



RESTRUCTURING

Advise on regulatory and commercial process  
for market exits and insolvency

ADVISORY

# Have you decided to exit a business, or a part of one?

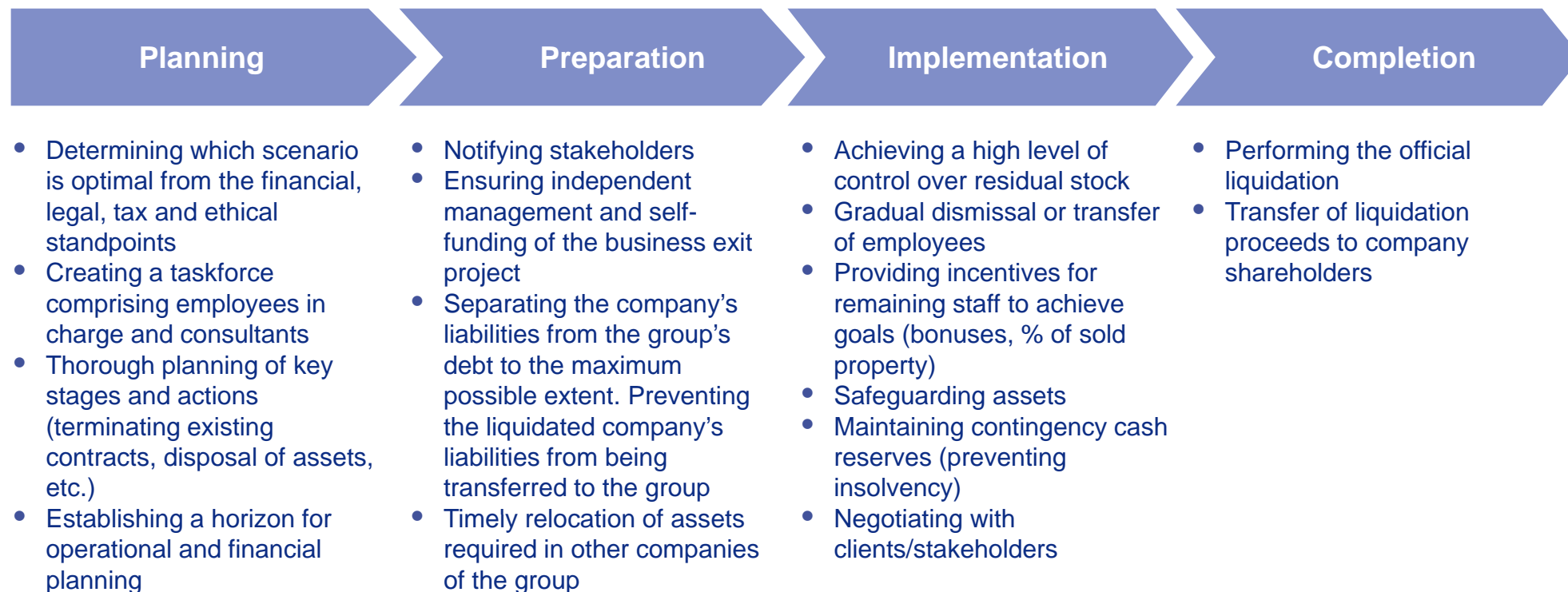
## Are you asking yourself such questions as:

- How to deal with a substantially underperforming entity?
- What to do about excess capacities that significantly exceed current needs?
- How to eliminate redundant operations resulting from the recent acquisition of a competitor?
- How to close down a loss-making business unit or a subsidiary at a minimum risk and cost for the rest of the business?
- How to avoid extending the liabilities of a closed subsidiary to the rest of the Group?
- What legal, tax and ethical aspects of closing down the business should be taken into account?
- How to effectively manage the business closure process and motivate the employees involved in it?

## KPMG can help you

- We offer a comprehensive approach to projects of gradual business wind-ups, helping to achieve maximum efficiency and orderliness during the process, to minimize associated risks and to ensure the timely return of funds to the owner
- Our experience of participating in such projects and our independence as a consultant allow us to form an objective view of an emotionally complicated situation, offer optimal economic solutions and ensure their successful implementation

# Managing a gradual business exit project: the KPMG approach



**The main goal is to minimize costs and risks to the group of companies**

## What can go wrong if the wrong steps are taken?

An absence of a comprehensive approach to resource management and a lack of control lead to delays in execution and cost overrun

A legally careless business closure may result in the Group having to pay under all of the liquidated company's liabilities

Employees receiving notice of upcoming dismissal may lose motivation, which will influence performance and the quality of production

An inadequate understanding of roles and responsibilities may result in incorrect decisions regarding dismissal of employees

The emergence of excess tax liabilities during the business exit process

Lack of stock during the business wind-up will lead to complaints from customers, thus worsening the impression of the Group's performance in general

Incorrect planning may lead to the company's paying salaries to employees even after production capacities are stopped

As a result of long-term storage and/or improper security measures, property removed from the production process often gets damaged or stolen

An announcement of the business exit that is poorly timed or worded could lead to a disruption of business relations with suppliers and consumers

Insufficient understanding of local tax and labour regulations applicable to company liquidation may lead to penalties and lawsuits

An extended period of resolving all matters with government bodies increases costs and delays expected revenues

The assets of a liquidated company may lose significant value during the business closure process, and ultimately be sold at below-market prices

# Why KPMG?

## Objectivity of analysis

As independent consultants on a business wind-up project, we have no other interests related to the business, so our conclusions and recommendations are free from the influence of emotions and other side factors that often disrupt work efficiency in such situations

## Analysis of implications for the core business

The exclusion of a business unit or segment may have an adverse effect on the Group's core business, its key suppliers and customers. In our work we analyze and take into account all significant consequences of the business exit and seek to minimize the negative impact

## Taking hidden costs into account

Our comprehensive approach to winding up a business allows to take into account both direct costs and hidden or excess costs, such as management time, distraction of valuable resources from other businesses, tax risks and risks related to incomplete compliance with regulatory requirements

## Efficient disposal of assets

In order to sell property at an optimum price, we develop an appropriate strategy of selling all the significant tangible and intangible assets of a liquidated business. This strategy implies timely exclusion of assets from the production process, grouping assets into optimal pools, determining market prices and identifying potential buyers in the market

## Efficient termination of contracts with third parties

Under normal circumstances a business has established connections and respective contractual relations with suppliers, contractors, customers, creditors and other stakeholders. In our work we help the company to understand and assess contractual requirements in order to effectively organize communication with current counteragents and reduce contract termination costs

**Maximizing financial results and minimizing risks for the owner**

# Contacts

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

## Alexander Yerofeyev

Partner, Head of Restructuring  
KPMG in Russia and the CIS

+7 (495) 937 4477

*AlexanderYerofeyev@kpmg.ru*

[www.kpmg.ru](http://www.kpmg.ru)

## Georgy Kovalenko

Director, Head of Legal Practice,  
KPMG in Russia and the CIS

+7 (495) 937 4477

*GKovalenko@kpmg.ru*

[www.kpmg.ru](http://www.kpmg.ru)