & business tax
- International taxation
- Indirect taxation
- Customs advisory
- Tax dispute resolution
- Tax audit
- M&A tax support
- Transfer pricing
- Accounting, financial and tax reports
- Taxation of individuals and HR management

Legal services

- Legal support of transactions
- Consultancy on Russian and international law matters
- Dispute resolution

To meet the expectations of our international clients, KPMG have created National Desks (Japanese, Korean, Italian, German, Turkish, Iranian, Chinese and Russia-Singapore Desks) with the purpose of serving our clients around the globe.



Audit

An independent audit of the financial statements increases the liability of information prepared by the company for its investors, lenders and other interested parties pursuant to the applicable laws.

KPMG Advisory not only gives its clients reasonable assurance that their financial statements contain no material misstatements but also provides its opinion on certain matters that fall outside the scope of an ordinary auditor's report.

As of today, IFRS financial statements audited by KPMG are a must-have for interaction with international and Russian partners when discussing various forms of financing any current or future projects.

KPMG services include:

Audit:

- Audit of financial statements.

Internal audit:

- Independent assessment of the internal audit function
- Creation of the efficient internal audit function.

Corporate governance:

- Improving the system to manage sustainable development, corporate social responsibility and environmental protection.
- Improving the corporate risk management system.
- Increasing the efficiency of investor relations and upgrading the credit rating.
- Preparation of annual reports and sustainable development reports.

Selected projects:

 Avangard-Agro IFRS audit 2012–2016	 Major Russian agricultural holding company IFRS audit 2012–2016	 Agro-Gard IFRS audit 2012–2015	 AgroKuban Resurs IFRS audit 2007–2015
 Aston IFRS audit 2007–2016	 Charoen Pokphand Foods IFRS audit 2007–2016	 Belaya Ptica IFRS audit 2015–2016	 AFG National Agro Holding IFRS audit 2014–2015





Tax consulting









Thanks to the existing tax planning capabilities, KPMG renders services to its clients related to the development of business structures and strategies for minimizing tax expenses, including:

- Development and implementation of tax-effective contractual and operational structures (including in light of applying the 0% income tax and unified agricultural tax rate)
- Identification and assessment of tax risks (due diligence) of agricultural producers
- Development of a technical position in respect of disputable/non-statutory tax matters
- Tax inspection support, development of a defense position and representation of clients in tax disputes on pre-trial and trial phases
- Analysis and preparation of transfer pricing documentation

KPMG services include:

- Indirect taxation
- International taxation
- Tax and accounting support
- Tax dispute resolution
- M&A advice
- Transfer pricing
- HR management and taxation of individuals

Selected projects:

 <p>Syngenta</p> <p>Analysis for transfer pricing purposes and preparation of a reporting package</p>	 <p>Norebo Holding</p> <p>Analysis for transfer pricing purposes and preparation of a reporting package</p>	 <p>Aviagen</p> <p>Advice on tax matters, representation of clients in discussing disputable issues with tax authorities</p>	 <p>Major Russian agricultural holding company</p> <p>Analysis for transfer pricing purposes and preparation of a reporting package</p>
 <p>Charoen Pokphand Foods</p> <p>Restoration of bookkeeping and tax accounting, verification of accuracy of assessing tax liabilities, development of RAS and tax accounting policies, assistance in configuring the SAP system</p>	 <p>AFK Sistema</p> <p>Tax due diligence of more than 20 agricultural producers, drafting tax guarantees in respect of transactions</p>	 <p>Major Russian agricultural holding company</p> <p>Client representation in a dispute with tax authorities</p>	 <p>Major Russian agricultural holding company</p> <p>Advice on transfer pricing issues, preparation of documents and drafting notices</p>





Legal services









KPMG experience in implementing agricultural projects allows increasing the efficiency of business management, mitigating any risks related to acquisition of assets and applying legally appropriate methods for investor protection. Our legal experience includes:

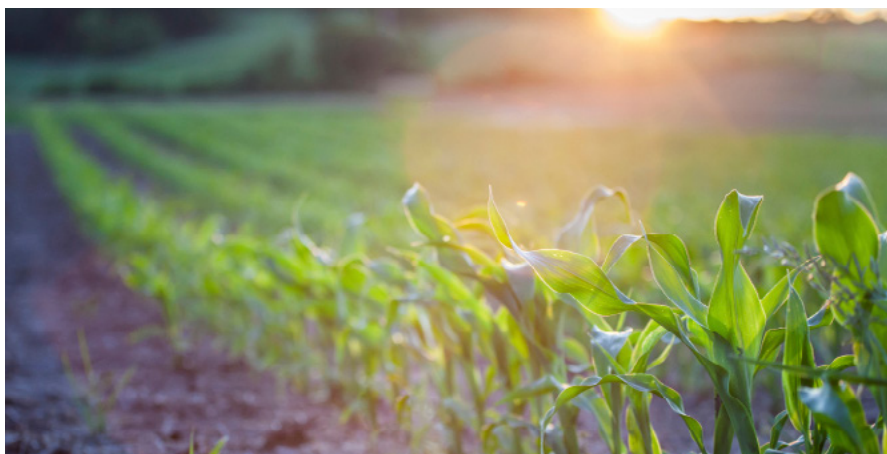
- Analyzing a legal status of over 450 thousand hectares of agricultural land (including issues of privatization, land allocation according to individual shares, re-classification of agricultural land, lease, etc.)
- Drafting sale and purchase agreements in respect of shares of agricultural producers subject to the nature of the business (preparing a list of warranties and conditions precedent for avoiding legal risks identified in respect of agricultural land, calculating the purchase price of an asset subject to agricultural production parameters and confirmed land bank)
- Developing the corporate governance structure of a major agricultural holding company

KPMG services include:

- Due diligence of assets
- Full legal support of transactions both locally and globally (acquisition of companies and assets, JV establishment, disposal of non-core assets)
- Legal support of business restructurings
- Development and assistance in implementing efficient corporate governance schemes
- Representation in disputes

Selected projects:

 <p>AFK Sistema</p> <p>Legal due diligence and advice as of conditions of transactions for acquiring 18 agricultural companies</p>	 <p>AFK Sistema</p> <p>Full transactional support in acquiring an agricultural group, legal support of closing, verification of fulfillment of conditions precedent</p>	 <p>AFK Sistema</p> <p>Preparation of employment agreements with the management of agricultural companies based on remuneration linked to agricultural production performance</p>	 <p>Russkaya zemlya (Russian land)</p> <p>Due diligence and drafting transaction all documents for acquiring an agricultural producer</p>
 <p>AgroTerra</p> <p>Legal structuring of a group of companies engaged in agricultural production, analysis and structuring of operational activities and corporate governance</p>	 <p>KrasnodarAgro (Steppe Group)</p> <p>Legal services</p> <p>Drafting a scheme for acquisition of agricultural land</p>	 <p>Private investor</p> <p>Transactional support in acquiring an agroholding from the Bank of Moscow</p>	 <p>Investment fund</p> <p>Legal due diligence of the Mistral group</p>





Deal Advisory

The corporate finance department of KPMG in Russia and the CIS units over 80 professionals. It is accredited by the global corporate finance department of KPMG, which confirms our extensive experience in closing transactions.

Support of other KPMG offices makes it possible for us to advise our clients on corporate deals all over the world. The global KPMG practice unites more than 2,700 professionals in 50 countries around the world.

We help companies that suffer financial problems, their investors, lenders and other interested parties in developing and implementing efficient and realistic plans of debt restructuring, key management decision-making, finance raising, etc.



KPMG services include:

- Assistance in raising finance
- Assistance in management decision-making
- Entry into new markets / vertical integration
- Optimization and increasing the efficiency of the operating business
- Transaction services
- Debt restructuring services
- Business restructuring services

Selected projects:

KPMG

International investor

Financial, legal and tax due diligence of one of the leading Russian rice manufacturers

KPMG

Major Russian agricultural holding company

Legal structuring of a group of companies engaged in agricultural production, analysis and structuring of operational activities

KPMG

AFK Sistema

Financial, legal and tax due diligence of several agricultural companies, legal support of acquisitions

KPMG

Major Russian agricultural holding company

Development of the efficient operational and management structure

KPMG

Major Russian agricultural holding company

Verification and confirmation of valuation results in respect of fixed assets and biological assets of agricultural companies

KPMG

Major Russian agricultural holding company

Verification and confirmation of impairment test results for IFRS reporting purposes

KPMG

Major Russian agricultural holding company

Verification and confirmation of impairment test results for IFRS reporting purposes

KPMG

Major Russian agricultural holding company

Valuation of a share in the charter capital for IFRS investment accounting purposes





Advice on fraud and corruption risk management issues

Fraud and corruption risk management should be smoothly incorporated into the corporate culture. However, the business environment in Russia and the CIS is complex, and management standards do not get sufficient attention.

Mature corporate governance implies much more than just risk management. It also encompasses the creation of clear control systems to prevent fraudulent or corruption practices as well as compliance with the effective laws and regulations – all these factors are advantageous for companies, as the management may have the most complete information possible on the actual state of affairs and respond to potential threats on a timely basis.

KPMG services include:

- Analysis and building up a fraud and corruption risk management system
- Investigation of cases of fraud (grain elevator fraud)
- RADAR and social media analysis
- Assistance in dispute resolution in legal proceedings
- Intellectual data analysis

Selected projects:

 <p>Major agroindustrial complex</p> <p>Guidance on optimizing the fraud risk management system for a production process</p>	 <p>Major agroindustrial complex</p> <p>Analysis of the fraud risk management system for raw material flow and storage processes</p>	 <p>Major agroindustrial complex</p> <p>Analyzing the process of storing and using phytosanitary products to identify areas of high fraud risks</p>	 <p>Major foreign agricultural holding company</p> <p>Investigation of embezzlement of agricultural products by subsidiaries</p>
 <p>Investment fund (investing in agricultural assets)</p> <p>Analysis of accounting information and title documents for land plots to identify fraud indicators</p>	 <p>Major international agricultural holding company</p> <p>Analysis of potential deployment of production facilities in Russia</p>	 <p>Agroindustrial company</p> <p>Analysis of procurements and grain production processes</p>	 <p>Agricultural holding company</p> <p>Internal audit of purchases from major suppliers</p>





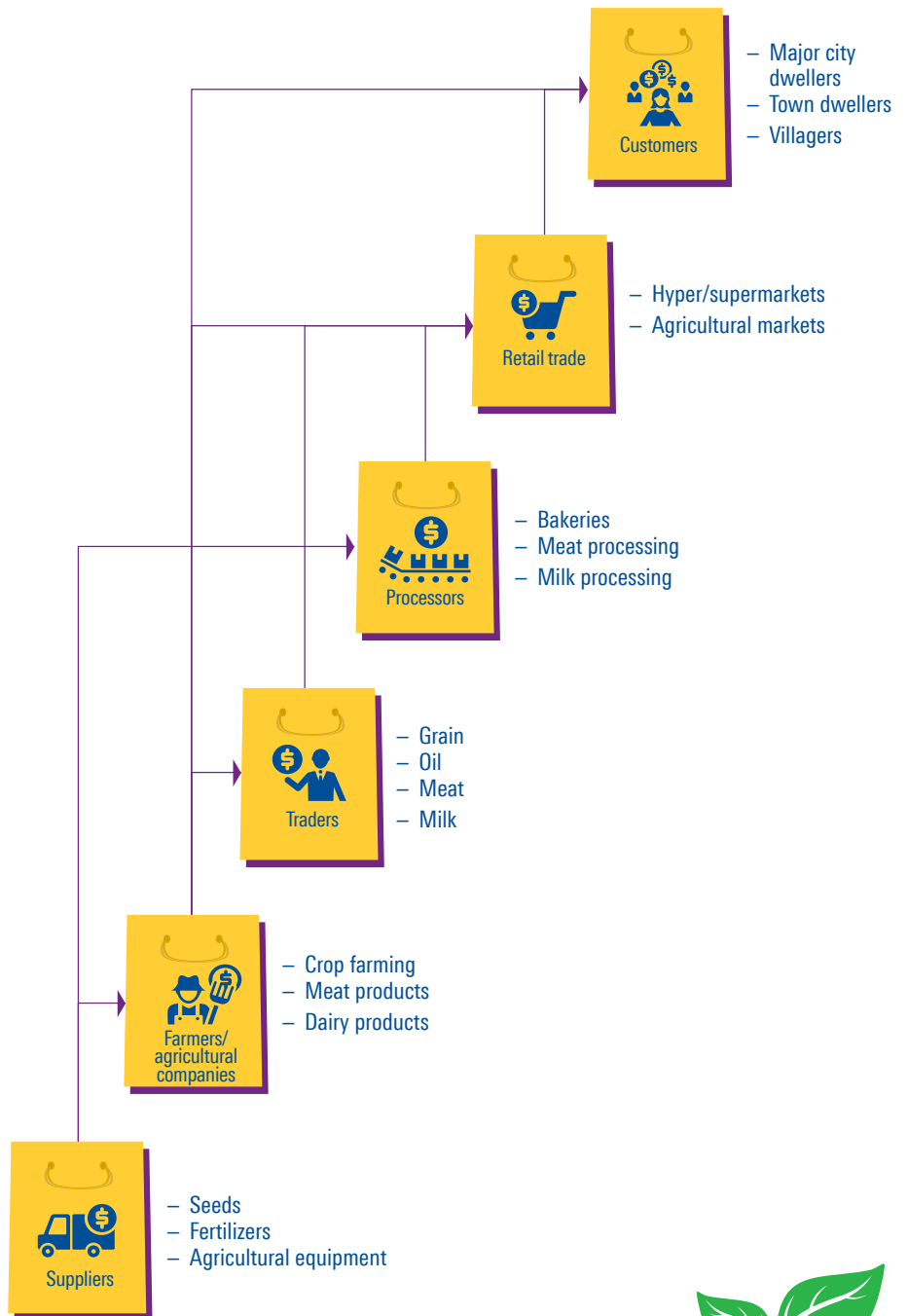
Management consulting

We view agribusiness in terms of a value creation chain. This approach helps identifying interrelations and finding the right solutions for vertically-integrated and multi-profile holding companies. In today's Russia mono-production is a rarity. Agricultural production is often linked to one or even several of the following sectors: trading, logistics/infrastructure, retail, financial services.

Our experience helps us considering industry-related specifics of each client's segment and combining conflicting interests of separate lines of business.



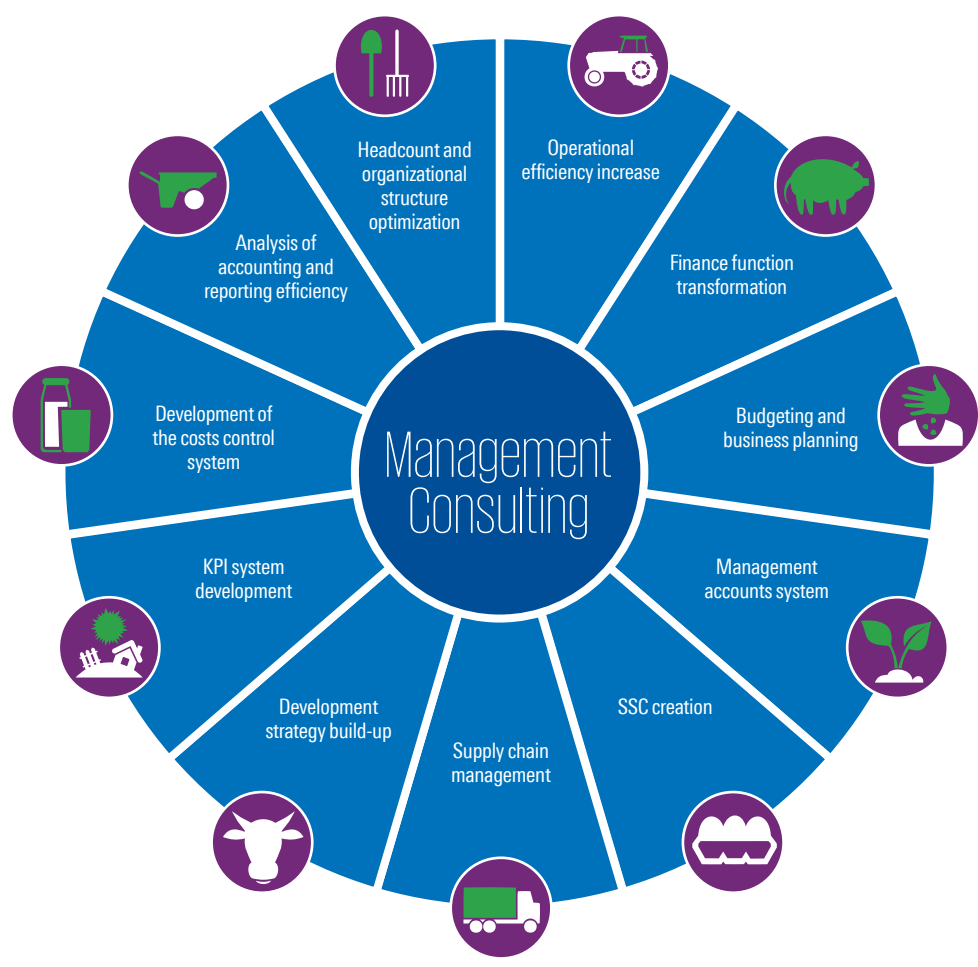
Value creation chain in the agricultural sector



The value creation chain in the agricultural sector covers various businesses, ranging from suppliers of fertilizers and agricultural equipment to retailers that should be able to meet numerous needs of consumers in the long term.



KPMG renders a vast range of services that are highly demanded by our clients and have a common purpose of increasing the business value and assisting shareholders and top managers in dealing with their key challenges.

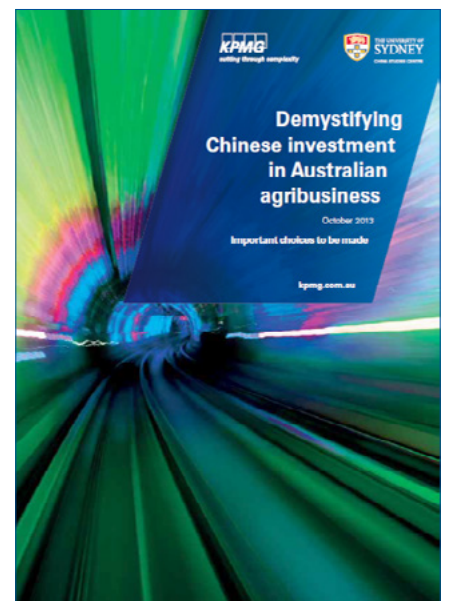
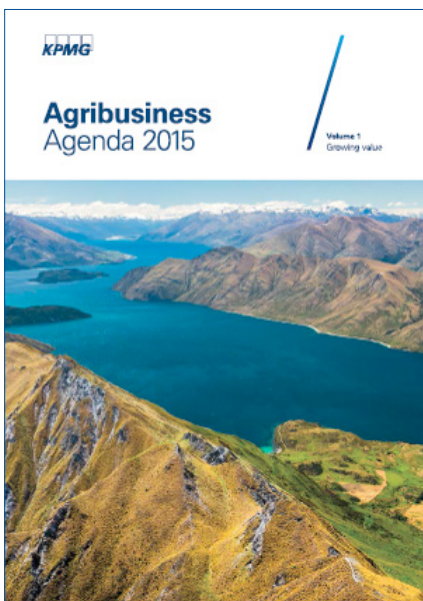
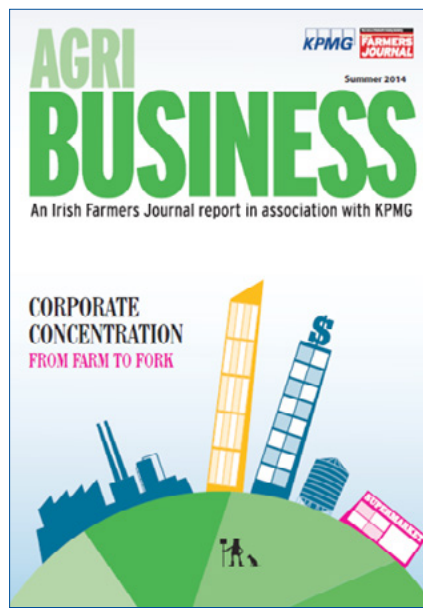


Selected projects:

<p>KPMG</p> <p>Major Russian agricultural holding company</p> <p>Development of the efficient operational and management structure</p>	<p>KPMG</p> <p>Major Russian agroindustrial holding company</p> <p>Setting up an integrated service center</p>	<p>KPMG</p> <p>Major Russian dairy manufacturer</p> <p>Development of the efficient operational, holding and management structure</p>	<p>KPMG</p> <p>Leading Russian financial institution</p> <p>Procurement optimization</p>
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KPMG publications



Global agriculture page on KPMG's website:

<https://portal.ema.kworld.kpmg.com/Adv/GM/Pages/SubSectors/Agribusiness.aspx>

Corporate social responsibility



As one of global leaders, KPMG is actively engaged in social responsibility activities.

Projects that we are proud of:

- Support of programs launched by 18 socially-oriented service, institutional and environmental non-profit organizations.
- **“Children in Hospitals” project.** In collaboration with federal clinics, we repair playrooms and organize art therapy workshops for little patients.
- **“People, not Things” project.** In partnership with the best service non-profit organizations, we propose that our employees make social investments into the development of professional services for vulnerable children.
- **Donor’s Days at KPMG.** About 1,000 employees annually give blood for treatment of little patients from federal Moscow clinics.
- **“Confident Start” project.** Development of early intervention services in Russian regions.
- **KPMG school for non-profit organizations.** Professional development workshops and advice offered by the leading KPMG experts for non-profit organizations.
- **Green initiatives.** Enhancement of responsible environmental conduct among our employees (visits to animal shelters, Eco Lectures and other internal projects).



Corporate social responsibility at KPMG is the very corporate value that largely determines our corporate culture. We follow principles of ethical conduct in our day-to-day work and recognize that business issues may be handled most efficiently only if everyone is involved and committed. Every time I pay a visit to a children’s hospital or a center for children with development disorders, sit on a jury of a contest of student projects or make decisions on KPMG environmental initiatives, I feel pride in our company and our people. At the same time, I understand that there is still so much to do.

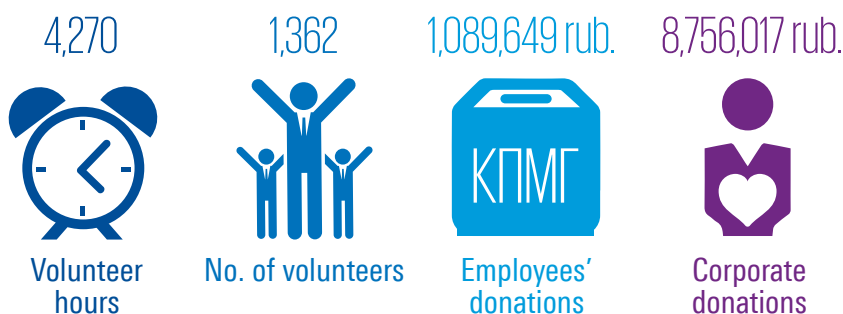
Oleg Goshchansky
Chairman and Managing Partner,
KPMG in Russia and the CIS



KPMG support provides 100 professionals of the Center for Curative Pedagogics - special-needs experts, speech therapists, psychologists, lawyers, experts in musical, physical and alternative therapy - with an opportunity to efficiently use their knowledge and experience. Thanks to their efforts, each year 1,300 handicapped children have a real chance to get prepared for school education and vocational training, find jobs and live decent lives. Such support means a chance for them to run a different life that is worth living.

Anna Bitova
President,
Center for Curative Pedagogics

Our figures*



* data for Russia for the 2015 financial year

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