

PRESS INFORMATION

Russia still attractive to European businesses despite economic crisis

Moscow, September, 15, 2009 – The majority of managers of European companies in Russia expects to continue doing good business on the Russian market in the future, too. This is the bottom line of a study conducted jointly by the Finance and Investments Committee of the Association of European Businesses in the Russian Federation and the Moscow office of the German management consultancy Droege & Comp. Approximately 300 European companies active in Russia were questioned in context with this fourth edition of the survey on strategies and prospects of European businesses in Russia.

The share of managers expecting positive growth of sales and profit within the next three years has gone down slightly to 81 (-14) and 80 (-7) percent respectively as compared to the most recent survey conducted in 2007. Nevertheless, that still means that more study participants look for positive profit developments in the coming years than did in 2004, when that figure was at 75 percent – quite a remarkable finding in times of economic crisis.

This optimism is founded upon a variety of factors. One reason is certainly the high share in unsaturated local markets, for example in the retail industry, in finances, and in other service-providing sectors. For the majority of businesses participating in the topical study, the positive prospects of market development were the main reason for moving into the Russian economy. In addition, 58 percent of the respondents pointed out that the productivity of operations in their particular business has reached a level identical to that of their home country. “In view of saturated markets in Europe and in the Western part of the world in general, there are only few countries offering opportunities to win market shares comparable to those in Russia”, is how Hans-Dieter Zaum, general director of the Droege & Comp. office in Moscow commented the current economic situation.

On the other hand, respondents as before point to bureaucracy and corruption as the most trying challenges for their business activities. Over the next two years, they expect only very minor improvement here, if there is any at all. In addition, put in graphic terms, most of the fruit hanging low in the trees has already been picked. Another factor is that it takes longer today for market investments to pay themselves off: while more than half of those questioned (56 percent) stated that the amortization period of their investments lasts between one and three years, an increasing share of currently 24 percent (2007: 17 percent) reports that they need between four and five years to reach the breakeven point. “Those market players unable to wait for return on their investment for such an extended period of time can now particularly in times of crisis find excellent opportunities to take over Russian competitors at favorable conditions or to set up joint ventures with local companies. The Russian market still bears a lot of prospects for European businesses,” said Dr. Frank Schauff, Chief Executive Officer of the Association of European Businesses in the Russian Federation.

A free English copy of the study is available for download at www.aebus.ru.

About Droege & Comp. International Management Consultants

The Droege International Group and its subsidiaries, which include Droege & Comp. International Management Consultants, have been active in the international market for 20 years, providing reliable support and problem-solving capabilities to medium-sized companies. Droege & Comp. has been active in Russia since 1995; the management consultants set up their own office in Moscow in 2003.

The Group specializes in restructuring and value enhancement, and its product portfolio includes execution-driven top management consulting, corporate finance consulting, interim management and equity capital investment in special situations. The roots of the Droege International Group go back to 1988, when Walter P. J. Droege founded Droege & Comp. International Management Consultants focusing on restructuring and value enhancement.

About the Association of European Business in the Russian Federation

Founded in 1995, the AEB is an independent non-commercial association with a membership of over 600 companies from across the European Union, USA, Asia and Russia. The members range from large multi-national corporations to small and medium businesses and are united by their commitment to forging stronger economic ties between the EU and Russia, as well as improving the business environment in Russia.

The AEB conducts lobbying activity through its committees and working groups, which cover a wide spectrum of industries and sectors. One of the active AEB committees is Finance and Investments, which was established in May 2005. The committee's mission is to provide assistance and take an active part in improving the investment climate in the Russian Federation for European businesses, through discussions and developing recommendations, to address outstanding problems in the area of investment and finance. The committee has set up working groups for specific areas of focus. These are: capital markets; Audit & Accounting; Leasing; Mergers & Acquisitions. The committee publishes an annual guide for investors called "How to Invest in Russia" and arranges regular meetings for top managers – "CFO Business Breakfasts".

The AEB also offers informational support to the European business community via its website and publications, press campaigns, surveys and legislative and business alerts. The Association works hard to support its members wherever they are located in Russia by hosting regional presentations, business missions and maintaining regional representations in regions such as Krasnodar, Ekaterinburg and St. Petersburg, to mention but a few.

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