



cutting through complexity™









KPMG in Romania and Moldova

Unstoppable

kpmg.ro



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Unstoppable

SERBAN TOADER, SENIOR PARTNER, KPMG IN ROMANIA AND MOLDOVA



Serban Toader
Senior Partner

The majestic sight of two powerful horses at full gallop may seem unstoppable. But what is more important is controlling them. Just as it is important to be in control of your business. In the following pages, we describe how we can bring our Audit, Tax and Advisory services and people to help you be in control, and more importantly, stay in control.

This is the second edition of our booklet about KPMG in Romania. Has much changed in the world since the 2009 edition was conceived? The answer is “Yes, a lot”; and “No, some things never change.” The “Yes” is evident as we look around and see businesses (those that have survived) re-inventing themselves in the post crisis world. The “No” is that business continues to be about people and money.

KPMG’s Development

And what about KPMG - have we changed? We have developed innovative new services that you will read about in the following pages.

Assurance services that go beyond conventional financial audit; Tax projects that help enhance your fiscal situation; Advisory and Management Consulting teams that will help you restructure both financially and operationally.

Whichever service you receive, it will be delivered by a KPMG person who is a product of our High Performance Culture. We place people at the heart of our organisation. We constantly seek new ways to develop talent so we can deliver outstanding service, meet new demands from clients and exceed their expectations.

The marketplace that our clients operate in is complex. Whatever your business and however successful you are, there will always be someone wanting you to do it differently - a supplier, an investor, a ministry, a customer, a bidder, a competitor. And several of these may be telling you at the same time how to run your business.

Cutting through complexity – Our Mission

We know this and have given ourselves a focus of Cutting Through Complexity in the business world. Experience shows that the good adviser does not get distracted by the fog of false or confused thinking. Sometimes you need to be brave to point out the real root cause of a problem. The past years have seen many businesses in denial about their problems. But we have that courage based on our skills, experience, and our integrity.

Corporate Social Responsibility

Speaking about integrity, even though times have been hard, we have not cut back on our Corporate Social Responsibility (CSR) programme. You will find details of our modest successes in the booklet. All of our CSR efforts come from the actions and out of the wallets of the partners and staff in Romania. I am truly proud of them all.

Why KPMG?

In conclusion, through Innovation, a High Performance Culture, Integrity and a mission of “Cutting Through Complexity”, KPMG in Romania is ready for what we face in today’s and tomorrow’s world. And that means we are ready to help you. Please read on in the booklet.

As I said in the first edition of this booklet, and repeat here, I invite you to meet us. A written document only has two dimensions. We have more - we are real people. Contact me by phone on +40 (372) 377 800 or by e-mail at stoader@kpmg.com. Or any of the Partners or Directors who coordinate (and a lot more) that you will find on our website www.kpmg.ro.

'In 2012 KPMG marks 18 years of operations in Romania. These may be difficult times for business throughout the world - but when I look back I am reminded that we have survived tough economic times in the past also. Looking at the 18 years as a whole, we have experienced significant growth. In 18 years time, I am sure that will have made even more progress and will have helped many more companies and organisations to do business in Romania. The country has the resources to do this, and we in KPMG will work hard to help achieve this success.'

*Serban Toader, Senior Partner
KPMG in Romania and Moldova*

Who we are

KPMG in Romania offers Audit, Tax and Advisory services to a large range of organisations from the private and public sectors. We assist firms and organisations in meeting their compliance requirements and help them, for example, to develop, restructure and access financing, adding value to our clients' business. We have specialised staff with many different skills and backgrounds, and we are flexible – we adapt our services and develop new ones to meet the needs of clients as market conditions change.

KPMG was the first network of professional services firms to align its services along industry lines and focuses on delivering high-quality, coordinated services to organisations in key lines of business. Companies in different industries can have very different needs - that is why KPMG member firms place an emphasis on industry focus.

KPMG in Romania is a member firm within the global KPMG network, which has offices in 152 countries and nearly 145,000 staff worldwide. So we combine detailed local knowledge with the international skills and experience we can draw on from other KPMG firms.

KPMG in Romania opened its first office in 1994 and now employs more than 600 people, including both local and expatriate staff, in Bucharest, Timisoara, Cluj, Iasi and Constanta. KPMG in Moldova opened in 1997 in Chisinau. Both are member firms of KPMG International, a Swiss entity.

The wider community

Everyone at KPMG has the opportunity to realize both professional and personal benefits by participating in corporate social responsibility activities. To achieve this, KPMG firms have partnered with numerous International Development Agencies and Non-Governmental Organizations to pioneer a model of professional cooperation.

Win-green situation

KPMG is committed to integrating environmental best practice into all of our business activities. We take our environmental responsibility seriously, and, through a program of continuous improvement throughout all of our operations, we are working hard to reduce our impact on the environment.

KPMG in Romania considers itself a responsible company and has implemented an Environmental Policy starting 2008. One of our recent achievements in this area is the ISO 14001 certification obtained in 2009 demonstrating that KPMG in Romania meets the requirements for an Environmental Management System (EMS).

And we didn't stop here. To find out more about our actions, including volunteering, tree planting, donations, education and much more, please visit our website www.kpmg.ro.



Daniela Nemoianu
Executive Partner



Razvan Mihai
Executive Partner

Audit and Assurance

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KPMG has established a strong reputation for delivering a wide range of audit services at very high standards. We can tailor our services to meet clients' needs, and have know-how in both Romanian and International reporting standards.

Aura Giurcaneanu
Head of Audit and Assurance

Do you have the confidence you need in the quality of your financial statements when making key decisions?

KPMG can help.

Financial Statement Audit

A KPMG Audit provides both independent assurance and insight that goes beyond the audit opinion. It is challenging in its objectivity and supportive through its identification of emerging risks.

I have an Audit – What is Assurance?

Assurance gives opinions and insight on topics that directly impact the ability of business leaders to manage their risks and uncertainty. What has the crisis taught the business community about the need for assurance? If the crisis has taught us anything it is that there remains a pressing need for more, not less, assurance. The financial statement audit provides invaluable business insight into the state of clients' businesses. But increasingly, business leaders need and can benefit from assurance that goes beyond the traditional external audit. As auditors we can apply the same skills, rigour and robust challenges to many areas of your business which can be quantified and measured. Too much narrow focus on the financial statements, which by their nature can only look to the past, is no longer sufficient. Let's move forward.



Aura Giurcaneanu
Head of Audit and Assurance

Give me an example

One of our audit clients was completing an acquisition with no working capital adjustment. Accordingly the transaction risk was focused on the level of working capital acquired, recorded within the transaction balance sheet. The client required KPMG to complete audit-style testing as follows: review of supplier statement reconciliations for key supplier accounts, comparison of the Target stock provisioning basis to that of the acquirer's group policies, review of ageing of the debtors ledger and collectability of receivables.

And another example

Another client experienced various control failures and process breakdowns in financial reporting processes and key operational processes affecting critical business operations. Further, the client wanted the controls to be appropriately built into processes which were being redesigned as a result of new billing

systems being implemented. KPMG worked closely with the company's controlling team and key stakeholders to document effective risk and control frameworks over the processes involved. This involved an analysis of the critical processes to understand key operational and financial risks within the processes and to identify controls in place to mitigate these risks. Where applicable, control gaps were identified and we then helped management to mitigate these control gaps. The project included multidisciplinary teams from Assurance and Advisory.

Are Assurance reports the same?

The Assurance needs of clients, shareholders, suppliers, banks or public authorities are sometimes unique. Almost always they can benefit from our ability to draw upon the right mix of skills from our Advisory and Tax professionals.

Is it for me?

Yes, definitely. You may think you know what is happening in your business, but some assurance or even re-assurance will mean you will really know!

Our Audit and Assurance services include:

- Statutory audits
- Audits of financial statements prepared according to IFRS and other accounting standards
- Reviews of annual and quarterly financial statements
- Accountants reports for IPOs and listings
- Business combinations assurance
- Internal controls assurance
- Revenue assurance
- Future / forecasts assurance
- Regulatory & contractual assurance
- Ethics assurance
- Sustainability assurance
- Other assurance services specifically tailored to your circumstances

Audit and Assurance

Who's afraid of an IPO?

"The process cannot be started unless you know the underlying financial information is soundly compiled. Do not be distracted by the bright lights of IPO publicity – build your project on the firm foundations of financial statements that stand up to the scrutiny of experienced auditors." Aura Giurcaneanu – Head of Audit and Assurance, KPMG Romania.

Many business leaders have the goal of growing their business to a size and profitability that will allow them to "go public," meaning to be listed on the stock market. The process of doing this is known as making an IPO (Initial Public Offering).

Getting to the IPO destination – and knowing what lies beyond – can seem complicated and time consuming. There are no shortcuts to success.

Is mine the right company for an IPO?

There are no set rules for those companies that do or do not qualify for an IPO. However, generally speaking, issuers (these are the companies which decided to go public and issue shares) must possess certain prerequisites.

IPO fitness test: key diagnostic questions

Will we attract investors?

- Can we prepare an attractive equity story with supporting evidence?
- Do we have clear and credible growth opportunities?
- Do we have well-defined KPIs (Key Performance Indicators)?

Will we meet the requirements?

- Is there an appropriate tax structure?
- Are we ready for the due diligence challenge?
- Do we have a robust, stand-alone financial track record produced under IFRS or equivalent standards?

Can we produce high-quality financial information on a timely basis?

- Are we able to comply with the rules for ongoing disclosure and transparency?
- Can we produce accurate and comprehensive information for the board?
- Are we ready for the additional scrutiny from a new set of stakeholders?

How do we measure up on corporate governance?

- Do we have robust systems and internal controls?
- Are our risk management processes sufficient?
- Have we thought about corporate social responsibility?
- Is there an alignment of staff remuneration to performance?
- Is there clear and timely communication with key stakeholders?
- Can we establish an appropriate board structure?



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Do not be distracted by the bright lights of IPO publicity – build your project on firm foundations.

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What are the benefits of an IPO?

Obviously, the main strategy for going public is to raise new money and to use that cash for expanding your business.

Are there any drawbacks?

Not for the forward looking business leader who embraces the modern concepts of good corporate governance. You will have to resist taking a short-term view geared to satisfying shareholders' immediate needs for good results!

How much time is needed for an IPO?

For the preparatory stage leading up to the IPO, you will need to plan in advance. Remember that you will need three years of audited statements. As far as the IPO itself is concerned, we are roughly talking at least six months.

Do I need advisers?

Certainly you do. You are entering the capital markets, so are likely to need a broker, lawyer, accountant, tax adviser, investment bank, or an investor relations company. It depends on which market you are entering and how complex the share issue is. Some advisers can combine the roles. Do not be discouraged – see it as the opportunity to meet, work with, and learn from the leaders in this area.

Should you go for an IPO?

You have to do what you have to do. This is why you are a business leader!

KPMG in Romania Audit Partners, from left to right: John Lane, Razvan Mihai, Serban Toader, Aura Giurcaneanu, Richard Perrin, Cezar Furtuna, Andreea Manole, Mikael Olsson, Raluca Soare, Bill Bowman (counselor), Ori Efraim.

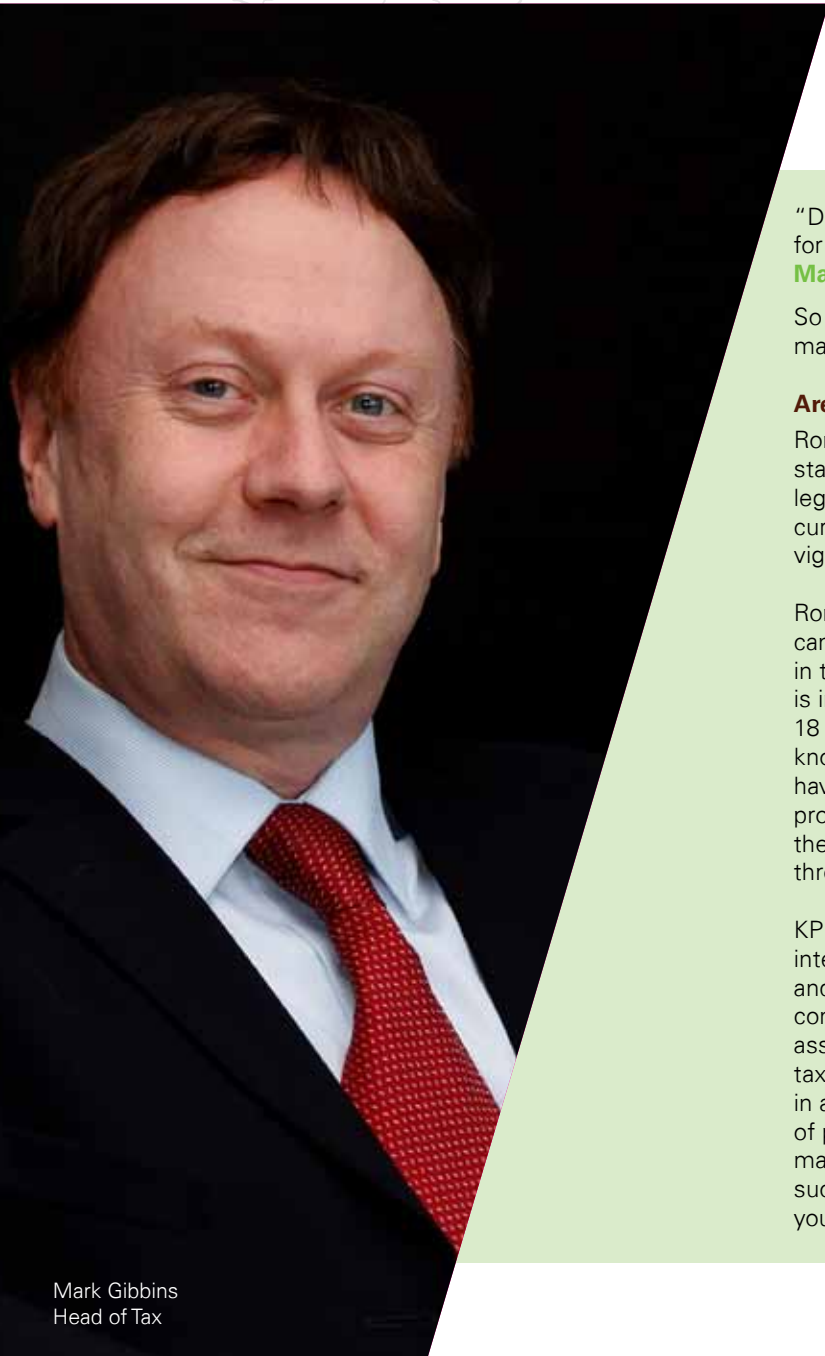


Tax

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KPMG’s tax services help clients to deal with the often complex Romanian taxation system. We help businesses to comply with legal requirements as well as advising on opportunities for them to reduce their tax burden.

Mark Gibbins, Head of Tax



Mark Gibbins
Head of Tax

“Death, taxes and childbirth! There’s never any convenient time for any of them.”

Margaret Mitchell, author of *Gone with the Wind*

So it may be, but two out of these three can be made more manageable - and KPMG can help with your tax issues.

Are your tax liabilities and opportunities properly managed?

Romania’s tax legislation has been especially volatile since the start of the recession, with tax increases and amendments to legislation often being introduced at very short notice. In the current economic climate, the authorities are also particularly vigilant about protecting budget revenue.

Romania’s tax law also remains complicated, and enforcement can often be unpredictable. So businesses need to stay closely in touch not only with tax law itself but also with the way it is interpreted. KPMG in Romania has been established for 18 years. During this time we have developed a significant knowledge base, and experience of the Romanian market. We have assisted clients from a wide range of sectors. We aim to provide value to our clients by drawing on our understanding of the Romanian market, as well as our global knowledge base, through colleagues in the KPMG network.

KPMG in Romania provides assistance with domestic and international tax, so we work both with Romanian companies and with multinationals. We help companies and organisations comply with their legal requirements, and we give tax assistance in relation to day to day activities. We also assist with tax planning, helping our clients to structure their businesses in an efficient way from a tax point of view, and take advantage of potential tax savings where possible. We have helped many companies, both Romanian and foreign, to do business successfully in Romania. We look forward to doing the same for your organisation.

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We identified further opportunities for the company to make tax savings in relation to damaged goods.

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Helping a major supermarket chain to avoid overpayment of tax

The issue

A major supermarket chain was paying more tax than it was required to, because it was not taking advantage of opportunities to receive credits against VAT and corporate tax for perishable products which could not be sold. The supermarket's management had found that the VAT and corporate tax rules in relation to unsold perishable products were so complicated that claiming the deductibility they were entitled to would involve much time and resources that were not available to them.

The solution

However, the company hired KPMG in Romania's VAT and Corporate Tax specialists to analyse the situation. Using their detailed knowledge of the deductibility rules, they advised the company on how these could be implemented into the supermarket's computer and management information systems. We also explained how to obtain reimbursement for overpaid tax going back five years. Although the process of applying for tax

refunds is complex, we were successful in obtaining VAT and corporate tax credits to be offset against future liabilities. The company was doubly pleased in that the KPMG team had not only helped them reduce their tax burden going forward, but also to claim overpaid tax from the past.

However, this was not the end. We identified further opportunities for the company to make tax savings in relation to damaged goods, on which it was paying profit tax and VAT, even though some of these goods were tax deductible. We provided the company with a manual detailing the procedures they need to follow to claim deductibility on these items.

The message

The key outcome for the client was to help it reduce costs in a market that is highly competitive. Tax is a cost like any other. It has to be managed. KPMG can help manage your tax situation.

From left to right: Madalina Racovitan (Partner), Nicolae Done (Senior Tax Partner), Ramona Jurubita (Partner)



“ Romania’s tax legislation has been especially volatile since the start of the recession, with tax increases and amendments to legislation often being introduced at very short notice.

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Helping a major automotive company deal with international assignments

One of our clients, a major automotive company with international operations, had a significant number of international assignees, including employees of the Romanian subsidiary who were sent to work for both short-term and long-term periods in various locations within the EU. Since the Romanian employees remained locally employed, the Romanian employer had to make monthly payments of personal income tax and social security contributions to the Romanian authorities, while at the same time, personal income tax - and potential social security obligations arose in the host countries. So the client’s employees were facing double taxation and potential social contributions both in Romania and in the host countries.

What we did

KPMG’s International Executive Services (IES) team helped the client to solve the social security issue by applying for certificates of coverage attesting that, during the employees’ secondment, Romanian social security law was applicable to them. Consequently, under EU social security regulations, no social contributions were due in the host country, and so a potential cost was eliminated for the company while the employees continued to remain covered under the Romanian social security system.

The tax areas we cover include:

- Corporate Taxation
- Indirect Taxation
- International Taxation
- Investment Incentives
- Financing of Investments
- Expatriate Tax Advice
- Withholding Taxation
- Global Income Taxation
- Transfer Pricing
- Assistance during tax investigations performed by fiscal authorities
- Tax Disputes
- Tax Compliance Support
- Taxation of Leasing Operations
- Real Estate
- Forensic Tax Investigations
- Foreign Currency Regulation
- Local Taxes

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Through tailored, well-tested strategies, KPMG's Tax practice can help reduce a client's overall tax expense.

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We dealt with the income tax problem, in spite of the lack of clear procedural steps in the legislation at that time.

Specifically we helped to obtain the approval of the Romanian tax authorities for foreign tax credits for some employees in respect of tax paid in the host countries, which effectively means a refund of Romanian personal income tax. For other employees, we thought creatively and identified alternative ways to eliminate double taxation during the course of the tax year. This immediately translated into improved cash flow for the company and its employees.

The result

Overall, KPMG's assistance and innovative approach saved the company significant amounts in personal income tax and social contributions as well as improving its cash flow due to avoidance of double taxation.

KPMG in Romania Tax Partners, from left to right:
Niculae Done, Ramona Jurubita, Madalina Racovitan, Mark Gibbins.



Advisory

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We consider that any business, no matter how complex it is or which industry it is from, is confronted with three major challenges: growth, governance and performance.

Serban Toader

Are you looking for advisors who can see beyond their specialism and provide a wide range of options to help your business? They are here!

Business is tough. There is a minefield of regulations to tackle; constant cost pressures and increased competition from both home and abroad to consider – as well as your organisation's own growth agenda and global crisis challenges. Being flexible, dynamic and ready to respond are modern-day conditions of business success.

At KPMG, we have invested years into helping organisations cope in the bad times, succeed in the good times and do what they need to do (and more) the rest of the time.

When we visit businesses, we are not just looking at isolated issues but at the whole picture to see how we can deliver the best all-round growth, governance and performance strategies. We want our clients to be successful which is why we work hard at getting the chemistry right and giving you objective advice to help, preserve and enhance the value in your business.

Known for tackling difficult challenges – no matter where in the world they arise – KPMG's Advisory Services combine technical, business and market skills with an appetite for delivering workable strategies. And because we really care about our clients' success, you will find that our relationship with you is not a one-off but something that endures. You will find that KPMG's Advisory Services offer a fresh perspective on traditional issues as well as a dynamic and innovative take on some of the new challenges that today's globalised economy presents.

'We consider that any business, no matter how complex it is or which industry it is from, is confronted with three major challenges: growth, governance and performance.

Our talent pool of qualified specialists has always been our great strength. Now, we have taken that professionalism and added to it a more multi-dimensional focus. Instead of just being skilled in one discipline, we have encouraged our people to cross into other functions to bring a more rounded and commercial approach to every assignment. We have achieved this by interlinking our service lines.


Nothing is considered in isolation but in terms of how it will promote overall corporate wellbeing. For clients, this means that KPMG staff tell the whole story, not an abridged version. They take time to really understand your business and are "plugged" into the issues that make it tick.'

Serban Toader

Serban Toader
Senior Partner,
Head of Advisory

A portrait of Aurelia Costache, a woman with dark hair, wearing a red blazer, looking directly at the camera.

Aurelia Costache
Advisory Partner

A portrait of Dinu Bumbacea, a man with a shaved head, wearing a dark suit and tie, looking directly at the camera.

Dinu Bumbacea
Advisory Partner

Management Consulting Services

Both the structure and needs of the Romanian business environment have dramatically changed in the last few years in the new economic context, driving the need for more customer-focused approaches both for existing as well as potential new customers in several sectors.

Our Management Consulting Services include:

IT Advisory services

- Governance and Performance
- Security, Privacy and Continuity
- ERP Advisory
- IT Project Advisory
- Regulatory Compliance Reviews
- Business Intelligence and Data Management

Business Performance Services

- Financial and cost management
- Sourcing strategies and implementation (Shared Services Centres, BPOs, Call Centres, etc.)
- Strategic company diagnostics covering a wide area of company operations (finance, operation, marketing, sales, IT, HR, etc.) to identify key improvement opportunities
- Implementation of major change programmes including process and organisational design
- Business strategies

People and Change Advisory

- Organisational Development
- Performance Management
- HR Transformation
- Personnel Search & Selection
- Training & Coaching
- Talent Development
- Labour Regulatory

EU Advisory & Public Sector

- EU and public projects development
- Strengthening of management capacity of the public sector
- Processes and performance enhancement in the public sector
- Drafting feasibility studies, business plans, master plans and development strategies
- Preparation and review of application files for EU funds and/or state aid
- Financial and project management
- Public procurement
- Business process re-engineering in the public sector



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Being flexible, dynamic and ready to respond are modern-day conditions of business success.

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Creating value by improving Business Performance in a highly competitive marketplace

Advising a major company on reorganisation to improve performance

As part of the continual alignment of its strategy to the evolving marketplace a local market leading company, part of a pan-European operation, engaged KPMG as advisers for a very complex organization redesign project aimed at streamlining their operations and improving their performance. KPMG assisted the client by:

- Redesigning its sales force allocation to specific segments;
- Redesign of the sales approach best suited for each customer segment, for example to improve operational efficiency and sales force performance;
- Clean-up of internal data on existing customers and build-up of a single view of a customer;
- Implementation of business support systems (Sales Force Automation).

Approach

We responded with a multi-disciplinary approach that drew heavily on our firm's ability to work closely together and combine functions and skills. Some of the key ingredients in our project approach were as follows:

- Extensive programme management - to manage various stakeholders' expectations, manage the change and as such make the project a success;
- Knowledge of several market/customer segmentation models allowed us to propose the one that best fitted the company's level of maturity and information availability/ quality in internal IT systems;
- Evaluation of operational processes - we screened the Company's sales processes to identify potential savings and ways in which the processes could be improved;
- Development of several scenarios and corresponding business cases for possible market approaches and geographical distributions;
- Helping the company actually to implement all changes to the end.

A challenging role for the KPMG team

Each member of the team took responsibility for specific parts of the project - preparing workshops, comparing client processes with industry best practice in the area they were focusing on and working with the client management and execution teams to help improve the sales processes. Professionals on the team performed different analyses of internal customer databases, costs and headcount, for instance providing breakdowns for different regions and countries or by process and sub-process.

The main challenges of the project were professionally managed by the team:

- Managing multiple stakeholders throughout the project that sometimes had diverging vision;
- Managing cross-functional teams and facilitating communication between departments;
- Assisting the Company implement the changes until the end of the project.

Result

KPMG helped the company to achieve savings, reducing sales and administrative costs and improving processes at the same time. We also helped simplify its complex organisational structure, significantly reducing the number of employees required to perform both portfolio management and to attract new clients.

KPMG in Romania Advisory Partners, from left to right: Aurelia Costache, Richard Perrin, Speranta Munteanu, Serban Toader, Razvan Mihai, Daniela Nemoianu, Daniela Buhus, Dinu Bumbacea.



Risk Consulting Services



Richard Perrin
Head of Markets

Tougher expectations by regulators and other stakeholders mean that corporates and financial institutions should demonstrate better discipline, control and responsibility. Failure to keep on top of and comply with existing and emerging regulation could jeopardize reputations and livelihoods.

Risk management is not the responsibility of a single department — it is the responsibility of everyone, from the chief executive down. Past corporate failings have been attributed to lack of accountability, strategy and transparency.

Financial risks have probably never been more acute. Capital reserves, credit portfolios, investment policies and capital and debt profiles all demand constant scrutiny to adequately manage and mitigate risk.

Companies should also be vigilant about risks presented by suppliers. A partner who defaults on a contract, or whose business collapses, can have serious financial and reputational ramifications for connected parties.

Fraud risks can also increase when cash is tight. Some employees become more opportunistic — and external hackers more resourceful.

At the same time, many companies are more likely to pursue litigation for losses that they would otherwise endure in more prosperous times. Disputes arise as they seek to apportion blame to other parties for inappropriate or negligent behavior that results in financial or business loss.

With all these demands, internal audit is in many companies often elevated from pure compliance to a function that regularly reviews the risk profile for emerging risks and identifies trends as it keeps its finger on the pulse of business performance. The chief risk officer, meanwhile, becomes increasingly involved in strategic decision-making where the emphasis is as much on risk as it is on growth.

Fortify your business. KPMG's professionals provide the experience to help companies stay on track and deal with risks that could unhinge their business survival.

We assist companies to develop their businesses with the following Risk Consulting services:

- Accounting Advisory services
- Financial risk management
- Forensic services
- Internal Audit
- Sustainability services

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Our legal team represents the new breed of business advisors who have emerged from local tradition combined with international standards.

Daniela Nemoianu

Legal Services



Daniela Nemoianu
Executive Partner

Nemoianu Attorneys at Law

In a world where integration and globalisation – of products, services, and technologies of all kinds – continue to rapidly transform businesses worldwide, we sometimes see lawyers as fiercely independent mavericks, operating exclusively within their own tight fields of expertise. But...

Our team represents the new breed of business advisors who have emerged from local tradition combined with international standards, the next generation of lawyers who live and work in today's changing world, promoting a radical innovative approach to legal services tailored to business challenges.

“We talk legal and walk business.” We view our legal services as part of a range of integrated business services which have been developed with one simple vision - to deliver clear commercial advantage to our clients. Where our clients so desire, we operate on a multi-disciplinary basis and put together sharp teams which are not based on the arbitrary dictates of traditional practice areas, but focused on the client's current needs and long-term goals, as understanding industry specifics is the key to joint success. We assist our clients by engineering intelligent, cost-efficient and practical solutions that are geared to sustainable business interests and explore any potential for leverage within risk-secured legal technicalities.

We feel the country's economic pulse and fully understand the challenges faced by anyone working in today's dynamic global business environment. At the same time, our synergies with KPMG make us part of one of the world's most extensive legal services networks – we provide co-ordinated professional services, relying on the added value of KPMG advisory resources specialized in performance & technology, risk & compliance, tax, and transactions & restructuring.

Sure we can help you – we look forward to working together

KPMG facilitates a successful and efficient formula of integrated services to its clients, including the legal advisory component, powered by Nemoianu Attorneys at Law, its correspondent Romanian law firm. Given the business synergies, the Law Firm provides a full range of legal services to KPMG clients and KPMG entities in Romania that are compatible with the role of a multi-disciplinary professional services firm, are allowable and customary services in the regulatory environment in which the Law Firm and KPMG operate, do not impair the independence principles and are consistent with the KPMG brand and standards.

Legal Practice Areas:

- Corporate & Commercial
- Banking, Finance & Insurance
- Mergers & Acquisitions, Private equity, Venture capital
- Public sector
- Employment
- Restructuring & Insolvency
- Real Estate
- Communications, Technology, E-Business
- Intellectual Property Rights
- Dispute Resolution
- Competition

Transactions & Restructuring Services



Speranta Munteanu
Head of Restructuring



Our ability to deal with complex judicial, tax and financial aspects of restructuring, and also to bridge the gap between various needs of the lender group and the client is highly appreciated by clients.

Speranta Munteanu

Restructuring – the significant rearrangement of a firm’s assets and/or liabilities is an art, not a science. An example...

Using insolvency procedures to turn around an independent leasing company. The current recession has been especially harmful for independent leasing companies, which have not been able to benefit from the direct support of either an affiliate financier or of the producer of the leased goods.

Faced with the reluctance of its underwriters (eight local banks) to provide new financing for leasing activities, the largest independent leasing company in Romania, our client, experienced an increasing rate of contract defaults. Even though the default rate was lower than that of the overall market, in the context of the 2009-2010 credit crunch, the company saw its portfolio deteriorating, without being able to restructure the loans financing these contracts or to attract new financing.

The company hired KPMG to review the market strategy and to assist them in negotiating a restructuring plan with the eight lenders.

Approach

Our job was to identify, together with the client and the main creditor, a restructuring solution to provide a business restart/reshuffling, which would accommodate the somewhat divergent interests of the leasing company’s stakeholders. Having the support of one of the main creditors, but no clear consensus among the financial lenders group, the company identified insolvency as the best alternative to achieve the desired restructuring.

As a result of various discussions with the management team and the supporting lenders, the restructuring scheme identified was to continue the toxic asset management activity on the existing platform/company and to transfer all the performing contracts on to a new, healthy entity, which would continue financial leasing activity, by creating a binomial Good - Bad Company.

Our job was to assist the client throughout the restructuring process, mainly by:

- Drafting a financial restructuring plan, containing financial projections for both the insolvent company (BadCo - asset management platform) and for the start-up company (GoodCo - leasing financial institution);
- Negotiating with all relevant creditors their participation in/support for the restructuring;
- Negotiating with the main creditor the level of new financing to be granted to both the BadCo (loans used to purchase and manage toxic assets on the market) and GoodCo (loans used to acquire good leasing portfolios on the market or to organically develop new portfolios);
- Monitoring the activity of the insolvent company, maintaining communication between the company and its lenders, as well as issuing monthly/quarterly reports;
- Assisting the client in identifying the judicial, tax and procedural implications of the business transfer from the insolvent company to GoodCo.

How the team worked

The consultant team was in charge of understanding the current status of the business, the main business drivers, structure of leasing portfolios, as well as the regulatory framework.

They worked closely with the client's staff and project manager in identifying a viable restructuring plan for the business and presenting financial projections and expected recovery rates for the lender group.

As formally appointed insolvency practitioner we had the role of developing the strategy for how to employ insolvency rules to the restructuring process, to plan the implementation and to supervise the activity of the Company as well as to report to the creditors and Court, accordingly.

Result

We have obtained the creditors' approval for the reorganization plan, which was approved in court in July 2011. The business transfer to GoodCo was achieved shortly after that. The client obtained the necessary new financing to develop an asset management platform in BadCo and to further expand the leasing portfolio of GoodCo. Moreover, there are currently signs of interest from private equity entities in investing in the business.

Our ability to deal with complex judicial, tax and financial aspects of the restructuring, and also to bridge the gap between various needs of the lender group and the client is highly appreciated by the client, which can, after a long stand-still period, look to develop its business and go to market.

We have built a strong relationship with the client and hope to enhance this further as we continue to assist with the insolvency procedure for the BadCo.

Our Transactions and Restructuring professionals have extensive experience in steering stressed and distressed businesses towards a stronger position. Our services include:

Corporate Finance

- Acquisitions
- Takeovers & Mergers
- Valuation services
- Debt advice and Securitization
- Divestments

Restructuring

- Turnaround planning and implementation
- Exit planning and implementation
- Debtor, creditor or court driven formal restructurings
- Financial restructuring
- Cash management
- Cost reduction

Transaction Services

- Financial tax due diligence
- Commercial due diligence
- Vendor due diligence
- Vendor assistance
- Sale and Purchase Agreement (SPA) assistance



Razvan Mihai
Executive Partner
Corporate Finance



Daniela Buhus
Partner, Transactions Services

Our Leadership and Partners

KPMG IN ROMANIA AND MOLDOVA

KPMG recognises the critical importance of good governance. Professional services organisations play a key role in the capital markets, and we believe this demands a high level of quality, integrity and transparency.

We also recognise the profound changes taking place in world economics, business, demographics, and politics. Accordingly, KPMG in Romania aims to go beyond its well established and successful governance structure to meet these new challenges.

From left to right

John Lane (johnlane@kpmg.com)
Technology, Media and Telecom

Bill Bowman (bbowman@kpmg.com)
Counselor, former Deputy Senior Partner

Speranta Munteanu (smunteanu@kpmg.com)
Real Estate, Financial Services

Mark Gibbins (mgibbins@kpmg.com)
Automotive, Real Estate

Andreea Manole (amanole@kpmg.com)
Automotive, Technology, Media and Telecom

Mikael Olsson (molsson1@kpmg.com)
Real Estate

Madalina Racovitan (mracovitan@kpmg.com)
Oil & Gas

Ori Efraim (oeefraim@kpmg.com)
Real Estate, China practice

Razvan Mihai (rmihai@kpmg.com)
Energy and Utilities

Serban Toader (stoader@kpmg.com)
Financial Services

Aura Giurcaneanu (agiurcaneanu@kpmg.com)
Major National Groups, Oil & Gas

Richard Perrin (rperrin@kpmg.com)
Retail and Consumer Goods

Raluca Soare (rsoare@kpmg.com)
Industrial Markets, Oil and Gas

Cezar Furtuna (cfurtuna@kpmg.com)
Financial Services

Aurelia Costache (acostache@kpmg.com)
Technology, Media and Telecom

Dinu Bumbacea (dbumbacea@kpmg.com)
Telecommunications, Energy

Ramona Jurubita (rjurubita@kpmg.com)
Retail and Consumer Goods

Niculae Done (ndone@kpmg.com)
Industrial Markets

Daniela Nemoianu (dnemoianu@kpmg.com)
Government and Infrastructure; Legal

Daniela Buhus (dbuhus@kpmg.com)
Industrial Markets, Healthcare



Industry Focus

KPMG was one of the first networks of professional services firms to align its services along industry lines and focuses on delivering high-quality, coordinated services to organisations in five key lines of business: Financial Services; Consumer Markets; Industrial Markets; Information, Communications & Entertainment; Infrastructure as well as Government & Healthcare. Through a multidisciplinary approach that spans Audit, Tax, and Advisory services, our teams of professionals offer firsthand industry experience and knowledge to provide clients with insights into current business challenges, emerging trends, and long term performance through an industry focused lens. Companies in different industries can have very different needs - that is why KPMG member firms place an emphasis on industry focus. The targeting of specific industry sectors is fundamental to our approach.

Local Focus

The Central and Eastern Europe region continues to be one of the fastest growing areas in which KPMG firms operate. To meet the needs of international and regional clients, KPMG in Central & Eastern Europe coordinates various businesses across the region in a unified operating structure. Shared centres of excellence and infrastructure help to deliver a high level of client service in each location and across the region. In addition to Romania and Moldova we have offices in Albania, Belarus, Bosnia & Herzegovina, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Macedonia, Montenegro, Poland, Serbia, Slovakia, and Slovenia, and are committed to facilitating the future growth of our clients in these high potential markets.



COMPLEXITY ACCELERATING
DECENTRALIZATION • CONVERGENCE OF STANDARDS
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INCREASING SCRUTINY
SECURITY OF SUPPLY • AUSTERITY BUDGETS • CULTURAL
SOCIAL NETWORKS • REMUNERATION • HIGH SPEED RAIL • EMPLOYMENT LEGISLATION
FCPA • PUBLIC v PRIVATE • INTELLECTUAL PROPERTY
FINANCIAL REFORM
OFFSHORE/ONSHORE • TAX RATES IN MOTION • DOUBLE DI
PENSION GAP • INFRASTRUCTURE • FRONTIER
G•CHINA•INVEST
SHAREHOLDER ACTIVISM • IFRS
DEBT OVERHANG • DOLLAR/YUAN • OIL PRICE • CREDIT RATING DOWN
POLITICAL INSTABILITY • EUROZONE
TECHNOLOGY
SUSTAINABLE ENERGY
THE COST BOOMERANG • INFLATION • ECONOMIC
EMERGING MARKETS
SARBOX • US RECOVERY
DELEVERAGING • RESEARCH AND DEVELOPMENT
CURRENCY VOLATILITY
INDIA • CSP
RADICAL TRANSPARENCY
INNOVATION • DEMOGRAPHICS • BRIC ECONOMIES
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CLIMATE CHANGE
REGULATION PROLIFERATING
BASEL III
GLOBAL TAX
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SKILLS



cutting through complexity™



Our Values

We lead by example

At all levels we act in a way that exemplifies what we expect of each other and our member firms' clients.

We work together

We bring out the best in each other and create strong and successful working relationships.

We respect the individual

We respect people for who they are and for their knowledge, skills and experience as individuals and team members.

We seek the facts and provide insight

By challenging assumptions and pursuing facts, we strengthen our reputation as trusted and objective business advisers.

We are open and honest in our communication

We share information, insight and advice frequently and constructively, managing tough situations with courage and candour.

We are committed to our communities

We act as responsible corporate citizens by broadening our skills, experience and perspectives through work in our communities and protecting the environment.

Above all, we act with integrity

We are constantly striving to uphold the highest professional standards, provide sound advice and rigorously maintain our independence.

Contact us

Serban Toader

Senior Partner

T: +40 (741) 800 800

E: stoader@kpmg.com

KPMG Romania SRL

Bucharest Office

Victoria Business Park
DN1, Soseaua Bucuresti - Ploiesti no. 69-71
Sector 1, Bucharest
013685, Romania
P.O. Box 18-191
T: +40 (741) 800 800
+40 (372) 377 800
F: +40 (741) 800 700
+40 (372) 377 700
E: kpmgro@kpmg.ro
www.kpmg.ro

Cluj Napoca Office

Power Business Center
Calea Dorobantilor no. 18-20
400117 Cluj-Napoca
Cluj, Romania
T: +40 (740) 333 344
F: +40 (753) 333 800
E: kpmgro@kpmg.ro

Constanta Office

Mamaia blv., no. 208
2nd Floor, Constanta
900540, Romania
T: +40 (756) 070 044
F: +40 (752) 710 044
E: kpmgro@kpmg.ro

Iasi Office

Saulescu str., no. 29, 3rd Floor
Iasi, 700010, Romania
T: +40 (756) 070 048
F: +40 (752) 710 048
E: kpmgro@kpmg.ro

Timisoara Office

Mihai Viteazul blv., no. 30
300222, Timisoara
Timis, Romania
T: +40 (256) 221 365
F: +40 (256) 499 361
E: kpmgro@kpmg.ro

KPMG Moldova SRL

Chisinau Office

Stefan cel Mare str., no. 202, 9th Floor
MD-2004, Chisinau
Republic of Moldova
T: +373 (22) 580 580
F: +373 (22) 540 499
E: kpmg@kpmg.md
www.kpmg.md



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