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HOW TO RE-BORN ELECTRONICS MANUFACTURING IN RUSSIA BASE ON BRICS EXPERIENCE

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•Potential Cooperation with TPV CIS

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•FG Import Duty Impact on Local Manufacturing – Base On Big Palyers Global Footprint

•Local Content Increase Base On (if) FG Duty Increase - percentage and time frame – Based on LCD TV Example

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PART I

TPV CIS RUSSIA

How Did We Survive…a Little Success Storry

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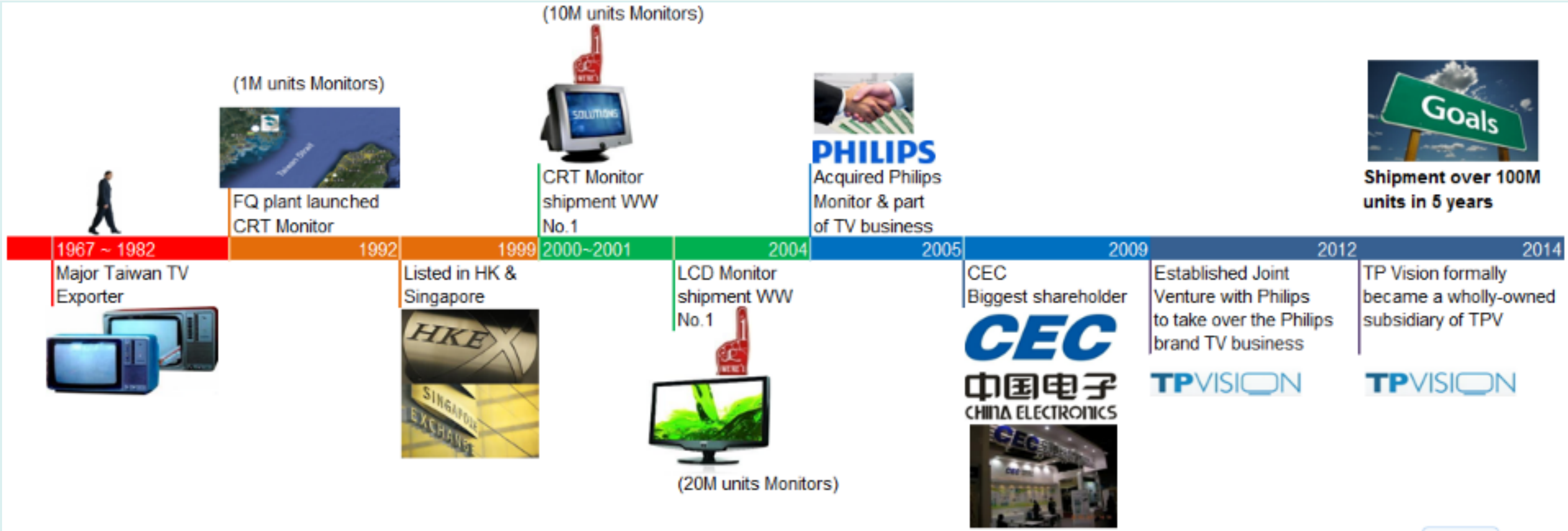
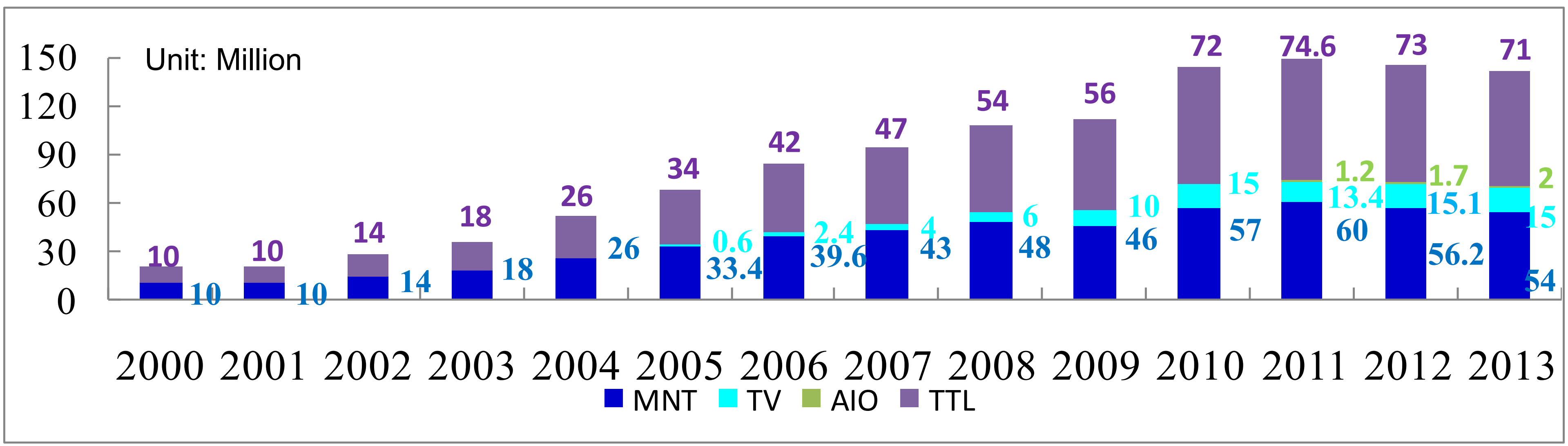
TPV GROUP – BACKGROUND





Global Manufacturing Ranking

Monitor

2015 9M	2014	Company	Quantity (mil)	Market Share (%)
1	1	TPV	32.4	35.1 ▼
2	2	Qisda	11.8	12.8 ▲
3	3	Samsung	10.9	11.8 ▼
4	5	Foxconn	10.1	10.9 ▲
5	4	LGE	8.5	9.2 ▼
6	6	Wistron	5.3	5.7 ▼
7	–	Bovet	2.2	2.4 ▼
8	7	HKC	2.1	2.3 ▲
9	–	Raken	1.9	2.1 ▲
10	8	Compal	0.3	0.3 ▼
		Others	7.2	7.8 ▼
		Total	**92.4**	**100.0**

LCD TV

2015 9M	2014	Company	Quantity (mil)	Market Share (%)
1	1	Samsung	30.6	19.8 ▼
2	2	LGE	20.7	13.4 ▼
3	4	TCL	12.4	8.0 ▲
4	3	TPV	12.0	7.8
5	5	Hisense	10.6	6.8 ▲
6	6	Skyworth	10.0	6.4 ▲
7	8	Changhong	6.3	4.0 ▼
8	10	Foxconn	6.0	3.9 ▲
9	9	Vestel	5.5	3.5 ▼
10	7	Konka	5.4	3.5 ▲
		Others	36.2	23.5 ▲
		Total	**153.9**	**100.0**

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TPV GROUP – GLOBAL CUSTOMER BASE

acer
AG neovo
A-mark
AOC
ASUS
BenQ
BEST BUY
BOE 京东方 LCD TV
CHIMEI LED
DELL
ENVISION
Esonic
Founder 方正
FUJITSU
Great Wall 长城显示器
GREEN HOUSE
GRUNDIG
Haier
HCL TECHNOLOGY that touches lives
Hisense
HITACHI
hp
iiyama
imagic 梦想家
inspur 浪潮
KONKA 康佳
lenovo 联想
LG
MAYA
MITSUBISHI
NEC
Panasonic
PANDA 熊猫
Alphascan 알파스캔 모니터
PHILIPS
PLANAR
Princeton
pview 冠捷科技
清华同方
SAMPO
SANYO
SHARP
SONY
SUNING 苏宁电器
ViewSonic See the difference
VIZIO

TPV CIS St.Petersburg - EXECUTIVE SUMMARY

Main Items		Contents
Parties		• TPV : Top Victory Investments Limited
Structure		• TPV: 100% (Legal Entity in Russia: TPV CIS Ltd.)
Business Scope	Factory Location	• Sushary Industrial zone, St. Petersburg , Russia
	Employee	•170-400 HC (IDL38)
	No. of Line	• 2 lines
	Customers	• 2011 Philips •2012 Philips, Sharp •2013 Philips, Panasonic •2014 Philips,Panasonic Sharp, Sony •2015 Philips, Infomir (iPTV Set Top Box)

FACTORY LOCATION

Prime location and excellent transsport accessibility

- The site is located on the first line of „Russia" federal highway
- Proximity to Eastern part of ring road, Shushary railroad station and Pulkovo Airport

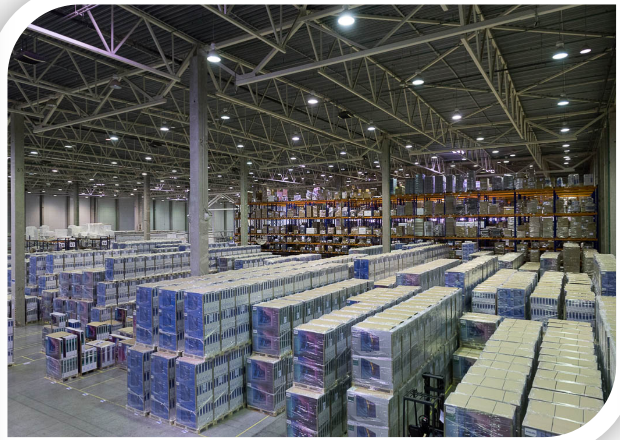
Brilliant prospect

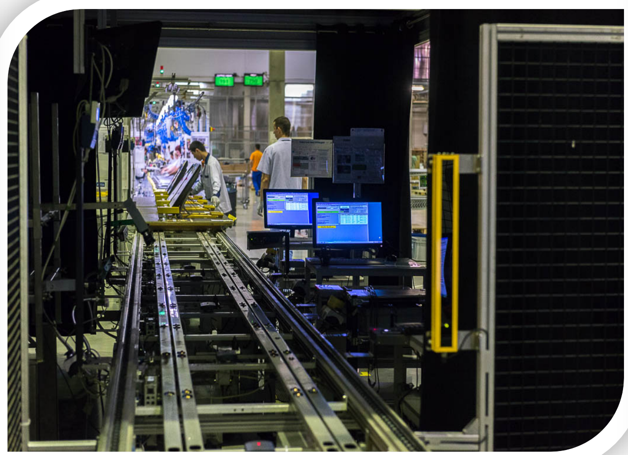
The Shushary area is considered one of the key industrial and logistics areas in Master Plan of Saint-Petersburg

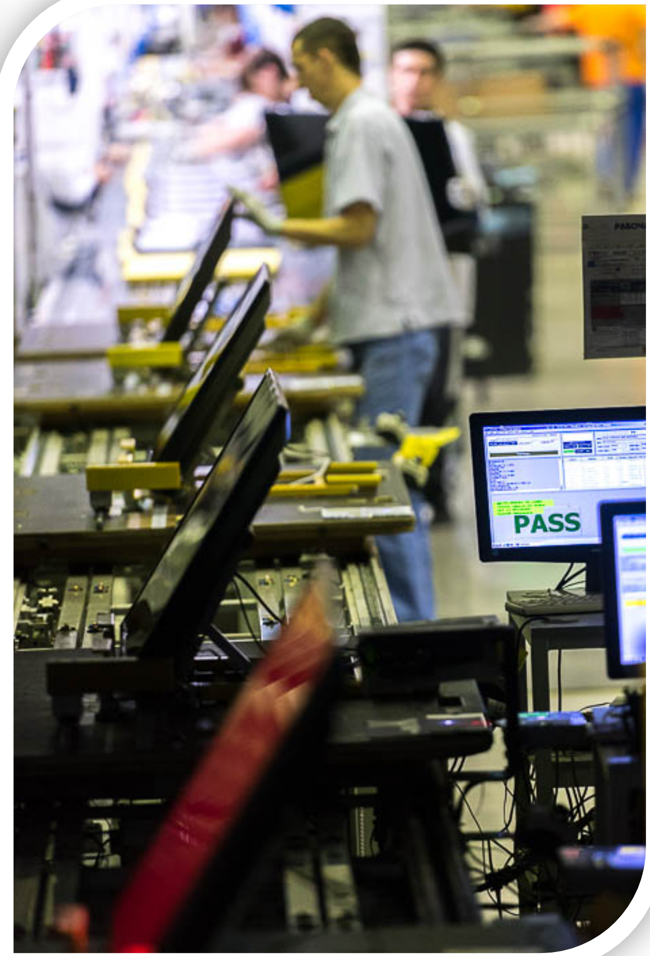
2015: A new chargable federal Moscow – St.Petersburg highway construction north from site.

TPV FACTORY IN ST. PETERSBURG

Production space + Material WH + FGWH & DC + Offices = 19285 sq.m







LOCAL SUPPLIER BASE

<u>Plastic:</u>
Euromolding (30 km , 2 hours)
East Polymer Company (EPC) (870 km, 8 hours)

<u>EPS :</u>
Knauf (10 km , 1 hour)
OZRI (350 km , 5 hours)

<u>Carton Box :</u>
Stora Enso (800 km, 1,5 days)

<u>EPE Bag:</u>
Penoterm Ural (Ural plastic) (2600 km, 3 days)

<u>TAPE:</u>
Tesa (800 km, 1,5 days)
VMI

***<u>Map legend</u>*:**

- **Carton**
- **EPS**
- **EPE bag**
- **Plastic**
- **Tape**

Manufacturing Services

Contract manufacturing :

•Supply of materials according to the Customer plan
•Localization of volumetric materials
•Product assembly
•Finished goods functionality test
•Packing

Quality check at all process stages:

•Incoming quality control of materials
•In-process quality control during production process
•Outgoing quality control
•Long run testing for batch release
•Full range traceability system

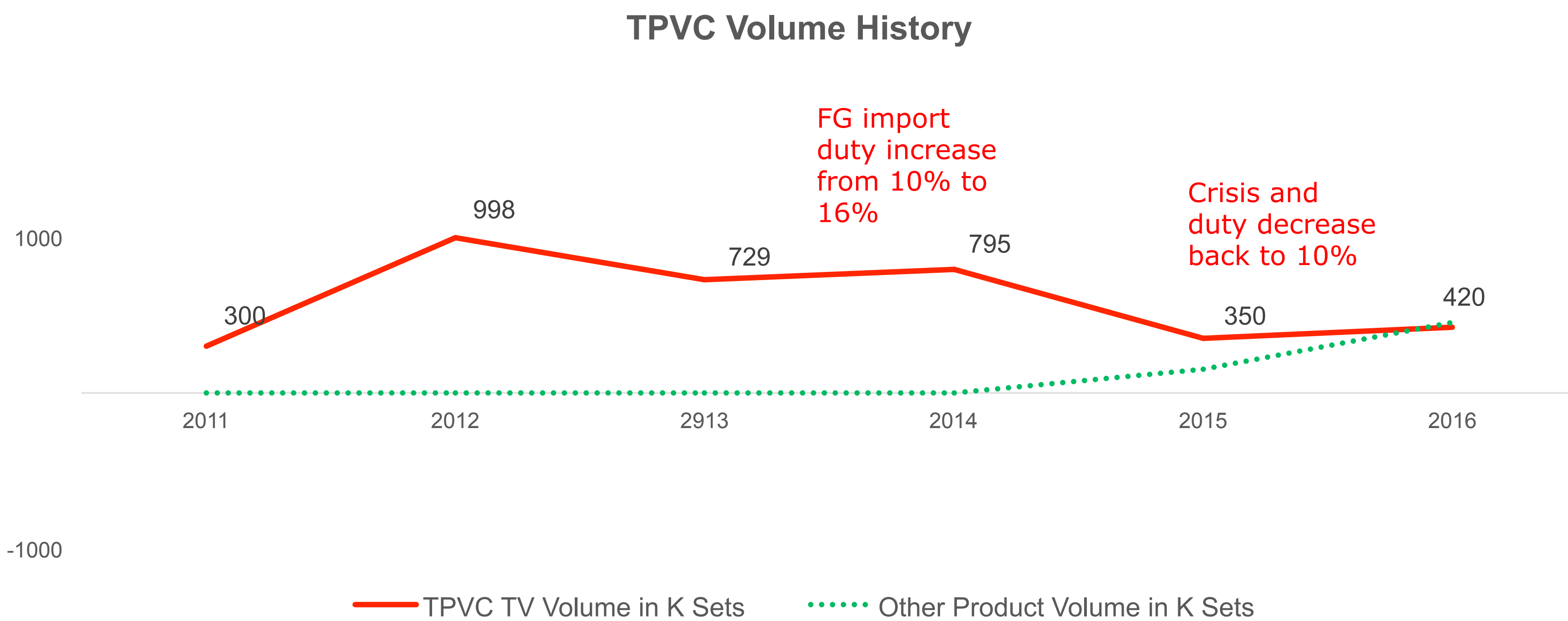
Supply Chain & Logistics Services

- Top 5 best delivery quality to Russian federal consumer electronic retail chains
- Localization of packing / plastic materials (logistic costs optimization)
- Warehousing with 100% stock accuracy, enabling 100% customer orders fulfillment
- Distribution FG's in Russia, Belarus, Kazakhstan, Caucuses, Central Asia
- Planning / materials ordering in SAP – ERP system.
- Import and export management to and from China, EU, Malaysia, other countries
- Optimization of customs clearance / import duties. (Special Economic Operator and Green Channel statuses since October 2013

After Sales Services

- Over 200 Service centers network on the territory of Eurasian Economic Union all the regions covered.
- Consulting services by means of «Information center» («hot line»)
- Technical support for service centers' engineers from factory by WEB, telephone, on-line trainings.
- Spare parts management: planning, import, warehousing, distribution and reverse logistics of spare parts
- Full control of logistic and financial document flow with regions (bills, invoices, closing documents, consignment notes, etc.)
- Verification of warranty case reports
- Financial transactions with service centers

TPV 5 Years in Russia



	2011	2012	2913	2014	2015	2016
TPVC TV Volume in K Sets	300	998	729	795	350	420
Other Product Volume in K Sets	0	0	0	0	150	450

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PART II

Wishfull Thinking or How It Should Be…?

Local Manufacturing vs FG Import Duty in BRICS

Product	HS Code Group	Brasil *(Low volumes, high costs)*	Russia *(Low volumes, high costs)*	India *(High Volumes)*	China** *(Low Cost)*	South Africa *(N/A)*
PC Monitor	8528	20%	5%*	10%	19%	25%
LCD TV	8529	20%	10%, subject to minimum of €25.50 per kg	10%	30%	25%
Laptop/Desktop PC	8471	16%	0%	0%	0%	0%
Inkjet/Laser printers	8443	16%	0%	0%	0%	0%
Mobile Phone	8517.12	16%	0%	12,5%	0%	0%
Network Router/ Switch	8517	16%	0%	10%	0%	0%

*** Only Samsung and LG. Others import FOB base. Partial „grey import"**
**** Before reaching economy of scala China was keeping high 30% FG import duties for ALL electronics products !!!**

Local Manufacturing

Partial Local Manufacturing (Only Part of Market Demand Covered)

No Local Manufacturing

No Data Available

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FG Import Duty Impact on Local Manufacturing

Global MFG Player	Brasil (Low volumes, high costs)	Russia (Low volumes, high costs)	India (High Volumes)	China (Low Cost)	South Africa (N/A)
Foxconn (HonHai)					
TPV	TV, PC Mon.,	TV Only	R&D	TV,Mon.,PC,Tab	
Flextronics					
Jabil					
HP					
Samsung					
LG					
PHILIPS			R&D		
INTEL					
LENOVO (IBM)					

Full Manufacturing Cycle

Partial or Surviving…

No Local Manufacturing

No Data Available

Local Content Increase Base On (if) FG Duty Increase

Base On 32" LCD TV BOM (Idea)

Time To Implement In Months

Localization Step	Now	1	2	3	4	5	6	7	8	9	10	11	12	Local %
Final Assembly														3% - 7%
Carton & Cushion														2% - 5%
LCM Assembly (BMS)														3% - 5%
Plastic (Back + Front + Stand)														5% - 10%
Metal Parts incl Stand														3% - 7%
PCBA														3% - 5%
													Total Local Content Range	39%

10% FG Duty

15% FG Duty

18% FG Duty

20% FG Duty

Current Local Content Level

Fast and Easy Launch. Minor Investment or Available Supplier Base

Longer Rump-up and Serious Investment Needed. Not Mature Supplier Base

Measures To Develop and Secure Local Manufacturing in Russia

1. Increase signifficantly finish product import duties to secure and motivate local manufacturing – maintain minimum 10%-15% gap between FG and Material
2. Implement local content requirment for local manufacturing, starting from Plastic, Metal,LCM, then gradually move to PCBA
3. Imply strict „MADE IN RUSSIA" requirment for GOV supplier selection.
4. Profit tax, property and parts import duty vacation incentive for investor – minimum 2 years, to reach efficiency and develop/implement local supplier base

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THANK YOU