

Group Discussion Session

CASE STUDY 3 - FINLAND

Group Discussion Session **(GROUP 1)**
CASE STUDY 3 - FINLAND

QUESTIONS/ISSUES FOR GROUP DISCUSSION

1. *What is your first reaction to the 0,05% interest rate of the Covered Transaction 1? Have you seen similar interest rates?*
 - On the first, we think that interest rate is too low, credit rating of BX is very low, so it is big risk for Finland company
 - Some of us think it is ok for the first year, but late as profitability is higher, the interest rate should be higher
 - But the loan is in interest of the Group
 - Limited information about adjustments

Group Discussion Session **(GROUP 2)**
CASE STUDY 3 - FINLAND

QUESTIONS/ISSUES FOR GROUP DISCUSSION

1. *What is your first reaction to the 0,05% interest rate of the Covered Transaction 1? Have you seen similar interest rates?*
 - Too low
 - No in these years.
 - The other country has more risk than Finland, so in any case the adjustment must be in the other sense. Rate should be higher. External financing for B it is 2,6%.
 - New benchmark/ no country adjustment in the actual one.
 - The bond adjustment is also questionable.
 - Is this equity?

Group Discussion Session **(GROUP 3)**
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QUESTIONS/ISSUES FOR GROUP DISCUSSION

1. *What is your first reaction to the 0,05% interest rate of the Covered Transaction 1? Have you seen similar interest rates?*

Interest rate seems low, the adjustments don't seem reasonable.
From 4% to 0,05%

More information about the nature of the country risk and other adjustments.

Net working capital loan by the other hand its too high so we do not agree with having to accept a low interest on Finnish loan.

How about the accurate delineation of the operation, as equity.

Group Discussion Session **(GROUP 4)**
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QUESTIONS/ISSUES FOR GROUP DISCUSSION

1. *What is your first reaction to the 0,05% interest rate of the Covered Transaction 1? Have you seen similar interest rates?*
 - It seems very low...
 - We have not seen similar interest rates in this context.

Group Discussion Session **(GROUP 1)**
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QUESTIONS/ISSUES FOR GROUP DISCUSSION

2. *What is your first reaction to the contract manufacturing compensation of the Covered Transaction 2? Have you seen similar level of compensations for contract manufacturing?*

- Some of us think that it is ok because both company can benefit of that
- We need more information of BX, how much the Finish company will receive of BX
- Some of us think it is hard to find similar companies for benchmarking
- Should the contract manufacturer bears all the cost of the loan, it depends on the case by case basis
- It is OK to have losses for the first three years, some countries tolerate more years of losses

Group Discussion Session **(GROUP 2)**
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QUESTIONS/ISSUES FOR GROUP DISCUSSION

2. What is your first reaction to the contract manufacturing compensation of the Covered Transaction 2? Have you seen similar level of compensations for contract manufacturing?

It is OK, but we want to make another benchmark analyzing not only EBIT but also PBT.

The method it is OK.

We need more information about cost base.

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2. *What is your first reaction to the contract manufacturing compensation of the Covered Transaction 2? Have you seen similar level of compensations for contract manufacturing?*
- Does not look too bad, appropriate. We would try to go for the median.
 - Check if the principal company makes really all the decisions as they are exposing.

Group Discussion Session **(GROUP 4)**
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QUESTIONS/ISSUES FOR GROUP DISCUSSION

2. *What is your first reaction to the contract manufacturing compensation of the Covered Transaction 2? Have you seen similar level of compensations for contract manufacturing?*
- Nothing special.
 - Yes, absolutely.

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QUESTIONS/ISSUES FOR GROUP DISCUSSION

3. *B Corporation sells the products to markets, but there is no further information on distribution activities. Would you send a lengthy questionnaire to the taxpayer where you would ask more information about distribution, or would you consider that you are able to discuss the APA without distribution information?*
- It is important to know how distribution goes

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QUESTIONS/ISSUES FOR GROUP DISCUSSION

3. *B Corporation sells the products to markets, but there is no further information on distribution activities. Would you send a lengthy questionnaire to the taxpayer where you would ask more information about distribution, or would you consider that you are able to discuss the APA without distribution information?*
- Yes, we need more information about the sector, value chain, transactions, cost base, the remuneration for the other manufacturer and the profile of them, financial information, other BAPAS/APAS,...
 - We will send a questionnaire.
 - We want to know all the transactions where BX is involved.

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3. *B Corporation sells the products to markets, but there is no further information on distribution activities. Would you send a lengthy questionnaire to the taxpayer where you would ask more information about distribution, or would you consider that you are able to discuss the APA without distribution information?*
- The general business model should be described on the Master File or the APA documentation, so we would not feel the need to ask about information about distribution.
 - We would like to ask more information about the net working capital interest rate. We consider it relevant from the case.
 - We sometimes ask about the whole groups profit in order to check out if the margin given to the contract manufacturer is adequate.

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QUESTIONS/ISSUES FOR GROUP DISCUSSION

3. *B Corporation sells the products to markets, but there is no further information on distribution activities. Would you send a lengthy questionnaire to the taxpayer where you would ask more information about distribution, or would you consider that you are able to discuss the APA without distribution information?*
- It would be nice to know a bit about the value chain, but no need for a lengthy questionnaire. Distribution is not part of the BAPA.
 - System profit analysis to sanity check distribution of system profit.

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QUESTIONS/ISSUES FOR GROUP DISCUSSION

4. *In what way would you approach the case? Would you evaluate the case on a transaction-by-transaction basis, or would you combine the evaluation of both transactions?*
- Some of us think yes, some no
 - Some of us think that financial costs should be bear by both corporations

Group Discussion Session **(GROUP 2)**
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QUESTIONS/ISSUES FOR GROUP DISCUSSION

4. *In what way would you approach the case? Would you evaluate the case on a transaction-by-transaction basis, or would you combine the evaluation of both transactions?*
- Transaction-by-transaction but at the end of the day we will check if the combine evaluation it is OK.. (Both of them).

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QUESTIONS/ISSUES FOR GROUP DISCUSSION

4. *In what way would you approach the case? Would you evaluate the case on a transaction-by-transaction basis, or would you combine the evaluation of both transactions?*
- Transaction by transaction, but still taking into account the overall profitability of a contract manufacturer.

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QUESTIONS/ISSUES FOR GROUP DISCUSSION

4. *In what way would you approach the case? Would you evaluate the case on a transaction-by-transaction basis, or would you combine the evaluation of both transactions?*
- We would analyse the case on a transaction by transaction basis, however we would be willing to negotiate the case as a whole.

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QUESTIONS/ISSUES FOR GROUP DISCUSSION

5. *What would be your position to sign the APA?*
- It depends
 - We have different opinions
 - Some of us would made more benchmarking
 - The question of location savings

Group Discussion Session **(GROUP 2)**
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**QUESTIONS/ISSUES
FOR GROUP DISCUSSION**

5. *What would be your position to sign the APA?*

- We need more information.
- Remuneration for the loan is too low.
- The remuneration for the manufacturer should be at level that PBT will be in the 3-4%.
- We also can include a critical assumption to limit the financial costs.
- We can exclude 2-3 first years because we understand it is a start-up.
- The net working capital costs are quite high. Do we have influence to reduce them? Can we refinance the net working capital loan?

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5. *What would be your position to sign the APA?*
- Not as it is, with that interest rate.
 - Critical assumptions, doubts about the length of the APA, maybe remove the loan from the APAs scope. Too many risks.
 - For transaction 2, we go back to what we said in question 2.

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5. *What would be your position to sign the APA?*
- We accept (with adjustments).
 - We would try to increase the interest rate.
 - (From Country Xs perspective, we would consider including the NWC cost in the cost base for transaction 2).