



AEB Business Quarterly

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Summer 2012

MIAS

Moscow International
Automobile Salon



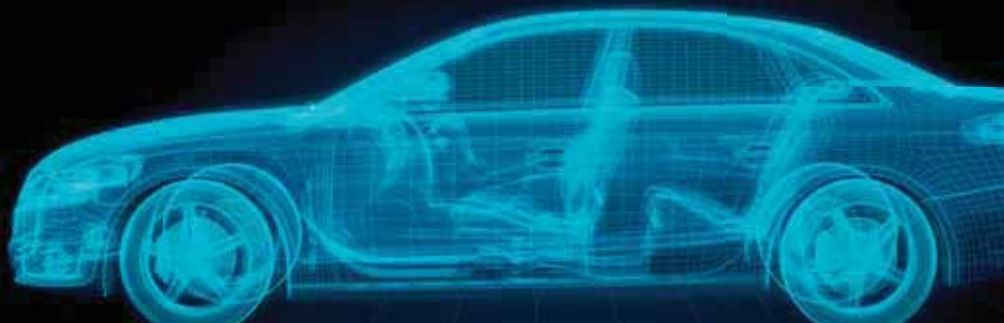
The Return of Russia's Auto Industry



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автомобильный салон

A look at Russia's Automobile, Automotive components and Commercial Vehicles Sectors:



Q&A with Aleksey Rahmanov, Deputy Minister of Industry and Trade • Promotion of energy efficient products • Russia's commercial vehicles market in 2012 • Russia's commercial vehicles market in 2012 • AEB Networking ... and more

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Dear Readers,



Welcome to the Summer edition of the AEB Business Quarterly. This year, in view of the Moscow International Automobile Salon 2012 (MIAS 2012) the AEB Business Quarterly once again focuses on Russia's automobile, automotive components and commercial vehicles sectors. MIAS 2012 will be held from August 31st to September 9th, with the 30th of August being the business day.

With a record output in production and a 40% increase in year-on-year sales, the automotive industry, in 2011, witnessed considerable growth, triggered by a strong market recovery, which in turn led to increased demand on the part of the consumers, as well as credit availability and government incentives. An amendment to the Russian Federation industrial assembly legislation led to a consolidation of the original equipment manufacturer (OEM) sector and subsequently, significant major alliances of those operating in this sphere. May, 2012 saw the sales of new cars and light commercial vehicles in Russia increase by 11% in comparison to the same period in 2011. The first half of 2012 saw the percentage sales of new cars and light commercial vehicles in Russia increase by 15%, in comparison to the same period in 2011 or by 151,946 more sold units.

Russia accession to the World Trade Organisation (WTO) will most likely have a considerable impact. Already a member of the International Monetary Fund and the World Bank, once final, Russia's membership in the WTO will bring the country into the system of multilateral economic organisations. According to a World Bank study, in the medium term, WTO accession would increase Russia's gross domestic product (GDP) by 3.3% and, in the longer term, would increase it by 11%. The study concluded that to a large extent, this will be as a result of measures Russia would take to liberalise foreign investment in services. An important consequence of Russia's accession to the WTO will be a considerable reduction, from 2012 to 2018, in the customs duties on vehicles and this may lead to a certain shift in the demand structure in favour of foreign vehicles; thereby, increasing their share in the overall sales. The AEB looks forward to the opportunities that Russia's accession to the WTO will bring to the European companies in Russia, foreign investment and the EU-Russia relations as a whole.

This edition of the AEB Business Quarterly features interviews given by Aleksey Rahmanov, Deputy Minister of Industry and Trade of the Russian Federation and the new Chairman of the AEB Automobile Manufacturers committee Joerg M. Schreiber, President and Managing Director, Mazda Motor Rus LLC. This issue also features articles from leading experts in the automotive, auto components and commercial vehicles sectors in Russia – Alexander Breigin, Country coordinator DuPont Performance Polymers, CIS, DuPont Science and Technologies LLC, Ivan Bonchev, Investment Director, SI Capital Partners, Andrey Chursin, Chairman of the AEB CVC and Commercial Director, Scania-Rus LLC...and more.

As always, you will find updates on past AEB events and committees' activities. I would also like to take this opportunity to invite you all to our annual cocktail, organised to mark the opening of the autumn business season. The AEB annual autumn cocktail will take place on the 3rd of September at the Radisson Royal Hotel, Moscow. Please visit our website: www.aeb.ru in order to register for this event. As the hot summer draws to a close and autumn comes knocking on our doorstep, we hope that the new business season will bring many more opportunities to all our member companies.

Therefore, on a final note, permit me to wish each and everyone of you the very best in the fourth quarter of 2012.

Yours sincerely,

*Dr. Frank Schauf
Chief Executive Officer
The Association of European Businesses*

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AEB BUSINESS QUARTERLY, Summer 2012

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Q&A WITH JOERG M. SCHREIBER, CHAIRMAN OF THE AUTOMOBILE MANUFACTURERS COMMITTEE; PRESIDENT AND MANAGING DIRECTOR, MAZDA MOTOR RUS LLC



Joerg M. Schreiber, President and Managing Director, Mazda Motor Rus LLC and Chairman, AMC

The 2012 Moscow International Automobile Salon (MIAS) will be the fourth motor show for you since you took the helm at Mazda Russia in 2005. Looking back, what are your thoughts about the development of the show, and what are your expectations for this year?

By all accounts, this year will see a record level of new model introductions, international media attendance, as well as senior management participation from all over the world. I am sure that the Russian public and local media will take a very active interest in what the global automotive community has to present to consumers in Russia, and beyond.

You have recently been elected Chairman of the AEB Automobile Manufacturers Committee, after serving as its Deputy for the lesser part of one year. Having already spent several years in Russia, why now the decision to take on a more active role within the automobile industry?

Well, the AMC traditionally has been represented by very able and engaged people. Secondly, serving in an elected role is not the only way of contributing to the AMC's activities. In fact the success of our work depends very much on the active participation of all of its members, through a variety of work groups and sub-committees. The chair-

With the 2012 Moscow International Automobile Salon on its way, the AEB Business Quarterly magazine once again focuses on Russia's Automobile, Autocomponents and Commercial vehicles sectors. AEB's Automobile Manufacturers committee coordinator Olga Zueva talks to Joerg M. Schreiber, President and Managing Director of Mazda Motor Rus LLC and Chairman of the AEB Automobile Manufacturers committee.

man's role may be more visible, but a lot of work is being done by many people before the AMC takes a public position. With the experience acquired from working in the automobile industry, perhaps I can now make a different sort of contribution to help advance the collective interests of the AMC members.

Speaking of it, where do you see the focus of AMC activities in the near future?

As the Russian society and economy develops, so does the automotive sector. Today, the Russian consumer can choose from more than 50 different brands of passenger and commercial vehicles, as well as the services provided with them, through a very modern and continuously growing network of automotive retailers and repairers. The majority of cars sold in Russia are made in Russia, and this trend growing. In terms of sophistication and competitiveness, the market has come a very long way in recent years. As this positive development continues, there is a continuous need for the modernisation of sector rules and regulations covering the interactions between manufacturers and distributors, on one hand, as well as retailers and consumers, on the other. Therefore, one of the key tasks for the AMC will be to play an active and constructive role in the ongoing dialogue with industry participants and state bodies in this regard.

Another hot topic for the sector is Russia's upcoming World Trade Organisation (WTO) entry and the regulatory changes to the country's vehicle taxation system in this context, such as the planned utilisation fee for the regis-

tration of new vehicles. For our members, it will be paramount to see that the new requirements are transparent and straightforward to follow, without room for interpretation at the time of introduction. This has not always been the case in the past, and remains a continuous challenge in other areas such as new technical regulations and product homologation.

Finally, with the many changes happening in our industry, it is becoming more and more evident that the AMC needs to think about how to further professionalise its structure and way of working. Currently, the committee depends a lot on the voluntary work of people being on full-time employment with one of its members. No doubt, the close connection to the business is a big asset in seeing the automotive industry with real-world eyes. But make no mistake, this double role can be very demanding, and no one can be in two different places at the same time. Our committee clearly needs to grow its own base of dedicated professionals able to devote all their time and efforts to the very specific matters of our trade. Therefore, I made it a priority of my tenure as AMC Chairman to address this issue. If you like, the measure of success here is that I will be redundant in this position, better sooner than later.

The last – and inevitable question: How do you assess the current status and the prospects of the Russian automotive industry in the near future?

Let's state the known and obvious: the Russian automotive market has made a remarkable recovery over the past 2 years following the 2008 Lehman



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crisis. Sales of new passenger cars and light commercial vehicles reached 2.67 million (mln.) units in 2011, growing 40% year-on-year. This year, market participants expect to see a less pronounced pace of growth; the median forecast points to 10% supporting a total PC and light commercial vehicles (LCV) industry of about 2.9 mil units. With this volume, the industry would regain its pre-crisis level, proving those optimists who had predicted that Russia would do so within 3 years, right. Seven months into 2012 and counting,

and 15% cumulative improvement vs. prior year on record, we see the market on a good track to achieve this forecast.

The positive outlook further speaks that all drivers of continued growth remain firmly in place. Among them – a relatively small and aging car park, improving consumer income and an unabated appetite to own a respectable and reliable car as a symbol of social status, and means of independence and personal mobility in a vast country. Having said this, the still-significant reliance of the Russian economy on the development

of world commodity prices also remains a fact of life. So much of our continued well-being here depends on what the global economy does in the near future.

I guess a key lesson for everybody out of the Lehman crisis was that the Russia is not an island. For that, the country's economy is already too well-integrated in terms of participation in international trade and finance. But this also implies that Russia can give a lot back to the world economy. This is particularly noteworthy as the fundamentals of the Russian economy appear very encouraging by comparison to many other countries, particularly, on a European scale. I, for my part, hope very much that this positive trend is robust enough to successfully weather a potential new global downturn in the making. **BQ**



Olga Zueva,
AEB Automobile
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AEB AMC GR WORKING GROUP: VALUE, MISSION AND DAILY WORK



Maria Morozova, Ph.D., Director External Affairs and Marketing/Communications Mercedes-Benz Russia SAO and Chairwoman, AMC GR group

The role of the Government Relations (GR) working group in the work of the Automotive Manufacturers Committee of the Association of European Businesses in Russia is hard to underestimate. Almost each and every issue on the agenda of the AMC needs interaction with government bodies. Therefore, to speak with one voice before the state authorities as the AEB Automotive Manufacturers Committee, we need a unified and coordinated position. This only in theory sounds simple: the major complication for reaching a common position is that the AMC is divided into sole importers and Organised Equipment Manufacturers (OEMs), which both localise their products in Russia and still continue to import some models. Therefore, those who have localised their production in Russia support protectionist initiatives of the Russian government in the face of the World Trade Organisation (WTO) accession, while those who only import would like to minder against the impact of such protectionism measures.

Thus, an issue with the end-life-vehicles utilisation fee, which had to be imposed on all vehicles, has developed into a protectionism mechanism, where the utilisation fee is being imposed only onto imported vehicles (new and used) and its level is being increased dramatically compared to initial plans, i.e. adapted to compensate for import duties reduction effective following the WTO accession. Thus, this issue became a corner stone for the AMC, as the development is advantageous for companies

with localised production in Russia and disadvantageous to sole importers. In case we as a GR working group completely fail to reach common position, lobbying on the issue will be left to individual efforts of companies, and the GR working group will only report all subsequent developments to the AMC.

There are other issues, not related to Russia's accession to the WTO and localisation that we as a GR working group sometimes need hours and days to work through to find a common position. An example is the issue regarding the attempts of the Federal Antimonopoly Service of Russia (FAS) to "liberalise" the Russian car sales and service market that is considered to be strongly predefined by the OEMs, which, as FAS believes, dictate to their dealers sales and service conditions. FAS is also concerned about the lack of transparency with regard to agreements between distributors (OEMs) and dealers and is investigating dealer agreements and dealer authorisation processes.

The AMC GR working group, together with representatives of legal departments of member companies have worked through many of the detailed areas raised by FAS to ensure that consumers continue to enjoy high standards of service and repair to secure safe use of their vehicles and that any changes in guidance from FAS or the new legislation also take into full account the existing legislation, particularly, in the areas of Consumer Protection and Parallel imports. Finding a common ground on this issue was considerably difficult – a position paper consisting of 20 points was drafted. This is because for some companies, strategic interest lay with the trade of original spare parts, for others – corporate standards was the most important issue, and for some – the right to

deprive dealers of dealership rights if they had compliance violations.

The GR working group cannot act without the expertise of representatives of other companies, for example a thorough examination of the ERA-GLONASS issue could not have been achieved without the active participation of the homologation and R&D departments of member companies. The compulsory use and requirements of the Global Navigation Satellite System (GLONASS/GPS) and in particular, the ERA-GLONASS systems (Emergency call) on all new cars – passenger cars, trucks and buses – are still not clear. The infrastructure is not developed in the country and the implementation of this system (or at least its procurement by the OEM's global procurement departments), which has not been certified under internationally adopted standards is doubtful.

The GR working group cannot act without the expertise of representatives of other companies, for example a thorough examination of the ERA-GLONASS issue could not have been achieved without the active participation of the homologation and R&D departments of member companies.

The main value of the GR group remains its flexibility: we can meet each other more frequently thanks to the AMC meetings, through "conference calls" and many times, these take place on short notice; we can invite experts from other departments with whom we need to build up a consolidated and well-grounded position and we are able to check and approve a position or a document within few days by circulating the paper via e-mail to the group members. Also, on a personal level, we have managed to establish a group of trusted professionals who appreciate each other as friends. **BQ**

RUSSIA'S COMMERCIAL VEHICLES MARKET IN 2012



Andrey Chursin, Chairman, AEB Commercial Vehicles Committee and Commercial Director, Scania-Rus LLC

Bus sales grew by 43% – from 1,538 buses in first half of 2011 to 2,196 buses in first half of 2012.

Despite pre-crisis expectations in Europe associated with a number of economic problems in some EU states, transport companies in Russia continued investing money into their fleet modernisation. This was primarily related to a stability of the Russian economy and a favourable oil market environment as oil prices reached their peak.

In the beginning of the year, the market demonstrated two different trends: in Russia demand and need in fleet modernisation remains; whereas, the negative economic situation on the global market has, likewise, adversely affected sales' growth. In addition, in the beginning of 2012, the sales declined due to difficulties related to the ecological certification of lorries, as a result of the 12 month Euro-3 standard validity extension for engines. Despite the fact that the critical decision to extend the standard validity was taken as early as at the end of the previous year, the relevant order was enforced only on February 9th.

Russia's entry into WTO should play a strategically significant role in commercial transport market development, affording consumers a wider choice of competitive prices. Unfortunately, in the short-term and probably even medium-term perspective, market development may be impaired due to the ambiguity of a number of economic components of

As the AEB Commercial Vehicles committee forecasted, 2012 started with moderate growth in all commercial transport segments. In the first half of the year a majority of producers improved their positions, as compared to the first half of 2011.

In the first half 2012, light commercial car sales grew by 9%, as compared to the first half of 2011, with 83,193 cars being sold in comparison to the 76,674 cars sold in the first half of 2011.

The medium-duty lorries segment demonstrated sales of 5,220 in first half of 2011 and 5,448 lorries in first half of 2012, which translates to a growth of 4%.

The heavy-duty lorries segment grew by 2% – from 11,582 lorries in first half of 2011 to 11,839 lorries in first half of 2012.



Vera Kuzmina, Automobilny transport and other participants at the AEB CVC 2012 Press Conference

the law on transport disposal, which will not allow machine producers adapt their logistics and business processes to meet market demands. We hope that the Russian Government will prepare the main points of the law more thoroughly, with a timely notification to all interested parties; thus, preventing growth in prices at the consumer level. **BQ**



Sergey Dyakov, Automobiles and Prices; Yaroslav Klimenko, Nissan Motor Rus OOO and other participants at the AEB CVC 2012 Press Conference



Oleg Vasilchenko, Volvo Vostok ZAO and other participants at the AEB CVC 2012 Press Conference



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Q&A WITH ALEKSEY RAHMANOV, DEPUTY MINISTER OF INDUSTRY AND TRADE



The members of the AEB Board, CNR and senior management would like to take this opportunity to once again congratulate you on your appointment as Deputy Minister of Industry and Trade. The AEB Board, CNR and senior management wish you every success in your duties and are firmly convinced that your past experience will provide you with a unique perspective and valuable insight into your new posting.

Mr. Aleksey Rahmanov, Deputy Minister of Industry and Trade of the Russian Federation meets with Olga Zueva, AEB AMC coordinator

Thank you for taking the time out of your extremely busy schedule to meet with the AEB for this interview. As you well know, the Moscow International Automobile Salon is scheduled for late August – early September. In the run-up to its opening, the Association of European Businesses is releasing a quarterly publication devoted to the auto industry. We would be very keen if you, as an expert and long-time friend of the Association would share your thoughts on the development of the auto industry – its future and the priorities and challenges it faces.

On the subject of your new post – we're curious as to whether your take on sector priorities and development thrusts, on state regulation of the auto industry, has changed. How would you assess its overall status at present?

You know, I don't change the color of my hair every time I change jobs, so I think the question is superfluous. We've already devoted a considerable amount of time with Russian and foreign companies to the development of a broad strategy for the auto industry. It contains elements that we view as necessary. We didn't discuss it at such length and in such detail just to turn around and start changing its provisions.

Furthermore, we've come quite a long way in terms of our formulation of anti-crisis measures – measures that have prompted all of us to look at the problems of the global and Russian economies, including the problems faced by the auto industry, from

a slightly different angle. Just to reiterate – we're not planning any radical changes.

We track developments in the auto industry – both in Russia and around the world – very closely. In declaring a certain development strategy for a particular element of passenger-vehicle production, we fully understand that the events unfolding in our partner countries have a direct impact on the situation on the domestic market. It's like in the old joke – they sneeze in New York and catch cold in San Francisco. It's the exact same thing here. We believe that the European auto market isn't performing particularly well – the result, unfortunately, of the high costs associated with a mature market and the latest wave of the crisis phenomena that has engulfed us all. But we also believe that the Russian Federation's solid fundamentals for increased vehicle sales and ongoing market growth will continue. We hope that Russia will emerge as Europe's #1 market among European Community member countries by no later than 2016–2017. This year, we're likely to see a sales volume of about 2.8–2.9 million (mln) vehicles, which would only serve to reinforce Russia's second-place position in Europe, after Germany. Moving forward, we'll be keeping a close eye on developments with our EU neighbors. This year, Europe's spring – early summer season has been packed with political campaigning – namely, parliamentary elections in France and Germany. Moreover, Europe's stubborn,

overarching problem of production oversupply lingers, continuing to be rather acute. Given that Europe is a mature market that's reached a trade-off point, where new sales are generated solely on the basis of vehicles returned for reprocessing, we don't see any real potential for significant growth on its well-established market. By the same token, although Russia can't be compared to China, we expect to continue posting solid growth rates. That said; this year's results will be rather modest: in all probability, 5% to 8%.

We're also seeing quite a few interesting projects continue to develop. A number of companies are moving on to new project phases such as building on existing production capacity. For us, all of these developments are confirmation of the fact that our overall strategic development path and the form of state regulation that we've proposed to automakers are on-target and effective. Today, practically all of the industry's international concerns are working in partnership with Russian companies. You could safely say that not a single so-called "stand-alone" Russian enterprise continues to operate without a foreign automaking partner in one form or another. We're also seeing that in the battle for vehicle quality and consumer attributes, Russian companies are shifting towards components manufactured by international suppliers. Taken together, all of these facts give us sufficient grounds to be confident that not only will the market retain its essential properties and features, but that it will

also continue to demonstrate dynamic growth. Moreover, the manufacturing projects that we've endeavoured to promote, justify the efforts of those working on the Russian investment market.

With respect to Automotive Strategy 2020, affirmed by Order No. 319 of the Ministry of Industry and Trade on 23.04.2010, could you name the main aspects to its successful implementation? Will changes be made to the Strategy?

The key to the successful implementation of any strategy is the "umbilical cord that connects it to the real business world." I would point out that the Strategy wasn't drafted by a consultant trying to make money, but by us, as the industry's regulator, in conjunction with real-world enterprises and primary investors who shared their plans and upcoming projects with us. So, I believe that the key to the Strategy's successful implementation is the fact that we've crafted it on the basis of specific measures, specific enterprises and specific investment projects. Of course, every time a set of investment projects changes (and frankly, you're unlikely to ever find a strategy that's implemented by the initially-scheduled deadline or adheres 100% to the original plan), timeframes are adjusted and may be pushed back accordingly. It's also possible that the strategic framework for certain sub-segments will come up for review. All of these processes force us to make certain adjustments to our charted course. In the end, though, the course is one of development, and it's the one we'll continue to pursue.

The government has been gradually introducing measures to stimulate the auto industry (for example, the "cash-for-clunkers" program and the localisation of Western production operations within Russia). How effective have these measures been?

The automobile has long since evolved from being a luxury into a mode of transportation. To the average person, the automobile represents either a personal mode of transportation, the vehicle in which their relatives get around, or what they use in their daily commute to and from work. So, a great many people have a personal stake in what's taking place in the auto indus-

try. I would even venture to say that the state of the auto industry is of concern to everyone. Like football and hockey, our most popular sports, the automobile has already become a household product. We've truly made the automobile more affordable – we have vehicles for those with modest incomes, vehicles for the wealthy, vehicles for the elite. All of them have their fans – people keeping tabs on industry developments.

It goes without saying that if there's another topic directly related to automobiles, it is traffic jams. It is always on the minds of our fellow citizens, and is one of the reasons why there continues to be such interest in the auto industry.

Another reason is the fact that, despite its relatively modest contribution to the country's GDP, the industry is also one of its main employers. According to our estimates, up to half-a-million people work directly in the automotive and auto-component industries – almost three million, if one were to include related sectors, or 7–6 million in terms of industry-dependent households. That is a sizeable figure; hence the reason why the issue can not be treated frivolously. After all, each and every job on the assembly line creates another 8 jobs in the wider economy. In other words, the government would have to be incredibly naïve to ignore such an important multiplier effect. This explains the heightened attention to the auto-industry. So, in discussing support measures, we've always kept their three integral elements and reasons in mind. The first and most important reason is the development of the auto industry itself: it can not be merely assembly-oriented – it has to be fully-functional or cease to exist. The second reason, of course, is the creation of the modern jobs to which the nation's leaders so often refer. The third and increasingly-pressing reason is related to environmental concerns. It's been so long since we've paid attention to environmental factors that even in our protected areas, vehicles are responsible for a much greater volume of pollution than the industrial operations against which Krasnoyarsk and Irkutsk natives, just to name a few, protest so passionately. Unfortunately, due to various reasons oil companies did not manage to complete their investment projects

and we were forced to extend the permission to produce automobiles below the Euro-4 standard. Automobiles that had received the type approval prior to the adoption of the respective decision. But, I can assure you that the production of Euro-3 automobiles in Russia will be terminated by the end of 2012.

Really? By the end of this year?

Yes, that is to say, on 31 December, the last vehicles of the previously-approved type will roll off the production line, some of which will be dispatched for sale, some to body building specialists, and some to those who convert them into certain business applications. In any event, as of 1 January 2014, Russia will be a 100% Euro-4 country. There's no debating the issue. We've made the decision ourselves. The Government of the Russian Federation has adopted measures, under which, representatives of the oil industry report to at least four federal agencies on the progress of their respective investment projects. This is critical from an environmental standpoint, the auto industry and technical innovation. Everything is crystal clear on that score. That said, we're actively monitoring the status of the economy and that of individual automotive enterprises. The single-industry towns in which automobile, auto-component and accessory production is centered continue to exist, making any discussion of new support measures premature. On the other hand, if we're talking about the fact that, from an environmental point of view, the Russian market is still in need of fleet renewal, I wouldn't exclude the possibility of our side engaging the automotive community in a lively discussion on any measures and proposals aimed to this end.

Incidentally, the principle behind the introduction of scrappage fees that has caused so much discussion and debate at the Committee for Natural-Resource Use and the Environment brings up the topic of scrappage of older vehicles, an issue which sooner or later will become the manufacturer's responsibility. It's also an element that's closely linked to fleet renewal, because there's a very simple logic at work here: by letting the fleet age from year to year, we create at least three problems at once – first is the issue of pollution; sec-

ond is the higher accident rate, because no matter how often we're told that a ten year-old Lexus is better than a new Zhiguli, the older car is still more likely to fail than the new one, that's statistics. Third is the issue of market growth. There are only two factors that influence market dynamics – the first is the increasing weighted share of automobiles per thousand residents, and the second is fleet renewal. While Europe only has fleet renewal to work with because the car saturation ratio has reached its optimum, both factors are certainly at work in Russia, and will continue to be until a saturation point of around 400 automobiles per thousand residents is reached in approximately 2020–2022. The figure will stay at that level until the next technological and infrastructural wave, at which time, we'll be able to reach the Western European (600-vehicle) or US (800-vehicle) level. For now, structural limitations prevent us from forecasting any such shocks.

Returning to state-support measures for a moment, they will in any event be actively discussed, just as they have been in the past. That said, I would just point out that we can't apply measures to a specific manufacturer or individual group of interested parties. We will always propose packaged decisions, because, unfortunately, in the case of Russian and foreign businessmen alike, even Karl Marx was probably correct in asserting that "there's no crime to which a businessman wouldn't stoop for the sake of profit." That's why I believe that we should formulate comprehensive rules that are clear to everyone, meaning that even in losing an element or sub-segment along the way, the industry still gains overall. Within the scope of ascension to the WTO, for example, the issue of used imports is problematic to market players across the board, insofar as it restricts both new domestic production and the direct import of new vehicles. We understand that if the economic situation in some countries worsens, leading to an influx of used vehicles that weren't scrapped as required under applicable law, it would be, on the one hand, a big plus for foreign manufacturers, and on the other, antagonise the overall dynamics of the Russian market. Therefore, we hope that the idea of scrappage fees, which is aimed, first and foremost, at prevention of uncon-

trolled importation of used vehicles, will be accepted and appreciated by all market players. Given that the Automotive Strategy presupposes the Russian production of at least 80% of total domestic vehicle sales, we hope (considering that all manufacturers will have the opportunity to extend direct guarantees) that it will emerge as a useful packaged decision, allowing for the interests of all players to be considered and respected. Allow me to reiterate – we're for packaged decisions: we recognize how difficult it is to champion the interests of narrow manufacturing groups or the representatives of individual enterprises. That is precisely why we want to adopt general, common and clear rules of the game that can not be broken down into smaller sub-decisions. We also do not want to subject them to the risk of the shortcomings of Russia's current business practices. I can tell you that when projecting 2011 results for certification

According to our estimates, up to half-a-million people work directly in the automotive and auto-component industries – almost three million, if one were to include related sectors, or 7–6 million in terms of industry-dependent households.

agencies, we uncovered roughly 50,000 vehicles that had crossed the Russian border under wrongfully-issued and even forged certificates – a phenomenon we'll definitely be fighting. We've come across similar stories in which vehicles clear customs under dubious documentation. We're very familiar with the problem. The Ministry of Industry and Trade group, tasked with interdicting the importation of products deviating from certification specimens, is set to begin operating again. For us, this represents a high-priority task, because if we don't address the problem, many of the economic stimulus initiatives we're currently drafting will be rendered ineffective. Strictly speaking, that's our general plan with regard to future steps to be taken.

After many long years of negotiation, Russia is finally ascending to the WTO. How will this development affect the automotive industry? What can we expect over the short, medium and long-terms?

Given that we're now living according to Strategy 2020, the WTO won't have any negative impact on its implementation or the performance results of our domestic companies. Of course, everything depends on how swiftly the measures we plan to take are implemented. Just to reiterate – the main threat to the development and implementation of Strategy 2020 are the used-vehicle rates that have yet to undergo the reconciliation process.

The second, of course, is that the WTO is likely to force us to reconsider a number of investment projects, insofar as the free movement of goods is the direct antithesis of the free movement of capital. It would be naïve, at best, to challenge such economic dogmas and axioms. Moving forward, everything will depend on the extent to which the WTO emerges as a true facilitator of fair trade. I believe that we, as unqualified adherents of the WTO's general principles, namely the free movement of goods and non-discrimination on global markets, have gained a certain confidence that as a producer, we'll be able to assume the position on opening markets that we've been counting on, insofar as the auto industry's export line, even within the parameters of our Strategy, currently plays an insignificant role. In this connection, Russia's ascension to the WTO will emerge as one of the key reasons for our review of the Strategy, placing particular emphasis on the export markets. Today, we've arrived at the model we're currently working with, given that all vehicle manufacturers and importers on the market will be geared towards domestic demand. We're assuming that our enterprises will gain an additional benefit when their specialisation in certain vehicle models translates into a driver of development and export potential. The issue is currently the subject of intense study and, within the framework of measures related to Russia's ascension to the WTO, will soon come to the fore. Over the short-term, of course, we continue to face the risk of a sharp reduction in duties on commercial vehicles. Here, we're assuming that state demand will partially address the problem. Aside from free trade principles, ascension to the WTO gives us yet another critical incentive – improving the competitiveness of domestic auto companies, creat-

ing engineering potential, and mapping out the role Russia and the Russian auto industry are to play in the international division of labour. This is a matter of fundamental concern to us.

Moving forward, everything will depend on how the WTO itself evolves, as you well know, attempts to overcome the impasse at the Doha Round were not successful. That said, several important issues are currently being discussed with other countries, in view of the fact that we're signatories to a great number of European agreements, the Geneva and Vienna Conventions among them.

Returning to your question as to how our vehicles will be brought into closer compliance with European standards, I'll reveal a big secret to you – of our 76 certification requirements, 71 have been taken from European rules. So, I'm not at all worried about when we'll become a European vehicle – we became one a long time ago. On the other hand, our consumers sometimes ask for "bare-bones" vehicles because they're cheaper. That said; within the scope of the technical regulations that we've adopted, strict phases have been put in place in terms of moving towards mandatory vehicle equipping, with required passive and active safety features (ABS, airbags, and further down the list of ECO rules). So, overall, we look towards the future of the Russian auto industry with a sense of optimism – for us, it has evolved from something markedly national into a rather multifaceted, international industry. This fact has forced us to closely analyse all of the support measures we're taking. If a negative process suddenly starts developing – prompted not by the availability or lack of production capacity, but by changes in general consumer attitudes – we'll discuss and add state support measures, such as demand stimulation to those we're already in the process of actively considering: compulsory civil-liability auto insurance (OSAGO), taxes and economic incentives for fleet renewal. Today, we have a firm grasp of these measures and well-formulated mechanisms and principles that I think we've generally implemented quite well; this has helped us achieve the parameters on the post-crisis market that we see

today. Therefore, in the future, we anticipate fairly routine daily work.

How do you assess the results of the creation and development of auto clusters? How effective have measures to stimulate the auto industry in this area been, and does the Russian Government plan to develop a new set of measures to stimulate development?

Given that different researchers and specialists often have a different interpretation of the "cluster" concept, I only use the term in exceptional cases – for descriptive purposes, for example. But we agree that in economic terms, in terms of the cost of logistics and the convenience of operating in a lean-production environment, enterprises engaged in automobile and component production should be territorially concentrated. From this perspective, I think we have three sustainable clusters – three regions, actually – where such a development approach is warranted and viable: the newly-formed cluster in the Northwest Region, the Volga Region (Togliatti, Nizhny Novgorod, Ulyanovsk) and the Central Region – Moscow/Kaluga, which is making a strong bid for leadership. Of course, we also have distant points such as Southern Russia where things aren't as bright. At play here, however, is purely the management factor, which is preventing the respective projects from developing. So, overall, I think three growth centers will emerge. In my personal opinion, developing production in a megacity like Moscow would be prohibitively expensive for the auto industry. But if cost-effective projects are implemented swiftly here, then I don't see why not. Certainly, the production of inexpensive models should be concentrated in those regions where the cost of vehicle and component production will be kept under strict control. Overall, with the exception of the projects currently being implemented in the Far East, we're unlikely to see the emergence of new auto-manufacturing clusters in the Urals or Siberia. Insofar as local demand is relatively low in those regions, any initiatives by our colleagues in the Urals or Siberia would likely be shut down by partnership projects with our Kazakh colleagues. It's a fascinating topic, because it has the potential

of servicing both the Ural and Siberian Regions. In this connection, we're holding active talks with our Kazakh and Belarus colleagues and will search for ways to implement this initiative.

On 7th of June, 2012, Prime Minister Dmitry Medvedev spoke at a government session about a bill that had been drafted at the initiative of the Russian Government, which envisions additional guarantees for investors active in the Russian auto industry in connection with Russia's ascension to the WTO. Could you shed some more light on the subject?

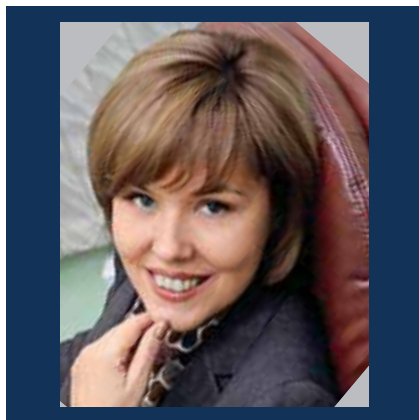
When we joined the WTO, we assumed certain restrictions on producer support. The operating mode of industrial assembly in place today will cease to exist on 1st of July, 2018. Consequently, we and the Russian Government were faced with the challenge of identifying additional solutions that would allow us to maintain the current mode through year-end 2020 – solutions that were subsequently reflected in the strategic projects and primary business plans of the companies that have decided to join the expanded mode of industrial assembly. That's it. In reality, the new mode is nothing more than the legislative setting of the obligations of the Russian Federation to investors, which have been affirmed once again. We've stated for the record that the WTO situation is complex, but that we'll continue to support all current projects through year-end 2020 by WTO allowed measures.

A final question: what would you like to wish the auto industry?

I think it's always appropriate to wish for appreciative, grateful customers and overall industrial stability, without either, none of our projects would end in success. I should mention that in an environment of positive market development, we've managed to achieve a pace that points to stable growth. If the current trend continues – if our customers support us – we'll be just fine. **BQ**



THE AUTOMOBILE INDUSTRY IN THE NORTH-WEST REGION OF RUSSIA. LABOUR MARKET



Elena Novoselova, Director, Coleman Services St. Petersburg

in 2012: growth is driven by the foreign brands.

The share of cars assembled in Russia reached 70%

Russia's Autostat analytical agency said, quoting a report of the ASM Holding, that the foreign cars assembled in Russia contributed 68.9% of Russia's total car production in the first quarter of 2012. Total production volume of cars in Russia amounted to 449.6 vehicles with 309.7 of them being foreign brands. Foreign brand car production volume rose 42.7% compared to the first quarter of 2011.

The problem of equipment being worn out by 51-53% on average is not the only problem that concerns experts. Another problem is the depletion of the workforce in St. Petersburg. The companies are facing a looming labour shortage, in these circumstances, the need to retain employees becomes a top priority for the human resources (HR) managers.

A Kaliningrad-based Auto company was announced the biggest manufacturer of foreign cars in Russia, with an output of 56,065 cars of various models. A St. Petersburg's auto plant ranked second with an output of 54510 cars.

Foreign car makers have been able to introduce new models of cars and expand their production capacities; whereas, Russian manufacturers have slowed down production. This resulted in an increase in the share of foreign made cars produced in Russia. According to the Autostat analytical agency, the share of Russian-made foreign brands accounted for 35.4% in 2007. Three years before, it was only 11.6%. The share of foreign cars manufactured in Russia reached a record 52% in 2010.

Due to the fact that many car manufacturers have set up manufacturing operations here, or are looking to do so in the nearest future, St. Petersburg is

often referred to as the Detroit of Russia. St Petersburg's automotive plants employ over 15,000 people. If the global automakers' plans for Russia are to come to fruition, the foreign car plants will require over 20,000 employees or 30,000 if the automobile components suppliers are also taken into consideration.

The automotive sector accounts for 20% of the total number of job opportunities. At the same time, the lack of human resources forces employers to constantly revise the remuneration packages.

The automotive industry of the North West region has been experiencing a shortage of skilled workers and engineers for quite some time. There has always been a problem of blue collar labour turnover. Working conditions are unfavorable and workloads are huge. Workers move from one employer to another, in search of better conditions and payment.

Nevertheless, the companies spare no efforts in attracting personnel. Last year, salaries within the automotive industry grew by 10 – 15%, as compared to other sectors of industry. At present, the average monthly salary of a blue-collar worker is 23-35 thousand rubles (RUB) and 30-50 thousand RUB for engineers and technologists: among the factors affecting salary are specialisation, type of work, number of shifts and others.

The automotive industry offers official employment, remuneration conditions that are in accordance with the requirements set by Russian law and generous benefits packages; thus making it an extremely attractive sector to work in.

Foreign car manufacturers are willing to pay salaries that are above market average and global auto makers provide their Russian staff with a comprehensive benefits package. An employee is entitled to a health insurance that in some instances includes dental cover-

The main objective of the Russian Federation state programme for the development of the national automotive industry until 2020 is to maximise the value added across all aspects of a vehicle's production cycle in Russia, maximise consumer choice and the quality of vehicles produced. (Strategy 2020 for the Russian domestic automobile industry)

St. Petersburg plays a leading role in the implementation of the objectives set out by the national Automotive Industry Development Program. As the city locates production facilities of the world's leading car manufacturers, it can rightfully be considered an important center of the automotive industry in Russia.

Total investment in the construction of automobile plants was 1.3 billion US dollars (USD). By 2018, the annual output of the Saint-Petersburg automotive cluster is expected to be 1 million cars. Construction of the car assembly plants will draw new auto components plants to the market, as well as boost further automobile market development. The St Petersburg automotive cluster demonstrated a strong performance in 2011.

According to Eduard Batanov, Head of the Committee for Finances at St Petersburg Administration, last year, the output of the St Petersburg automobile plants increased by 3.6. He said that one out of seven cars made in Russia is produced in St. Petersburg. Batanov said authorities expect the plants to boost their output by 40-50%

age, life insurance, workwear allowance, free or subsidised meals, transportation to/from work, company paid sports club membership, and discounts on company products. For example, one of the plants provides its mid-level managers with brand-new corporate cars. It also offers health insurance coverage to all employees and their family members. On Friday evenings the staff are invited to interact freely with the senior managers on various issues, in an informal setting, over drinks. On weekends the company offers its staff an opportunity to play tennis, giving, likewise, all interested persons a chance to play a set with the plant general manager.

Many employers provide progressive loyalty programs. This means that the longer an employee stays with the company, the more lucrative the compensation package.

New production facilities are to be put into operation and existing plants are to be expanded in the next couple of years. This will lead to a growing demand for skilled workers and engineers. The result will be an increased

competition within the St Petersburg automotive market, which translates to better remuneration packages to attract new employees and retain existing ones. The educational sector plays a key role in solving the problem of labour shortage. But even if the professional institutions are to provide training engineer and technologist job, there's still a sufficient shortage of workers with secondary education.

Nevertheless, the companies spare no efforts in attracting personnel. Last year, salaries within the automotive industry grew by 10–15%, as compared to other sectors of industry.

Residents of the North-West region, including Novgorod, Pskov and Vologda oblasts can be a possible source of labour for the industry. The only prerequisite when employing from these areas is the provision of accommodation.

The problem of equipment being worn out by 51-53% on average is not the only problem that concerns experts.

Another problem is the depletion of the workforce in St. Petersburg. The companies are facing a looming labour shortage, in these circumstances, the need to retain employees becomes a top priority for the human resources (HR) managers. The importance of human resources management at all levels cannot be overestimated. The way HR processes are organised within a company serves as its wellness indicator: if human resources are efficiently managed, trained and motivated, they will strive to work better and demonstrate better results. Personnel qualifications are by all means important, but only motivated employees that share the company's values and see themselves as an essential part of the company's future, will contribute to the company's growth and success in achieving its goals.

The Russian market still remains lucrative for the global car makers. This means that more companies are going to build manufacturing facilities here, and the demand for skilled labour is going to remain high. **BQ**



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THE RUSSIAN AUTOMOTIVE SECTOR'S INDUSTRIAL ASSEMBLY REGIME



General information

For the last decade the Russian automotive market has been steadily growing at an impressive pace, reaching the size of the second ((2.5 million (mln.)) largest automotive market in Europe, after Germany (3.2 mln.), in 2011. The increase of the sales of automobiles in Russia has been secured by the steady increase in the welfare of the Russian customers and their higher exposure to imported goods. Although it is the 8th largest country in the world population wise, the Russian Federation still has very low (250) vehicle density per 1,000 people (in comparison – Poland: 453, Germany: 515, US: 643). That is of course a big opportunity for foreign car manufacturers, as well as for the Russian producers. Another factor in the development of the automotive market is the Russian car park's age: 48% of the vehicles older than 10 years and 25 % are older than 5 years. Taking into account that the number of vehicles on the Russian automotive market exceeds 35 mln. and the improved economic status of the Russian citizens, a demand for the new cars in Russia will be sustained in the coming years. The AEB Automotive Manufacturers committee's forecast regarding the total number of cars and light commercial vehicles (LCV) on the Russian market in 2012 stands at 2.85 mln. In 2011, according to the committee's statistics, about 2.6 mln. passenger cars and light commercial vehicles were sold.

All abovementioned factors and state intentions to create favourable

Artyom Kursakov, Head of Government Relations, VOLKSWAGEN Group Rus OOO

conditions for the automotive industry in Russia led to a number of measures, which changed the whole framework for the sector. Russian incentives for the car manufacturers started as early as the mid 1990s through the creation of a special economic zone in Kaliningrad region, where contract manufacturing of several foreign brands had been applied. However, in 2005, a new piece of legislation was adopted that introduced the so called "industrial assembly regime" for automobiles. As this decision was one of the most important ones for the Russian automotive industry, let us take a detailed look at this regime and how it has evolved over time.

Overview of the industrial assembly regime

As mentioned previously, the industrial assembly regime was adopted in 2005 by a special Government resolution #166 and the Decree of the three Russian ministries: Ministry of Economic Development and Trade, Ministry of Industry and Energy and Ministry of Finance (hereinafter 166 Decree). This regime made provision for an exemption from certain import customs duties for a number of auto-components provided that the car manufacturer agreed to localise car production in the Russian Federation by building a factory with a capacity of at least 25 000 units per year. The terms of the regime contained several obligations for the car manufacturer to conduct the following operations in a Russian factory: body welding and painting, power unit assembly, assembly of the rear and front suspensions and other operations. The Decree stated the 7-8 years following the date of the signing the agreement with the Ministry of Economic Development, the car manufacturer should reach a localisation level of 30%.

In 2010, the Ministry of Industry and trade adopted a new Strategy

of the Russian Automotive Industry development for the period up to 2020, which set new goals and fixed new parameters. In particular, the document outlined the expected increase in the localisation level of the currently manufactured vehicles, stating that the locally produced car ratio is expected to be up to 80% by 2020. A decision was made to realise these ambitious plans by introducing new (modified) industrial assembly regime rules. Moreover, several agreements between the foreign car manufacturers' with the Ministry of economic development are to expire starting from 2012; therefore, it was important for the Russian Government to come up with some solutions in order to secure fair competition on the Russian automotive market and save the investments already made by the industrial assembly regime participants. In late 2010, Russian Government approved the amendments to the abovementioned Decree that allowed all interested companies amend, and thus, prolong their existing agreements with the ministry up until 2020, only.

The key difference of the modified version of the industrial assembly regime is the increased requirements for the car manufacturers, which among others include:

- To build new or modernise production capacities of 300/350 thousand units (including available full scale production capacity) within 36-48 months after the entry into force of the new agreement.
- To establish full cycle engines or transmissions production in Russia (no volume threshold) provided that 30% of the vehicles produced in Russia are equipped with engines manufactured locally in 36-48 months after the entry into force of the new agreement.
- Duty free importation of semi-knocked-down (SKD) kit is allowed for the first 36 months in the amount

not exceeding 5% of the available full production cycle capacity in any given year. The quota is defined and confirmed annually.

- Car manufacturers should establish a research and development (R&D) center in Russia, which will ensure fulfillment of the following operations: design and engineering of the vehicle, testing of the auto-components, testing of engine, chassis and other operations.

According to the terms of the amendments all applications (or notification of interest) were to be submitted before 28 February, 2011, which 6 Original Equipment Manufacturers (OEMs) and over 180 Original equipment suppliers (OESs) did. Within subsequent 3 months, all OEMs that applied submitted full investment agreements. Component suppliers are expected to submit their business plans on or before 31 December, 2013. On June 1st 2011 the Ministry of Economic Development announced that only 4 companies had signed the modified agreements. All previous agreements signed with other manufactures will remain in force till their expiration dates.

Overall, currently, 31 industrial assembly agreements (both old and new versions) have been signed with the car manufacturers, 23 of which are already in force: the remaining are the so called “sleeping” agreements that should be activated by the end of the 2012, otherwise, they will be annulled.

At this stage it is still a little bit premature to make any final assessments of the new version of the industrial assembly regime, however the general approach of the Government in 2004 proved to be successful. Currently, not only 70% of all cars sold in Russia are locally produced, but also, all top 10 models are Russian made.

Current concerns of the industrial assembly regime participants

Russia's accession to the WTO

Even though the above mentioned regime is well functioning and proved to be appreciated by the foreign manufacturers, beneficiaries of this regime are currently facing several problems that may significantly alter or even deteriorate the environmental conditions for the industrial assembly of automobiles.

Even though car manufacturers fully support Russia's accession to the World Trade Organisation, the subsequent regulatory changes affiliated with its membership constitute problems for the car manufacturers. The most important issue for all automotive market players is the import duty decrease for used cars (from 35% to 25% and significant decrease of the specific component). Pursuant to the Russian Ministry of Industry and Trade's estimations, the volume of the used car imports amounts to some 800 000 units per year, which is around 1/3 of the forecasted total market for 2012. This duty decrease may significantly harm the market of new car sales, and thus, make local production under industrial assembly regime less attractive. The Russian Government is fully aware of this fact and is elaborating a new mechanism of “utilisation fees”, which is aimed at not only creating an End-of life-vehicles system in the Russian Federation, but also preventing the influx of used vehicles (passenger cars, commercial vehicles and buses) into Russia. Car manufacturers fully support a mechanism that will secure the further development of the new cars market, and prevent in the inflow of used cars.

The AEB Automotive Manufacturers committee's forecast regarding the total number of cars and light commercial vehicles (LCV) on the Russian market in 2012 stands at 2.85 mln. In 2011, according to the committee's statistics, about 2.6 mln. passenger cars and light commercial vehicles were sold.

Moreover, according to the WTO accession terms, all customs duty exemptions that are granted to the car manufacturers should be revoked as of July 1, 2018, whereas industrial assembly regime agreements are valid until December 31 2020. Thus, the Russian Government should consider taking certain actions in order to secure the fulfillment of its obligations under the legal agreements with the car manufacturers. As we know, Russian Ministry of Industry and Trade is now elaborating a compensation procedure for participants of the industrial assembly regime.

Russia vs. CIS automotive industry

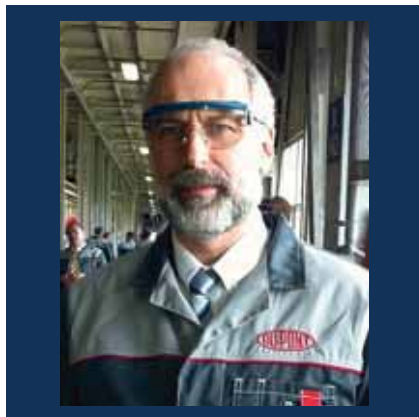
Another very important issue for foreign car manufacturers producing in Russia is the regulation of the movements of goods within the Commonwealth of Independent States (CIS), which is gaining momentum with regard to further integration, especially, considering the recently adopted Free Trade Agreement. Taking into consideration that some CIS countries have massive SKD production on their territories, it may constitute a great risk for the industrial assembly regime participants should import duties payments by the importers from those countries be low or absent. Foreign car manufacturers fully support integration processes within the CIS and Single Economic Space in particular, but an even playing field and fare competition should be also properly secured on the market.

Even playing field for the industry participants

Last but not least the existence of the Kaliningrad Special Economic Zone that provides unprecedented customs and tax benefits for the production purposes within its territory should be mentioned. There are very few requirements for a company to become a resident of the mentioned Zone. In exchange, this status provides a company with an opportunity to mass produce vehicles under the SKD regime, with no subsequent obligations concerning localisation of the auto-components (in 2011 some 222 100 vehicles were produced there). All car manufacturers operating in Russia under the industrial assembly regime strongly believe that such a situation not only creates unfair competition and demotivates further investments into the Russian automotive industry, but also contradicts long-term plans of the Russian industrial policy.

In conclusion, it should be noted that a successfully implemented policy of the Russian Government aimed at attracting foreign car and components manufacturers should not only be continued, but also properly executed. Only open and constructive communication between the Russian regulatory authorities and industry representatives may secure a stable and consistent growth of the automotive market in the Russian Federation. BQ

THE EVOLUTION OF THE RUSSIAN AUTOCOMPONENTS SUPPLIERS



Key points

1. Importance of Autocomponents to the Automotive industry.
2. Role of the autocomponents suppliers in innovation.
3. History of the Russian Autocomponents industry: low efficiency, duplication design functions.
4. Status at the end of the 20th century – not able to supply to incoming international Organised Equipment Manufacturers (OEMs).
5. International Tiers 1 moving to Russia slowly (volume does not justify investments).
6. Last chance for local manufacturers to update technology and improve quality to meet the OEMs requirements.
7. OEMs support the development of local manufacturers.
8. Material suppliers' support

Conclusion

There is good chance for new Russian components' makers to find their place in the market by investing in new equipment and allowing help from both the OEMs and material suppliers.

It's difficult to overestimate the importance of autocomponents producers to whole automotive industry. In many cases 60% of a car's value is supplied by Tier 1 suppliers (depending on whether the power train is outsourced or not). Very often producers of autocomponents bear all responsibility for the design and functionality of the component. They receive the

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dimensional and functional requirements from the OEM and go unassisted through all the stages of the design process (from material selection to making prototypes) providing OEM with ready solutions.

Nowadays, companies who supply autocomponents are leaders in innovation. Most modern technologies designed to increase safety and comfort in modern cars were introduced by the Boshes, Valeos etc.

Historically the autocomponents business developed in two different directions:

- There were some big companies integrated into the OEMs structure (for example Visteon as part of Ford, Delphi as part of GM, Denso as part of Toyota, and so on). There were fully or partly separated later on.
- In the same time independent, privately owned smaller companies arose on the market in response to a growing demand for new components and flexibility, and fast adaptation to a changing technological landscape.

In Russia the autocomponents factories were being built alongside the automotive plants. On one hand, this so called "planned economy" had a number of advantages: locations of autocomponents suppliers were selected in such a way as to optimise all logistics. Capacity was planned to meet the OEMs exact needs, which guaranteed market for produced units, etc. On the other hand, there were significant disadvantages to such an arrangement of the size of the autocomponents plants (in some cases up to several thousand employees) made them inflexible, slow. A guaranteed market did not encourage innovation. Lack of competition and once again, the sheer size of the plants, very often made them ineffective in terms of cost. Close links to the automotive plants did not help to

avoid duplication of functions. Certain components were being designed both by the engineers at the OEM's design bureau and those at Tier1. The same was also the case with material selection, tests labs and many other functions.

With political changes in the country at the end of the 20th century, Russia began integrating into the global economy, and at this point, the country's automotive industry was seriously challenged by global competition. The autocomponents industry appeared to be a weak point, with an important part of this industry missing – small innovative companies specialising in certain applications. A typical Russian autocomponent plant was making a wide range of components, for example, Dimitrovgradski Avto Agregatny Zavod (DAAZ) produced almost everything from door locks to radiators and carburetors to lightings.

The need for change was obvious. But new managers of former state owned plants were struggling with decreasing demand, price pressure from the OEMs and cash flow problems caused by huge account receivables. Re-equipment and technological upgrade was not a high priority. As the result, Avtovz and other Russian OEMs started importing many components. When global OEMs came to Russia with local production they also brought a new opportunity for Russian autocomponents makers. Being under Government pressure to localise production, they were willing to help local components and parts makers upgrade their technologies and quality control systems to meet international requirements. At the same time, international OEMs intensively worked with their traditional suppliers, trying to convince them to start local production in Russia and there are many examples where supplier

companies went ahead and localized production. International companies such as Automotive Lighting, Jonson Controls, Magna, Lear, Valeo, Delphi and many others now boast of their own manufacturing sites in Russia. But the scale of local production and rate of localisation is not necessarily high enough. The reason is that the international Tiers 1 supply mainly OEMs. An order from a single foreign OEM is not big enough to justify full scale components production with in-depth localisation; therefore, many components and subcomponents, especially, small ones continue being imported. However, this also means that the window of opportunities for Russian companies is still open. There are two strategies for Russian components makers that might appear successful, one is to form a successful partnership with one of the international components companies considering brown field production in Russia and in need of a partner with local connections to the market. This option is mainly for bigger, well established local players who need a techno-



logical upgrade and quality improvements. The second strategy focuses on self-development: using the experience and help of OEMs, small companies can invest in new equipment and offer new technologies that do not exist on local market. In my experience with automotive plastic components and parts, in many cases, a components

maker can also rely on the expertise and valuable help of a material supplier. Having worked for many years in the area of performance polymers and I know of several success stories with regard to such cooperation. The help of a material supplier in designing a part, Computer Added Engineering (CAE) or tool design, allows the components supplier offer a competitive, cost effective and quality component to OEM. Good design of plastic parts have a positive effect not only on the weight and cost of the component itself, but also on assembly and secondary operations cost.

However, Russian components companies who wish to find their niche within the Russian automotive industry should act quickly. As soon as the growing car production reaches critical figures, localisation will become a focus for the foreign components makers. Another factor is the World Trade Organisation (WTO). A deduction of customs duties on raw materials will promote a healthy competition for locally made components. BQ

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LOCALISATION OF AUTOMOTIVE COMPONENTS AND AUTOMOTIVE MANUFACTURERS



Ivan Bonchev, Investment Director, SI Capital Partners

The Russian automotive market has been on the track of quick recovery, following a dramatic drop of about 50% during the economic downturn in 2009. This year, the market is expected to go back to its pre-crisis level, and potentially, even surpass it. Overall, a total of 2.8 million (mln.) light vehicles (passenger cars and LCVs up to 3.5 t) make Russia a significant arena for further competitive development of all global players. With a substantial growth potential triggered by a still comparatively low car ownership, very aged car fleet and growing consumer financing options, Russia is on the way to become the largest European market in the mid-term. Most industry analysts agree that the market will be close to maturity once the 3.5 mln. new car registration hurdle is reached. This is expected to happen by 2015 provided there are no major global economic shocks.

Although Russia is often compared to its BRICS peers, it has a number of distinguishing characteristics that make it a unique and particular market. The major differentiating factors are the following two:

1. Still a significant net of imported vehicles

Russia has a well over 30% share of imported vehicles of its new car registrations, while export is insignificant, and primarily, to other CIS countries. None of the global Original Equipment

Manufacturers (OEMs) have been considering Russia as a production hub for other markets. In addition, the expected World Trade Organisation (WTO) accession will aggravate this ratio even further.

2. Lack of domestic automotive component manufacturers capable of meeting OEMs requirements.

There are very few domestic suppliers with the potential to meet the growing OEMs needs, primarily, due to technological backwardness and lack of financial and investment strength. Global suppliers, on the other hand, despite having Russia on their strategic agenda, have shown only limited investment activity, and primarily, in areas where logistics are a prerequisite for localisation and/or low value-added and volumes are a driver.

In 2005, the government passed a legislation ((commonly known as regulations (reg.) 166 and 566)), allowing foreign OEMs and suppliers establishing production capacities according to certain requirements (see Table 1) to enjoy zero or significantly reduced custom duties on a number of components and materials for up to 8 years. Together with the rapid market growth of 2006 and 2007, this regulation triggered investment by the majority of global OEMs: suppliers started following, albeit at a much slower rate. Localisation, however, faced several hurdles:

- Small capacities scattered in distant areas of production and dedicated to manufacturing a wide variety of platforms and vehicles, making it difficult for component manufacturers (especially, where volume is critical to economic efficiency) to consider an investment;
- Scarcity of quality materials (e.g. steel grade, plastics, etc.) and reliable tier-2, tier-3 suppliers;

- Operational cost (as compared to a number of locations in Central and Eastern Europe, whereby, a number of global supplies had already moved capacities).

This is why in early 2011, an amendment to reg. 166 and 566 was passed, to facilitate the localisation process. Those car manufacturers willing to extend their reduced customs duties until 2020, have to commit to much larger capacities (see Table 1), increased localisation and Research and Development (R&D) activities. Original Equip-

Table 1: Procedure of Industrial Assembly

The procedure of Industrial Assembly was introduced to Russia in 2005. It is aimed at raising foreign investments and suggests step-by-step localisation of automotive and component production.

166 contract (lower import duties for components)		
Covenant	Old	New
Annual production (units)	>25 ths.	>300-350 ths. no later than 2020
Localization ratio	>30% within 3 years	>60% within 6 years
Engines & transmissions	No obligations	>30% of the output
R&D center	No obligations	Obligatory
SKD	Not allowed	Up to 5% of capacity

566 contract (lower import duties for subcomponents)		
Covenant	Old	New
Annual production (units)	Set for engines, gear boxes and drive axles	No obligations
Localization ratio	>30%; no commissioning period	> 45% within 5 years
Investment	No obligations	No obligations

ment Suppliers (OES) are to benefit from much more flexible rules.

The extension of Reg. 166 led to the creation of new alliances and also shaped the landscape of the OEMs committed to serious investment. About 400 memoranda of understandings were signed with companies intending to take advantage of reg. 566. Some of these have already been converted to binding investment agreements, while the rest have the option to make up their mind by the end of 2013.

Currently, only 13 out of the top 25 global OES have established local capacities in Russia. Nevertheless, many have Russia high on their investment agenda list. We expect to see further investment in the sector triggered not only by the legislative requirements for localization, but also by the further market development. 2011 was a record year in terms of locally produced vehicles. Moreover, investment commitments by OEMs would increase local capacities to over 3 mln. units in the midterm. Finally, the sizeable aftermarket (passenger car

fleet is at about 35 mln.) makes the country an attractive market for most large OES.

In the meantime, the domestic OES have evolved to an even more critical stage and very few large independent players were left. Most have significant financial instability, and therefore, few options for further development. In addition, poor management and quality practices, outdated equipment and lack of R&D capabilities make them a not so attractive target for investment.

Domestic OEMs still remain highly vertically integrated. Therefore, the majority of Joint Ventures (JVs) or other types of partnership opportunities for global suppliers remain with the Russian car manufacturers.

The following areas have already been localised or have good potential for local sourcing:

- Metal casting, forging and stamping;
- Seats and seat systems;
- Interior and exterior plastics (panels, bumpers, etc.);
- Batteries;
- Tires and wheels;

- Automotive glass and mirrors;
- Painting and coating materials;
- Wiring harnesses.

A major challenge remains in the following groups:

- Power train (engine, transmission, drive shafts, differentials, etc.);
- Chassis, driving axles, suspensions, etc.;
- Electronics;
- Thermal systems (Heating Ventilation Air Conditioning (HVAC), hoses).

Currently, only 13 out of the top 25 global OES have established local capacities in Russia. Nevertheless, many have Russia high on their investment agenda list.

Finally, in order to make the Russian OES sector sustainable and competitive, there should be more focus and efforts from all stakeholders, including the government to foster R&D activities. Russia has been famous internationally for its high engineering and IT talent. Moreover, there is already positive experience in similar sectors (e.g. aerospace). BQ

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RUSSIA'S ACCESSION TO THE WTO: IMPLICATIONS FOR THE AUTOMOBILE INDUSTRY



Maria Donchevskaya, Associate, CMS

With the signing of the protocol on Russia's joining the Marrakesh Accords on the establishment of the World Trade Organization (the **"Agreement on the WTO"**) on 16th December, 2011, the long process of Russia's acceding to the WTO, which started back in 1993, is coming to a close. Russia has 220 days from the date the protocol was signed to ratify it. Exactly 30 days after the ratification, Russia will become a full-fledged member of the WTO; thereby, assuming all obligations that follow the signing of the said Agreement, including all its annexes and amendments. This includes all obligations regarding the access to the goods and services market and the lowering of tariff rates on customs duties.

One of the main goals of Russia's strategic development includes the development of the country's automobile industry. Experience over the past few years has shown that the creation of a competitive automobile industry is nearly impossible without the use of foreign technology and capital. A competitive automobile industry also includes the protection of existing investment preferences and avoidance of concessions. These factors both played a significant role during Russia's negotiations on the conditions of accession to the WTO.

During discussions regarding Russia's membership in the WTO, a set of rules regulating the procedure for foreign investment in the manufacturing of passenger cars in Russia, based on Decree No. 166 of the Government of the Russian Federation, dated 29 March 2005, was especially criticised. In particular, laws that have been in effect since 1st July, 2011 establish the idea of an "industrial assembly," as well as outline the procedure and the conditions for applying this concept in terms of importing car parts and components to Russia. Investment agreements entered into under these rules are the basis for importing car components under the preferential customs duties rates (0% – 5%).

Preferences are granted on the conditions for creating in Russia the capacity to manufacture 300,000 new cars per year, or 350,000 cars per year by modernising existing production. The key requirements for granting these privileges are attaining a 60% level of local manufacturing within eight years of the investment agreement coming into force and creating centres of technological development in Russia. In addition to the agreements already

concluded before 31st December, 2011, companies that have signed a memorandum with the Ministry of Economic Development of Russia on intentions to enter into an investment agreement will have the right to enter into investment agreements on the basis of the indicated preferential customs duties rates until 31st December, 2013. Thus, the possibility of granting privileges for the import of goods to Russia in exchange for investment obligations is established by law; however, this contradicts the provisions of the General Agreement on Tariffs and Trade. In this respect, during negotiations on Russia's accession to the WTO, the European Union brought forward requirements on decreasing the timeframes of active investment agreements, lowering the level of localisation, and establishing a uniform rate for customs duties on the import of parts and components by the car manufacturers to Russia. As a result of the long negotiations, Russia has agreed to decrease the timeframe for the preferences to 1st July, 2018 (as opposed to 2020 as stipulated by the investment agreements), as well as to assume the obligation of compensating for any differences of the customs



tariffs that arise as a result of this from its budget.

With the goal of harmonising Russian legislation on the industrial car assembly with the provisions of the WTO, a transitional period has been established for Russia until 1 July 2018. This is supposed to ensure the adherence to the conditions of investment agreements already concluded with foreign investors. They will remain in force during this period in order to attain the calculated return for the investment projects already initiated.

In terms of importing foreign cars, Russia has assumed the obligations of lowering the customs duties rates for the import of new cars from 25% to 15%. Russia must attain this level of customs duties tariffs by the end of the seven-year transitional period that is established for the group of goods. The most significant changes in the rates will be during the final three years of the transitional period.

Additionally, Russia has agreed to compensate European manufacturers of car components for the possible



decrease in imports resulting from maintaining the high level of localisation when applying the “industrial assembly” regime. Compensation is intended to be performed through the application of a tariff quota mechanism: if the volume of imported components from Europe decreases by 3% a year as compared to the level in 2010, the European manufacturers will have the tariff quota opened in line with the amount of the decrease in the volume of imports, under which the import duties for parts

and components for car manufacturing may decrease to 0% – 5%.

Consequently, significant short-term changes in the regulation of the car manufacturing industry are not expected. However, once the transitional period has expired, the level of protective tariffs for Russian manufacturers will be at a rather low level. Until that time, Russia is expected to develop a stable car manufacturing sector that will be able to compete with similar foreign models. BQ

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THE CUSTOMS ASPECTS OF RUSSIA'S AUTOMOTIVE INDUSTRY



Alexander Kosov, Head of Practice Group for Customs and Foreign Trade Regulation, PhD in Law, Pepeliaev Group

This article sheds light on issues regarding the customs-tariff and international trade regulation on the import of completely-built-up (CBU) vehicles and components required for its assembly.

Decreasing the import customs duty rate for car body

Currently, there are two classification codes related to bodies for the motor vehicles of headings 8703 with the following effective import customs duty rates:

- 8707 10 100 0 – for industrial assembly purposes – 0%
- 8707 10 900 0 – other (i.e. the standard code) – 15% of customs value, but not less than EURO 5000 per unit.

In accordance with the obligations undertaken by Russia as part of the conditions for accession to the WTO, the rates will have to be reduced to the level that was in force before 2008. The rate “15% of customs value, *but not less than EURO 5000 per unit*” for the code 8707 10 900 0 was established by Russian Government Resolution № 745 of October 10th, 2008 to create a tariff, which makes it extremely difficult for companies and individuals to import disassembled passenger cars, for assembly upon importation; thereby, avoiding the 25% import customs duty rate established for CBU vehicles. Before this Resolution, the rate was 15% of the customs value. Therefore, at the date of accession, the rate for code 8707 10 900 0 should not exceed 15% of the customs value, i.e. the phrase “but not

less than EURO 5000 per unit” should be excluded. This is also confirmed in the Protocol on the accession of the Russian Federation (RF) to the WTO, to be ratified by the respective Federal Law that envisages the following rates for the above mentioned codes:

- 8707 10 100 0 – 15%;
- 8707 10 900 0 – 15%.

A 15% rate with respect to code 8707 10 100 0 “for industrial assembly” means that Russia (as well as Belarus and Kazakhstan, as the members of the Customs Union) cannot establish a rate above 15%, but it does not restrict them from applying a rate that is lower than 15%, up to zero. The position of the RF Ministry of Economic Development is that those effective rates that are lower than those agreed upon with the WTO will not be raised automatically; however, for certain goods, a decision will be made following talks with Belarus and Kazakhstan. At the same time, in our opinion, the risk of increasing the rates on codes “for industrial assembly” is zero. Therefore, the following rates will most probably be applied to car bodies on the date of accession:

- 8707 10 100 0 – 0%;
- 8707 10 900 0 – 15%.

However, according to the Decision of the Eurasian Economic Commission # 54 of 16 July 2012 the rate of customs

duty for 8707109000 code is 15%, but not less 2907 Euro per unit. Therefore, the specific part of the rate is not excluded, but only decreased that is not in compliance with Russia's obligations under WTO.

Classification of car bodies

The Federal Customs Service of Russia issued letter № 01-11/56830 of November 22nd, 2011; subsequently, the EEC issued Decision № 8 dated March 15th, 2012, according to which, both car bodies that are fully equipped (i.e. with all constructive elements and accessories, such as panels shields, trunk, seats and cushions, mats, luggage shelves and electrical equipment) and those not equipped (e.g. without wings, bonnet, doors, elements of the interior, internal parts and fastening elements, or where body upholstery or painting has not been completed) should be classified under the tariff position 8707 10 900 0, with a 15% import customs duty rate.

The above clarification is based on the Clarifications to the Unified Commodity Nomenclature of International Trade Activity of the Customs Union, established by Decision № 851 of the EEC dated November 18th, 2011. Before Decision № 8, some importers tried to classify the above mentioned unequipped car bodies under the 8708 29 900 9 code, with a 5% import customs duty rate.

Scrappage fee

The RF Government plans to establish a so-called “scrappage / recycling fee” for each car imported into Russia and produced on Russian territory. The following official grounds are declared for the establishment of said fee – the collection of funds from car manufacturers and importers to reimburse costs on the recycling of cars that have lost their consumer quality and have been taken out of service, and also compensation for the damage to the environment, people's lives



and health inflicted by said vehicles. The Russian Government proposes establishing the size of the recycling fee in such a way as to offset the reduction in the rates of import customs duties, which should be performed in connection with Russia's obligations before the WTO. For some low-cost models of vehicles, the recycling fee may be more than the amount deducted from the import customs duty.

At the same time, unlike car importers, who will have to pay said fee, manufacturers that meet specific requirements may, instead of paying the fee, officially take on the responsibility of safe recycling for the vehicles that are produced by them. These obligations stipulate that the manufacturer should:

1. At own cost, arrange collection points for vehicles that have lost their consumer quality and have been taken out of service in each city or population centre within the Russian Federation, where the number of inhabitants exceeds a specific figure, in particular, through dealers network (Option 1); or
2. Sign an agreement with those companies that have the license to carry out activities on handling of waste classified from category I-IV in terms of being hazardous (Option 2).

Understandably, there may be no company which is licensed to handle waste in each places where collection points should be arranged. Therefore, if a manufacturer does not have a developed dealers network, arranging collection points may require significant costs and efforts. There are certain requirements that must be met by the manufacturers simultaneously to avoid paying the recycling fee:

1. A manufacturer should be registered on Russian Federation territory;
2. A manufacturer should have the right to issue vehicle passports for the vehicles produced by him;
3. A manufacturer should perform the following operations:

a. Assign vehicle identification numbers (VIN) either on car bodies, chassis or on specially produced shields for vehicles that are manufactured as follows:

- I. under the "industrial assembly" regime (Scenario 1); or
- II. according to the technology that includes welding and painting of car parts and vehicle assembly (Scenario 2); and

- b. Carry out industrial production and assembly, including special arrangements on chassis, produced in Russia.

Based on the above and due to the fact that during the initial stage (18 months for brown field projects and 30 months for green field projects) the "industrial assembly" regime makes possibility for DKD / SKD assembling, some of the manufactures (e.g. Avtotor, ZIL) are in the process of negotiations with companies that have signed the Agreement on "industrial assembly", with the RF Ministry of Economic Development, but have not implement the rights given under said agreement (currently there are 9 such agreements). Due to the fact that the Russian Government undertook an obligation not to draw up new agreements, this is the only way for such manufacturers to get the right to apply the "industrial assembly" regime. We believe that the above mentioned conditions and obligations are developed to exclude the possibility of current importers evading the scrappage fee by arranging DKD / SKD assembly in Russia. Please note that the draft envisages that the RF Ministry of Industry

and Trade will be authorised to handle the Register of vehicle manufacturers that undertook the obligation of further vehicle utilisation (i.e. the companies, which will not pay the scrappage fee) and to state the respective rules for operating the Register. All manufacturers who are not included into the Register will have to pay the scrappage fee.

In view of the above, many experts assess the Russian Government's plans to introduce this fee as a measure that neutralises Russia's obligations to the WTO, with regard to a reduction in customs duties rates for imported vehicles. This is believed to protect the interests of Russian car manufacturers from competition, which is contradictory to Article III of GATT WTO. Moreover, Belarus and Kazakhstan refused to introduce the recycling fee on their territory, but according to the Decision of EEC # 55 of 16 July 2012 they will not reduce the import customs duty rates on motor vehicles as Russia. Therefore from the financial point of view there should not be a difference under importation of vehicles to Russia directly or through Belarus or Kazakhstan. BQ



With particular reference to the automotive industry Pepeliaev Group, a leading Russian law firm, provides legal support on the following issues:

- Advice on the tax and customs concessions;
- Application of "industrial assembly" regime;
- Drafting foreign trade business agreements;
- Consideration of cases of introduction of special protective, anti-dumping and compensatory measures;
- Classification of imported goods for customs purposes (i.e. separate components, SKD kits, etc.);
- Customs valuation of imported cars and its components (e.g. transfer pricing; confirming discounts on the purchase prices; issues of including royalties in the customs value, etc.);
- Legal support to clients in complex cases and settling disputes in relations with the Russian customs authorities.

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A SYSTEMATIC APPROACH TO IMPROVING ENERGY EFFICIENCY OF INDUSTRIAL PLANTS



Michael Akim, Director of Strategic Development, ABB Russia

Summary

Industrial companies and power utilities are among the largest users of energy and are, therefore, among the most sensitive to the need to be more efficient. In no other area are so few players capable of making such a big difference. Practice shows, however, that it can be difficult even for energy intensive businesses to capture the opportunities, to justify spending, with a lack of information, expertise and funds being common barriers to faster deployment of energy-efficient technologies. Previous experience in applications of those technologies is critical, as well as a benchmarking study to compare the conditions of the plant with similar ones globally. The implementation of energy optimization studies in Russia would typically also require the completion of Russian mandatory "energy passport" audit in accordance with the federal law. It's important to find some synergy, to define the optimal combination between Russian mandatory "energy passport" audit and energy study, in accordance with international practices, to prepare a business case to justify spending, in accordance with international standards and procedures.

Introduction

One way of creating awareness about the importance of using energy more efficiently and the opportunities that exist for

industry and power utilities is through the sponsorship of surveys and publications.

From plant management's perspective, the primary concern is to look at the impact on the bottom line; they are obviously aware of energy's impact on margins and the environment. However, if energy savings get lost in the gargantuan budget figures, management will not be able to see the net benefit. Instead, look at energy as a raw material used to produce a unit of product, or deliver a particular service. For the most energy-intensive industry, the saving could be very evident, for example: up to 30 percent of cement factory's raw materials go for energy supplies – and if you can reduce that amount by 20 percent (which is doable by complex approach) – that could provide the direct EE benefit of 6 percent in the bottom line. Globally, the energy-intensive industry actively pursue for new technologies to reduce its energy footprint. For chemical industry, for example, these include process intensification, combined heat and power systems, modern catalysis, and carbon capture and storage. Also a point for consumption within the power plant, so far an area where efficiency has often been overlooked.

Customer wishes to minimize energy consumption at the plant site and so increase the profitability of the operation. Typically, as a first step in this process, customer wishes to assess energy consumption and energy management practices at the plant in order to identify and prioritize energy saving opportunities. This will in then allow the plant to develop and execute a portfolio of realistic energy saving projects.

Tools for energy efficiency improvement

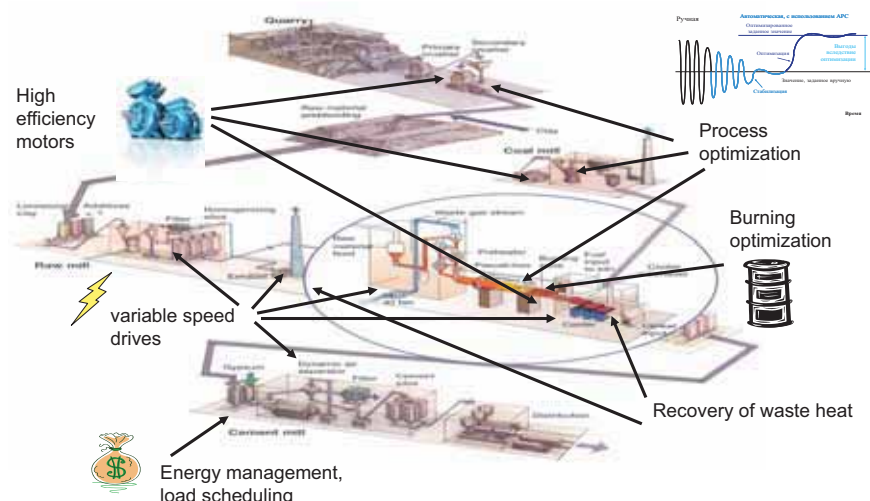
Systematic approach to energy efficiency for industrial plants requires

identification of the potential for savings in energy use in both the balance of plant (utilities systems) as well as the core production process. Therefore it demand deep understanding and knowledge of industrial processes and technologies to challenge consumption patterns at point of use, reduce wastage by eliminating losses, improve the efficiency of generation. Along with technical projects it would involve organizational, effective energy management actions to motivate the potential in the organization to identify, deliver and keep energy savings, effective communication and sharing of energy information, skilled and motivated staff.

There is a set of common solutions and tools for savings that are relevant and useful to most industrial plants:

- Electrical energy savings by variable speed drives;
- Implementation of more energy efficient electric motors;
- Electrical energy savings by reducing harmonics and improving the power factor;
- Burning optimization by reducing the fuel demand;
- Fuel mix optimization when dealing with alternative fuels;
- Electrical energy cost optimization by load scheduling;
- Recovery of waste heat;
- Air, steam, heat distribution control, loss prevention monitoring;
- Technology analyses and process optimization – could be the most important one.

Significant energy saving could be achieved through the implementation of medium voltage (MV) and low voltage (LV) drives: the industry uses 50% of all electricity, of which 65% is for electric motors, and up to 70% of Conventional motor energy can be saved by varying the motor speed to the actual need for ener-



gy. Today only 5% of the world's motors are fitted with energy-saving drives.

The implementation of these energy saving solutions could further support production and quality improvement. Completing an implementation program for all of those items would require prioritization and financial justification for all of those projects.

Energy efficiency study

There are number of levels and approaches of energy efficiency studies:

- implementation of particular equipment, such as motors and drives in technology processes;
- energy audit that based on particular defined measurement procedures,

A comprehensive modern approach for energy and environmental services should provide access to best global experience cases for benchmarking. To be competitive in global environment customers need to improve sustainability by improving resource efficiency, limiting environmental impact and complying with environmental legislation.

- such as "Energy Passport" in accordance with Russian federal law #261;
- complex energy efficiency plant studies (as defined briefly below);

- corporate "Technical Policy" to define all technologies and development trends for the company.

The expert approach to energy efficiency studies of Industrial plants, and one adopted by leading companies in this field, including ours, consists of a three phase methodology and accompanying tools and techniques that have been developed over several years, working with clients on sites that have a range of energy consuming processes.

Each step of the Industrial Energy Efficiency methodology aims to deliver precisely the information needed to enable the company to move forward with confidence and eventually complete a programme of improvements that will deliver real and sustainable energy savings.

Opportunity Identification study is the first phase of in this methodology for improving Industrial Energy Efficiency that aims to identify specific opportunities to deliver improvements, by understanding how and where energy is used, by identifying areas of waste and by comparing current performance with established best practice.

Energy Management Master Plan is the second stage, when the opportunities indentified in the previous phase are developed into a detailed implementation plan to deliver the savings.

Industrial Energy Efficiency Approach

Screening	Identify Opportunities	Energy Management Master Plan	Implementation
<ul style="list-style-type: none"> • Business Fit • Confidentiality Agreement 	<ul style="list-style-type: none"> • Benchmark • Savings potential • Priority areas for energy savings • Energy Management • Utility Optimisation • Process Optimisation • Energy Purchasing 	<ul style="list-style-type: none"> • Detailed studies <ul style="list-style-type: none"> • System / Equipment • Quick wins • Measure and agree baseline • List of projects with savings per project • Implementation plan <ul style="list-style-type: none"> • Activities • Cost • Who • Verification • Supply chain (preferred vendors) • Investment programme • Net savings model 	<ul style="list-style-type: none"> • Programme implementation team • Mobilise resources • Energy programme manager • Implement improvement projects • Measure and validate savings • Net savings gained and shared

The plan takes the form of a suite of improvement projects, each with well understood benefits and benefit verification methods, costs, implementation method, technology options and potential vendors.

Implementation is the third stage that target to the projects implementation and completion, directly by the customer or with the further support of our team.

Industrial Plant Study Scope

The proposal outlines offer to carry out an energy Opportunity Identification study at the industrial plant, to identify and prioritize the available energy saving opportunities. The Opportunity Identification study follows a standard process but is often tailored to meet site specific requirements.

Typical industrial plant study should include the following elements; however the detailed scope may be adjusted during the course of the study depending on what is discovered:

- Assessment of Energy Management Practices;
- Identification of typical Site Energy Demands (Electricity, Primary Fuel & Steam);
- Identification of Energy Saving Opportunities within:
 - Utility Systems (refrigeration, air compressors and boilers);
 - Process Energy Consumption;
 - Review of Energy Purchasing & Export Agreements.

By assessing each of these components, consultants should be able to describe the nature and scale of the energy saving opportunities at the industrial plant site and make clear recommendations about what further steps to take to realize the potential benefits. The assessment based on a review of the data provided by the site, including historical data and drawings, calculations, visual observations and interviews with site personnel. Site data should be benchmarked against best similar plants worldwide, it's particularly important for competitiveness of the plant when Russia enters the WTO.

Each step of the Industrial Energy Efficiency methodology aims to deliver precisely the information needed to enable the company to move forward with confidence and eventually complete a programme of improvements that will deliver real and sustainable energy savings.

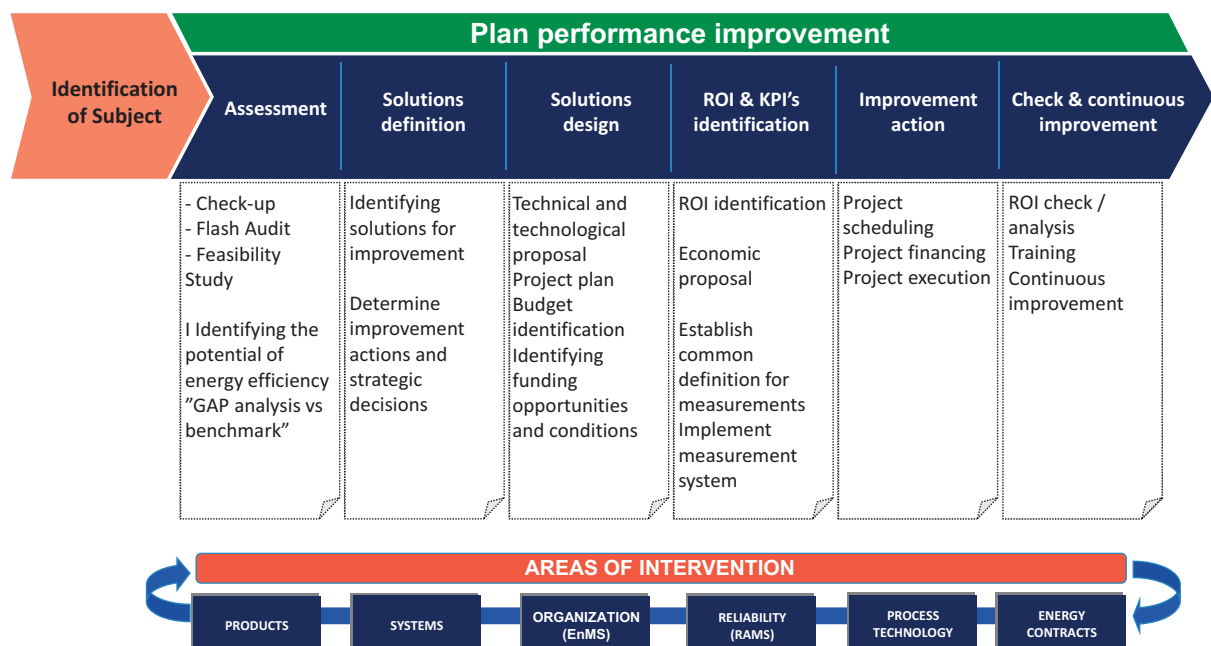
Study Activities and Stages

The study follows the globally proven procedure that enables one map the production, distribution and use of energy and utilities across the site and analyze this information to confirm the opportunities for improvement and the likely value range of each opportunity. At the start of the study, the pre-work questionnaire should be completed by plant personnel as fully as possible.

The Initial Assessment stage of the analysis seeks to identify any significant patterns or long-term trends in the data, and through this to gain an insight into the major improvement opportunities so that the activities during the site visit can be focused accurately and effectively. Any supplementary questions identified during this Initial Assessment are compiled by consultants and issued to the customer Site Team before the visit. Upon completion of the Initial Assessment the final scope for the site visit and any immediate actions are confirmed.

The consulting teams visit the site to review the physical condition of the assets, confirm the data provided, validate and develop the findings of the preliminary assessment and resolve inconsistencies or fill gaps in the information.

A kick-off meeting is held at the site, with the participation of the plant's personnel and a consulting team, with global relevant experience. After the introductions, the plant personnel provide a general description of the site systems and operations and highlight any known issues. The team conducts interviews with the key site personnel to review the individual site systems in detail, including demand, capacities, operation, condition, issues, performance metrics, etc.; and to understand the scope and effectiveness of any energy management systems and practices which may already be in place at the site.



The consulting team tour a site with a plant representative, including a visual survey of the site operations and systems; it may request and analyze further data during the assessment, if necessary, to help confirm or identify opportunities for energy savings.

This in joint effort between plant personnel and our consulting team: commonly, the team holds a daily debriefing with the plant's site personnel to review the day's findings. It includes a wrap-up session at the end of the site assessment. The wrap-up session will summarize the Site Assessment activities and, if possible, identify any Quick Win Opportunities.

After completion of the site visit phase, the consulting team will compile all the assessment data and information and identify the key areas where improvements can be made. The Opportunity Identification Study Report will detail the results of the study, including an assessment of the site utilities systems, site consumption patterns and benchmark of existing energy costs.

The report will summarize the opportunities for improving energy efficiency which are identified by the study and prioritize them by comparing the potential benefits with the likely cost and complexity of implementation. The Energy & Utilities Map will show how energy consumption is distributed across the plant or process areas and equipment covered by the study, as a means to identifying improvement opportunities.

The implementation of energy optimization studies in Russia would typically also require the completion of Russian mandatory "energy passport" audit in accordance with the federal law.

The level of definition of the Energy & Utilities Map will be very dependent on the availability of plant performance and utility consumption data.

This approach require broad knowledge base and comprehensive analysis of the acquired process data using tools

and techniques developed by global team of Energy Consultants, Process Engineers and Technical Specialists with the broad variety of technical and business expertise. It includes broad portfolio and variety of energy efficiency solutions for various industries, for example production rate and recovery factor improvement for pipeline solutions of oil and gas (O&G) systems; for open-pit and underground coal mining, cost and efficiency; for transport applications, both increase efficiency, and many other industrial applications.

A comprehensive modern approach for energy and environmental services should provide access to best global experience cases for benchmarking. To be competitive in global environment customers need to improve sustainability by improving resource efficiency, limiting environmental impact and complying with environmental legislation.

We should work together, utilizing best global experience to adapt best global practices. Money paid for wasted energy just goes up the smokestack, never to be recovered. **BQ**

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AEB FLAGSHIP CONFERENCE

“NEW REALITIES – NEW CHALLENGES”

Reiner Hartmann, AEB Board Chairman opened the annual AEB Flagship Conference, held on the 23rd of May, 2012, by welcoming all those present.

Moderated by David Gray (PwC), the opening session was dedicated to the Russian Post-Electoral Landscape. Speaking about risks and opportunities for the Russian economy in 2012, Natalia Orlova (Alfa Bank) pointed out that Russia's economic recovery is still driven by consumption growth, while investment growth lags and accelerated only in the last two quarters. Demand for local production has weakened, and the 4.7% increase in industrial production in 2011 translated into strong growth in inventories, accounting for 68% of the gross domestic product (GDP) growth, which was close to 66% in 2010 and substantially above pre-crisis levels. In 2011, the Russian Cabinet decided to increase social tax, collecting an additional \$30 billion (bln) for the budget and putting \$27 bln in the reserve fund. The ratio of pension-to-average salary stabilised at 36%, in the last two years. The need to control the breakeven oil price will lead the Cabinet desisting from further increasing pensions: in 2011, the Cabinet reduced the Pension Fund deficit to 2% of the GDP from 4-5% of the GDP in previous years. Despite capital outflow, corporate foreign debt grew \$51 bln in 2011.



Victor Khristenko, Eurasian Economic Commission



Konstantin Kosachev, Rossostrudnichestvo



Reiner Hartmann, AEB Board; David Gray, PwC; Natalia Orlova, Alfa Bank; Thomas Gomart, IFRI and Hans-Joachim Spanger, Peace Research Institute Frankfurt

Hans-Joachim Spanger (Peace Research Institute Frankfurt) pointed out that the central dilemma of democratic governance in emergent market economies is how to retain the advantages of a strong executive authority required when implementing market reforms and responding to economic crises, while at the same time, providing the institutional checks and balances that guarantee accountability and oversight. One of the important factors of the Russian post-electoral landscape is the emergence of the middle class or the “prosperous protestors.” This begs the question “Is the middle class really the decisive force of change?” So far, all indicators show that this is probably not the case, as today, this group is considered much more risk-averse and its members usually show greater interest in social stability.



Reiner Hartmann, Chairman AEB Board



Philippe Pegorier, Alstom Russia

While talking about Russia's position on the international market, Thomas Gomart (French Institute of International Relations) identified the influence of two powerful ferments: internal contestation, which traduces the fundamental evolution of relations between individuals and institutions (this phenomenon is observed not only in Russia) and secondly – the economic crisis in Europe, which modifies the world geo-economy. Among important factors, both in short and mid terms, he identified the euro zone crisis; fast moving international conditions – with Libya, Syria and Iran as important factors; importance of bilateral relations with regard to the EU; China's role and growing importance of BRICS and the Shanghai Cooperation organisation. Russia, he said, will try to assume the leading role in the energy sector worldwide, while increasing her military expenses, which is in contrast to the steps that will be made by the European countries – to decrease military expenses. In the long term, Russia's demographic indicators must also be taken into account. In conclusion, Mr. Gomart said that global digital governance would have a growing influence.

“New Geo-Economic Realities. What does it mean for the Business?” was the session to follow, which was moderated by Dr. Frank Schuff, AEB CEO. Victor Khristenko, Head of Eurasian Economic Commission talked about Russia's accession to the World Trade Organisation (WTO) and Eurasian integration as a whole. Mr. Khristenko said that WTO accession and Eurasian integration were parallel processes, with the crisis being a major catalyst of the witnessed regionalisation. He said the trade structure between the three member countries of the Customs union (Russia, Belarus and Kazakhstan) is more balanced than the relations each has individually with other countries; it is less subject to the influence of market prices. He then talked about the Eurasian economic commission, which makes all the decisions on internal and foreign markets' access, saying that the work on forming the common economic space should be finished to 2015. The goals to be achieved, Mr. Khristenko said are real and pragmatic – to create the common market governed from the common centre, with clear, transparent rules for the investors. Each coun-

try should correct its own legislation. The single economic space between the Russian Federation (RF), Belarus and Kazakhstan should guarantee four types of freedom – free movement of goods, services, capital and labour force, and harmonise and unify the norms and standards within key sectors. He then stressed on the importance of coordinated macroeconomic policing. In conclusion, Mr. Khristenko informed AEB members that an advisory business council would be created, unifying the experts and business representatives. “We count on your active cooperation,” he said.

In his speech Konstantin Kosachev, Head of Rossotrudnichestvo, talked about the activities of Rossotrudnichestvo, with regard to research and innovative cooperation, informing those present that an international programme, promoting innovative cooperation between the CIS countries until 2020 has been signed and is currently being implemented. The programme is being coordinated by the Skolkovo foundation, which oversees all matters pertaining to its financing, intellectual property rights (IPR) protection and commercialisation of the results.

Concluding this session, Chris Weafer (Troika Dialog) said that WTO membership would certainly have no immediate impact on economic growth, the day-to-day operations of Russia's corporations, or on the risks faced by premium investors. Likewise, he said, WTO membership will not offer an opportunity for a quick fix to the generally poor business environment or the high level of investor skepticism toward investment. However, he said, WTO membership will act as a major catalyst of economic reform and industry development: Russia's decision to actively pursue this membership

The final session was devoted to the experiences of AEB member companies doing business in Russia and was moderated by Jon Hellevig, member AEB Board and Managing Partner, Awara Group. Reasons given by Philippe Pegorier, member of the AEB Board and President, Alstom, Russia for choosing to invest in the country were economic and financial stability. The Russian Federation's GDP growth rate is at about 4%; it has the 3rd largest gold and hard currency reserves in the world and the balanced budget inflation at 6%. Mr. Pegorier, however, admitted that oil prices played a major role with regard to these indicators. Jaron Wiedmaier, General Director, Continental Tires Rus then went on to talk about Russia's automobile industry, saying that the country has the only fast growing large car and tires market in Europe; although, he said, industry modernisation via foreign investment, localisation of production, adoption of innovative technology etc, is crucial for facing successfully the upcoming competition from other countries. Representing the banking sector, Raj Tanna, Chief Operating Officer, Deutsche Bank Russia & CIS said that if Moscow succeeds in becoming an international financial center, it will have a very positive impact on the investment climate, which still needs more transparency, good corporate governance and healthy competition on the part of the Russian companies. Mr. Tanna also said that appropriate measures should be taken to ensure that investment risks are hedged. Mr. Tanna concluded his presentation by talking about the HR sector, saying that the successful presence of foreign companies in Russia depends to a large extent on the availability of qualified personnel. Foreign companies need people with the right skills, knowledge and



Jaron Wiedmaier, Continental Tires Rus



David Gray, PwC



Natalia Orlova, Alfa Bank



Jon Hellevig, Awara Group

is a clear indication of the governments commitment to improving the overall situation in the country, with regard to foreign investment and the overall economic status. WTO entry, he said, creates a framework that is in line with the government's agenda for greater economic efficiency and diversification. There are no major surprises in the agreed-upon terms: Russia has secured a lengthy compliance period with respect to tariff changes affecting the most sensitive areas, such as auto manufacturing and some agricultural issues. The average import tariff will be cut from 10% to 7.8%.

market expertise. One of the difficulties currently faced by foreign companies is in the area of personnel retention. The survey on strategies and prospects of the AEB member companies in Russia was presented by Alexander Demidov, GfK Rus International Institute of Marketing & Social Research.

In all, the AEB Flagship conference was a huge success and the Association would like to thank the event's sponsors: Mercedes-Benz (Platinum sponsor); Telenor group (Gold sponsor); Imperial Tobacco (Gold sponsor); Alstom (Silver sponsor) and Awara group (Silver sponsor).



From L-R: Reiner Hartmann, Chairman AEB Board; Victor Khristenko, Eurasian Economic Commission; Dr. Frank Schauf; Konstantin Kosachev, Rossotrudnichestvo and Chris Weafer, Troika Dialog



Thomas Gomar, IFRI and Hans-Joachim Spanger, Peace Research Institute Frankfurt



From L-R: Jon Hellevig, Awara Group; Philippe Pegorier, Alstom Russia; Raj Tanna, Deutsche Bank Russia & CIS; Jaron Wiedmaier, Continental Tires Rus and Alexander Demidov, GfK Rus

NETWORKING



From L-R: Antonio Linares, ROCA; Erik Helin, Specta Group; David Thomas, Volvo Cars Russia; Gerald Sakuler, BENE Office Furniture; Roger Munnings, Individual Member; Marco Koschier, Deloitte; Frank Schauff, AEB; Don Scott, OPIN; Ruslan Kokarev, AEB and Reiner Hartman, Chairman of the AEB Board

AEB ANNUAL GENERAL MEETING

On the 19th of April, 2012, the Annual General Meeting (AGM) of the Association of European Businesses took place at the Swissôtel Conference Centre. 331 Companies took part in the voting process for the election of the AEB Board, AEB Auditing Commission and AEB Committee Chairpersons. We would like to congratulate them all on their successful election.

At this occasion the following new Board Members were elected:

- Bantsekina, Olga – Coleman Services UK Ltd
- Becker, Christian – HeidelbergCement RUS
- Hartmann, Reiner – Ruhrgas AG
- Hellevig, Jon – Awara Group

- Ketting, Jeroen – Lighthouse Russia B.V
- Munnings, Roger – Individual Member
- Pegorier, Philippe – General Director Alstom
- Sakuler, Gerald – Bene Office Furniture AG, Austria
- Vertanen, Vesa – Itella Logistics



Reiner Hartmann, Chairman of the AEB Board

The meeting was followed by a reception. We would like to thank the sponsor of the reception: Awara Group and all the companies that took part in the General Assembly.



From L-R: Don Scott, OPIN; Ruslan Kokarev, AEB; Frank Schauff, AEB



From L-R: Vesa Vertanen, Itella Logistics; Roger Munnings, Individual Member; Philippe Pegorier, Alstom; Olga Bantsekina, Coleman Services; Gerald Sakuler, BENE Office Furniture and Christian Becker, HeidelbergCement RUS

Meeting on Bashkortostan

On the 12th of July, 2012, an AEB Delegation consisting of AEB CEO, Dr. Frank Schauff and AEB Director of External Affairs, Svetlana Lomidze met with the President of Bashkortostan, Rustem Khamitov. At the meeting a decision was reached to establish business relations between Bashkortostan and the AEB. The first step will be a presentation on the Republic of Bashkortostan that will be organised for the AEB members in autumn of 2012. A business mission will most likely follow at the end of the year or in January, 2013. Mr. Khamitov pointed out that there are several advantages to investing in Bashkortostan: transparent and open legislation, serious infrastructure facilities and qualified personnel. The Minister of Economic Development E. Mavrin and the Head of Presidential Administration V. Balabanov were, likewise, present at this meeting. The AEB delegation was also received by the Vice-President of the Chamber of Commerce and Trade A. Fazlyev and vis-

ited an innovative company PECM Industrial, which specialises in the production of environment friendly electrochemical machines for manufacturing of parts from a wide range of metals, alloys, metal-ceramics and nanostructure materials.



From L-R: Svetlana Lomidze, AEB; Dr. Frank Schauff, AEB CEO and Rustem Khamitov, President of Bashkortostan

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Paul Bruck, Most Service; Susanne Frewin-Kazakbaeva, New Century Cleaning and Dietmar Fellner, Embassy of Austria



Artyom Kursakov, Volkswagen Group Rus; Elena Rothman, AEB and Olga Zueva, AEB



Aage & Julia Nielsen, Vitus Bering Management; Jens Perregaard, Haldor Topsoe A/S



Andrey Leimann, Businessland Services; Jaime Faus, Novotel Moscow Center and Jesper Henriksen, Radisson Royal Hotel

AEB – Danish Euro-Reception

It was on the 31st of May, 2012 that the Danish Ambassador to Russia, H.E. Tom Risdahl Jensen, hosted the AEB – Danish Euro-Reception at his residence. The event was held on the occasion of the Danish Presidency at the Council of The European Union in the first half of 2012.

The theme of the reception was Green Growth – one of the four priorities of the Danish EU Presidency. The Danish ambassador in his speech highlighted the important role the EU and European business can provide as partners for Russia in promoting sustainable development. He mentioned a number of initiatives taken by Denmark internationally to promote a more responsible growth pattern, such as the Global Green Growth Forum Summit, scheduled to take place in Copenhagen on 9th and 10th October, 2012. He also touched upon Danish activities in Russia to increase energy efficiency, including the “Green Capacity” initiative. Likewise, at the reception, Dr. Frank Schauff, AEB CEO talked about the role a business-to-business cooperation can play in “greening” the Russian economy.



Samantha Olz, Lighthouse Group, Alexander Bychkov, INVESTMENT COMPANY IC RUSS-INVEST and Svetlana Lomidze, AEB



Guests at the reception



Philippe Pegorier, Alstom Russia and Igor Reichlin, Reichlin & Partners



Bo Wallenberg, Thost Russia Projektmanagement; Jon Hellevig, Awara Group; Lena Sjoblom, Embassy of Finland and Denos Panov, Human Search

Lunch with EC DG for Research and Innovation, Mr. Smits

On 5 July, 2012, the AEB had a lunch meeting with Mr. Robert-Jan Smits, European Commission Director-General for Research and Innovation. Mr. Smits' first visit to Moscow was the occasion to concretize the establishment of a strategic partnership for research and innovation.

The concept of a strategic partnership for research and innovation stems from a meeting between the EU Commissioner for Research, Innovation and Science, Maire Geoghegan-Quinn and the Russian Minister for Education and Science, Andrei Fursenko on 24 February 2011 in Brussels, held as part of the visit of the Russian Government to the Commission. It was agreed during this meeting to develop such a strategic partnership, to build on the strong history of successful cooperation and expand the scale and scope of bilateral collaboration.

In this context, Mr. Smits was very interested to discuss with and learn from European industrialists based in Russia about their experience with regard to bilateral cooperation and joint undertakings with particular emphasis on research, technological development and innovation. Mr. Smits also



From left to right: Markhulia, Mamuka, Chairman of the AEB IT-Telecom Committee; Telez; Ketting; Jeroen, Member of the AEB Board, Director, Lighthouse Russia BV; Schauff, Frank, CEO, AEB; Bobro, Rita, Director, Merck Russia; Bykov, Alexander, Chairman of the AEB Health & Pharmaceuticals Committee, NovoNordisk



From left to right: Hallen, Manuel, Head of the STTEE Section, EU Delegation Moscow; Bocheau, Laurent, Head of Unit, International Cooperation Policy, DG Research & Innovation; Smits, Robert-Jan, Director-General, DG Research & Innovation; Penny, Martin, Assistant to Director-General, DG Research & Innovation; Vittet-Philippe, Patrick, Policy Officer on Russia and Japan, DG Research & Innovation

has a strong interest in risk-financing / venture capital investment in research and innovation, and public-private partnerships (PPP). This meeting was also meant to help him understand from European managers based in Russia how best to prepare for a beneficial EU-Russia strategic partnership in research and innovation and what are the current hurdles currently met by the European industrialists in this context.

For more information, please contact Marie Rondelez, Adviser on EU Affairs.

AEB SUMMER COCKTAIL

On 2 July, 2012 the AEB invited its Members to take part in its traditional Summer Cocktail. This time, the event was hosted by our partner, Hotel Baltshug Kempinski Moscow in its newly renovated premises. Our guests enjoyed the special programme prepared by our Events Team that included among others live music from the Jazz Manush Trio led by Sergey Uryupin at the guitar, the performance of our Spanish Flamenco Dancer Javier Malaguilla and an exhibition by the Spanish artist Ima Montoya.

We would like to thank the two sponsors of the event, Agro-Chemie and Awara Group for their support, the companies that took part in the lottery, more particularly Hediard, Ferrero and Novaya Opera, our alcohol sponsor, Khortitsa as well as the Cultural Attache of the Spanish Embassy, Mr. Alberto Castro Martinez.



Dancer Javier Malaguilla



Alexander Merzlyakov, Dupont; Ruslan Kokarev, AEB and Desloges Julia, HR Partners



From L-R: Cuneyt Taskin, MAGNET LLC; Lavish Taneja, YIT Elmek; Julia Desloges, RH Partners and Jamshed Yusupov, DEGA AG



Guests



Guests at the event



From L-R: Stuart Lawson, Ernst & Young; Tony Brenton, former UK Ambassador and Odd Per Brekk, IMF



From L-R: Juerg Zehnder, Detecon International and Jacobine Janucek, EDF



From L-R: Artist Ima Montoya and Alberto Castro Martinez, Embassy of Spain



From L-R: Guillaume Durand, EU Delegation; Jon Hellevig, Awara Group; Dr. Frank Schauff, AEB; Guest and Roland Honekamp, EU Delegation



From L-R: Makar Kuznetsov and Anna Illarionova, Enel OGC 5; Svetlana Lomidze, AEB and Andrey Mukhin, Statoil ASA

AEB COMMITTEE UPDATES

ENERGY COMMITTEE

The 10th Russian Petroleum & Gas Congress

On 26th and 27th June, 2012 the AEB Energy committee members participated in the 10th Russian Petroleum & Gas Congress. Mr. Reiner Hartmann, the AEB Board and Energy committee Chairman, as well as Andrey Mukhin, his Deputy, were once again part of the Congress Programme committee, a role they have played for several years running. During

the Gas day, Mr. Hartmann moderated the session on “Key aspects of gas transportation, processing and exporting”. During this session Olga Rumyantseva, an active Energy committee member, Executive Director of Gasunie representation in the Russian Federation, gave a presentation on the innovations in gas that are focused towards a low carbon economy.

Mr. Ivan Grachev, the Chairman of the Russian Federation State Duma committee on Energy meets with members of the AEB Energy and Energy Efficiency committees

Mr. Ivan Grachev, the Chairman of the Russian Federation State Duma committee on Energy met with members of the AEB Energy and Energy Efficiency committees on the 10th of April, 2012. From small and medium businesses to multinational corporations, the AEB unites over 600 companies from the EU and EFTA member states, operating in Russia. Seasoned in nature, the AEB committees have long maintained an impressive working relationship with the State Duma.

Issues discussed included the Russia EU relations in the Energy sector. All parties present reaffirmed their mutual commitment to a common energy space and productive relations between legislators and business representatives in Russia. The business discussion that took place raised burning issues such as the liberalisation of the gas market, the third energy packet, renewable sources of energy, laws on energy efficiency and electricity, relations between producer-countries and consumers of energy,

amongst others. Mr. Grachev responded to questions posed by those present. All parties agreed that cooperation should be intensified and experts should be invited to participate in the State Duma working groups on energy. The Chairman of the AEB Board and Energy committee, Mr. Reiner Hartmann thanked Mr. Grachev on behalf of all those present for coming to the event, expressing his enthusiasm with regard to similar events being held in the future.



Event's participants



Event's participants



Event's participants

ENERGY EFFICIENCY COMMITTEE

Speed dating event

Those looking for the latest innovative solution to:

- Save Energy?
- Increase your Quality of Energy?
- Finance your Energy Efficient Investment?
- Decrease your Operating Expenses?
- Improve working conditions and increase life expectancy of your investments?
- Meet your “Green” objectives assigned by your shareholders, managers and / or customers?

Found what they were looking for at the AEB Energy Efficiency Committee Speed Dating event, held on July 5th, 2012.

Within an innovative “straight to the point” 10 minutes format, members companies got a chance to enlighten each other about their solutions to various Energy Efficiency burdens.



Event's participants

Present were leading western companies successfully operating in Russia in the field of energy efficiency – from ESCO (financing) and project management to material and building suppliers.

The event was sponsored by Fenice Rus, Legrand and Lighthouse Group.



Event's participants



Event sponsors and Energy Efficiency Committee management – Vincent de Rul, Fenice Rus, Serge Vignerie, Legrand and Jeroen Ketting, Lighthouse Group



Event's participants

FINANCE AND INVESTMENTS COMMITTEE

Open meeting with Rusnano, RDIF and Skolkovo Foundation, May 22, 2012

On May 22nd, 2012, the AEB Finance & Investments committee held an open meeting chaired by the newly elected Head of the committee Stuart Lawson. During the meeting Dmitriy Lisenkov, Managing Director of Rusnano, Richard Ogdon, Director of the Russian Direct Investment Fund, and Ian Humphrey-Smith, Director – International, Key Partners, Skolkovo Foundation, briefed the audience on

Russian government sponsored initiatives available to European businesses to encourage increase of investments and innovations. With over 20 billion dollars at their disposal, these three funds intend to partner with private companies, to direct these financial resources towards investment into various economic sectors and infrastructure within the Russian Federation.

HEALTH AND PHARMACEUTICALS COMMITTEE

Meeting with Mr. Nizhegorodtsev

The AEB Health and Pharmaceuticals committee had a meeting with Timofey Nizhegorodtsev, Head of the Department for control over social sphere and trade, Russian Federation Federal Antimonopoly Service, at the office of the Federal Antimonopoly Service on July 4th, 2012.

Present at this meeting were representatives of Novo Nordisk, Ferring Pharmaceuticals, Alcon, Merck, Stada, Teva, Esparma GmbH, Servier, Boiron, Orion Pharma and the AEB Health and Pharmaceuticals committee coordinator.

At the meeting, the following issues were discussed: the harmonisation of the Russian and European regulatory systems in the healthcare and pharmaceutical fields, including drug healthcare policy-related issues – essential drug list formation, treatment standards, and developing Good Manufacturing Practice standards for the pharmaceutical industry in Russia.

The committee and Mr. Nizhegorodtsev agreed to continue discussions on these important issues related to the pharmaceutical industry and healthcare in Russia.

HR COMMITTEE

Ninth Annual HR Conference

The Ninth Annual HR conference organised by the AEB HR committee was dedicated to HR Flexibility in the changing environment. The event, which took place on the 17th of May, 2012 focused on HR efficiency and flexibility, HR issues in mergers and

acquisitions, expansion in the regions and other aspects of personnel management in Russia.

Olga Bantsekina, Deputy Chairman, AEB Board; Chairman, AEB HR committee and Chief representative, Coleman Services UK opened the first

session by giving a general overview of the HR situation as it stands today in Russia. Sergio Ezama, Senior Vice President HR, PepsiCo then talked about managing and retaining talent in changing environments. Seventy five million baby boomers are nearing retirement;



Sergio Ezama, Senior Vice President, HR, PepsiCo



Dr. Frank Schauf, AEB CEO



Olga Bantsekinina, Deputy Chairman AEB Board, Chairman, AEB HR committee and Chief Representative, Coleman Services UK

however, there are only 30 million generation X-ers to fill the soon to be vacant positions, he said. Talking percentages, he went on to mention that 58% of multinational companies lack talent for critical leadership positions. Closing, he talked about the interdependence between talent acquisition and management, he also stressed several points: talent management must be handled much more as science not just art; it must be owned by all, while driven by the CEO and it requires courage. When managing and developing talent, he said, particular effort must be made to leverage and integrate diversity (race, gender, generation, thinking, background, experience, capability, culture, etc.). "Great talent management," Mr. Ezama said "requires taking a long-term perspective – 5/10 year development plans for people."

The Business Leaders' panel discussion that followed featured CEOs of major companies, who were invited to share their views on the role of the HR departments in their respective companies, the HR challenges in Russia and the way companies adapt their global strategies to the local market. Edward Stanoch, Eastern European Director, Aon Hewitt and Gyuzel Garaeva, HR Director, OBI Russia spoke about ways to translate employee engagement into outstanding business performance. Navigating through the people aspects of integration was the issue addressed by Tatyana Semenova, Head of HR, Russia and CIS, Thomson Reuters and Natalia Danina, Human Capital Solutions Director, Adecco, while Natalia Turkulets, HR Director, Lafarge spoke about the lack of regional talents and ways to address this issue through the implementation of spe-



Q&A session

cial programmes. Other speakers included Philip Rybakov, HR VP JTI Marketing and Sales, Russia; Karina Strashnenko, Senior HR BP, Unilever; Ruxandra Stoian, Partner, PwC; Tamara Petoyan, HRD, Alliance Healthcare Russia and Tatiana Tikhonova, HR Director, Partner Troika Dialogue (Sberbank Group).

Very well attended, once again, the annual HR conference was big success and brought together top experts within the HR sector; amongst others. The AEB on behalf of its HR committee would like to thank the sponsors of the conference: Intermark Relocation (Gold sponsor); Dialogue In The Dark Business Workshops in Moscow, courtesy of Russia Consulting (Silver sponsor); ElaN Languages (Silver sponsor); FutureToday (Silver sponsor); Hays plc (Silver sponsor); IWM (Silver sponsor); MAYFAIR Properties (Silver sponsor) and OBI (Silver sponsor).

IT-TELECOM COMMITTEE

A seminar on 1C & SAP: Success stories



Jana Podzorova, BRENNTAG; Sergey Lozhkin, 1C:BIT; Alexander Schachner, ALPE Consulting; Tomasz Micek, Hasbro Russia and Lars Flottrøng, RUSSIA CONSULTING

On June 29th, 2012, the AEB IT-Telecom committee organised its Seminar – "1C & SAP: Corporate Clients' Success Stories. ERP System Implementation Expertise & their Efficiency in Russia." Expert speakers at the event were representatives of the following companies: BRENNTAG – the world's leading chemical distribution company; International group of com-

panies Lightning Technologies, one of the key manufacturers of lighting equipment, which has been operating in Russia, CIS states and Western Europe since 1997; Hasbro – a global leader in the world in the games and associated industries and maker of games such as "Monopoly" and "Transformers"; the leading game and cinema corporation; Belgium company InBev – the world key brewing company; Multinational corporation ARTSANA S.p.A., owner of the CHICCO trade mark and leading manufacturer of goods for children under the age of 3. Very well attended and extremely successful this is now the third seminar organised by the AEB IT-Telecom committee on this topic. Sponsored by 1C:BIT, ALPE Consulting and RUSSIA Consulting, this event featured a practical aspect and was based on real life examples and current business problems, which were solved by the companies mentioned above through the use of 1C and SAP ERP systems.

INTELLECTUAL PROPERTY COMMITTEE (IPR)

Change status

The AEB Executive Board made a decision to change the status of the IPR sub-committee to that of a committee due to the successful, active and independent work of its members.

Conference on Intellectual Property Rights: recent trends, court practices, problems and solutions

On June 14th, 2012, the AEB IPR committee held an annual conference dedicated to the intellectual property issues at the Delegation of the European Union.

High-ranking speakers from Russian, the Russian Federation Ministry of Culture, the Arbitrazh Court,

the Russian organization for Intellectual Property (VOIS) and various legal firms discussed up-to-date issues and trends in the sphere. The audience had an opportunity to learn what changes occurred in the Civil Code, how the Arbitrazh Court and Rospatent review patent cases, the impact of the World

Trade Organisation (WTO) accession on IPR in Russia.

The overall conclusion was that positive changes are taking place in Russia – for example, the new intellectual property rights court will be established in the near future that will review IPR cases.



Nurlan Aldabergenov, Minister, Competition and Antimonopoly regulation, Eurasian Economic Commission



From L-R: Dr. Frank Schauf, AEB CEO; Eugene Arieievich, Chairman, AEB IP committee and Igor Artemiev, Head of the Russian Federal Antimonopoly Service



From L-R: Anatoly Semenov, Advisor to Head of FAS; Andrey Kashevarov, Deputy Head of FAS; Nurlan Aldabergenov, Minister, Competition and Antimonopoly regulation, Eurasian Economic Commission and Igor Artemiev, Head of the Russian Federal Antimonopoly Service

INSURANCE AND PENSIONS COMMITTEE

Open Event on Insurance and Information Technologies

The role of modern IT technologies in the insurance sector and the future of electronic insurance in Russia were the focus of the insurance market players and providers round table organised by the AEB Insurance and Pensions committee on April 26th, 2012. The event featured expert speakers from major insurance companies such as Allianz, Chartis and Intouch, as well as leading IT companies like CryptoPro, Leads and Virtu Systems. The participants discussed recent trends

and developments in the insurance sector in the sphere of introduction of advanced IT solutions that are needed to serve customers and optimise business processes. The experts highlighted conceptual problems, which hamper the development of electronic insurance, such as legal loopholes, weak infrastructure and overregulation and agreed to work on proposals that would improve the legal framework for using modern IT technologies in the insurance industry in Russia.

LEGAL COMMITTEE

Amendments to the Civil Code of the Russian Federation

Experts from the AEB Legal committee have actively addressed the project of amending the existing Civil Code by the State Duma. As a result, a working group (WG) on amendments to the Civil Code has been created. Experts constituting the WG represent various law firms and have developed a common document that brings together amendments in many spheres of the law – for example, Corporate law, Civil law, intellectual property etc.

The AEB is currently working on incorporating the its Legal Committee members into the State Duma working group on amendments to the Civil Code in order to provide timely and effective solutions to the project on the amendments to the Civil Code.

MACHINE BUILDING & ENGINEERING COMMITTEE

The Second International Forum – “Engineering Technologies”

Within the framework of the Second International Forum – “Engineering Technologies” in the town of Zhukovsky, on June 28th, 2012, the AEB Machine Building & Engineering committee held a Round Table “The World

Trade Organisation (WTO) and modernisation perspectives for the Russian machine building sector”. The round table was moderated by Philippe Pegorier, AEB Board member; AEB Machine Building & Engineering Commit-

tee Chairman and President, Alstom Russia. Among the speakers were Victor Klimov, Vice-Chairman of the Russian Federation State Duma Committee on Economic policy, Innovations and Entrepreneurship Development; Boris

Yatsenko, Senior Manager, Ernst & Young; Michael Akim, Director Strategic Development, ABB Russia; Alexander Idrisov, Managing Partner, Strategy Partners Group; Dmitry Koniushko, General Director, AGCO Machinery LLC.

PR AND COMMUNICATIONS COMMITTEE

“Crisis Communications: A Business Game”

The AEB PR & Communications committee conducted an event – “Crisis Communications: A Business Game” on June

18th, 2012. The event was moderated by Igor Reichlin, Chairman of PR & Communications committee and Managing

Partner of Reichlin & Partners.

This event was in the form of an interactive workshop that was structured as a role-playing business game. Its participants were divided into different groups, each with a distinct role that was relevant in a crisis situation. The purpose of this workshop was to provide a vivid overview of the communications challenges arising within a company in a crisis situation

and ways to organise a corporate response that will help minimise reputation damage from such a crisis.

This exercise gave corporate PR practitioners an opportunity to freshen up their crisis communications toolkits and share their experience and insights with their peers within the professional community. The event was attended by 25 people.

A round table on "Social Media"

On May 25th, 2012, the AEB PR & Communications Committee organised a round table on "Social Media." The round table was moderated by Igor Reichlin, Chairman of PR & Communications committee and Managing Partner of Reichlin & Partners.

The purpose of this event was to provide an insight into what Social Media is about and how to use them

efficiently. The speakers of this event presented case studies and best practices: Alexey Volov, Director of Sales and Marketing, InterContinental Moscow Tverskaya Hotel; Roman Sklotskiy, Executive Director, Big Brother Big Sisters of Russia; Elena Adamenko, PR/Communications Manager, United Technologies International Operations of Russia; Vadim Zdor, Chief Consul-

ting Officer, Infowatch; Anastasia Evdokimova, Public Relations Director, EF Russia & CIS; Marina Tatarskaya, PR Director, Ferrero.

This event provided participants with numerous opportunities to discuss the importance of Social Media use in business life.

Overall 65 people visited this event. The event was sponsored by Ferrero.

SMALL AND MEDIUM-SIZED ENTERPRISES COMMITTEE

Business Breakfast: Raising Finance for SMEs

On April 27th, 2012, the AEB Small and Medium-Sized Enterprises (SMEs) committee held a business breakfast on raising finance for SMEs. The event was hosted by Hovotel Moscow Centre.

The event provided the audience with an opportunity to receive first-hand information on the specifics of the various sources of finance available to SMEs, from traditional bank loans to budgetary funds and capital investment. High-profile speakers from the Economic Bank for Reconstruction and Development (EBRD), MTS-Bank (former MBRD) and Prisyazhnyuk's Group Investment management company gave the attendees a professional insight into the practical aspects of raising finance and shared their views on the

potential opportunities for further investment inflow into the SME sector.

Several conclusions were reached:

- The overall investment climate needs to be improved in order to create more favorable environment for SMEs.
- The same relates to the business culture, as currently, there is no trust between business partners.
- Banks are overregulated by the Central Bank of Russia and are not able to finance start-ups.
- High interest rates do not meet clients' expectations.
- Venture financing is not really supported and stimulated by the state, especially in comparison to the developed countries.

SOUTH REGIONAL COMMITTEE

Round table – "Board of directors of foreign companies operating in Russia"



Event's participants



From L-R: Pavel Purtov NIP/gaspererabotka; Oleg Zharko Chairman of the AEB South Regional Committee; Dmitriy Bugaetz Kuban state university of technology

On the 4th of April, 2012 the AEB South Regional committee together with the Professional corporate directors association held a round table titled "Board of directors in foreign companies operating in Russia". The round table took place at the office of "KNAUF MARKETING KRASNODAR".

The round table was devoted to analysing the opportunities a board of directors must solve, at the regional level. The audience received the most up-to-date information and practical advice on the issues from experts of the Professional corporate directors asso-

ciation. The event gathered representatives of the largest companies in South Russia. Participants at the event gained a lot of valuable information from the experts' presentations. The round table was followed by an informal discussion amongst those present.

Conference "Forming of the company's image as a socially responsible employer. Who is a socially responsible employer?"



From L-R Igor Brenner, Cargill; Oleg Zharko, Chairman of the AEB South Regional Committee; Tatyana Fedchnko, AVALON



Conference's participants



Elena Streletz, NIPIGaspererabotka

On the 25th of May, 2012 the AEB South regional Committee held a Conference "Forming of the company's image as a socially responsible employer. Who is a socially responsible employer?" The event took place within the frame of the Exhibition-forum "Small and medium businesses days-

2012" organized by the administration of the Krasnodar city. The conference took place at the territory of exhibition center "Krasnodar EXPO".

The AEB South regional Committee, Krasnodar City administration and non-profit partnership "Center of the strategic analysis and regional development" co-organized this event. JSC "NIPIGaspererabotka" (NIPIGas is the engineering center of SIBUR) supports this event through the partnership of the program "Territory of the social partnership".

The conference was moderated by Oleg Zharko, Chairman of the AEB South regional committee. Experts from Cargill Yug LLC, Krasnodar EXPO (Part of The ITE Group), Advocates Bureau Yug, OAO Philip MorrisKuban, Visshaya liga, JSC "NIPIGaspererabotka" and

others shared their views and experience of forming company's image. They brought to the attention of those present steps that need to be taken on order to become socially responsible employer.

Well attended by the representatives of the Russian small and medium companies the conference gave a chance to discuss the influence of the employer's image to the business of the company and to highlight characters of the socially responsible employer.

The conference "Forming of the company's image as a socially responsible employer. Who is a socially responsible employer?" was an intellectually rich and stimulating event that left everyone reflecting on the information presented and provided all with a perfect atmosphere for networking.

TAXATION COMMITTEE

Business meeting "Development of tax legislation and enforcement practices – first half of 2012"



Sergey Shatalov, RF Deputy Minister of Finance and Dr. Alina Lavrentieva, AEB Taxation Committee Chairwoman



Speakers of the session on International Taxation, from L-R: Vladimir Voinov, Pepeliaev Group; Evgeny Smirnov, Herbert Smith; Maxim Vladimirov, Noerr; Arseny Seidov, Baker & McKenzie and Alexander Anichkin, Clifford Chance

On June 28th, 2012 a business meeting "Development of tax legislation and enforcement practices – first half of 2012" was held by AEB in Baltschug Kempinski Hotel. The event was aimed at highlighting recent changes in tax legislation, a number of professionals were invited to share their views and expertise on important tax matters. Sergey D. Shatalov, Deputy Minister of Finance delivered a key-note speech on Key Tax Policy trends over 2013-2015.

Other important tax matters – transfer pricing developments, hot VAT issues, international taxation matters, recent court practice were addressed at the event. The event was chaired by Dr. Alina Lavrentieva, Partner, PwC; Chairperson, AEB Taxation Committee. Experts from Ernst&Young, PwC, KPMG, Baker & McKenzie, Pepeliaev Group, Goltsblat BLP, Clifford Chance, Herbert Smith, Taxcom, Noerr and other speakers presented their views on the issues discussed at the event.

Development of VAT Legislation and Practice

New normative documents on VAT, practical questions including correcting and adjusting VAT invoices, reinstatement of VAT on export operations, VAT implications for foreign companies operating on Russian market, court practice on VAT and many other hot topics were discussed at the AEB Taxation Committee event



Dr. Alina Lavrentieva, AEB Taxation Committee Chairwoman

"Development of VAT Legislation and Practice" that was held on April 3rd at Swissotel Krasnye Kholmy. Representatives of the RF Ministry of Finance and Federal Tax Services took part in the Event. The event was chaired by Dr. Alina Lavrentieva, Partner, PwC; Chairperson, AEB Taxation Committee.

Experts from PwC, KPMG, Taxcom, Procter & Gamble, Pepeliaev Group, Goltsblat BLP, Ernst & Young, Gide Loyrette Nouel and other speakers presented their views for the current development in legislation and practice on VAT. Over 70 representatives of AEB member companies and EU Embassy representatives attended this successful event, which, no doubt, will have a significant impact on the implementation of Russian tax legislation in the area of VAT.



Event's participants



From L-R: Elena Vikhlaeva, Consultant, Indirect Tax Section, Department of Tax, Customs and Tariffs Politics, the RF Ministry of Finance; Tatiana Kirgetova, Gide Loyrette Nouel; Yulia Kolesnikova, Ernst & Young; Evgeny Timofeev, Goltsblat BLP; Sergey Savseris, Pepeliaev Group and Dr. Alina Lavrentieva, AEB Taxation Committee Chairwoman, Partner PwC

TECHNICAL REGULATION AND STANDARDISATION COMMITTEE

Change of status and name

The AEB Executive Board made a decision to change the status and name of the Technical Regulation and Standardisation task force into the Product Conformity Assessment committee. Apart from technical regulations the committee will work on issues of product conformity, certification, declaration, testing, inspection, and accreditation.

JOINT COMMITTEE EVENTS

LEGAL AND SAFETY, HEALTH, ENVIRONMENT AND SECURITY COMMITTEES

Conference on combating corruption

On June 7th, 2012 the SHES and Legal Committees united efforts in organising a conference titled, "Combating corruption – challenges and way forward" at the AEB premises.

The conference brought together prominent representatives from various sectors of the society – the government, industrial and legal communities and international non government organisations (NGOs) operating in Russia.

The conference focused on the existing policies and legislation of the Russian Government that strive to eliminate such phenomena as corruption. Key objectives of the conference were to get familiar with the compliance programs used by various companies; reveal the challenges faced due to corruption and find out what measures are taken by the government to fight corruption in the country.

Risk Advisory Group and Heidelberg Cement were the exclusive sponsors of the conference.

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MEMBER NEWS

Alinga Consulting

A seminar concerning changes in the legislation in 2012

Alinga Consulting organized a workshop to discuss major changes in Russian legislation which your business must take into account in 2012. Possible upcoming changes were also discussed. Seminar addressed such issues as new Regulation #1137, in what instances adjusted VAT-invoices must be filed, what has changed for insurance payments made for foreign employees, and how to apply new PIT deductions. Alinga specialists informed about significant planned changes to the Civil Code. Special attention was given to issues of tax accounting for interest paid on credits and loans. The seminar information and presentations can be found on our site.

Baker & McKenzie

Baker & McKenzie receives managing IP 2012 Law Firm of the year award in Russia

Baker & McKenzie has been pronounced Law Firm of the Year in Russia at the annual Managing IP Global Awards ceremony. It is the sixth time since 2006 that the Firm's Russian IP practice group has won this highly-respected award established by *Managing Intellectual Property* magazine.

On 15 March, Moscow partners Eugene Arievidh, Denis Khabarov and Margarita Divina accepted the award on behalf of the entire team at the Managing IP Global Awards Gala in London. More than 200 people attended the dinner at the Dorchester on Park Lane. Commenting on the awards, Eugene Arievidh, head of Baker & McKenzie's Russian IP practice group said, "We did it again. Winning the award for the sixth time illustrates our continued ability to add value to our clients' business and demonstrates the depth of our experience in handling complex IP issues."

With 20 plus experienced IP specialists, the Russian IP practice group of Baker & McKenzie has been ranked in the top tier for intellectual property law by *Chambers*, *Legal 500* and *PLC Which lawyer?* several years in a row. The Managing IP Award is further evidence of the firm's absolute leadership in IP on the Russian legal services market. Our Firm has also been named Law Firm of the Year in Indonesia, Thailand, and Europe (for copyright).

With an audited circulation of 10,000 readers, *Managing IP* is the leading source of information and analysis in the field of intellectual property. Published online and in-print since 1990 and aimed primarily at in-house IP counsel, *Managing IP* magazine includes features such as the well-known global IP survey and the annual list of the 50 most influential people in IP, as well as news, analysis and interviews.

Baker & McKenzie successfully represents PIK-Farma in notable IP case

Moscow, 4 May 2012 – Baker & McKenzie has successfully defended the interests of the PIK-Farma Group in a court case dealing with the cancellation of Rospatent's registration

of the trademark "Carniton" due to its confusing similarity to the international nonproprietary name (INN) of the active ingredient carnitine. This means that a judicial precedent has been set in Russia which will help pharmaceutical producers protect themselves from players registering trademarks in circumvention of generally accepted international requirements.

On 28 February 2012, the Presidium of the Supreme Arbitrazh Court (SAC) overturned the decisions by arbitrazh courts in all three instances and cancelled Rospatent's decision on the "Carniton" trademark, while fully satisfying the demands of the PIK-Farma Group and putting an end to two years of litigation with the trademark's owner and with Rospatent.

BDO

BDO confirms quality of its services again

The outsourcing division of BDO successfully passed the annual certification audit and again confirmed compliance with ISO 9001:2008 in the sphere of outsourcing of business processes: accounting, payroll, HR administration and legal services.

After recertification, BDO was registered in the list "Innovation management in the sphere of outsourcing" which is regarded as proof of continuous activity aimed at business processes improvement. The outsourcing division of BDO passed the certification for ISO 9001:2008 compliance in March of 2011 and the certificate is valid through 2014. Receiving confirmation of ISO certification testifies the high quality of the company's services; it's capabilities to maintain and improve this quality and proves the reliability of the service provider.

CLAAS

Driving combines on family day in CLAAS

The 23th of June 2012 was marked in company CLAAS in Krasnodar by a family day. All colleagues and their relatives and friends were welcome on that day. Those present included Konkova Elena from KrasnodarExpo, Igor Brener from Karill Yug, Juliana Perederiy from the AEB. The event is organised by CLAAS every year. The program incorporated words of welcome by the general director Ralf Bendisch, a presentation about the company, and an excursion through the plant. In his words of welcome Ralf Bendisch told the guests about new challenges, achievements, and about the





prospects with the forthcoming extension of the plant in Krasnodar. A good number of children visited CLAAS this year to take part in the specially organised competitions. Driving combines became the culmination of the event. Both children and adults took advantage of this opportunity. CLAAS is a family company and the number of guests at this event continues to grow each year.

EGO Translating Company

A new educational project – EGO Translating University

EGO Translating Company is building on its twenty years of experience on the translation market with a new educational project – EGO Translating University. The University assists international companies working in Russia with staff training and development. Foreign language and intercultural communication programmes are also offered to Russian companies with offices abroad. The University provides business language programmes in 77 languages. Course materials include professional glossaries and specialised texts.

EGO Translating University programs comply with the European standards of teaching foreign languages and cultures and are designed to accommodate all its customers' needs. Its work exemplifies the rich variety of training courses that contribute to successful staff development.

Gide Loyrette Nouel

Gide Loyrette Nouel acted as legal advisor on setting up a joint venture between DAMATE Agribusiness and the Penza Region (Russia)

The Moscow office of Gide Loyrette Nouel acted as the advisor to OOO "Agropromyshlenny Complex DAMATE" ("DAMATE Agribusiness") on setting up a joint venture with the Penza Region, Russia, on the production of turkey meat and beef.

DAMATE Agribusiness is itself a joint venture between Russian company Rusmolco and the Singaporean Company Olam International, which is an agricultural investment project unprecedented in scale, so the setting up a new joint venture is in line with the ambitious plans on agriculture development in the Penza Region. The joint venture plans to construct and further develop the turkey and cattle production complex which will include incubation, feeding and growing facilities, a processing and packing plant, a combined feed plant and other necessary infrastructure.

Following setting up of this joint venture, the Penza Region should become the biggest producer of turkey meat

and beef in Russia: it is predicted to produce 109.5 tonnes of meat and meat products, i.e. 1.5% of the total production of meat and meat products in the Russian Federation. The revenue from the development of related industries in the region is estimated at 9.8 billion Roubles. Gide Loyrette Nouel advised the client on structuring the deal, participated in negotiations, and drafted the project documentation.

Goltsblat BLP

Goltsblat BLP advises Hals-Development on VTB loan finance as part of Moscow city Business Centre development project

Goltsblat BLP has successfully advised major Russian developer, Hals-Development, and its CiTer Invest B.V. subsidiary joint venture, on obtaining loan funds from VTB Bank for development of its Moscow City Business Centre, plot 11 project.

The project will see a 230,000 sq.m. site developed to accommodate one of the biggest transportation hubs in Moscow, including bus stations, taxi stands, car hire offices, and a railway station with rapid transit trains running to Vnukovo and Sheremetyevo airports. The complex will also include two office buildings and a four-star hotel. The project follows the 2011 acquisition of a controlling stake in CiTer Invest B.V., which holds the development rights to plot 11, by Hals-Development.

The project provides for four types of collateral granted under three different legal jurisdictions. Goltsblat BLP support coordinated lawyers in six jurisdictions – Netherlands, Russia, UK, Cyprus, Luxembourg and Curaçao (former Netherlands Antilles), working closely with Dmitry Grinin, Vice President and Director of the Hals Development Legal Department, and his team of professionals, in dealing with very complicated legal issues, and developing intricate and comprehensive outcomes, vital to the success of the project.

Incor Alliance

Incor Alliance law office holds a joint seminar with the Federal Service for Financial markets in Russia in Ural Federal district

International law firm Incor Alliance Law Office held a joint seminar with the Regional Office of the Federal Financial Markets Service of Russia in the Urals Federal District on the "Legal aspects of corporate activities: disclosure and issuance of securities."

This workshop attracted the attention of a wider audience due to the relevance of the topic. Anton Martkochakov, Partner, Head Office Incor Alliance Law Office in Yekaterinburg opened the seminar with the welcome speech. Then Julia Gurevna Romashkina, Deputy Head of Department for Control over disclosure by market participants of the securities in the Russian Federal Financial Markets Service PO UFD spoke on "Disclosure of joint stock companies and their shareholders in accordance with the laws of the Russian Federation." Then the word was handed over to her colleague Denis Klochikhin, Head of Legal Department PO Federal Financial Markets Service of Russia in the Urals Federal District. He spoke about the issue of securities by subscription and on the main issue procedure changes in accordance with the new Standards Project issuing securities and registration of securities prospectuses. After the presentations everyone got satisfactory answers from the speakers at the practical issues.

Incor Alliance Law Office acts as a legal advisor to JSC "Fankom" in connection with its acquisition by the "Sveza" Group.

International Law Firm Incor Alliance Law Office acted as a legal advisor to shareholders of JSC "Fankom", at its acquisition by "Sveza" Group. JSC "Fankom" is the third largest producer of manufactured plywood in Russia and "Sveza" Group is the world's leader in the manufacture of plywood.

JSC "Fankom" is one of the largest suppliers of the products to several countries, including Turkey. In this regard, one of the phases of the project was obtaining permission for the transaction from Turkish competition authority.

Anton Martkochakov, Partner, Head of Incor Alliance Law Office in Yekaterinburg, commented on this project: "Our client is an important player in the Russian and international market, so our team of lawyers has developed an excellent deal structure that allows to consider the interests not only of the seller and the buyer, but also of the third parties, who are associated with our client's activity."

In2Matrix

In2Matrix co-chaired assurex global EMEA regional partners' conference

In2Matrix co-chaired this year's Assurex Global EMEA Regional Partners' Conference. The conference took place on 22-23 May at the Hilton Liverpool. The purpose of this event was to bring Assurex Global Partners from the EMEA region together to discuss insurance issues and provide networking opportunities. As the Assurex Global representative for Employee Benefits in the UK and Russia, In2Matrix had responsibility for the Employee Benefits content of the conference. It provided speakers for the client panel and it launched the Assurex Global Centre of Excellence, which is run by In2Matrix.

Gerard Baltazar, In2Matrix Chairman & CEO said: "This year's Assurex Global Regional EMEA Regional Partners' Conference focused on current issues that specifically relate to our Partner firms globally. We discussed how together we can create better value adding propositions for our clients as well as how Partners can run a profitable business during the current economic crisis. The Partners recognised that by combining our expertise, capabilities and global infrastructure we can outperform our main competitors. For In2Matrix this conference was a huge success. We demonstrated that it is possible to get a combined proposition that delivers results for our clients. For instance, by using combined buying power, we introduced multinational pooling for SME's and we are offering, together with one of our insurance Partners, a medical insurance program with MHD ('Medical History Disregarded') for a group size of two or over, which is usually reserved for a medium, or large group. This unique proposition is now available for clients of all Assurex Global Partners."

The Employee Benefits session of the conference looked at important issues in the UK market, the US healthcare reform, international pooling cluster solutions and dealing with expats. It included a Partner-to-Partner session which discussed topical issues in Employee Benefits. The session was run by Neil Fallon, In2Matrix Director of Employee

Benefits. Neil also chaired the conference's client Panel. He said: "The clients in the Panel gave us insight into the issues impacting their business through this global recession and showed us that flexible unique solutions are required. Through Assurex Global we are able to deliver some unsurpassed insight and solutions to our clients at a local and global level. This is a truly unique relationship that puts us at the top of the Global Benefits arena."

Davor Lalic, Head of the In2Matrix Global Consulting division, delivered a session which focused on an impressive multinational pooling case study. Davor said: "We had captivating sessions and thought-provoking discussions throughout the conference. The sessions which I attended consisted of high quality presentations. The participants had really analysed and deliberated the papers and there was an all-round lively and active participation from the floor. I am very much looking forward to building on this very strong conference in the future with further ideas and solutions that we can use to create and deliver value to our clients."

Jones Lang LaSalle

Legendary deal signed between Capital Group and Philip Morris Sales and Marketing to lease Legend Business Center

Capital Group and Philip Morris Sales and Marketing announce the long-term office lease contract signed to lease office premises in Legend, class A+ business center in downtown Moscow. The deal was sealed in a less than a month – a record timeframe for a deal of this importance, with the help of Jones Lang LaSalle.

The office of Philip Morris Sales and Marketing in Moscow will occupy 9,000 square meters in the business center. This is the second time a leading international tobacco company has become the anchor tenant of a Capital Group facility: back in 1998 the companies signed their first rental agreement in a business center on Tverskaya Street. The new deal promises to become historic for the CRE market and one of the most significant events of 2012.

Christophe Vivic is the new Chairman of the AEB Real Estate Committee

Jones Lang LaSalle is glad to announce that Christophe Vivic, Chief Operating Officer, Russia & CIS, Jones Lang LaSalle, was appointed as the new Chairman of the AEB Real Estate Committee for the next 2 years. Formerly Christophe was a deputy Chairman of this Committee. Christophe's candidature was submitted to AEB Executive Board and ratified by Real Estate Committee members through voting. The appointment has been approved by AEB Executive Board at the April 2012 AGM. Real Estate Committee was formed in 2003 as a part of the AEB working groups network representing the interests of European businesses in Russia. Committee aims at facilitating the exchange of information regarding real estate and development challenges in Russia, advising on existing procedures, bringing best practices in order to increase the attractiveness of foreign investment and establish a "bridge" between the AEB members, the Federal and Moscow Government, State Duma and other relevant governmental bodies.

Marriott Moscow Royal Aurora

Marriott Moscow Royal Aurora hotel kicks off the summer season by opening its popular summer terrace Vicolo

A cozy summer terrace "Vicolo" of the Marriott Moscow Royal Aurora became one of the signs of summer in the historic part of Moscow, at the corner of fashionable Petrovka lane. An excellent place to while away a short Moscow summer; the 80-seat Vicolo has opened its fourth season.

Framed with multiple flowerbeds and canopy-covered to protect from a sudden shower, Vicolo, which means "Lane" in Italian, provides a fresh retreat on a hot summer day or a warm evening.

The menu of this season was again considerably reworked by Executive Chef Thomas Koessler and his team. The new menu guarantees that Vicolo is the right place for any type of the meal, – from a leisurely breakfast, a light lunch, a mid-day snack to a casual dinner.

A newcomer to the Starters is "Marinated Red Tuna" with bell pepper, soy sprouts and ginger is a light and delicious option. "VIETNAMESE COLD SPRING ROLLS" with duck confit, ma hor paste, cucumber, carrot and coriander wrapped in rice paper, with kafir lime sauce is a nod towards the Asian cuisine. Highly recommended are «Fresh Chicken Yogurt Salad», with cucumber, iceberg salad, walnuts and celery and "Seafood Cous Cous Salad", with cucumber and prawns. Thai food fans will still enjoy "Thai Beef Salad", with all the right ingredients to make an authentic dish. Other sections of the menu include Sandwiches, Risotto and Ravioli and Sashimi & Sushi.



Mercure Arbat Hotel

Accor Group opens its first Mercure hotel in Russia

Accor Group, which was the first operator to open midscale hotels in Russia, has just announced its Russian debut with Mercure brand by opening Mercure Arbat Hotel in Moscow, signalling a new and symbolic stage in its expansion.

Mercure Arbat Moscow hotel is a newcomer in Russia to bring its unique combination of French elegance & chic with best traditions of Russian heritage. The capital, which lacks 300,000 hotel rooms, is indeed a high potential region for Accor: "Our search for investors is paying off: the pace of openings is set to accelerate even though our strategy has always been one of moderation. We would also like to announce that the Sofitel scheme in Moscow, signed

in 2007, has been revived," explains Alexis Delaroff, Chief Operating Officer for Accor Russia. Today, Accor is working on more Mercure hotel projects in Russia and CIS than any other Accor brand.

Mercure Arbat Moscow hotel with its 109 stylish rooms including 18 Privilege Rooms and 4 Suits proudly invites to enjoy high standards and a wide range of services answering to each to each guest's needs:

- The hotel's restaurant "La Promenade" run by Chef Alexander Sorokin, serves traditional French cuisine with a Russian touch.
- Guests seeking wellness and relaxation facilities will enjoy using the hotel's gym, infra-red sauna and library.
- Modern and comfortable boardroom style conference room is fully equipped with the latest technologies such as: videoconference system / plasma TV full HD / universal media player HD

Accor is planning to open about another 20 hotels in Russia and CIS within the next four years / by 2016 (TBC) and reach a total of about 50 by 2020, making Accor one of the top 3 operator in the region. The latest openings include two ibis hotels, one in Yaroslavl, a medium-size city in the Golden Ring of Moscow, an Ibis in Samara, a major industrial city on the Volga, and the other in the centre of Kiev.

Novo Nordisk

Novo Nordisk breaks ground on new plant in Russia

On April 17th, Novo Nordisk held the groundbreaking ceremony for a new USD 100 million insulin plant in Kaluga. Upon completion of the construction, the new plant will meet the overall demand for the most advanced products for diabetes treatment, namely modern insulins, for Russian patients. Located in Grabtsevo Technopark in the Kaluga Region, the plant is expected to start manufacturing in 2014. It is designed in line with European and Russian GMP standards and environment, safety and energy efficiency requirements, and will create more than 160 jobs.

The company's intention to establish insulin production in Russia was first announced in April 2010 during the visit to Denmark of Dmitry Medvedev. At that time, agreement of cooperation between the Government of the Kaluga Region and Novo Nordisk was signed.

The groundbreaking ceremony was attended by Anatoliy Artamonov, governor of the Kaluga Region, Tom Risdahl Jensen, Denmark's ambassador to Russia, Lars Reben Sørensen,



president and CEO of Novo Nordisk, Sergei Smirnov, vice president of Novo Nordisk's Business Area CIS.

The ceremony participants waived conventional groundbreaking schemes. Instead of following commonly adopted traditions, the governor and Lars used bicycles that created an electrical impulse, which triggered a light wave spotlighting the insulin molecule. This event symbolised the commitment to both environmentally friendly technologies and an active lifestyle, an important element of diabetes prevention.



In recent years, the Kaluga Region has become one of the fastest developing regions of Russia. Several priority areas for action are being promoted by the regional administration, including attraction of direct investments. "The government of the region and personally the Governor created very favourable conditions for investment activities by foreign companies, doing everything to remove the bureaucratic obstacles and delays in this process," explained Tom Risdahl Jensen.

Anatoliy Artamonov said that one of the primary focus areas for the Kaluga Region is the establishment and development of pharmaceutical industry. He praised the work done by Novo Nordisk within this direction, and named the company a 'trendsetter' in the pharmaceutical industry.

Sergei Smirnov expressed confidence that the good relationship between the company and the region will be further strengthened. As an example of Novo Nordisk's commitment to the area, he mentioned that Novo Nordisk has joined the Kaluga Pharmaceutical Cluster Partnership that consolidates the efforts towards building a high-tech complex of manufacturing and infrastructure facilities. As part of this initiative, Novo Nordisk participates actively in developing key regional programmes such as a centre for professional training for the pharmaceutical industry.

Peugeot, Citroën and Mitsubishi

Peugeot, Citroën and Mitsubishi will be assembled in full production in Russia

On July 4, 2012, a full-scale production facility was launched at PCMA Rus plant belonging to PSA Peugeot Citroën (70%) and Mitsubishi Motors Corporation (30%). The full production of C-segment cars and SUVs will be carried out in the 130 000 m² production zone, while the total square of the enterprise is 145 ha.



The plant located in Kaluga region started operations in 2010 with SKD assembly of Peugeot, Citroën and Mitsubishi vehicles. In July 2012, during an official inauguration ceremony, the plant launched its first full production line to assemble Peugeot 408. In the next few months two new models of Citroën and Mitsubishi will be added to the line-up of vehicles, bodies of which are welded, painted and assembled in series. The plant will provide component localization rate of 30% to be extended in the future.

PCMA Rus employing 1 700 people (to rise to 2 500 when reaching the full capacity of 125 000 vehicles a year) is one of the biggest local employers and a major participant of the growing Kaluga "automotive cluster".



RH PARTNERS

Launch of career management services

RH PARTNERS, the 1st national group of French HR agencies, certified ISO 9004.1 Qualiforma and AFNOR, is proud to announce the launch of its career management department in Moscow.

Career management being one of its core business activities, in which it has justified more than 10 years of international experience, RH PARTNERS provides from now on all the related services in Russia.

RH PARTNERS' career management tools are meant to assess and develop your employees and leaders. They focus on emotional intelligence, leadership performance, team capability, talent development and learning effectiveness. They include a collection of assessment and development programs (performance review, competencies check, potential and motivation assessment, made-to-measure soft skills trainings, career and business coaching, coaching of

executives, expat families' support in adaptation, integration and job search) which are delivered in b-to-b and b-to-c formats. Ours are not public programs – your employees participate at the time and location you specify – so you invest in high quality, tailor-made approach to your needs, cost effective delivery. Incorporating them into your work ensures the greatest impact for your organization and your employees and brings the real added value to your business.

Roca

Roca Group once again presented innovative bathroom solutions at MosBuild'12

Roca, the leading global bathroom brand, presented new and innovative solutions at the annual construction and interior exhibition MosBuild fair which took place in Moscow at Exhibition complex "Expocentre" from April 2nd till April 5th. Roca Group was presented at the fair with its most successful brands: Laufen, Roca, Jika, Santek, Santeri and Aquaton.

The different booths reflected the recent developments and innovative concepts of each of the brands, distributed over near 600 m². Among the new products presented by the company there were both price per value solutions ideally suited for young and trendy small bathrooms, together with innovative high end design collections and models, such as Roca's In-Tank Meridian.

Laufen brand also presented new inspiring products and extended classic collections such as Palace and IlBagnoAlessi One. This year Laufen booth made special emphasis on the new bright collection created by Andreas Dimitriadis especially for children bathrooms – Florakids.

As every year, Roca Group organized an event that has become a tradition. This party intends to make a tribute to all friends and partners from all over Russian Federation and CIS. This year Roca had more than 350 guests at the "We are water" party – clients, designers, architects, celebrities and journalists. Among the guests, the company had the pleasure to welcome His Excellency the Ambassador of the Kingdom of Spain in the Russian Federation Mr. Luis Felipe Fernández de la Peña with wife, Mr. Fernando Valenzuela – the Head of the European Union Delegation in the Russian Federation with his wife, different representatives of the administrations of the regions where the company operates



and many of Roca's very dear partners from all the regions of Russia. The company had the pleasure of inviting Ksenya Sobchak as a host of the evening, who made a great job in conducting the different activities and in keeping all the guests with the best possible mood.

The party took place at the Kalina bar restaurant on the 21st floor of the Lotte Plaza Center, and intended to remind everyone about one of the most precious resources in our planet – Water. There was an Auction of items and products of different nature, all of them related to Ecology in different ways and in this Auction, Ksenya Sobchak did not only help but contributed greatly to its success. The profits were donated to the We Are Water Foundation with projects aimed at the protection of the environment and fighting the negative effects of the lack of water resources.

ARMANI/Roca concept presentation took place in the elite bathroom equipment salon Konzept.

On 22nd March, 2012, the salon of elite bathroom equipment Konzept hosted a presentation of the first ARMANI/Roca bathroom concept show-room in Russia. Created by the Giorgio Armani group in partnership with the Spanish bathroom expert Roca, both world leaders in their respective sectors, this stunning concept transforms a bathroom into a comfortable and harmonious environment with an elegant and personal ambience. Technologically advanced solutions distinguish this bathroom collection – well separated functional areas, tiling, flooring, wall covering, lighting and ceiling finishes all combine to project Giorgio Armani's style and ethos for the home into the bathroom area. Recognized professionals in the sphere of architecture and design, friends and partners of Roca, representatives of mass media came to get introduced to the new concept. The ambassador of Spain in Russia Luis Felipe Fernández de la Peña and Javier Burgos – Head of the Trade and Economic Department of the Spanish Embassy in Moscow were among the guests. Along with the presentation of the new collection and a welcoming address by Roca, the guests enjoyed a "konzeptual" dinner and communication in informal atmosphere.

Scania

Scania is an official supplier of Sochi 2014

Within the framework of X International Investment Forum, Sochi 2011 that was held in Sochi on September 17, 2011, Scania-Rus LLC became one of the suppliers in the "Buses" category for the Sochi 2014 project. A cooperation agreement was signed by Dmitry Chernyshenko, President

of Sochi 2014 Organizational Committee, Hans Tardell, General Director of Scania-Rus LLC, and Nikolay Odintsov, Director of "GAZ Group", "Buses" Division. Within the framework of the agreement, the companies will provide buses to satisfy the Organizational Committee's transportation needs during the preparation and holding of 2014 Olympic and Paralympic Games in Sochi.

Scania is an official transportation partner of the SCORPIONS tour

It's the second year in succession that Scania becomes an Official Transportation Partner of the SCORPIONS tour. The second part of the world tour, known as The Final Sting, was held in April 2012 in Russia.

From April 17 to April 30, while the SCORPIONS band was flying to concert venues, nine 20-ton Scania trucks with semi-trailers were transporting lighting and sound equipment. The route includes the cities all over Russia: Moscow, Ekaterinburg, Chelyabinsk, Samara, Omsk, Novosibirsk, Barnaul, Novokuznetsk.

Besides, few Scania trucks with semi-trailers were transporting the band's special equipment from airports to concert halls. Scania Omni Express and Scania Higer buses were used for transportation of the technical group in Chelyabinsk, Ekaterinburg and Moscow.

Cartransservice logistical company, Scania's customer responsible for freight transportation, noted difficulties caused by a tight schedule: we could not admit any downtime of vehicles as the concert had to be performed on time.

But as the last year's experience shows, reliable Scania vehicles and experienced drivers overcame all the difficulties, so that the fans of the legendary band could listen to favorite songs once again.

For the first time in Russia, Scania is holding a Young Truck Driver Competition

Young European Truck Driver Competition was held in 2012 for the first time in Russia. YETD is a Young European Truck Driver Competition. This competition was held for the first time in 2003; 6,000 drivers from 20 European countries took part in his event. It is the biggest competition that has ever been held among truck drivers supported by IRU, aimed at drawing more attention to the issues of fuel efficiency and transportation effectiveness, road traffic safety, professional prestige, and improvement of truck drivers' skills all over the world. Young European Truck Driver (YETD) is a world scale event, and more than 50,000 drivers from 39 countries of the world participated in it in 2012. In 2012, Russia took part in this project for the first time: over 2,000 drivers filed applications to participate in the contest. Regional semifinals were held in six Russian cities: Novosibirsk, Tyumen, Nizhny Novgorod, Krasnodar, Moscow, and Saint Petersburg, in the course of which six finalists were chosen, among those took part in the National Finals of the competition on July 7, 2012. At the European Finals in Sweden, which will take place on September 7-8, 2012, Russia will be represented by 27-year old Dmitry Semenov from Volgograd, the winner of the National Finals in Russia, who will compete for the main prize: Scania R-series tow truck.

Sheremetyevo International Airport

Dmitry Medvedev has checked Vladivostok Airport Readiness for the APEC Summit

On July 3, 2012 Russian Prime Minister Dmitry Medvedev accompanied by First Deputy Prime Minister Igor Shuvalov during his visit to the capital of Primorsky Krai has inspected the Vladivostok International Airport terminal. On the results of airport modernization Dmitry Medvedev was informed by Director General of JSC Sheremetyevo International Airport Mikhail Vasilenko.

D.A. Medvedev inspected a new passenger Terminal A, which is in the final stage of construction and will start servicing the first passengers later this month. Mikhail Vasilenko gave a tour of a new modern airport terminal for the Chairman of the RF Government and accompanying persons and spoke about the technological features and innovative solutions applied in the terminal construction, as well as of the possibility of its further development. Mikhail Vasilenko said that investment in the project amounted to about 6.3 billion rubles, and the main investor was JSC Sheremetyevo International Airport.

In turn, D. Medvedev gave his assessment of the results of Vladivostok Airport modernization for the APEC 2012 Summit and noted the great opportunities offered by a modern high-tech airport for the residents of Primorye, airlines and the development of the region as a whole.

It is to be recalled that by RF President Decree in 2008 52.2% of JSC Vladivostok International Airport shares were transferred to the control of JSC Sheremetyevo International Airport (JSC SIA).

The strategic goal of Vladivostok International Airport (VIA) is to become the main transport hub for Russian passengers heading to South-East Asia, and flights between North-East Asia and North America. Vladivostok is located near the countries of Pacific Asia, which in recent years experienced high rates of economic growth. Due to its convenient geographical location this area is of strategic importance to the air transport sector in the region and the country.

Ingosstrakh company will insure Sheremetyevo Airport's motor vehicles

Sheremetyevo International Airport, with the participation of the Russian subdivision of Aon broker company (Aon Rus – Insurance brokers LLC), has announced the results of an open tender for the right to insure the airport's corporate vehicles. Ingosstrakh insurance company has won the tender. The insurance agreement for 1 year will enter into force on July 09, 2012.

Sheremetyevo Airport is paying great attention to the organization of insurance protection in a quality and efficient manner. When selecting insurance partners, Sheremetyevo Airport places strict demands on them, focusing on the contractor's reliability, professional competence, reputation and conformity to high international standards.

Under the agreement with Ingosstrakh company, Sheremetyevo airport will be provided with compulsory third-party liability insurance coverage (OSAGO) for 491

vehicles, voluntary motor third-party liability insurance coverage for 682 vehicles and comprehensive insurance coverage (KASKO) for 111 vehicles. Moreover, aerodrome equipment (loaders, sweepers, fire fighting vehicles, cars, trucks, haulage trucks, buses and ramps) will also be insured. The comprehensive insurance (hijack & damage) coverage will amount to more than 406,000,000 rubles, voluntary motor third-party liability insurance limit will be about 597,000,000 rubles, and compulsory third-party liability insurance limit will be specified in accordance with the Russian Federation Federal Law No. 40.

The voluntary insurance agreement provides for the Sheremetyevo Airport's right to choose between various forms of insurance repayment (repair services at Authorized Service Centers; repair services at service centers to be selected by the insured; repayment in cash) and get reimbursed without regard to depreciation of the vehicles' components, in accordance with the principle "new for old".

Moreover, in accordance with the agreement, Sheremetyevo International Airport will be offered a package of additional services: visits by the insurance company's representative for the purpose of conducting visual examinations; services of a personal advisor responsible for management of the agreement and settlement of losses.

Sheremetyevo Airport is named the best policy holder of 2011

Sheremetyevo International Airport has won the annual All-Russia contest "The Best Policy Holder of Obligatory Insurance of 2011" in the category "Policy Holder with Number of Employees over 500 People". Organizer of the contest is the Pension Fund of the Russian Federation.

Sheremetyevo Airport makes a significant contribution to the budget of the Pension Fund of the Russian Federation, transferring in time and in full volume insurance contributions for formation of the future pension rights of the airport employees.

So, for the period of 2007–2011 JSC SIA transferred to the Pension Fund of the Russian Federation payments for obligatory pension insurance in the amount of more than 1 bln 749 mln rubles. In 2011, 622.3 mln rubles were transferred, that is 50.3% more than in 2010.

Sheremetyevo International Airport is the largest enterprise of the north-west of Moscow region. Active development of the airport makes positive impact on strengthening of economic stability in the region and promotes growth of social wellbeing of inhabitants of the north-west of Moscow region.

Sheremetyevo has strengthened its leadership in the international flights among the airports of Moscow Air Cluster

Sheremetyevo International Airport has summarized its operating results for April and four last months of 2012. Since the beginning of the year the airport has handled 7,153,000 passengers, which is 21.5% more than in the same period of 2011.

In January-April of 2012 the passenger flow on international flights (IFs) grew by 20,8 %, reaching 4,549,000 passengers, while the segment of domestic flights (DFs) grew by 22,7% (reaching 2,604,000 passengers).

Thereby airport Sheremetyevo has strengthened its position in the international flights market and has been a leader in this segment among the airports of Moscow Air Cluster since November 2011.

In April 2012 the quantity of air passengers increased by 22,5% reaching 1,941,000. The passenger flow on the international flights increased by 23,5% up to 1,220,000 and by 21% up to 721,000 on the domestic flights. The most popular foreign destinations in April 2012 included Paris, Hurh-gada, Sharm el-Sheikh, Prague, Kiev, Beijing, Rome, federal ones — Saint Petersburg, Yekaterinburg, Vladivostok, Sochi. The passenger traffic growth in January-February 2012 was mainly due to the performance of the following air companies: Aeroflot, Transaero, Donavia, Nordavia, Air France, Nordwind Airlines, Aerosvit and CSA Czech Airlines. Airport Sheremetyevo in January-April of 2012 hosted 67,126 aircraft movements, which is 9.2% more than in the same period of 2011.

Tebodin

Opening of new Tebodin office in Moscow

On 20 March the Ambassador of the Kingdom of the Netherlands in the Russian Federation His Excellency Ron Keller will officially open the Tebodin office in Moscow at the new address: Moscow, Letnikovskaya Street, 10, building 4, 8 floor (Svyatogor business center). The event will be part of the traditional Dutch Business Drinks organized by the Netherlands Embassy.

The official opening ceremony will start at 19.00. The representatives of the Dutch Embassy, Dutch business community in Russia and the clients of Tebodin are expected among other guests. Because of its sustainable growth and new requirements regarding the working environment the company moved to the new location. The new premises are better equipped; facilitate internal logistics and communication between the departments, thus helping us to continue providing a high level of service to our clients. Tebodin B.V. is an independent, multidisciplinary consulting and engineering firm with a turnover of 210 million euro (2010).

Troika Relocations

Troika Relocations open new office in Kaluga

Troika Relocations are pleased to announce the opening of our Kaluga office!

The new office, operational from July 2012, will serve the relocation needs of the growing number of multinational companies which are active in Kaluga as well as their expatriate and Russian assignees who are relocating to the town.

Following the opening earlier in 2012 of our Sochi office, Troika now offer in-house Destination Services in all the primary destinations for FDI in Russia – Moscow, St Petersburg, Sochi and Kaluga. Troika Relocations is the leader in providing specialist, professional and highly personal Relocation Services throughout Russia.

APPOINTMENTS

Allen & Overy

Igor Gorchakov has joined Allen & Overy in Russia

Allen & Overy is pleased to announce today that Igor Gorchakov has joined the firm as a partner in the Banking department, based in Moscow. Igor is an experienced and versatile Russian lawyer with wide-ranging banking and finance expertise, including general lending, project finance, real estate finance, securitisation, derivatives and bank regulation. He also practises in the areas of international capital markets, M&A and dispute resolution. Igor is recognised by the Chambers and Partners, Legal 500 and IFLR1000 legal directories as a leading practitioner. Prior to joining Allen & Overy, he was a partner at Baker & McKenzie in St. Petersburg for almost five years.

Antal Russia

Natalia Kulkova appointed HR Director at Antal Russia



Natalia Kulkova has joined leading international recruitment company Antal Russia as HR Director. Prior to joining Antal Russia, Natalia worked in several major Russian and international companies in the positions of recruitment manager, HR and organizational development manager and Head of HR.

In 2001 she graduated from the University of Russian Academy of Education (Faculty of Psychology) where she received a degree in the State University of Management in the field of Innovation Management.

Natalia's main tasks her new role will be the further development of the internal compensation scheme, improving the assessment and employee development system and strengthening the company's HR-brand.

"Recruitment is a people business and it is therefore only logical for us to heavily invest in our main resource – our staff. We are delighted to announce that an HR expert like Natalia Kulkova with more than 13 years' experience in human resources is joining our organization and helping us to build a world class recruiting firm," says Michael Germerhausen, Managing Director at Antal Russia.

Antal Russia is strengthening its finance recruitment Department with two key appointments

Antal Russia Recruitment Company announces **Vladimir Tarasov** appointment as Associate Partner Finance and Accountancy Recruitment. **Irina Kalkina** has been appointed as Senior Manager of Finance Recruitment Department.

Vladimir Tarasov joined Antal Russia in 2008 as Finance Director. Vladimir graduated from Finance Academy under the Government of Russian Federation (Accounting, Audit and Analysis Faculty) and has more than 12 years' experience in Finance.

Irina Kalkina has been working for Antal Russia for more than 4 years. During this time she has moved from Consultant to Senior Manager, Finance Recruitment. Irina gained a master's degree in International Commerce in Seoul National University. Her team is closing positions in

Finance Management, Control and Analysis as well as Internal Audit, Control and Compliance and Treasury.

Having been in the Russian recruitment market for almost 20 years one of the key reasons for Antal Russia success is using internal resources. In addition to the ability of promoting from within there has been a strong drive to discipline specialization over the last couple of years. Recruitment companies' clients prefer working with industry experts who have done the job themselves before.

Christian Lepolard was appointed Partner, B2C/Retail Sales and Marketing Practices at Antal Russia

Christian was born in Sedan, France in 1977. He gained his first university degree in Law, Economics & Political Sciences from the Institute for Political Studies in Strasbourg, France (1995-1999). Second University Degree in Business Administration from the University of Erlangen – Nuremberg, Germany (1999-2002). Christian joined Antal in 2004 in Moscow as a Consultant, then grew to Senior Manager within 2 years. He was promoted to Associate Partner within the Commerce team in 2007, then to Partner supervising the Finance, Accountancy and Legal practices in August 2009.

Baker & McKenzie

Baker & McKenzie announces New CIS Managing Partner

Baker & McKenzie announced that **Sergei Voitishkin** had been elected managing partner of the Firm's CIS offices, which are located in Almaty, Baku, Kyiv, Moscow and St. Petersburg, effective 1 July 2012. He takes over from Carol Patterson, CIS managing partner since 2006.

Mr. Voitishkin will be responsible for overall leadership and the Firm's strategic growth in the region, as well as relationships with local regulators. The appointment reflects Baker & McKenzie's strong and continuing commitment to the region. Sergei Voitishkin has been a partner with Baker & McKenzie since 2002 and will continue to head the CIS Corporate/M&A practice group when he takes up the position of CIS managing partner.

Additionally, the Firm announced a significant partner relocation, as well as partner promotion in its Moscow office, both effective 1 July 2012. **Roy Pearce**, an English-law qualified partner in Baker & McKenzie's capital markets group, has joined the Moscow office; while **Alexander Gomonov**, a Moscow-based lawyer, has been promoted to partner in the Energy, Mining and Infrastructure practice group.

Deloitte

Market leading forensic team join Deloitte CIS

Partner Ian Colebourne, CIS Head of Corporate Finance: Ian has over 16 years of experience in Financial Advisory Services. He joins us from a Big Four firm where he chaired the Forensic practice across the EMEA region and led the Risk Consulting and Forensic businesses in the CIS for the last 10 years.

Ian is highly experienced in a variety of sectors, having led a number of investigations, corporate intelligence, fraud risk management assignments, and regulatory reviews of the Russian and international financial institutions and

International corporates subject to the US Foreign Corrupt Practices Act (FCPA) and UK's Bribery Act. Ian has degrees in Biological Science and in Law, and qualified as a solicitor in England.

Partner **Alexander Sokolov**, CIS Head of Forensic: Alexander has 11 years of forensic experience. Prior to that he spent five years as an auditor in the financial sector in London. Alexander holds a degree in Banking from Loughborough University and qualified as a chartered accountant in England.

Partner **Ludmila Grechanik**: Ludmila has nearly 10 years of Forensic experience with another Big Four firm where she was engaged in fraud investigations, forensic reviews, FCPA / ABC due diligence, and fraud risk management in Russia and the CIS. Ludmila has a degree in Accounting, Financial Analysis and Audit, a CPA, an ACFE (Association of Certified Fraud Examiners) and a Russian auditor's license.

Director **Valery Knyazev**: Valery has over seven years of experience in litigation and insurance support engagements across a variety of industries. Previously, Valery worked in the Forensics department of another Big Four firm and at one of the UK's leading specialist forensic accounting firms. He also has over nine years experience of audit in Russia, Sweden, Germany and the UK. Valery holds a FCCA, is a Chartered Fraud Examiner and an Associate of the Chartered Institute of Arbitrators.

Director **Elena Karelina**: Elena began her career in Fraud Investigation in 2005 with a Big Four firm. She had previously worked in the Financial Services Audit Department of another Big Four firm, has led numerous fraud investigations and financial crime prevention assignments throughout the CIS. Elena holds a degree in Finance and Credit and is a member of ACFE.

Senior Manager **Natalia Golovchenko**: Natalia Golovchenko has six years of experience in Forensic's. Natalia has managed a number of engagements for coal mining, pharmacy, energy, construction and telecommunication clients. She has led a large number of engagements and participated in developing recommendations regarding anti-fraud controls improvement. Natalia holds a degree in Finance from the Financial University under the Government of the Russian Federation.

Deloitte Caspian Region announces new Managing Partner



Deloitte is pleased to announce the appointment of a new Managing Partner to lead its Caspian Region practice. Darryl Hadaway completes his term as leader of Deloitte Caspian on 31 May, and will be succeeded by **Mark Smith**. Mark joined Deloitte Kazakhstan in April 2007 and has led the financial services industry group since 2011. Over five years he has developed a rich understanding of the region's diverse culture and economy. He has served audit clients in the banking, insurance and manufacturing sectors for 12 years under IFRS, US GAAP and UK GAAP. Mark is a qualified Chartered Accountant from the Institute of Chartered Accountants in Scotland.

EGO Translating Company

EGO Translating Company hires talented managers



Dmitry Raspopin has been appointed Director of the Moscow Representative Office of EGO Translating Company.

Mr. Raspopin was born in 1987 in Leningrad. In 2004 he graduated from high school in Hutchinson, Kansas (USA). In 2008 he received a Certificate from the Folk High School in Rønne, Denmark, where he studied Journalism, Political Science, Danish Language and Psychology. In 2009 Mr. Raspopin qualified in Danish Philology. At present he is studying in the Russian Academy of Civil Service under the auspices of the President of the Russian Federation where he is pursuing his second university degree.

Dmitry Raspopin speaks English, Danish and Norwegian fluently. His cross-cultural communication skills and proficiency in foreign languages allow Dmitry to work effectively with international clients.

In 2010 Mr. Raspopin worked in the Autonomous Non-Profit Organization Sochi-2014 Organizing Committee as GR-Manager in the Department of Corporate Relations and Relations with State Bodies. In 2011-2012 he served as Deputy Manager of the International Cooperation Division, Department of External Relations in the Autonomous Non-Profit Organization Olympic Games Transport Directorate. In May 2012 Mr. Raspopin was appointed Director of the Moscow Office of CJSC EGO Translating Company. His most significant professional achievements include the smooth organization of international events in preparation for FIFA World Cup 2018 in Russia and XXII Olympic Winter Games and XI Paralympic Winter Games in Sochi in 2014.

In his new position Dmitry Raspopin will be responsible for promoting EGO Translating Company on the translation services market. He will participate in developing and implementing the Company's marketing strategy and facilitate interaction with state authorities, diplomatic missions, the business community and non-profit organizations in order to promote Company products in Moscow Region.

Gide Loyrette Nouel

Ekaterina Vilenskaya has been elected partner of Gide Loyrette Nouel's Moscow office

The international law firm Gide Loyrette Nouel is pleased to announce the appointment of Ekaterina Vilenskaya as a partner of its Moscow office, effective from 24 May 2012.

Ekaterina Vilenskaya heads the Real Estate practice of Gide Loyrette Nouel Moscow. She specialises in real estate law, land law and contract law. With over eleven years of professional experience, her practice also focuses on town-planning and construction law, lease, including transactions involving public land development, the privatisation of land plots, and, more generally, any transactions related to real estate assets. She also advises clients in the sphere of public-private partnership projects regarding all real estate matters. Ekaterina graduated from Moscow State University (MGU), Civil Law Faculty, in 2001. She speaks Russian, French, English and Polish.

Jones Lang LaSalle

Agnieszka Nowak appointed the New Marketing Director of SEC Galeria in St. Petersburg



Jones Lang LaSalle announced that **Agnieszka Nowak** joined the company's Retail Property Management team as a Marketing Director of SEC Galeria (St. Petersburg). Agnieszka is highly recognized as a leading marketing expert in shopping centre industry. In Jones Lang LaSalle she will focus on further sharpening the image of SEC Galeria, planning, coordination and implementation of successful marketing campaigns.

In 2003 Agnieszka graduated from Academy of Humanities and Economics (Lodz, Poland) with a degree in management and marketing. In 2005 she held a postgraduate course in Public Relations in University of Lodz.

Agnieszka has a long-standing marketing experience. She joined Jones Lang LaSalle from Apsys Management Ltd., the company responsible for managing Manufaktura – the biggest and one of the most successful shopping-cultural-entertainment centres in Europe where she was holding the position of Marketing Director for 6 years and was responsible for creating and coordination of marketing strategies and campaigns.

Her professional experience also includes working in Airport named after Wladislaw Stanislaw Reymont in Lodz and Corre Group Advertising Agency. Agnieszka has more than 10 international and especially ICSC marketing awards credited to her name, including prestigious ICSC Golden Maxi Marketing Award 2009 and ICSC Golden Solal Marketing Award in 2010.

Pepeliaev Group

Pepeliaev Group strengthens its Pharmaceuticals and Healthcare division

In April 2012, Pepeliaev Group's Pharmaceuticals and Healthcare Group was strengthened by the recruitment of **Irina Naumenko** as a **Senior Associate**. Irina joins from a major pharmaceutical company.

Irina Naumenko has more than thirteen years' experience of working in major international companies active on the FMCG and pharmaceutical markets. During her career, Irina has gained experience of drafting contracts of various levels of complexity (including those governed by foreign laws), as well as drafting internal company regulations relating to various aspects of companies' business, resolving customs and antimonopoly issues, and creating and managing intellectual property. In addition, she has liaised on behalf of companies with regulatory authorities, has been involved in M&A projects, and has regularly represented companies in court.

Elena Lvova, Senior Associate, is the coordinator of the Pharmaceuticals and Healthcare Group. Elena Lvova works with pharmaceutical companies, and with manufacturers and distributors of medical products. Elena advises clients on: carrying out clinical research; taking part in clinical research; registering and approving the registration of medicines; setting prices; and the manufacture and wholesale and

retail sale of medicines, medical equipment and medical products.

Elena previously worked as an in-house lawyer in a major international pharmaceutical company, which has given her a rich experience in drafting and checking contracts and internal regulations associated with manufacturing and distributing medicines, medical equipment and medical products.

The Pharmaceuticals and Healthcare Group is headed by **Vladimir Sokov**, a Partner in Pepeliaev Group.

"Strengthening the Pharmaceuticals and Healthcare Group means that we can swiftly and effectively perform the tasks we are set by our clients," states Vladimir Sokov. He considers that highly qualified legal advisers who have been working for many years with manufacturers, distributors and regulatory authorities, help clients to find effective solutions to the legal problems that come up during their work, to mitigate potential risks, and to document and optimise their business processes. Our lawyers' track record in the sector creates additional possibilities for developing a dynamic and complex market.

RUSSIA CONSULTING

Laurence Fara is Senior Manager of the French Desk in RUSSIA CONSULTING

Laurence Fara joined RUSSIA CONSULTING as Senior Manager of the French Desk in the Moscow office. Laurence is a French lawyer with extensive experience in European, international and commercial-law practice in various governmental, non-governmental and private organizations. She has over 8 years experience in providing legal and policy advice in Russia and the five Central Asian Republics. Her main focus at RUSSIA CONSULTING will be on developing the French speaking market for the company. She also coordinates the ten international representative offices of RUSSIA CONSULTING. Laurence is fluent in French, English, German, Spanish and Russian. Contact details: +7 / 495 / 956 55 57 or e-mail FaraL@russia-consulting.eu

Salans

Dzhangar Dzharchinov appointed Head of Salans' Russian Tax Practice

Dzhangar Dzharchinov has been appointed Head of Salans' Russian Tax Practice. He primarily focuses on tax litigation, and has been with Salans' Moscow office since 2007. Between 2007 and 2011 Dzhangar, on behalf of Salans' Russian Tax Practice, handled over 300 court cases including in the Supreme Arbitration Court. In addition, Dzhangar has provided full support in a considerable number of tax disputes settled in favor of the client before they went to court.

Dzhangar Dzharchinov joined Salans in 2007 as Associate and was appointed Of Counsel in July 2011. Dzhangar focuses on tax litigation. He also advises on various aspects of taxation, including drafting internal policies to prevent tax risks (regarding suppliers, marketing, and others), analysing contracts for tax risks, and verifying tax accounting in order to reveal potential tax assessments and overpayments.

000 Sokotel

New appointments

Andrey Shemyakin has been appointed to the position of **Sales Director** effective **4th of June 2012** with direct reporting to Sales and Marketing Director. Andrey has responsibility for the management Sales Department in Moscow as well as execution of day-to-day Moscow Sales Department work and also Andrey will develop new business, build and maintain long term partnership, define plans and meet sales and marketing objectives. Sales Managers in Moscow office direct report to Sales Director. Andrey has a great work experience in hospitality business. Prior to working for OOO Sokotel, Andrey worked in sales department of Radisson SAS. Please join us in congratulating Andrey on his appointment. We wish Andrey success in his challenging and exciting role!

Olga Gulina has been appointed to the position of Marketing Manager effective 13th of June 2012 with direct reporting to Sales and Marketing Director – Hanna Tii-tola. Olga will organize successful operations of Marketing Department and its development and also Olga will plan and implement all the marketing and PR activities for three Sokos Hotels in Russia. Marketing coordinator reports directly to Marketing Manager. Olga has a University degree from Journalism at Saint-Petersburg State University. Prior to working for OOO Sokotel Olga has been working as trade-marketing manager and brand manager with such companies as “Paulig Coffee” and “Melitta Russland”. Please join us in congratulating Olga on her appointment. We wish Olga success in her challenging and exciting role!

SWISSÔTEL KRASNYE HOLMY

Appointment of a new General Manager of Swissôtel Krasnye Holmy

Swissôtel Krasnye Holmy, Moscow is pleased to announce the appointment of **Mr. Marc Ohlendorf** as General Manager of the property. With more than 20 years in the industry, Mr. Ohlendorf brings vast experience to his position. Previously he was the General Manager of Swissôtel Zurich having been promoted from the Executive Assistant Manager position which he held since 2005. Mr. Ohlendorf first joined the property in 2001 as Director of Food & Beverage. His previous experience includes the position of Managing Director in charge of Rooms Division at the Hotel & Guts-gasthof Stangl in Germany. Marc holds a diploma in hotel management from Business & Hotel Management School, Lucerne (Switzerland). In 2004 he received his MBA from GSBA Business School, Zurich. Apart from his native German, he is proficient with the following languages: English, French and Italian.

As the General Manager of the Swissôtel Krasnye Holmy he will oversee all aspects of rooms, food & beverage, engineering, marketing and partner relations, leading the team to successful accomplishments and revenue growth. Mr. Ohlendorf took over Mr. Jan Chovanec who has been recently appointed the General Manager of Swissôtel Beijing.

NEW MEMBERS



ARVAL
BNP PARIBAS GROUP

Arval

Arval, a fully owned by BNP Paribas, specialises in full service vehicle leasing. In Russia Arval proposes corporate fleet funding solutions and a full set of products and services that simplify the day to day running and management of fleets, including: maintenance and repair, insurance, tire service, roadside assistance, relief vehicle, accident management and fuel programs, accident commissioner, fines management, short-term and medium-term car rental, fleet reporting, consulting, and lease-back. At the end of the contract Arval will take care of used cars selling and replace them by new ones. Arval Russia's leased fleet has exceeded 6 100 vehicles and is located in more than 100 cities.

Arval central office is located in Moscow, regional branches are in St. Petersburg, Nizhny Novgorod, Samara, Rostov-on-Don, Ekaterinburg, Novosibirsk, Irkutsk, Vladivostok.

Arval Russia's contacts:

19, Leninskaya Sloboda str., Moscow, 115280, Russia

Tel.: +7(495) 644-22-70; Fax: +7(495) 644-22-71

www.arval.ru

e-mail: info@arval.ru



Arysta LifeScience

Arysta LifeScience

Headquartered in Tokyo, Japan, Arysta LifeScience is the world's largest privately held crop protection and life science company with 2011 revenues of JPY125.8 billion (US\$1.6 billion). An entrepreneurial provider of crop protection and life science products in more than 125 countries

**AEB Membership Benefits****Effective Lobbying**

Advocating members' interests to public officials, legislators and business decision-makers in Russia and the EU. Cooperating with the Russian authorities to solve business issues and effective interaction with lawmakers.

Quality Business Information

Publications: AEB Business Quarterly, Membership Directory, Position Paper, Real Estate Monitor, How to Invest in Russia, monthly AEB News. Regional presentations and business development missions to the regions. More than 20 sector and issue-based committees and working groups in Moscow, St. Petersburg, Krasnodar and Yekaterinburg.

Valuable Networking

Organising open meetings, conferences, political briefings and other high-profile events with prominent government and business leaders. Regular social events, including embassy EuroReceptions Government and business contact information in Moscow and the regions. Online access to Member Database.

Marketing Opportunities and Visibility

Internet links and banners. Advertising opportunities in AEB publications. Sponsorship opportunities during AEB events.

worldwide, Arysta LifeScience specializes in marketing and distribution of respected crop protection brands and life science products in harmony with the needs of global partners. More information on the company is available at: www.arystalifescience.com.



Chery Automobile Rus

Chery Automobile Co. is a Chinese automobile company founded in 1997. This large state enterprise is specialized on the development and production of cars and car components.

Chery production plants are located in Russia, Ukraine, Indonesia, Brazil, Iran, Egypt, Malaysia and Uruguay. The representative offices work in Eastern Europe, in the Middle East, in Northern Africa and South East Asia.

Today Chery Automobile Co production capacity is 800 000 cars per year. Chery is the largest Chinese automaker in China

Chery Automobile Co entered the Russian market in 2005, having based its subsidiary in Moscow. CJSC "Chery Automobile Rus" became the first official representative office of Chery outside of the Republic of China.

Chery dealer network constantly extends in Russia, at present it includes 92 regional representative offices. The model range presented in our country consists of 8 cars.



Ferring Pharmaceuticals

Ferring Pharmaceuticals is a research-driven biopharmaceutical company devoted to identifying, developing and marketing innovative products in the fields of reproductive health, urology, gastroenterology, endocrinology and osteoarthritis.

The company's research activities and products are connected by a common thread focused on the provision of tailored treatments that work on the body's own terms to enable doctors to combat numerous diseases and medical conditions.

The company has gained international recognition over the last 20 years for the creation of inventive medications that improve the quality of life of children and adults all around the world.



Hoyer Rus

HOYER – Full range logistics services in Europe and around the world.

HOYER is an international logistics supplier; tank-containers and road fleet owner; one of the pioneers of the Russian bulk products market since the 1990s.

Our main activity is – handling liquid chemical & oil industry products, food and liquefied gases around Europe and overseas, offering a full range of services in road, rail and sea transportation. Also, working closely with partners, HOYER offers packed products transportation, customs clearance and warehousing services.

High safety standards and reliable long-term partnership with our clients are our secrets of successful performance over the years. To ensure the high-quality service to its clients HOYER has subsidiaries and agents in 87 countries worldwide.

Contacts

OOO «HOYER RUS»

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Fax: +7 495 745 39 46

E-mail: Russia@hoyer-group.com

Vadim Khalme, Managing Director



Lanxess OOO

LANXESS – at the heart of the chemical industry

LANXESS is a leader in specialty chemicals and operates in all important global markets. In 2011, the company, which is listed on the Frankfurt Stock Exchange, achieved sales of EUR 8.8 billion.

With its extensive portfolio, it focuses on premium business. Its core business comprises the development, manufacture and sale of plastics, rubber, specialty chemicals and intermediates. In addition, it supports its customers in developing and implementing made-to-measure system solutions. In these areas, which are at the very heart of the chemical industry, LANXESS has core expertise in the form of chemical and application-related know-how, flexible asset management and customer proximity. Our aim is, through innovative products, optimized processes and new ideas, to generate added value for the customers and the company.

Many forces combine at LANXESS's 49 sites worldwide to produce the optimal result. This applies both to the products and processes themselves and to the 16,700 or so staff in 30 countries that are responsible for the company's day-to-day business. LANXESS is treading the path that is inherent in its name: Combined from the French verb "lancer" meaning to thrust forward and the English noun "success", LANXESS represents the determined will to achieve and the readiness to embrace continual change.



LIKEHOME SERVICED APARTMENTS

LikeHome is one of the leading provider of serviced apartments in Russia, both in terms of the number of apartments we operate as well as the quality and range of services we provide. At present, we manage more than 100 serviced apartments in Moscow which offer services of truly international quality. We take care of everything else: maintenance, visas, registration, transport, etc. day or night.

Serviced apartments are properties fitted out to a very high standard, with services you would only normally expect to find available in a hotel (daily cleaning, technical support, concierge service, transfer, visa and registration support and etc.), which are leased for short terms (from two nights to several months).

LikeHome is the provider of serviced apartments in St. Petersburg and others cities of Russia, as well as in Paris, London and New York.



Severtrans Group, ZAO

Address: Vashutinskoe shosse 20/1, Khimki

Tel: (495) 502-8787

Fax: (495) 502-8787

Website(s): <http://www.severtrans.ru>

The group of companies "Severtrans" is the 3PL provider, the owner of the platinum diploma B «Best logistical operator of Russia», we offer cooperation with the purposes of optimisation of management by moving of consignments with granting of services:

- The Customs Representative ("VashBroker"),
- Warehouse of time storage (B«KV Terminal» and "Stroy-investproect") volume 7 453 m³ and open area with adjoining territory a total area 43 100 m² with single placing to 500 means of transport.
- Warehouse (Joint-Stock Company GK "Severtrans") warehouses of a class A+, equipped with modern engineering and information systems a total area more than 27 000 m².

Specialisation of activity of "VashBroker" – the All-Russia broker – is customs clearance of all groups of the goods at various customs, including in the places approached to frontier Russian Federation, with application of technologies of remote issue in the electronic form with use of the international association of networks "Internet", in seaports and the airports.

We grant a complete service package on customs registration of consignments at export and merchandise imports, to safekeep and we guarantee quality at all stages of work!

Alina Kvartalnova, Head of Customer Relations Department

E-mail: alina.kvartalnova@severtrans.ru

SOKOS HOTELS Sokotel LLC (Sokos Hotels)

Sokos Hotels is the largest and most well-known Finnish hotel chain. The chain operates

over 50 hotels in Finland, Tallinn and St. Petersburg. The hotels are located in city centers or at holiday resorts, with excellent connections. Besides accommodation, conference services and wellness the Sokos Hotels offer quality service to meet every business and leisure requirements.

Welcome to experience the Sokos Hotels in St. Petersburg!

www.sokoshotels.com



STAHLBAU PICHLER

For over 30 years now we have been planning, producing and constructing steel structures and curtain walls throughout Europe.

We are active in the construction of private and commercial buildings, industrial complexes, bridges and infrastructures.

Starting in the 1970s as a small handicrafts firm, we have gathered strength and mastered the challenges of the market, investing in technological and design research, the development of the production chain, and the training and growth of human resources.

Today, with over 200 employees and a track record of over 2,500 contracts completed, we can manage every phase of a project from the initial feasibility study to final construction, drawing on an annual production capacity of 25,000 tonnes of steel and 70,000 m² of curtain wall.

Our company is chosen by international architects and prestigious clients for its skill and reliability in creating fine works of contemporary architecture.

The office in Russia, OOO Pichler Rus exists from 2008.



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Please fill out the Application Form in CAPITAL letters, sign it and fax it to 234 28 07/

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Calendar year / Календарный год: 2012 ☐ (Please check the appropriate box/boxes / Укажите соответствующий год/года)

Name of your AEB Contact / Ваше контактное лицо в АЕБ: _____

1. COMPANY / СВЕДЕНИЯ О КОМПАНИИ

Company Name in full, according to company charter. (Individual applicants: please indicate the company for which you work /
Название компании в соответствии с уставом. (Для индивидуальных членов – название компании, в которой работает заявитель):

Legal Address (and Postal Address, if different from Legal Address) /
Юридический и фактический адрес, если он отличается от юридического:

INN / KPP / ИНН/КПП:

Phone Number / Номер телефона:

Fax Number / Номер факса:

Website Address / Страница в интернете:

2. CATEGORY / КАТЕГОРИЯ:

THE CATEGORY IS DETERMINED ACCORDING TO THE COMPANY'S WORLD TURNOVER

Please indicate your AEB Category / Отметьте категорию		Company's world-wide turnover (euro per annum) / Мировой оборот компании (евро в год)	AEB Membership Fee / Членский взнос в АЕБ
<input type="checkbox"/>	SPONSORSHIP / Спонсорство	–	8,500 euro/евро
<input type="checkbox"/>	CATEGORY A / Категория А	>500 million/миллионов	5,750 euro/евро
<input type="checkbox"/>	CATEGORY B / Категория Б	50–499 million/миллионов	3,500 euro/евро
<input type="checkbox"/>	CATEGORY C / Категория С	1–49 million/миллионов	2,000 euro/евро
<input type="checkbox"/>	CATEGORY D / Категория Д	<1 million/миллионов	750 euro/евро
<input type="checkbox"/>	INDIVIDUAL (EU/EFTA citizens only) / Индивидуальное (только для граждан Евросоюза/ЕАСТ)	–	750 euro/евро

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Please bear in mind that all applications are subject to the AEB Executive Board approval /

Все заявления утверждаются Правлением АЕБ

3. CONTACT PERSON / INDIVIDUAL MEMBER / КОНТАКТНОЕ ЛИЦО / ИНДИВИДУАЛЬНЫЙ ЧЛЕН

Title, First Name, Surname / Ф.И.О:

Position in Company / Должность:

E-mail Address / Адрес эл. почты:

4. COUNTRY OF ORIGIN / СТРАНА ПРОИСХОЖДЕНИЯ	
A. For a company / Компаниям: Please specify COMPANY'S country of origin / Указать страну происхождения компании ¹	
or B. For an individual applicant / Индивидуальным заявителям: Please specify the country, of which you hold CITIZENSHIP / Указать гражданство	
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5. COMPANY DETAILS / ИНФОРМАЦИЯ О КОМПАНИИ			
Company present in Russia since: _____ / Компания присутствует на российском рынке с: _____ г.			
Company activities/ Деятельность компании	Primary / Основная:	Secondary / Второстепенная:	
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Number of employees/ Количество сотрудников	In Russia / в России:	Worldwide / в мире:	<input type="checkbox"/> Please do not include this in the AEB Member Database/ Не включайте это в справочник АЕБ
Please briefly describe your company's activities (for inclusion in the AEB Database and in the AEB Newsletter) / Краткое описание деятельности Вашей компании (для включения в базу данных АЕБ и публикаций АЕБ)			

6. HOW DID YOU LEARN ABOUT THE AEB / КАК ВЫ УЗНАЛИ ОБ АЕБ?	
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<input type="checkbox"/> Media / СМИ	<input type="checkbox"/> Event / Мероприятие
<input type="checkbox"/> Advertising Source / Реклама: _____	<input type="checkbox"/> Other / Другой: _____

Signature of Authorised Representative of Applicant
Company / Подпись уполномоченного лица заявителя:

Date/Дата:

Signature of Authorised Representative of the AEB /
Подпись Руководителя АЕБ:

Date/Дата:

¹ Location of a parent company or of the main shareholder / Местонахождение головной конторы или основного учредителя.

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ARTO



ALD Automotive You drive We care

ALD Automotive, a 100% subsidiary of Societe Generale, is one of the world's leading companies in the Full Service Leasing and Fleet Management. A real service integrator, ALD Automotive has conquered a leading position with a strategy emphasizing innovation and offering companies high-performance mobility solutions.

ALD Automotive in numbers:

- Offices in **37** countries; worldwide #1 on geographical coverage;
- **4200** employees oriented at satisfaction of the customers' needs;
- More than **917000** cars (January 2012);
- More than **65** years of experience in the world market;
- Russian office of ALD Automotive was opened in **July 2004**;
- **Market leader** in Russia
- More than **13500** cars managed in Russia (May 2012);
- **33%** of growth in 2011
- Full coverage of the regional territory of its customers: **11** branches from Saint Petersburg to Vladivostok, servicing cars in more than **250** Russian cities
- **100%** compliance with the Russian & International law

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