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Autumn 2013



Agribusiness in Russia

With AEB analysis of:

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Dear Readers,



Welcome to the Autumn issue of the AEB Business Quarterly magazine which is devoted to agribusiness in Russia.

Agriculture is one of the key industries in the world. Oil price growth, increasing food demand from developing countries, world economic liberalisation, attempts to substitute standard fuel with bio-fuel have led to a new world situation in which energy and food problems are increasingly intertwined. Food prices are rising all over the world as food demand continues to increase. All of these factors trigger investment in the agricultural sector. Land is becoming an attractive asset for long-term investment. And here the investor's eye turns also to Russia.

Russia accounts for 20% of the global fresh water reserves. It has 8.9% of the world's cultivated land; the total area of the land fund is 1.7 billion hectares, including 1.1 billion hectares (64.8%) of forest land and 400 million hectares (23.5%) of agricultural land, with 220.5 million hectares of farmland, and 2.6% of the world's pasture. Russia has a great potential to grow many different types of food.

Russia has considerable export potential as well. The development of the currently lacking export infra-structure, including grain storage facilities, seaports, rail and road access, cannot happen without investment. In recent years, major foreign investors have shown a growing interest in Russian agriculture. There are examples of successful projects financed by European investors in the fields of poultry, pig, dairy and beef cattle farming, agricultural machinery and crop protection.

This issue will give you an insight into the Russian agricultural sector as it is seen by experienced European specialists who have been in the market for a long time and have kindly shared their knowledge with us.

I hope this issue will help you in your business, and trust you will enjoy reading it!

With best wishes,
Frank Schauff
 AEB CEO

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RUSSIAN AGRICULTURE: WHEN WILL IT BECOME A PRIORITY SEGMENT AGAIN?



Roberto Valfre, Head of Representative Office, FIAT Industrial

Instability accompanies the growth of any emerging economy, whatever its size. Usually the degree of volatility depends on how dependent the economy is in terms of export of goods to third countries as well as the size of its domestic demand.

In the course of the last decade, the Russian Federation, like the other BRIC economies, grew at an average rate of 6% per year, dwarfing the economic might of mature markets. In such circumstances, “bumpy growth” does not scare investors. They understand that any uncontrollable variable will be offset by the critical mass resulting from the outflow of goods and inflow of cash into the economy.

However, sustainable growth always requires the same ingredients — states that plan their long-term growth pattern and execute it through constant commitment to those segments of the economy which are considered strategic priorities.

One of the paradoxes of the Russian agricultural segment is that it was considered a strategic priority for 50 years under socialism and, even ten years after the collapse of Soviet Union, this was still the case. Russia needs to reduce its dependence on imported meat, increase the quality of its harvests and aim at higher average yields in order to match its ambition to become the world’s leading grain exporter. Oddly, the political will to reach this goal is not accompanied by a significant commitment throughout the whole chain. On

the one hand this is understandable: the size of the country, the climatic conditions and, most of all, the chronic lack of infrastructure, allowing proper storage and shipment (including ports), require significant and continuing investment. On the other hand, at this stage of expansion, the contribution cannot be concentrated on the shoulders of manufacturers and farmers.

Without condemning the Government’s choices, the agricultural segment requires, for a long period of time, state support in order to become self-sustaining. This backing can be expressed in different forms but, at the minimum, it needs to offer some clarity and to propose a strong framework within which the private sector can evolve.

Unlike Western Europe, the US, Canada or Brazil (to name a few), Russia limited its support to the agricultural segment, which was mainly subsidized through retail credits to farmers. Maybe it was not enough but it did help overall growth in the first decade of the second millennium.

Now, the whole segment is confronted with:

- An unclear and almost non-existent subsidy system for the farmers.
- The lack of any juridical framework to allow Western investors willing to participate in industrial ventures in the Russian market to forecast their investment returns.

- Protectionist measures towards domestic manufacturers which were not balanced by strong obligations to those same manufacturers to exploit their competitive advantage by investing in research and development to enhance their product offering.

Under those circumstances, the whole system is paying the penalty of unclear rules: first of all the farmers who cannot forecast their investments in a stable fashion; second, the quality and quantity of the output harvested; and third, the State itself which is unable to reach its goals of independence in the agricultural sector.

As a representative of one of the world’s leading manufacturers of farm machinery, we lament this state of affairs because we are present in this market mainly to support its growth.

Raised in a free-market background, we know that our growth depends on the customer’s level of satisfaction. In other words, we are profitable if the customer is pleased. And if we are profitable, we reinvest in the system to continue offering innovative solutions.

We have invested in a fully-fledged industrial development which allows an output of more than 6,000 self-propelled units per year. We are further strengthening our dealer network, continuing to train the whole supply chain, widening our product offering, and supporting sales through captive and non-captive financial solutions. We want to be one of the elements of growth for the Russian agricultural segment and intend to continue our backing for decades to come.

Today, all Western manufacturers in Russia suffer from an impoverishment of the value chain for the reasons listed above. This will not discourage us but it certainly undermines the level of financial commitment we might make to the economy and, eventually, it will further delay the achievement of independence for Russian agriculture.

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FOCUS ON “THE WHAT AND HOW” – BEST PRACTICE IN FINANCIAL SOLUTIONS IN THE RUSSIAN FEDERATION TODAY



Alexander Berkovskiy, Head CIS, Syngenta, Chairman of the AEB Crop Protection Committee

Agricultural input suppliers constantly seek new ways to differentiate their commercial offers from those of their competitors. Russia, and the CIS overall, offer a unique opportunity to develop alternative products to support our core business, such as insurance and commodity price management. In more mature markets this space is occupied by banks, traders, consultants and distributors. Here these services are less developed. And, in theory, helping growers to manage their risks and margins should make them more willing to invest in quality inputs.

Globally, Syngenta has extensive experience in financial solutions. These products have a significant “technical” component in terms of risk modelling and financial knowledge. However, experience shows that best practice does not revolve around the maths. The key to success is the integration of these products into our core business, customer knowledge and the development of skills internally. We need to focus on both “the what” and “the how”, and have highlighted our four key success factors: relevance, dialogue change, skills and customer-focus.

Relevance: Any new product needs to be relevant in every way. In the same way, all commercial terms drive crop protection sales, not just the active

ingredient. The product must focus on the right crop, provide the correct cash-flow impact (i.e. spring insurance payouts needed to finance reseeding) and solve a significant and sizeable need. Every contract term and process counts. This can be hard in Russia, where there are a number of climatic zones, and distances create a number of distinct sub-markets. Products need to be tailored to different regions just like our core products. An extremely important element of relevance is size. As a rule, crop protection is not the grower’s greatest expense or problem, compared to other overheads or revenue management under volatile price conditions. Therefore, we need to look beyond our part of the business and review our customer’s overall business model to ensure our solution is effective.

Change in dialogue: Often our key contact point with the grower is the

We need to focus on both “the what and the how”, and have highlighted our four key success factors: relevance, dialogue change, skills and customer-focus.

agronomist, who is responsible for “biological welfare” and who knows our customers’ crop and agricultural requirements well. However, these contacts may not be responsible for overall financial performance, may have limited impact on the budget, or not be responsible for purchasing non-standard products. To develop good financial solutions, we need to be able to change our dialogue with the customer. We need to be able to talk to the finance director, Chairman of the AEB Crop Protection Committee, the business owner and even the

commodity sales team on equal terms. We need to be able to understand the grower’s total business model and significant pain points beyond agronomy. Some financial solutions can be integrated into a crop solution. As such they can be effective, although limited to the size of the input purchase.

Skills and competencies: To change our dialogue, we need to ensure we have the correct skills to manage this dialogue, deliver the message and spot opportunities. This can be done by acquiring skills, but it may be better to up-skill existing teams, who already have a solid understanding of our current business model and customers. Our business model is unique. Sales staff need to be confident in their offer.

Who is the customer? We often work through distributors so at the outset it is important to decide who the product is designed for—the grower and/or the distributor—and, potentially, how each member of the value-chain will benefit. Many products are more relevant for growers, and therefore need to be directed at them. For example, growers may be interested in commodity price protection, while distributors are interested in wholesale discounts.

So for the distributor to promote price protection products, he needs to obtain the appropriate discount. Selling commodity price protection products to distributors can undermine the value proposition by converting it to a wholesale discount, whereas insurance can easily work for both growers and distributors.

Time invested in these areas is fundamental to the success of any financial solution, just like any other form of new product development.

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AGRICULTURE IN RUSSIA HAS GREAT POTENTIAL



Natalia Alyabieva, Center-invest Bank,
Member of the Russian Union of Journalists

Banks traditionally view agriculture as a high-risk sector. Its profitability depends not only on the state of the regional economy and macroeconomic factors, but also to a large extent on weather conditions. However, seasoned experts in agricultural lending are confident that there are ways to minimise the risks.

This was another difficult summer for southern Russia's farmers. Drought struck many of the areas that traditionally perform well. But this does not mean that all of the region's agricultural producers will suffer losses. The poor harvests experienced by a number of farmers drove up grain prices. Moreover, experienced farmers tend not to stake everything on a single crop. What we are seeing in this rapidly developing sector is a kind of "natural selection," whereby the most successful and stable businesses will survive.

Prioritising local markets

Regional banks are interested in working with small and medium-sized agricultural companies, the majority of which, for one reason or another, are being overlooked by the larger operators in the agricultural lending market. For banks working in this sector, the two main criteria for approving loans are that applicants have a stable business and a well thought-out business plan.

Poultry farming is of particular interest. This sector in Russia has developed

well and no longer requires state support. Center-invest Bank, southern Russia's leading regional bank, works with a number of egg producers. It is happy to do so because the markets are local, the companies reliable, and the amount of finance required is affordable for the bank. (It costs about a billion roubles to set up an egg poultry farm.)

One of the poultry farms set up with finance from Center-invest Bank uses modern technologies. It has imported parent stock and installed Dutch and German equipment. In another case, the company in question was already well-established, and the bank loan was used to finance modernisation projects. Center-invest Bank is also financing several small projects in the local pig farming sector. The advantages of such projects for a regional bank are that the pay-back period is relatively short and they are "protected" by the borrower's main business.

Cattle and dairy farming investment projects are another matter. These projects are high-risk, require considerable capital investment, and have long pay-back periods. As such, it would be inadvisable for a regional bank to take on this type of project.

Agribusiness is a rapidly developing sector

Agribusiness has enormous potential. To realise this potential, however, the sector needs financial support, which Center-invest Bank is willing to provide.

In 2012, the bank made 1,153 loans to agricultural companies, to a total of 7.5 billion roubles. Of this, 1.2 billion roubles were provided for investment purposes, which included buying agricultural machinery and equipment, building and upgrading production facilities and livestock farms, and buying breeding stock. More than 600 agri-



cultural companies have loans from Center-invest Bank.

The most popular loan product for agricultural producers is a 12-month working capital loan for the purchase of seed, safety equipment, fertiliser, and so on. But the bank is also seeing demand for long-term business development loans, bank guarantees and leasing and trade finance to help customers obtain equipment from foreign suppliers. The growth year-on-year in these types of products indicates that the sector is indeed expanding.

As well as loans, Center-invest Bank provides customers from the agricultural sector with advice and information about best international practice. In recent years, many of southern Russia's largest farms have taken advantage of the bank's loan programmes. They have used the finance to re-equip their farms, build and modernise production facilities, and reduce consumption of fuel, lubricants and electricity.

In addition to grain and oil-bearing crop production, another promising area for agribusiness in southern

Russia is irrigated vegetable production. This method minimises weather risks and increases business efficiency. Center-invest Bank has experience of financing such projects in the Semikarakorsk, Martynovsky and Azov districts of the Rostov region. Experts report that the farmers working in this sector are achieving higher than average efficiency levels.

As for sugar beet production, to be profitable, producers should be located relatively close to a refinery (within 100 km). A farm cultivating 500-700 hectares of beet would require investment of roughly 40-45 million roubles. Annual profits would be 15-20 million roubles, and the pay-back period would be three to four years.

A profitable vegetable producer requires several thousand hectares of irrigated land and established sales networks, and they should be growing large quantities of standard products (in terms of quality, type and weight). To keep up with modern requirements, vegetable farmers have started

to invest in developing their businesses, for example by purchasing new equipment and building special warehouses and stores. In the Rostov region, Center-invest Bank accounts for about 60% of lending to this market segment. In southern Russia, most SMEs operating in this segment grow their produce in the open air. However, we anticipate increased use of polytunnels in the near future.

There is a view that agricultural lending is risky. However, 25% of Center-invest Bank's loan portfolio is in this sector and our results confirm the wisdom of our strategy. If we take a five-year time horizon, there are likely to be at least two good harvests in this period. That is sufficient to allow borrowers to repay their loans.

Center-invest Bank is guided by southern Russia's climate, not its weather. There are few places in the world that are as conducive to the development of agribusiness as the Rostov region. Consequently, agribusiness is the region's main competitive advantage. **BQ**



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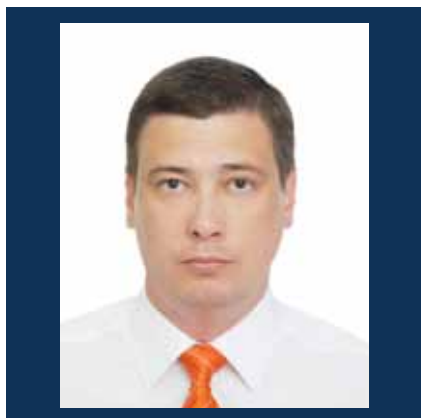
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WESTERN SEED BUSINESS IN RUSSIA: THE HURDLES



Vladimir Druzhina, Regional Director East Europe,
Corn and Oil Crops, KWS

atic. Close attention should be paid to efficient control of counterfeit seed flow (of both local and foreign genetics) because legislation and monitoring systems are still far from perfect.

The market share taken by local genetics products is declining in field crops, but is more or less stable in cereals and soybeans. Low prices help farmers to continue purchasing such seed. The majority of Russian hybrids/varieties are still exploiting a genetic

pool from Soviet times, which is not bad but is out-dated. Since the 1990s, local R&D for seed production has dramatically decreased. This is one reason for the lack of cooperation between Western and Russian seed breeders today: non-equal exchange.

Trying to provide the most efficient solutions for the market, Western seed companies make serious efforts in breeding, testing and adaptation in local conditions. But, here we face other barriers. First of all, despite the absence of definite rules and procedures for the import of non-registered hybrids/varieties, the decisions of individual officials are decisive (i.e. "only 100g of seeds per one variety").

Now the Russian seed market is one of the most promising and attractive for the main global and European seed companies.

The importance of the former Soviet Union countries, especially Russia and Ukraine, for further development of the seed business has significantly increased in recent years. Now the Russian seed market is one of the most promising and attractive for the main global and European seed companies.

The main reason for this is the high market potential and its relatively stable growth. Joining the WTO, the favourable commodities price situation, the increase of farm welfare, and the increase in domestic meat, milk and poultry production all combine to give a strong boost to an efficient, high-value seed business.

Western seed sales in Russia have been mostly of field crops: corn, sunflower, sugar beet, oilseed rape. There are two main reasons for that: first, those crops are almost always "cash-crops", which means that they provide sustainable profit; secondly, the genetics of those crops is generally based on F1 hybrids (farmers have to buy new seed every year).

Market development of other important crops (cereals, peas, soybeans) is seriously limited by difficulties with IP protection in Russia. As those crops are mainly based on varieties, it is possible to multiply seeds for further use several times, which is good from one point of view. But on the other hand, breeders should be receiving regular licence payments (royalties), which is problem-



In such quantities it is not possible to properly carry out the required R&D.

On top of that, the system of state varieties registration is unrealistic and out of touch with market demands. First of all, registration should not be done for a particular region of Russia, but for the country as a whole. Second, the time-frame for the registration process should be defined and optimised (2 years instead of 3-4 as now). And last but not least, it is time to switch from pure yield evaluation

The majority of Russian hybrids/varieties are still exploiting a genetic pool from Soviet times, which is not bad but is out-dated.

to specific parameter assessment (for example, brewing quality of brewing barley, juice quality/sugar content in sugar beet, starch content/digestibility of corn, oil content and quality of sunflower and rape). This is because hybrids/varieties with unique characteristics may not provide better yields but yet have other advantages.

Another crucial topic is local seed production. At the moment, most foreign genetics is being produced outside Russia and then imported as ready-bagged seeds. With farmers targeting increased market share, it is not possible to fulfil their growing demand with imported seed because production capacities in Europe are limited. Also, the cost of goods for import is much higher due to higher production costs, transportation, customs duties etc. Producing seed in Russia would enable reliable supply with reasonable prices for farmers and margins for breeders.

But again, some barriers appear. In field production we face a lack of technology, proper machinery (including irrigation) and seed production experience. All these factors could be overcome with effort and investment from seed companies. But then we run into the problem of seed processing (drying, cleaning, calibration, treatment, bagging). The number of functioning seed plants is very limited and only a few of them are equipped with modern machinery. The problem could be

solved by serious investment on the part of the seed companies. Unfortunately, this step is the hardest one due to famous "Russian problems" like bureaucracy, corruption, imperfection of legislation, resistance and inconsistency etc. Resolving those issues is

The system of state varieties registration is unrealistic and out of touch with market demands.

not possible without clear state policy and support (as has been done for car manufacturers).

In summary, it is possible to say that we are lucky to work in such a huge, interesting and promising market. But our current market life can be described in the words of Spencer and Darwin about natural selection: "Survival of the fittest..." In our case, it is the fittest for the system, the limits and the barriers. I would like to see the day when our business environment can be described as: "Survival of the best, the smartest and the most honest!"

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RUSSIAN FRESH FOOD DEVELOPMENT



Victoria Davitaia, Client Service Director, Consumer Panels, GfK Rus

In 2012-13 the Russian fresh food market showed similar value growth rates to the FMCG market in total.¹ There was an increase in sales by 7.9% in the first half of 2013 as compared to the first half of 2012. This is slightly higher than the FMCG growth rate, which is 7.6%.

Looking closely at these figures, GfK experts estimate that the main driver of this growth is inflation, while consumption in real terms grew by only 3.1%, both for the FMCG and the fresh food markets.

Despite the fact that the majority of Russians love shopping, this number slightly declined in 2011-12. The GfK Consumer Panel shows that the cost of the fresh food basket, as well as for the FMCG in total, increased by 13.7%, while the number of shopping trips declined by 4.5%. People prefer to visit shops less frequently, but spend more money per trip. Modern trade channel expansion creates a comfortable environment for this.

Peeping into the shopper's basket we see that more than a half of household spending is on fresh food purchases (51.7% of the total FMCG basket).

Almost 40% of the fresh food basket of an average household consists of meat and semi-finished meat products. The second most significant category in the basket is dairy, with 20% of the value. Then we see fruit (13%), vegetables (11%), fish, baked goods and eggs.

During the past year the most visible growth was in the fresh vegetable category (more than 21% in value terms in the first half of 2013, compared with 2012). In volume terms, the category showed a 12.6% growth. There are two main factors that contribute to the increase in fresh vegetables sales: modern trade development and increased category buying. People are switching from traditional stores to modern outlets which offer shoppers a wider assortment of goods, and also discounts on seasonal products. Moreover, an increased ability to pay, a culture of healthy lifestyle and nutritional development, and the ability to eat a variety of fresh vegetables regardless of the season, caused increased category buying.

Seasonality in fresh foods

Fresh food categories have specific seasonality. The GfK Consumer

Panel registered peaks of consumption in different periods for specific categories. For example, egg sales peak in Easter week. In 2012 we observed a 19% price increase in Easter week that brought 50% extra value growth. The year before, the price increase for eggs was higher and it caused less sales uplift.

Meat, fish and fruit sales are also seasonal. The New Year holiday is the main peak for these categories. People make purchases in order to prepare a Gala Dinner for their families and friends, and try to make it excellent and full of tasty dishes. Usually people buy more expensive products on these holidays, which causes an increase in category buying of the largest number of food categories, including fresh food.

Fruit and vegetables are seasonal mostly due to the harvest season:



¹ Based on the GfK Rus definition, the fresh food market consists of fresh meat, meat semi-finished products, dairy products, fresh fruits and vegetables, fish and fish semi-finished products, bakery, eggs.

potatoes and onions peak in October; tomatoes in July-August; cucumbers in June-July. People buy them during these periods not only for immediate consumption; they also stock them for winter (potatoes, carrots, onions, cabbage) and cooked canned dishes (tomatoes, cucumbers, sweet peppers).

Fresh food companions

On 27% of occasions when buying FMCG, consumers make exclusive fresh food purchases as well. This means that only fresh food categories are included in this basket within the specific shopping trip. Such a basket consists of 2.5 fresh food categories on average. The most frequent companion for fresh food in the shopper's basket is bakery (on 21% of occasions), butter (on 10%), on 9% of occasions juices and mayonnaise, on 8% tea, on 7% traditional cereals and pasta. However the picture is different for specific channels. In traditional trade stores 44% of all purchases consist of fresh food exclusively, while in the modern trade this figure is only 17%.

There is a move towards specific channels for specific fresh food categories. For example, meat and fish are more often bought in small traditional stores (51%), but dairy products are mostly bought in modern trade outlets (68%).

Fresh gains frozen

A switch from frozen to fresh meat and fish products has been observed. Now producers offer consumers a wider assortment of fresh fish and meat than before.

The most visible growth is in chilled/fresh fish (+28% in value terms). Here it is mostly driven by the modern trade channel (+31%). For example, in the fish category we noticed 5% decline in frozen fish, and a 3% growth in chilled and 2% in fresh fish.

Fresh retail

As we have already mentioned, modern trade development contributes to additional sales of fresh food. Key chains expand their "fresh"

shelves in order to increase revenue. The fresh food value sales share of the FMCG market is 52%, while for the top 10 national retail chains² it is 47%.

Traditional trade stores and open markets are becoming less important channels for fresh food selling. The traditional trade contribution to fresh food is 40% of value sales, while 60% fall on modern trade.

There is a move towards specific channels for specific fresh food categories. For example, meat and fish are more often bought in small traditional stores (51%), but dairy products are mostly bought in modern trade outlets (68%).

Experts predict a rich harvest in 2013. Such a situation will surely affect product supply to the households and therefore their patterns of consumption. GfK, in turn, is continuing to monitor the dynamics of these markets. BQ

² Magnit, Pyaterochka, Auchan, Lenta, O'key, Perekrestok, Dixi, Karusel, METRO C&C, Monетка.








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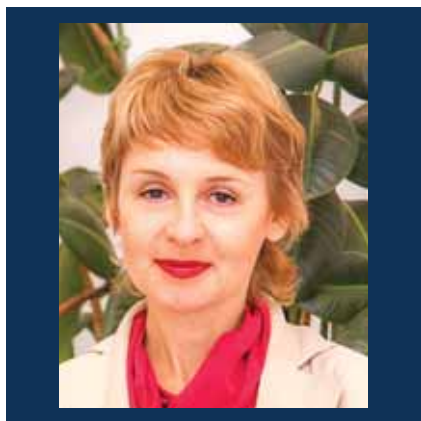
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FIRST EXPERIENCE OF IMPLEMENTING A CONTAINER MANAGEMENT SCHEME IN RUSSIA



Tatiana Belousovich, GR Manager, Crop Protection Committee, AEB

after applying CPP on farms, about two thousand tons of used polymeric containers remain. Even the smallest amount of pesticide in used containers stored randomly in fields, forests, or the farm poses a serious threat to the environment. Polymeric materials used for container production are hard to destroy and can pollute the area for many decades. Burning the containers in the open air leads to the release of toxic compounds which pollute the environment.

How Container Management Scheme works

All over the world CPP producers, being environmentally responsible companies, recognise the responsibility they bear for the collection and disposal of used containers. The handling of CPP containers in the European Union is mainly governed by the Framework Directive on Waste

2008/98/EC. In addition, there are some more specific directions on rinsing and the classification of containers. Farmers have to rinse the containers three times during the process of plant treatment. The water from washing goes directly to the sprayer used for the plants treatment, and must not be poured into the soil

Rough calculations show that after applying crop protection products on farms, about two thousand tons of used polymeric containers remain.

Successful agriculture today is not possible without the intensive use of crop protection products (CPP). In Russia over the last two years, according to the information provided by the Kleffmann Group, CPP sales increased by more than 12%¹.

But being a necessary part of crop-life development, CPP treatment has another problem which needs to be solved. Rough calculations show that

¹ The Russian CPP market in 2012 was worth over \$1 billion.

to avoid contamination. In most EU countries properly rinsed containers are classified as non-hazardous waste.

The existing EU schemes for collecting and recycling CPP containers (CMS stands for Container Management Scheme in the EU abbreviation) formed either by voluntary industry initiatives, or in accordance with the national legislation, are based on two main principles:

- producer responsibility for the Container Management Scheme;
- farmer responsibility for the return of the properly rinsed containers

CMS is already operating in many EU countries, and is still being promoted. The European Crop Protection Association (ECPA) is playing an active role in this process by publishing recommendations, providing technical support and promoting dialogue between the recycling companies and industry associations who wish to organize similar schemes.

Situation in Russia

In Russian CPP use, transportation and disposal are mainly regulated by



The existing EU schemes for collecting and recycling of the CPP containers formed either by voluntary industry initiatives, or in accordance with the national legislation, are based on two main principles:

- producer responsibility for the Container Management Scheme;
- farmer responsibility for the return of the properly rinsed containers.

the Federal Law "On Safe Handling of Pesticides and Agrochemicals" of 19 July 1997 (109-FL), and Sanitary Regulations and Standards 1.2.2584-10 "Hygienic Safety Requirements for the Processes of Testing, Storage, Transportation, Sale, Use, Disposal and Recycling of Pesticides and Agrochemicals". However, this legislation does not provide for CMS procedure and the parties' responsibilities.

It is vital to establish CMS in Russia due to changes in the current Russian legislation. Draft Law № 584399-5 "Amendments to the Federal Law



'On Industrial and Consumer Waste'" (adopted at the first reading by the state Duma in October 2011, and now being prepared for its second reading) imposes responsibility on producers and importers of goods (including their packaging) to ensure the neutralisation

and (or) burial of those that have been used. However, implementing responsibility as prescribed by the Draft Law is complicated due to the lack of infrastructure (especially taking into consideration Russia's size). Moreover, the procedure for this is still unclear.



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Реклама

CMS Pilot Project in the Voronezh Region

In order to adapt the European CMS principles to the Russian realities, the AEB Crop Protection Committee and the Russian Union of CPP Manufacturers initiated a CMS pilot project in the Voronezh Region, which is characterised by the intensive use of CPP. The initiative was supported by the Voronezh Region government and officially recognised by the Memorandum of Cooperation to Implement the Pilot Project. The European Crop Protection Association and the German company RIGK, which is the leading CMS operator in Europe, are providing information and consulting support.

The pilot project started in spring 2013. Contracts were signed between CPP companies and an individual entrepreneur, Alexey Kotov, who was nominated as CMS operator by the Voronezh Region government. He is a concerned businessman who has a small factory for processing of polymeric materials. The collected containers are crushed and granulated. The pellets are used in the production of plastic products for non-food purposes, such as sewers, road building, etc. So the pilot project is of commercial interest to Kotov.

All over the world, CMS is financed by CPP producers, a principle which is implemented in the pilot project. In

Europe, the cost of collection, including all costs of transportation, organizing collection points, checking proper rinsing, costs an average of 1 euro/kg of containers collected. For the first year of the pilot project this cost will be a bit higher but in the two following years it is planned to increase the quantity of collected containers and to reduce the price to 0.8-1 euro/kg. According to

One of the pilot project's key elements is farmers' training: teaching farmers to rinse containers properly and explaining to them how dangerous burning is.

their market shares, international and Russian companies covered the costs in equal proportions: 50/50. The first year was really positive: 75 tons were collected and recycled.

One of the pilot project's key elements is training: teaching farmers to rinse containers properly and explaining to them how dangerous burning is. The Voronezh branch of "Rosselkhoztsentr" made a laboratory analysis of water taken from a triple-rinsed CPP container which showed no more than 0.01 mg/l of pesticide residues. This corresponds to the standard for drinking water.

It is extremely important to develop an ecologically responsible approach to

the safe handling of pesticides among Russian agricultural producers. If not immediately, but gradually, farmers will develop a deep inner conviction which does not allow them to throw dirty CPP containers into a ravine—not because they will be fined, but because it is dangerous for their children, relatives and neighbours, both now and for many decades to come. The AEB has issued leaflets and prepared copies of the video which simply and clearly explains the whole process of proper container rinsing.

Prospects

In Europe, all projects for recycling containers began with farmer training and covered, in the early stages, not more than 20-25% of the total volume of containers on the market. Today in Germany, for example, 75-80% of containers are collected and disposed. This is the rate for Russia to aspire to.

At the same time as the pilot project implementation, the amendments to current legislation on safe handling of pesticides should be enacted. They should address two crucial issues and correspond to European principles:

- properly (three times) rinsed CPP containers are not hazardous waste;
- farmers have to return properly rinsed containers to the CMS operator.

BQ



LET THE FARMER CHOOSE!

Many experts say that a “new industrialization” is needed in order to increase the competitiveness of Russian agribusiness. Most agricultural businesses need complete replacement of their entire machinery fleet to meet 21st century standards. Therefore, federal budget funds amounting to 121,567,195 roubles have been allocated under the Government Program for 2013-2020 to implement the item “Technical and Technological Modernization and Innovation-Driven Development.” This includes modernizing farm machinery. The question facing farmers is which equipment to choose.

Of course, the government is actively promoting the idea of renewing the farm machinery fleet through the domestic engineering industry, and from the ideological standpoint this is right,” says Bakhtiar Abdurazekov, Chairman of the Supervisory Board, NPTI Economics Company (Russia, Ukraine). “However, the domestic auto industry still can't compete with the West in full measure.”

According to Oleg Lapshin, Chief Engineer at the Lenin's Testament agricultural complex near Moscow, given the same performance of the Russian Acros 530 combine (30 hectares per shift, or about 100 tonnes per day) and the American Challenger 647C combine, the loss from the foreign machine is much lower. Imported combines also consume less fuel (12–13 litres per hectare) than similar domestic models (15 litres per hectare). As is known, the main criterion for renewing equipment should be energy efficiency.

After comparing domestic and imported combines at the KraPP farming operation in the Tula Region, its manager, Valery Kravtsov, said that the performance of the imported combines was much better, and losses were lower.

“I studied the performance of the Challenger CH647C myself during the wheat harvest and found that at a speed of 9 km/h, there was no loss in the threshing unit,” Mr. Kravtsov said. “Whereas there were losses in the domestic machines.”

“The imported equipment has a simpler and more original mechanism for adjusting the concave clearance: the inlet and outlet of the main concave is configured by touching a screen in the cab, and the separator concave

is configured by moving a five-position arm,” Mr. Lapshin said. “But on the domestic machines, it takes a lot of time and work to adjust the clearance.”

“Earlier, when we used modernized Russian combines, we had to spend a lot of time sorting grain after the harvest,” said Eduard Mitrokhin, Manager of the Mitrokhin farming operation from the Orel Region. “As acreage increased, we even wanted to renovate the second floor for sorting wheat, and planned to invest over 6 million roubles. But in 2012, we bought a Challenger combine and after working for

just one season with this machine we realized we could carry grain directly from the field to the warehouse. Thus, we were able to save time and fuel. In fact, now I don't see any need to buy additional separating equipment, and I'm thinking of buying another combine like it with the money we saved, to renew our fleet of combines entirely.

“This is despite the fact that many farmers realize that imported machines are much more expensive than domestic ones. But given the choice between price and quality, quality is increasingly coming to the fore. As for price, farmers are trying to find new ways to solve the problem of paying for equipment by renting it out, or providing services to neighbouring farms. With intensive use of the equipment, you can recoup the cost of buying it in 3–4 years.”

The situation with the tractor fleet is difficult. For example, there is no



mass production of the tracked tractors over 200 hp in Russia. Of course, some domestic producers make a small range of such equipment, but the level of technology does not fully match foreign counterparts.

Bakhtiar Abdurazekov considers powerful tracked tractors a must-have for agricultural producers since, compared with wheeled tractors, they put less pressure on the soil. In addition, these tractors have a higher off-road capability, which allows field-work to start earlier.

His opinion is shared by Dmitry Erep, Deputy General Director of Orlovsky Leader, LLC, from Orel Region. "Working on tracked tractors with a relatively low slippage coefficient allows you to use the tractor in areas with high humidity and to start field work earlier in the fall and the spring," Mr. Erep says. "At the same time, damage to the soil surface when

using tracked tractors is minimal compared with wheeled tractors."

Orlovsky Leader has been working with Challenger MT875C tracked tractors for more than a year now. According to Dmitry Erep, performance in all types of work with this machine is much higher than with the wheeled models, regardless of class and model. The tractor is used to pre-

Imported machines are better equipped in terms of the range of automated systems: there is an electro-hydraulic controller for the rear hitch, a CAN bus system, an Electronic Engine Management system, and an automated turning belt.

pare the soil for sowing, ploughing, disking and in working on boggy and wet soils.

"The comments of machine operators and mechanics have been nothing

but positive: it's easy to operate, has an accessible interface, high performance, comfort, equipment, and the ability to control the quality of the work and online location of the tractor," Mr. Erep says. "The high travel speed of 40 km/h reduces the time spent travelling from field to field, whereas domestic crawler tractors have a limit of 32 km/h. And imported machines are better equipped in terms of the range of automated systems: there is an electro-hydraulic controller for the rear hitch, a CAN bus system, an Electronic Engine Management system, and an automated turning belt. In addition, a comparison of the lifting capacity of the hitch of domestic machines and their foreign counterparts is 7000–8000 kg versus 11785–14000 kg."

At Orlovsky Leader, an imported tracked tractor is teamed with a Salford 9800 DRD ripper, a Pronto 12 SW planter, a Gregoire Besson SPSL9 reversible plough (fourteen cases), and a Lemken Smaragd stubble cultivator (on a Gigant carrier, the operating width is 12 m). According to Mr. Erep, the MT875C tractor consumes only 58 litres/hr.

"This is much lower than for other tracked tractors with less powerful engines that do the same amount of work: their fuel consumption is up to 6.2 litres/hr," Erep says. "Average consumption for field work on the Challenger MT875C is 4.42 litres/ha."

"Of course, we all care about domestic manufacturers and about promoting Russian brands on the farm machinery market, but the quality of our machinery and equipment is still inferior to foreign counterparts," says Andrei Lebedev, Manager of the LagServis farming operation, Ryazan Region. "One imported tractor does the work of two domestic ones on our farm. We work twice the area for consumption of the same amount of fuel and lubricants. We spent more than 2.5 million roubles last year to prepare five domestic machines for the season, while the Challenger hardly needed any investment. In addition, service engineers at the dealership perform maintenance; and with the current acute shortage of manpower, we're able to manage with fewer mechanics and machine operators."



"This shortage is one of the most pressing issues, and of course it's being solved with the use of high technology," Mr. Abdurazekov said. Just six machine operators are working on his farm, which has land in five districts of the Crimea (the machines include three foreign tractors and a self-propelled sprayer), and they perform all soil cultivation, seeding and harvesting. Mr. Abdurazekov hopes these machines will pay for themselves in five years while operating only on his fields.

At LagServis, they predict they'll recoup the cost of buying an imported tractor with a set of tools in three years, assuming average grain prices are maintained.

"Given the sharp rise in prices for our products, faster payback is a possibility this year," says Andrei Lebedev.

However, he also notes that the advantages of using domestic machinery. These include its lower price, less costly maintenance and repairs, the ability to perform their own service,

and to purchase expendables without leaving the district centre.

"We can't ignore these obvious facts," Mr. Lebedev notes, "but we're

Let the farmer decide what machinery to buy, while simultaneously trying to increase the reliability, quality and competitiveness of domestic machinery.

convinced from personal experience that compared to imported counterparts, for example utility tractors, the equipment's operating period before the first serious failure is much shorter in our machines."

"After comparing the draught class and characteristics of modern domestic machines and foreign ones, we've concluded that domestic tractors with twelve-metre disc harrows like the Lemken Heliodor with a Gigant system carrier pull worse," Mr. Abdurazekov admits. "Many domestic models were veterans of the fields and honoured farm workers, but the develop-

ment of these machines has remained stuck in the technology of the 1980s."

In Mr. Abdurazekov's opinion, Russia's accession to the WTO is forcing farmers and machinery manufacturers to move with the times. Given the growing shortage of manpower, this means a future for unmanned machines.

"I think the government should encourage farmers to renew their fleets with both domestic and foreign machinery and equipment," Mr. Lebedev says. "Farmers, like all other citizens, should have a choice whether to drive a Lada or a Toyota, or harvest grain on a Challenger or a Don. This year, the interest rate subsidies on loans have been retained on both domestic and foreign equipment. I think this is the right approach: to let the farmer decide what machinery to buy, while simultaneously trying to increase the reliability, quality and competitiveness of domestic machinery."

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INTERNATIONAL AGRICULTURAL MACHINERY OEMs INVEST HEAVILY IN RUSSIA: CLAAS AND JOHN DEERE

CLAAS plans to extend production capacity in Krasnodar

Ralf Bendisch, General Director, CLAAS in Krasnodar

CLAAS is one of the world's leading manufacturers of agricultural machinery. The company with corporate headquarters in Harsewinkel, Westphalia (Germany), is the European market leader in combine harvesters and the global market leader in self-propelled forage harvesters.

Plant in southern Russia

To boost sales of CLAAS machinery in Eastern Europe, and particularly in the Russian Federation, the company invested in the construction of a com-

bine harvester plant in the southern Russian region of Krasnodar. For years CLAAS has been successfully involved in the markets of the CIS, and particularly in the Russian Federation, backed up by a highly developed service and distribution network. With this investment decision, CLAAS responded to customer demand for the local production of high-quality and innovative harvesting technology. By so doing, CLAAS became the first Western agricultural machinery manufacturer to establish a proprietary production facility in Russia.

There has been a rapid increase in demand for agricultural technology made by CLAAS in Russia. As a result, the company is planning to increase its production capacity at the plant in Krasnodar. The plan is to extend the current factory infrastructure in terms of capacity, floor space and production technologies in 2014/2015. This will allow production capacity to be increased from a current maximum of 1000 combine harvesters and tractors annually to 2500. The number of employees will also increase from 200 to up to 500.



John Deere continues to see Russia as a promising market with potential for extensive growth in the agricultural sector

Derek Boudreau, Russia Country Manager, John Deere

To meet the nutritional requirements of an expanding population, world food production is expected to increase 50% in the next two decades, and to double by 2050. This expectation is particularly sobering when one considers future constraints on primary agricultural inputs, such as access to sufficient water. Meanwhile, the introduction of additional productive farmland will continue to be countered by the effects of urbanization and of desertification due to climate change.

The Russian Federation and CIS are well positioned to assist in meeting these future global nutritional requirements, with vast tracts of arable land and adequate access to fresh water. In fact, the Russian Federation has approximately 9% of the world's arable land, more than the entire EU 27, and an additional 30 million acres which are fallow but potentially productive. The entire CIS has more arable land than Canada and the United States combined.

The expansion of agricultural yields per hectare to levels comparable with those of the top quartile global producers would position Russia and the CIS as significant exporters. Such an expansion of agricultural yields will require widespread use of advanced agricultural methods and the modernization of the agricultural equipment fleet to feature the latest highly productive technologies. Supporting infrastructure investments will be necessary if local demand is to be met cost-effectively, and grain transported to global markets for export.

John Deere in Russia

John Deere is committed to supporting agricultural development in

Russia and the CIS. Our agricultural business here began over a century ago with John Deere's first plough shipment in 1910. The opportunity to participate in Russia's growth has subsequently resulted in several direct investments.

Back in July 2009, on the eve of the Russia-USA Business Forum in Moscow, Deere & Company announced a series of significant investments, to the value of approximately \$500 million over the next five to seven years, in order to expand capacity for manufacturing and supporting all types of Deere equipment, thereby reinforcing company's long-term commitment to the Russian market.

More than half of the amount announced has already been invested in our manufacturing sites in Russia, including greater localization. Investments already made, together with those planned, should help Russia meet its goals of greater productivity in agriculture and forestry, and improved infrastructure. The investments will also enhance Russia's manufacturing and technological capabilities.

Manufacturing today

John Deere's first manufacturing investment was completed in Orenburg in 2005. Orenburg's proximity to the Russia-Kazakhstan border has enabled the factory to effectively serve the broader CIS market with seeding, tillage and crop-care equipment.

The Orenburg manufacturing site started operation with two assembly lines occupying 2500 m² since when several expansions to support the introduction of new equipment models have been made.

In 2009 the company completed investments supporting a second manufacturing facility in Domodedovo, on the outskirts of Moscow. The John Deere Domodedovo operation includes the production of self-propelled equipment, as well as a training centre and Parts Distribution Centre to support our customers. John Deere Domodedovo proudly produces tractors and combine harvesters.

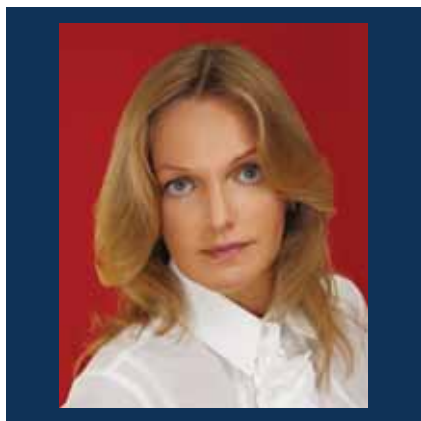
On 18 June 2013, John Deere Orenburg celebrated the opening of a new factory situated on 11.5 hectares. The 30,000 m² production area will enable a six-fold increase in manufacturing capacity. John Deere Orenburg is Deere's first wholly-owned manufacturing operation in Russia, employing over 100 people.

Its expansion has been remarkable. The product portfolio now features five distinct product lines: seeding carts, disc rippers, air hoe drills, air disc drills and cultivators. All products proudly enjoy "Made in Russia" status as local content will be in excess of 60%. Since operations began in 2005, John Deere Orenburg's evolution has been remarkable, with the factory producing over 2200 units.

Our manufacturing facilities offer the capacity to support the growing demand for John Deere solutions in Russia as well as in adjacent markets. Given a favourable investment climate, Deere plans to continue investing into Russia to serve its customers better and to increase agricultural productivity through the application of the latest technologies.

It is a privilege to be able to support agricultural modernization and to contribute to meeting the nutritional requirements of an expanding world population.

SUCCESS STORY OF A 360° PROJECT IN AGRICULTURE: GROWING BUSINESS FROM FARMERS TO CONSUMERS



Marina Balabanova, Director Communications and Government Relations, Danone Russia

In June 2010 Danone announced the merger of its dairy business in Russia with Unimilk (at that time no.2 in the Russian dairy market). As a result of the merger, the group of companies Danone-Unimilk was created, which became the undisputed leader in the market. After three years of successful integration, the company decided to change to a single name. So, since May 2013, it has been called Danone Russia.

The situation in Russian dairy farming is far from ideal: the country is experiencing a serious milk deficit, and the number of cows, and hence volume of milk produced, is constantly decreasing. Growing a business in conditions of raw material deficit and price growth is a serious challenge. However, Danone is meeting it.

It is central to the Danone philosophy to build a strategy not only with regard to its own business, but also taking care of its own ecosystem, by which we understand all stakeholders that can potentially influence our company. It starts, of course, with farmers who produce milk for our plants, as milk is the basic material without which we can't make our tasty and healthy dairy products.

In Russia, Danone has made significant investments into raising the effectiveness of dairy farming, bringing new practices and know-how from France and other European countries. About 250 farms from different regions of Russia were covered by the program of "vertical growth" launched by Danone in 2012. The total number of cows involved was over 100,000. As a result, we've achieved a 6.5% productivity growth amongst our suppliers.

In 2013 we are continuing our large-scale campaign for farmer devel-

opment, which includes not only advice and training but also financial support. A program of additional funding and provision of loans for milk suppliers has been organized.

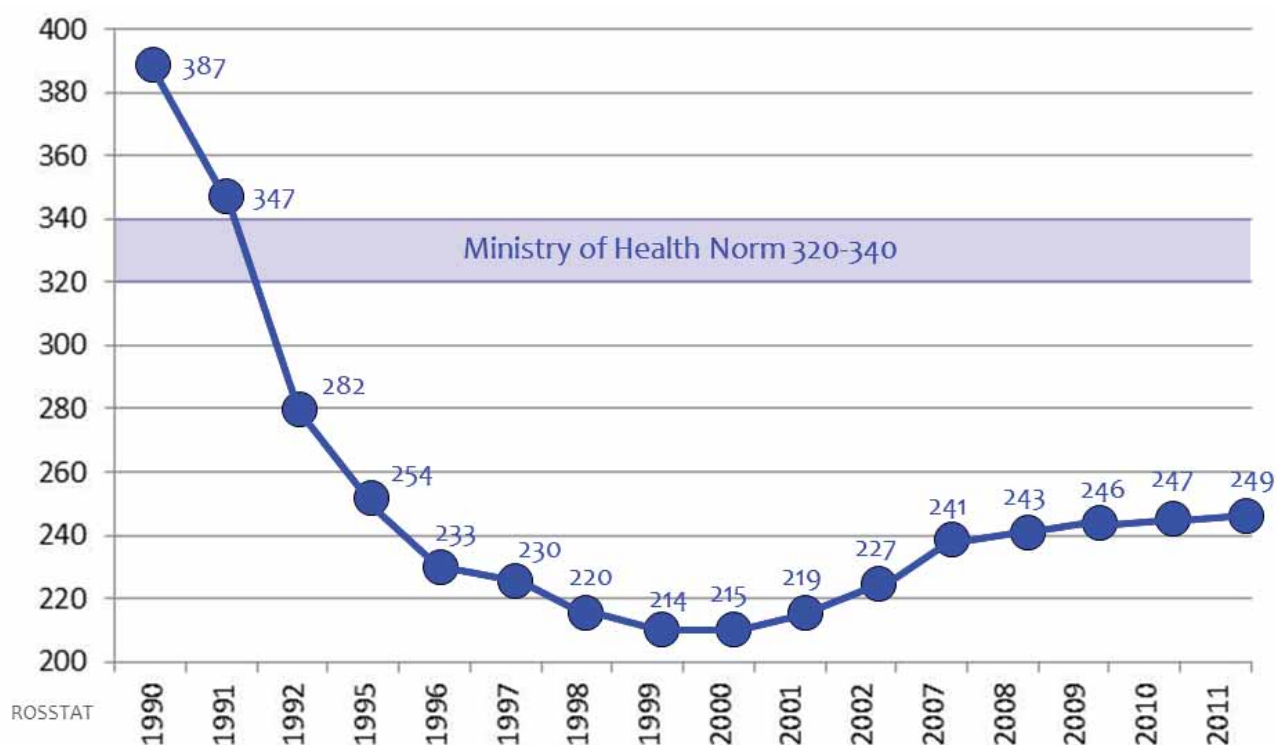
Last year Danone, together with Russian National Farmers Union, the French Livestock Institute and two Russian agricultural universities, opened a training centre for farmers called "Milk Business Academy". The aim of this project is to raise productivity of farms by at least 7% per year through new feeding practices,

new approaches to the genetics of cows and other improvements that do not require additional expenditure on the part of the farmers. Danone has invested over RUB 50 million in the education of trainers, and the construction of a campus and a training farm. The education of farmers is often co-financed by regional authorities.

Being the leader of the industry, we also think about growing the market itself. Dairy consumption in Russia is extremely low. It collapsed in the



Dairy Consumption in Russia (recalculated to raw milk), kg per year



1990s when, due to the break-up of the USSR, subsidies to agriculture were stopped. Besides that, consumption patterns have changed significantly since then as new food categories have emerged and healthy snacks of milk or kefir (common in the old Soviet time) have been replaced by chocolate bars, chips or fast food.

Currently, Russians on average consume annually about 250 kg of milk equivalent per person per annum. The recommended medical norm is 320-340 kg. Russians have a 50% calcium deficit. After consultation with leading specialists in healthy nutrition, we have developed a formula for "3 dairy products per day". That is the amount that would give you the necessary volume of calcium, proteins and other healthy ingredients which only milk and dairy products can provide. Based on that, we have developed a social advertising campaign featuring the famous Russian gymnast Alexey Nemov and his family. The campaign is supported by the National Farmers' Union, SoyuzMoloko.

The pilot will be launched soon in the Tyumen region with co-financing from the regional administration.

After that, we plan to expand it to other regions of Russia. The project will consist of TV commercials, outdoor advertising and nutritionists' consultations for consumers in retail.

We are successfully developing business in Russia, but in spite of the fact that after the merger with Unimilk, Danone owns 22 plants in Russia, we still need to invest in the expansion and upgrading of our production facilities. Last year we announced a

\$700 million investment program that will last through 2017. Together with previous investments made both by Danone and Unimilk in Russia, this will bring the total investment to over \$2.2 billion.

We believe that such a multilateral approach, when you start from developing your sourcing base, invest in your own production, and also in demand growth, will definitely bring results.

BQ



FLEXIBLE WORKING ARRANGEMENTS IN A MANUFACTURING COMPANY WITH SEASONAL PRODUCTION



Irina Movchan, HR Manager, John Deere, Domodedovo

factories depend on our production as we provide tractors, combines, seeding and tillage equipment to farmers. The high production seasons are winter, spring and early autumn. These periods amount to no more

per week and had regular working hours from 8 a.m. to 5 p.m.

But this working regime did not meet the business need to provide more working hours during production ups and less during production downs. When we studied the experience of our colleagues in the US and Germany, we saw that the employer has a wider variety of working patterns than those are available in Russia. We understood that it is a big challenge for manufacturing companies in Russia to meet modern business requirements and find appropriate flexibility levers.

Looking at the availability of flexibility levers in Russia, we analysed different approaches and tried to find an appropriate one. Mostly we use contractors or leased tempo-

There is a broad range of potential opportunities that flexibility could achieve, including recruitment and retention, improved employee productivity, differentiation from competitors, minimizing environmental impact and reducing labour costs.

than six months of the year, when all employees are busy with assembling. For almost half the year we experience low production. Based on plant capacity and annual production volumes, the factories worked five days

Flexibility in where, when and how work is done is a strategic lever that can help business adapt in the face of change. It also achieves a broad range of bottom-line impacts that are critical not only to surviving but thriving in the current economic conditions and beyond.

Unfortunately, the implementation of flexible working arrangements in Russia is not a powerful tool to address business challenges. There is a broad range of potential opportunities that flexibility could achieve, including recruitment and retention, improved employee productivity, differentiation from competitors, minimizing environmental impact and reducing labour costs. Flexibility is a core business strategy with broad applications and impacts. Flexibly rethinking the way work is done, how life is managed and business is run addresses many challenges facing organizations in a world where rapid change is the only constant. The innovative use of telecommuting, flexible scheduling, reduced hours, compressed work-weeks and contract workers can all be effective ways to achieve diverse business outcomes.

Our company is a multinational manufacturing operation producing agricultural, construction and forestry equipment in Russia. Two local



rary employees to cover production peaks. But contractors do not always have the necessary skills and knowledge, and so need a longer adaptation period. They also have lower motivation and loyalty as they are employed only short-term. We also considered varying shift patterns but our manufacturing does not need to run 24 hours a day and doesn't need too many employees for shifts to cover "seasons". Some manufacturers have shutdowns or extended leave periods if they do not have high production volumes. Widely used in agriculture, this option gives staff greater flexibility in terms of requesting longer periods of time away from work without losing their rights as employees. We have never used this option as we see it can cause a reduction in employee engagement and increase attrition. Unpaid leave can force employees to look for employment opportunities with other businesses.

Flexibility has been our major concern as a manufacturing company. The most vital argument for flexible work arrangements for our company is that they allow us to match the peaks and troughs of activity. Thus we implemented cumulative work-hours counting for production employees. The counting period is one year, during which they will have that amount of work hours approved in the production calendar. In some months they will work more, and in others less. The monthly norm is established by the company and depends on production demand. Thus we have shifted our focus onto how potential changes in schedules will affect the manufacturing process.

By implementing flexible options we not only strengthened commitment, but also gave employees more time to handle the situations that sometimes lead to absenteeism. As we depend on agricultural seasons, and we do not have peaks in summer, our production workers have a 3- or 4-day week during the summer. This period they can spend more time with their families without taking their annual vacation.

We also note that, in many respects, flexible work arrangements provide a way for business to increase



employee loyalty without having to make fundamental changes in their operations. Indeed, the most popular flexible work options are those that involve the least change. Our regime did not imply big changes, just a more rational distribution of working hours between high and low seasons.

In addition, our flexible work

In many respects, flexible work arrangements provide a way for business to increase employee loyalty without having to make fundamental changes in their operations.

arrangements have a positive impact on the productivity of employees, and hence the quality of our products. In the high season, qualified employees work the longer hours needed to cover greater production volumes, which means we have fewer unskilled contractors. From the other side, employees get more time in summer to devote to family needs due to the shorter working week.

When implementing flexible work arrangements at the factory, we considered not only apparent advantages, but also some obstacles.

First of all, managers need to recognize that flexible work arrangements are not appropriate for all people and

all jobs. Flexible arrangements can be disastrous if used by employees who are unwilling to have a new regime. It is essential that the flex-regime should not cause an overhead cost increase, or affect customer service quality and manufacturing output. This latter factor makes flex-time a difficult fit for many types of manufacturing. Many factory operations depend on everyone being there, especially for work-cell team manufacturing, when they really all have to be there at the same time.

Another important point to be borne in mind is adequate preparation. Management and HR should work together, not only to establish a new regime appropriate to business needs and in line with legal requirements, but also to communicate more effectively with employees, who should be educated about the processes and feel comfortable working with them.

Having studied different approaches to employee flexibility and established our own one, we came to the conclusion that every company's needs and operating environment is different. Just because a flex-program worked for a neighbouring business does not guarantee that it will work for your company. Conversely, a program that fails in another firm may work in yours.

BQ

AGRICULTURAL INSURANCE IN THE RUSSIAN FEDERATION TODAY



Yuri Volovik, Director of Agricultural Insurance, Allianz Russia

With the continuous growth of the world population, the problem of food production becomes increasingly acute. Agriculture creates all the basic foodstuffs and raw materials for food processing. Given the limited number of areas on our planet with favourable natural conditions for growing crops and raising animals, it is vitally important to introduce intensive as well as advanced technologies of food production in large quantities and at minimum cost.

The Russian Federation has a considerable potential for growing the most important types of food. Russia accounts for 20% of the global fresh water reserves. It has 8.9% of the world's cultivated land; the total area of the land fund is 1.7 billion hectares, including 1.1 billion hectares (64.8%) of forest land and 400 million hectares (23.5%) of agricultural lands, with 220.5 million hectares of farmland, and 2.6% of the world's pasture.

The agriculture and food industry of Russia employs about 10 million people, representing 15% of total employment. There are more than 18 million different agricultural organizations, enterprises, large holdings, farms and private households.

A crucial role in protecting all agriculture-related production against potentially devastating risks is played by agricultural insurance. This is a financial instrument which reduces the risk of losing of crops and animals

to natural hazards, pests and diseases. Insurance promotes the sustainable development of farms and saves them from destruction in the event of disaster.

Crop insurance is the main type of agricultural insurance in Russia. The degree of risk from natural hazards differs greatly from one federal district to another. The highest risk for crops is in the Volga Region (9 out of 10), the South Federal District and the North Caucasian Federal District (8.2). The lowest ones are in the North-West Federal District (4.2) and the Ural Federal District (5.2).

In view of the importance and value of agricultural insurance, governments around the world actively support its development and allocate substantial state subsidies to farmers.

A new era of agricultural insurance in the Russian Federation began in 1990 when compulsory insurance was cancelled and the creation of new, voluntary insurance companies started. In 1991 the first farmers' insurance company, Podderzhka (Support),

was created for the development of voluntary agricultural insurance. In 2006, the Federal Law on Agriculture was adopted, with article 12 focusing on agricultural insurance. In 2007 the National Union of Agricultural Insurers was established. In 2012, the Federal Law on State Support to Agricultural Insurance for crops came into force, and in 2013 it was extended to livestock.

The law provides that farmers pay only 50% of the insurance premium under the contract and the remaining 50% is paid from the state budget as a subsidy. The participation of the farmer in the insured risk (deductible) is set at a rate from 0 to 40%. The sum insured should not be less than 80%. The whole area under crops should be insured. State-subsidized insurance covers an expanded list of risks, and guarantees an indemnity payment in the event of the insolvency of the insurer. To participate in the state-subsidized insurance market, insurers should be members of a professional insurance association.

State-subsidized livestock insurance applies to the following risks:



- animal infectious diseases that are included in the list approved by the Ministry of Agriculture, as well as the mass poisoning of livestock,
- natural disasters (lightning, earthquake, dust storm, hurricane, blizzard, storm, flood, landslide, avalanche, mudflows, landslides),
- interruption of electric/thermal power and water supply as a result of disasters, if the conditions of livestock management provide for mandatory use of electricity, heat and water, and
- fire.

A deductible may vary from 0-40%. The sum insured should not be less than 80%. Agricultural insurance contracts should be concluded for all livestock of a certain species. Currently, crops and livestock can be insured either with state support or without it.

Last year, 61 insurance companies offered crop insurance, 37 of them providing insurance with state support. Total gross premiums amounted to over €335 million, including €275 million (82%) with state support. The

share of insured crops in Russia was about 18%.

In recent years, major foreign investors have shown growing interest in Russian agriculture. We already have examples of successful projects financed by German and Dutch investors in the fields of poultry, pig, dairy and beef cattle farming.

A new era of agricultural insurance in the Russian Federation began in 1990 when compulsory insurance was cancelled and the creation of new, voluntary insurance companies started.

Allianz in Russia has started receiving insurance applications from Western investors who would like to insure their agricultural investment projects in Russia. Allianz Russia was ranked 4th among the largest insurers in 2012 and operated in 40 regions.

Allianz is actively using space-based monitoring in crop insurance. This allows an ongoing analysis of the main

parameters affecting the growing season of plants and also the assessment of crops.

Along with the introduction of new technologies, today in Russia there is also a need for new techniques for organizing agricultural insurance and reinsurance risks, training in agricultural insurance, and raising the level of awareness of insurance among farmers, as well as the population in general. In some regions, digitalisation of fields has already been carried out, and situational centres to monitor crops have already been established.

The global system of agricultural monitoring, GEO-GLAM, was launched at the meeting of the Agriculture Ministers of the G20 countries in Paris in June 2011, as part of the strategy to strengthen international food security.

We believe that the participation of Russia in global agricultural monitoring, and the use of satellite imagery, will help strengthen crop insurance protection, the development of precision farming and food security, not only in our country but all over the world. **BQ**



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Реклама

AEB NEWS

CNR elects chairs

The CNR elected **Don Scott**, OPIN Consulting, UK as Chairman of the CNR, as well as, **Luc Charreyre**, EDF Representative Office in Moscow, France, and **Aage V. Nielsen**, Vitus Bering Management Ltd., Denmark, as Deputy Chairpersons of the AEB CNR for the next one-year term.



Don Scott, OPIN Consulting



Aage V. Nilson, Vitus Bering Management Ltd.



Luc Charreyre, EDF Representative Office in Moscow

Business breakfast briefing with Alderman Roger Gifford, the Right Honourable the Lord Mayor of the City of London

On 28 May 2013, the AEB and the British Embassy in Moscow held a business breakfast briefing with Alderman Roger Gifford, the Right Honourable the Lord Mayor of the City of London. The event took place at the Residence of the British Ambassador to Russia.

Tim Barrow, Her Majesty's Ambassador to the RF, welcomed the participants. The opening speech was delivered by Roger Gifford, the Lord Mayor. Frank Schauff, AEB CEO;

Joerg Bongartz, Chairman of AEB Banking Committee, Chairman of the Board, Deutsche Bank Ltd; and Stuart Lawson, Chairman of AEB Finance & Investments Committee, Executive Director/Head of UK Business Centre, Ernst & Young, addressed the audience on behalf of the AEB. The speeches were followed by discussion on the Russian economy, Moscow as an international financial centre, the investment climate in Russia and a Q&A session.



L-R: Stuart Lawson, Chairman of AEB Finance & Investments Committee, Executive Director/Head of UK Business Centre, Ernst & Young; Frank Schauff, AEB CEO; Joerg Bongartz, Chairman of AEB Banking Committee, Chairman of the Board, Deutsche Bank Ltd; Alderman Roger Gifford, the Rt. Hon. the Lord Mayor of the City of London.



Participants at the event

AEB Seminar for “Mission for Growth” Delegation

On 17 June 2013, on the occasion of the “Mission for Growth” led by EU Commission Vice-President Antonio Tajani to Russia, the AEB organized a seminar “Investing in Russia: Opportunities in a Challenging Environment.” The keynote speakers included: Frank Schauf, AEB CEO; Reiner Hartmann, Chairman of the AEB Board; Stuart Lawson, Executive Director, Senior Advisor, Ernst & Young, Russia & CIS, AEB Finance & Investments Committee Chairman; Philippe Pegorier, Chairman of the AEB Machine Building & Engineering Committee, AEB Board Member, President, Alstom Russia; Orlin Efremov, Chairman of the AEB SME Committee, General Director, Manutan; Antonio Linares, Chairman of the AEB Construction Industry & Building Material Suppliers Committee, General Director, Roca Group. The issues raised concerned the modernization of the Russian economy and the role of European companies in this process; Russian market attraction and challenges for the European SMEs and more. The seminar was followed by a reception.



EU Commission Vice-President Antonio Tajani welcomed the audience at the seminar



L-R: Frank Schauf, AEB CEO; Reiner Hartmann, Chairman of the AEB Board; Stuart Lawson, Executive Director, Senior Advisor, Ernst & Young, Russia & CIS, AEB Finance & Investments Committee Chairman; Philippe Pegorier, Chairman of the AEB Machine Building & Engineering Committee, AEB Board Member, President, Alstom Russia; Orlin Efremov, Chairman of the AEB SME Committee, General Director, Manutan; Antonio Linares, Chairman of the AEB Construction Industry & Building Material Suppliers Committee, General Director, Roca Group

AEB Annual Survey: “Strategies and Prospects of European Companies in Russia”

On 19 June 2013, the AEB and GfK-Rus announced the results of the AEB Annual Survey: “Strategies and Prospects of European companies in Russia.” The Survey analyses the comfort level of European business in Russia, evaluating the country’s investment climate.

According to the results of the research, companies are optimistic about turnover and margins. Although fewer companies in 2013 are reporting turnover increases over the previous year (78% against 87% in 2012), and despite the negative start to this year, companies expect turnover and margins to grow in the next 3 years.

Traditionally, a lottery was held among the companies that participated in the survey and completed the questionnaire. The winners of this year’s lottery are:

- Quick-mix ZAO – a half-page advertisement in the autumn issue of the AEB Business Quarterly;
- STADA CIS – a half-page advertisement in the winter issue of the AEB Business Quarterly;
- OJSC IC Allianz – a voucher offered by Radisson Royal Hotel for a breakfast for two persons;
- FENICE RUS – a voucher offered by Metropol Hotel for a dinner for two persons.



L-R: Stuart Lawson, Chairman of AEB Finance & Investments Committee, Executive Director / Head of UK Business Centre, Ernst & Young; Alexander Demidov, Managing Director, International Institute for Market and Social Research GfK-Rus; Ruslan Kokarev, AEB COO



The guests at the event



L-R: Steven J. Parker, Group Country Manager Russia, CIS & SEE, Visa; Barbara Habberjam, Minister Counsellor, Economic and Trade & Investment, UK Embassy; Reiner Hartmann, AEB Board Chairman; Frank Wittemann, General Director, Jaguar Land Rover; Andrey Soloviyov, Deputy General Director, JCB

UK EuroReception

On 27 June, the AEB held its traditional summer EuroReception, this time at the British Embassy. We heartily thank Her Majesty's Ambassador to the Russian Federation Tim Barrow and his spouse for having kindly hosted this high-level and lively event which was organized with the generous help and assistance of several members of the AEB, namely: Platinum Sponsor **VISA**, Official Car Partner **Jaguar Land Rover** and Silver Sponsor **JCB**.



Gerald Sakuler, Head of Corporate Relations, Bene AG, Deputy Chairman of the AEB Board and other guests at the Reception



Natasha Khanjenkova, Managing Director, Russia, EBRD and other guests at the Reception



L-R: Bruno Metz, General Manager, RH Partners Russia; Michael Bartley, CEO, Four Squares



L-R: Alina Lavrentieva, Partner, PwC, Chairwoman of the AEB Taxation Committee; Sergei Smirnov, Chairman of the Board of Directors, Novo Nordisk LLC, Chairman of the AEB Health & Pharmaceuticals Committee

AEB COMMITTEE UPDATES

AIRLINE COMMITTEE

Meeting with Alexander Neradko, Head of the Federal Air Transport Agency of Russia

On 2 July 2013, the AEB Airlines Committee had a meeting with Alexander Neradko, Head of the Federal Air Transport Agency of Russia, Rosaviation.

Alexander Neradko briefed the audience on the development of air transport strategy in the Russian Fed-

eration and the way it will affect the Rosaviation's structure.

Issues touched on during the meeting included flight regulations for Sochi during Winter Olympics 2014, permissions for over- and extra-flights, the Mintrans' decree on submission of passengers' data, which came into force

on 1 July 2013, and Sheremetyevo and Domodedovo airports' infrastructure improvements.

It was agreed to hold meetings between the AEB Airlines Committee and Rosaviation on a regular basis. The next one was preliminarily scheduled for November 2013.

BANKING COMMITTEE

Meeting with Ilya Yasinsky, Deputy Director of the Finance Monitoring and Currency Control Department, Central Bank

On 31 May 2013, representatives of the AEB Banking Committee met with Ilya Yasinsky, Deputy Director of the Finance Monitoring and Currency Control Department, Central Bank, and discussed new currency control rules. Ilya Yasinsky informed participants about steps taken by the Central Bank in connection with this issue. The participants discussed possible cooperation and likely next steps.

Meeting with Natalia Burykina, Chairperson of the State Duma's Committee for Financial Market

On 24 June 2013, the AEB Banking Committee held a meeting with Natalia Burykina, Chairperson of the State Duma Committee for Financial Market. Representatives of the AEB Insurance and Pensions Committee also took part in the meeting. Among the issues discussed were: amendments to the Civil Code regarding collateral; initiatives regarding low anticorruption rating; application of the law on government procurement towards financial and bank operations; the draft law on organization of insurance activities, OSAGO and on-line insurance; pledge legislation; currency control – to name but a few.

CROP PROTECTION COMMITTEE

Round table in Krasnodar

On 12 July 2013, the Crop Protection Committee, in cooperation with the AEB South Committee and the Russian Union of Crop Protection manufacturers, held a round table discussion in Krasnodar entitled "Adoption of effective measures against counterfeit pesticides on the Russian market: current situation, problems and solutions".

Participants from the regional authorities included the Ministry of Agriculture, the Ministry of Strategic Development, Investments and International Economic Activity,

the Krasnodar Service for Supervision of Natural Resources Exploitation, the Krasnodar Customs Service, and the Krasnodar Department of Economic Security and Anti-Corruption.

The meeting agreed to apply to the Federal Government for amendments to the current legislation. The Draft Proposals, already prepared by the CPC, are to be updated in accordance with the round table recommendations and then submitted to the Government.



L-R: Oleg Prokopchuk, Lieutenant-Colonel of Police, Operative Authorized Officer on priority cases of crime prevention in the sphere of agribusiness, bio-resources, consumer markets and intellectual property, Department of Economic Security and Anti-Corruption Enforcement, the Ministry of Internal Affairs in Krasnodar Krai; Oleg Zharko, Chairman of the AEB South Regional Committee; Alexander Berkovskiy, Chairman of the AEB Crop Protection Committee, Head in Russia and CIS, Syngenta; Vladimir Alginin, Executive Officer, Russian Union of CPP manufacturers; Tatiana Belousovich, Coordinator of Crop Protection Committee, AEB

FINANCE & INVESTMENTS COMMITTEE

Presentation of the new AEB investment guide

We are happy to inform you that the annual AEB investment guide “How to Invest in Russia” has been released. The Guide features the most recent updates on migration legislation, taxation, joint ventures, industry-specific aspects of investing, investing in the regions and focuses on Russia’s WTO accession. In addition, the Guide gives an insight into investing in Russia from a company perspective, and provides examples of successful business cases. The Guide’s presentation on 17 July brought together many specialists from different spheres.

We would like to thank all the authors who kindly contributed to the AEB’s “How to Invest in Russia” guide, and who shared their knowledge of the Russian market and their experience of running a business here.



Ruslan Kokarev, AEB COO, presents the publication



L-R: Polina Kryuchkova, Head of Department for Investment Activity Development, Moscow City Investment Agency; Art Franczek, President, American Institute of Business and Economics; Michael Akim, Director of Strategic Development, ABB Russia; Stuart Lawson, Chairman of AEB Finance & Investments Committee, Executive Director / Head of UK Business Centre, Ernst & Young.



Guests at the event

MIGRATION COMMITTEE

Meeting with the representatives of Federal Migration Service

On 26 June 2013, the Committee hosted a meeting with Federal Migration Service representatives Dmitry Demidenko, Head of Department on work permits and visas, Elena Derunova, Deputy Head of Department on the work with applications of citizens and organizations, Sergei Zymenok, Head of Division on corporate and personal work permits issuance, Passports and Visas centre, and Dmitry Sergienko, Head of the Moscow labour immigration division.

The most important issues discussed at the meeting included recent changes to Russian migration legislation, its further development and its practical implementation. Dmitry Demidenko informed the participants about the FMS's new legislative initiatives, the concept of the Migration Code as well as upcoming changes in the immigration system, which include the replacement of work permits and visas by temporary and permanent residence permits. The Federal Migration Service intends to abolish the quota mechanism in Russia as well. It is proposed to replace it with requirements related to determination of an allowable proportion of foreign workers in various industries. The draft law introducing this new system should be submitted to the State Duma during the autumn session this year.

AEB experts were encouraged to take an active part in the reform of Russian migration legislation.

Briefing by Konstantin Romodanovsky, RF Minister, Head of Federal Migration Service

On 30 July 2013, the AEB Migration Committee welcomed Konstantin Romodanovsky, RF Minister and Head of Federal Migration Service, who briefed the audience on the most important current migration topics:

- upcoming changes in the immigration system (including replacement of work permits and visas by temporary and permanent residence permits),
- introduction of a simplified procedure for obtaining of Russian citizenship for entrepreneurs, investors, highly-qualified specialists
- reform of the quota mechanism in Russia.

The event was well attended and attracted wide press coverage.



L-R: Elena Proshina, Head of Legal Department, FMS Russia; Dmitry Demidenko, Head of Department on work permit and visas, FMS Russia; Luidmila Shiriaeva, Chairwoman of AEB Migration Committee, GR Director E&Y; Konstantin Romodanovsky, RF Minister, Head of Federal Migration Service



Participants at the briefing

SOUTH-REGIONAL COMMITTEE

Round table "Financial mechanisms of apartment building repairs" in Rostov-on-Don

On 13 March, the Rostov Sub-Committee (part of the AEB South Regional Committee) held a round table, "Financial mechanisms for apartment building repairs," jointly with the Commission for Economic Development, Entrepreneurship and Innovations of the Rostov Region's Public Chamber.

The round table was attended by representatives of the Ministry of Housing and Municipal Economy of the Rostov Region, the Commission for Economic Development,

Entrepreneurship and Innovations of the Rostov Region's Public Chamber, the Commission on Issues of Local Self-Government, Housing Policy and the Problems of Housing and Community Services.

The issues discussed included: a new major repairs system, sources of financing and mechanisms of state support, crediting of housing and communal services – to name but a few.



Vasily Visokov, Center-Invest Bank, Chairman of the Rostov Sub-Committee



Audience

TAXATION COMMITTEE

Business meeting "Development of the Russian tax system in 2013 and prospects for 2014-2016"

On 3 July, the AEB's Taxation Committee held the traditional business meeting that focused on developments in the Russian tax system, highlighting recent changes in tax legislation and prospects for the future.

Sergey Shatalov, Deputy Minister of Finance, shared his views on key directions for the tax policy for the next few years. The event provided an excellent platform for discussion and an exchange of views by professionals on transfer pricing, VAT treatment of bonus transactions, inventory losses, international tax and other important tax matters.



L-R: Alina Lavrentieva, Chairwoman of the AEB Taxation Committee, PwC; Sergey Shatalov, Deputy Minister of Finance of the RF.



L-R: Dmitry Kulakov, Deloitte & Touche; Svetlana Stroykova, PwC; Evgeny Timofeev, Goltsblat BLP; Mikhail Orlov, KPMG.

TRANSPORT & CUSTOMS COMMITTEE

Meeting with Andrey Belyaninov, Head of the Federal Customs Service

On 6 August, the Committee members met with Andrey Belyaninov, Head of the Federal Customs Service (FCS), in order to discuss new FCS requirements and changes in the TIR Carnet use for customs transit in the Russian Federation, which were announced in an FCS letter on 4 July.

The Federal Customs Service stated its position on the issue and the logic of the proposed changes. The AEB made known to the FCS its concerns about the possible negative consequences of the changes, which came into effect on 14 August. Both sides stressed their strong interest in avoiding any negative outcomes.

At the request of the AEB, the Federal Customs Service postponed the changes in TIR Carnet use for customs transit in Russia till 14 September 2013.

MEMBER NEWS

Baker & McKenzie

Baker & McKenzie Advises Costa Crociere on Floating Hotel for Sochi Winter Olympics

Baker & McKenzie advised Costa Crociere S.p.A. on a time charter of its Grand Holiday cruise ship to Rosmorsport, a Russian state-owned company responsible for the development of Russian marine transport.

The cruise ship will be used as a floating hotel during the 2014 Winter Olympics in Sochi. The 12-deck liner, built in 1986, will offer 726 four-star rooms to spectators and temporary staff. The vessel is to be moored in the cargo area of the Sochi seaport. The advice given to Costa Crociere S.p.A. included assistance with preparation for participation in the tender and finalizing the charter agreement.

The Baker & McKenzie team was led by Moscow partners Sergei Voitishkin, Andrei Afanasiev and Arseny Seidov with key input from associates Sergey Krokhaev, Vladimir Efremov, Anastasia Kovalevskaya (Moscow) and James Stephens (London).

Costa Crociere S.p.A. is a major cruise company based in Genoa, Italy and a member of the Carnival group.

Goltsblat BLP

Goltsblat BLP has been appointed independent consultant for preparing the documentation and supporting the procedure for selection, on a tender basis, of a partner (investor) for implementing the project to develop the Northern Terminal Complex at Sheremetyevo International Airport.

Development of the Northern Terminal Complex, with a through capacity of 40 million passengers a year, is one of Sheremetyevo Airport's strategic projects. The first stage of the new Complex will be located where Terminal B is now. Also planned in this sector is an exit from a tunnel to connect the southern and northern zones of the Airport. The plan is to complete construction of the new terminal and the tunnel in time for completion of Runway 3.

International Road Transport Union (IRU)

At the IRU General Assembly in April 2013 Martin Marmy, IRU's Secretary General for the last 20 years, culminated an illustrious 35 year career with the IRU by being named IRU Secretary General Emeritus in recognition of his outstanding achievements and contributions to serving IRU Members and the road transport industry worldwide.

Umberto de Pretto, his Deputy, was appointed as new Secretary General of the IRU. He assumed this new role on 1 June 2013.

IRU Under-Secretary General, Head of the IRU Permanent Delegation to Eurasia since 2002, Igor Rounov has been appointed Head of the IRU Delegation to New York, which opened in June 2013. Dmitry Larionov replaced him in the IRU Permanent Delegation to Eurasia and started work as the Head of the Delegation to Eurasia as of 1 June 2013.

Jones Lang LaSalle

International company IKEA leases 72,000 sq m in new Logopark North warehouse project

IKEA, the leading global retail chain selling furniture and home furnishings, signed a long-term lease agreement of 71,800 sq m in the Grade A warehouse Logopark North. Jones Lang LaSalle exclusively marketed and advised on the project.

IKEA has fully leased the II phase of Logopark North for seven years, resulting in the complex reaching 100% occupancy. This deal is the largest transaction with a professional consultant across the Russian warehouse market.

The Grade A warehouse complex, Logopark North, is located on A107 highway ("Betonka"), 7 km from Leningrad highway and close to its alternate road, the new high-speed highway Moscow–St. Petersburg. This location will reduce the drive time to MKAD to 15-20 minutes and will allow quick and undisturbed access to the Sheremetyevo International Airport.

The total area of Logopark North is 110,000 sq m. The latest achievements in industrial and logistic development as well as the most efficient space and infrastructure arrangements are implemented in the project. The tenants of the Logopark are the logistic operator, GlobalLogisticProjects, and retailers Eldorado and IKEA. Completion of the project is planned for mid-2013.

RH PARTNERS

RH PARTNERS Russia's new website

We are pleased to announce the opening of the Internet site www.rh-partners.ru, dedicated to the activity of RH PARTNERS in Russia. At the moment, our website is available in three languages: Russian, English and French.

In the sections of RH PARTNERS's website you can see the full range of services provided by our agency, the standards and methods of our work, apply for posted vacancies, learn about the latest news in the field of personnel management in Russia and elsewhere, and other interesting information related to professional growth and development.

Visitors who are looking for work, and who have found interest among the list of vacancies posted on the site, are invited to apply for a job, which will be placed in our International database for future recruitment.

Are you ready, or intentionally striving, for professional development, or want to change direction? RH PARTNERS Company provides services in human resources to support individuals at any stage of their professional lives. We offer services to assess potential career, professional and business coaching.

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We will be happy to welcome you at our website.

Roca

Roca presented novelties and innovations at MosBuild 2013



At MosBuild 2013, an exhibition for the building and interiors industry, Roca presented its collections which reflect all core values of the international holding company: innovation, design, functionality and sustainability. The total area of Roca's exposition made up more than 500 meters and housed such brands of Roca Group in Russia as Roca, Laufen, Jika, Santek and Aquaton.

Among a great variety of Roca's novelties, including modern furniture solutions and wellness novelties, visitors were captivated by the Armani/Roca premium concept which was presented in stylish Nero black finishing. This year the collection included elaborate accessories and new furniture items.

The exhibition area of Laufen created the feeling of light and almost weightless design. This year LAUFEN presented its revolutionary new patent material SaphirKeramikTM which makes it possible to create unusual designs: closely defined radii and edges are affordable – and thin walls which have until now not been seen in sanitary ceramic.

Moreover, the material is characterized by its exceptional hardness and durability. The secret lies in the formulation through the addition of the mineral corundum (related to sapphire).

Roca gathered friends for a theme party Roca 4 All Seasons



This year Roca traditionally gathered friends and partners for a party as part of the MosBuild exhibition. The event named "Roca 4 All Seasons" took place 17 April in Kalina Bar in the centre of Moscow. The cycle of the seasons became the theme of the party: each season being reflected both in interior design and extraordinary entertainment program. The bar specially designed to look as if made of clear ice was the spice of décor. A fabulous view from the panoramic

windows to the historic centre of Moscow enhanced the festive atmosphere.

Charity ceremony in aid of the We are Water Foundation (initiated by the Roca company) was also included in the program. Over three years the Foundation has been working to promote awareness about the lack of adequate water resources in the world, and carrying out a whole host of actions to improve quality of life and hygiene in poor regions. All the funds raised during the evening were allocated to implement current projects in Ecuador, India, Bolivia and Brazil.

Elle Decoration, an interior design publication, was the official media partner of the event.

Sheraton

NEW Sheraton Hotel opened its doors in Moscow

The hotel located just 800 metres from the international terminals of Sheremetyevo Airport along the main access highway to the airport. It is built as part of the SkyPoint Business Park, a fully guarded seven-hectare development with offices, parking and green open spaces, offering an organised and beautiful environment.

The new 10-storey hotel comprises 342 guest rooms, two restaurants and bars, around 1000 square metres of ultra-modern meeting space, a 900 square metre spa with indoor pool and fitness centre. Signature Sheraton amenities will include the luxurious all-white Sweet Sleeper® beds, the Sheraton® Club, the Link@SheratonTM experience with Microsoft®, the Sheraton® Fitness programmed by Core Performance and the Shine Spa for Sheraton®.

Staffwell

Staffwell has launched its annual Summer internship program in partnership with Russian Disability NGO "Perspektiva" and the Russian Business Council on Disability.

On July 15, Staffwell's annual Summer internship program for students and young professionals was launched! This time, the company welcomes three young people with disabilities who are joining the team for the next six weeks. All three are talented students enrolled at Moscow universities. Staffwell's initiative has been supported by the Russian disability NGO "Perspektiva" and the Russian Business Council on Disability.

After a competitive selection involving a number of candidates, Staffwell executives selected those who were the most active, focused on professional development and success, and keen to demonstrate their desire for a career in HR. In Staffwell they've been offered positions as Researchers.

This will be valuable experience for them prior to beginning their full-time careers, whether those be in recruitment or another occupational area. The advantages of the program are that participants gain significant, quality, on-the-job training covering all main recruitment techniques and technological areas. Staffwell's Internship programs consists of 2 blocks: training and practical work.

Successful interns will have the possibility to receive a permanent paid job as a Researcher or Junior Consultant with Staffwell. Interns successfully completing the program will also receive a certificate for the course.

An excellent start to the career of these promising individuals!

TECHNOPOLIS MOSCOW

TECHNOPOLIS MOSCOW welcomes new companies!

MAPPER Lithography, the Netherlands-based innovation leader in maskless e-beam direct-write lithography, has signed a long-term contract on leasing manufacturing area with TECHNOPOLIS MOSCOW in June 2013.

MAPPER's manufacturing process, which will be set in TECHNOPOLIS MOSCOW, is based on the micro electromechanical (MEMS) system for producing lens components which are the key element of new Matrix 10.1 machines, a new generation equipment in chip producing.

MAPPER Lithography will occupy 1800 square meters including a clean-room area which is about 1000 square metres. MAPPER's presence in Moscow will create new hi-tech jobs and help push forward hi-tech industry in the capital of Russia.

Volkswagen

The Kaluga-based VOLKSWAGEN Group Rus plant has produced 600,000 vehicles since opening



The Kaluga-based VOLKSWAGEN Group Rus plant celebrates two remarkable events at once: 600,000 vehicles have been manufactured by the plant since its opening, and the 400,000th vehicle has been made using full-cycle production.

"Increasing our share of local production is a part of our development strategy for Russia," says Marcus Osegowitsch, General Director of VOLKSWAGEN Group Rus. "The 600,000 vehicles made by the Kaluga plant testify to the success of its implementation. The next obvious step in this direction will be building and commissioning a new engine plant."

The Kaluga-based Volkswagen plant started to operate in 2007, as little as half a year after an investment agreement with the RF Government was signed for the "industrial assembly" regime. When it was opened, the plant produced vehicles using semi-knocked-down (SKD) assembly, and in October 2009 launched the full-cycle production including welding and painting of vehicles. Now the plant produces Volkswagen Polo Sedan, Volkswagen Tiguan and ŠKODA Fabia vehicles, and this summer is going to start getting ready for assembling ŠKODA Rapid.

APPOINTMENTS

BNP Paribas

Frank Sibert was appointed as the Head of Corporate Banking Europe, Russia at BNP Paribas CIB



Frank Sibert has worked in the banking industry for 24 years, with a strong focus on Coverage and Product solutions in Energy & Trade Finance as well as Structured Debt Finance in Europe and the US. Frank joined BNP (Suisse) SA in Geneva in 2005, working in the Commodity Finance & Structured Debt Department. Most recently he has been heading Energy & Commodity Finance Russia, servicing both large and medium-sized companies in the natural resource sector in Russia.

Frank is managing a team of 32 Relationship Managers and Product Specialists, servicing clients for both loan and debt advisory products, Cash Management as well as Supply Chain Financing and Export Finance solutions.

CBRE

Darya Afanasieva joins CBRE as Associate Director in the Office Agency Team

CBRE announces the appointment of Darya Afanasieva as Associate Director in the Office Agency team. Darya will be responsible for cooperation with landlords. She will also lead a team of consultants. One of her tasks is to increase number of transactions for the Office Agency business.

Darya has an extensive 13-year experience in commercial real estate market. From 2010, prior to CBRE, Darya worked as Associate Director of the Strategic Consulting Department at Jones Lang LaSalle where she was responsible for development consultancy. Prior to joining Jones Lang LaSalle, Darya was project manager of K2 business park with Storm Properties, being responsible for the overall development process from land acquisition and concept development to obtaining construction permit. Prior to Storm Properties, Darya Afanasieva was project manager of the Krylatsky Hills business park with CMI Development. Krylatsky Hills was the first international business park of such quality in Moscow. It was highly praised by tenants and was completely leased out 9 months before it was commissioned. Microsoft, Intel, Cisco, BAT, Honda, GSK and other global companies opened their offices there. Krylatsky Hills business park got the first prize in Class A Office Building nomination in COMMERCIAL REAL ESTATE AWARDS 2006, MOSCOW.

Darya Afanasieva graduated with honors from the State Academy of Finance with specialization in Finance and Credit and the State University of Land Use Planning.

Denis Vasiliev joins CBRE as Associate Director in the Global Corporate Services Department

CBRE announces the appointment of Denis Vasiliev as Associate Director in the Global Corporate Services Department. Denis will be responsible for further development and strengthening of relationship with local and international clients, further growth of the projects portfolio as well as the increase of transaction volumes for the global corporate services business. He will also lead a team of consultants and be responsible for its growth.

Denis has an extensive 7-year professional experience in the commercial real estate market. Prior to CBRE Denis was responsible for strategic consulting to clients in the Occupier Services Department of Cushman & Wakefield. His main duties included occupancy costs optimization, financial modeling and analysis, lease commercial terms assessment and client support in lease negotiations. Denis has been involved in several major real estate transactions, including relocation and new lease acquisition for the headquarters of McDonald's Russia, lease extension for the headquarters of GM Russia, and lease renegotiation and extension for the Kraft Foods Rus LLC.

Denis Vasiliev's professional experience has also been associated with the development and implementation of the workplace innovation methods. Prior to Cushman & Wakefield, Denis worked in Estonia, where he ran a private development company dealing with residential real estate.

Denis Vasiliev has a Bachelor's Degree in International Business Administration from Concordia International University Estonia, Tallinn.

Egorov Puginsky Afanasiev & Partners

Anna Numerova joins Egorov Puginsky Afanasiev & Partners



Anna Numerova, a well-known Russian antitrust expert, has joined Egorov Puginsky Afanasiev & Partners as a Counsel in the Competition Law Practice led by Partner Natalia Korosteleva.

Anna Numerova has outstanding experience advising on a wide range of antitrust issues, including those related to M&A transactions and the transfer of assets by large local and international companies in Russia and abroad. She also represents clients before the Federal Antimonopoly Service of Russia (FAS) as well as in arbitration courts, advises on various commercial and corporate law issues and conducts legal due diligence in sectors such as banking, automotive, telecommunications, FMCG, B2B services and business processes, aircraft and other manufacturing, VoIP services and many others.

Anna is one of the leading competition law experts in Russia according to Chambers Europe 2013, which recognises her as "an experienced skilled practitioner advising at the highest level and having a perfect understanding of business tasks".

Anna Numerova graduated from Moscow Humanitarian University in 2000. She holds a Master's degree in private law from Russia's School of Private Law (2008) and an LL.M. degree in international law, business and economy from Georgetown University Law Center, USA, (2011).

Goltsblat BLP

Dmitry Ilyin joined Goltsblat BLP Real Estate and Construction Practice team



The Goltsblat BLP Real Estate and Construction Practice team has been joined by Dmitry Ilyin. This appointment is connected with the recent substantial growth and development of the BLP Real Estate and Construction Practice, which is one of the biggest international teams, consisting of over 230 lawyers worldwide. Goltsblat BLP advises a large number of leading Russian and international companies on all aspects of real estate, land relations and construction.

Dmitry has extensive experience of providing legal advice in the area of real estate and construction, including implementation of both greenfield and brownfield projects; supporting transactions involving acquisition and lease of major real estate facilities; providing legal support for design and construction; advising on various real estate aspects of corporate M&As, natural resources, financing and other projects.

Dmitry Ilyin's recent professional experience has included a project involving the acquisition of a major international airport; legal support for the design and construction of a medical centre in the Moscow Region and a hotel complex in the Kemerovo Region; drafting and negotiating EPC-contracts for construction of production facilities worth an aggregate of approximately \$2 billion in Norilsk; support for office premises lease transactions for such companies as Apple Inc., Kaspersky Lab and others.

Nikol'skaya Kempinski Moscow

Pascal Leprou Appointed General Manager of the Hotel Nikol'skaya Kempinski Moscow



Pascal Leprou has been appointed General Manager of the Hotel Nikol'skaya Kempinski Moscow. Benefiting from pre-opening experience at his most recent position, General Manager of Hotel Mövenpick Paris Neuilly, Pascal has arrived in Moscow to lead the second Kempinski property in the capital. At the Hotel Nikol'skaya Kempinski Moscow, Pascal will be in charge of 211 rooms and suites as well as a wide range of gastronomic outlets, from the heritage-decorated MosaiK all-day dining restaurant to the Mojito rooftop lounge. The property has a total of six restaurants and bars, in addition to a L. Raphael Spa and multifunctional conference facilities. Pascal Leprou is joining Kempinski with over 30 years of experience in hospitality. Pascal started his career in 1981 at Meridien in Paris in the Front Office and then continued in the Food and Beverage field with Sofitel, Copthorne and Hyatt. His career took him to Cote d'Azur in 1999, when he was appointed General Manager of the Hotel Mirabeau-Société des Bains de Mer, then headed Hotel Columbus Monte-Carlo and later Hotel Meridien Nice. Later on, Pascal managed Hotel Royal Mansour Casablanca, while being Area General Manager for Morocco and Tunisia. Pascal is a graduate of the Ecole Hôtelière de Paris (1981). A native of France, Pascal is fluent

in English and has a good knowledge of German, in addition to his mother tongue.

Stephan Interthal has been appointed General Manager of the Hotel Baltshug Kempinski Moscow and Area Director Russia

After successfully holding the reins at the Kempinski Hotel Beijing Lufthansa Center, the flagship property in China, for the past three and a half years, Mr Interthal will now take on a new challenge here in Russia, where he will oversee the final stages of renovation and the repositioning of Hotel Baltshug Kempinski Moscow, the cost of which has been estimated at EUR 20 million.

A true hotelier, with management experience at Kempinski's finest properties, including Kempinski Hotel Corvinus Budapest, Kempinski Vier Jahreszeiten Munich and the legendary Hotel Adlon Kempinski Berlin, Mr Interthal is bringing along with him a wealth of experience from more than three decades in the hospitality industry.

With his years of extensive experience, apart from being responsible for the flagship property in Moscow, Mr Interthal will also be overseeing Kempinski Hotel Moika 22 in St Petersburg, Grand Hotel Kempinski Gelendzhik and the newly opened second Kempinski hotel in Moscow, Hotel Nikol'skaya Kempinski Moscow, in his role as Area Director Russia.

A German national, Mr Interthal speaks fluent English and is conversant in French, in addition to his mother tongue.

Legalife LLC

Mariam Babaeva has joined Legalife LLC

Mariam Babaeva has joined the firm as senior associate. Mariam has almost ten years of experience in assisting clients on a broad range of general corporate and commercial law matters, including participating in legal due diligence, structuring M&A projects from drafting term sheets to deal closure, corporate restructuring, assisting foreign companies' incorporation and management, drafting credit and collateral agreements, amending legal documents related to investment deals including, but not limited to, share purchase, shareholders' agreements, call option agreements, license agreements and negotiating with foreign partners.

She has also gained in-depth expertise in tax planning, international tax planning, and tax optimization projects, including the creation of holding structures in offshore countries and continental Europe, assessment of the tax implications of international contracts and prevention of negative tax consequences, and general tax consulting on application of double tax treaties.

Mariam studied for an LLM in Law at Pericles in Moscow, and obtained a Degree in Civil and International Private Law at Moscow State University. Prior to her higher education in law in Russia she studied in Rialto, CA, USA, under the Flex Program, earning the President's award of excellence. Mariam is a native speaker of Russian and is fluent in English.

Pirelli

Serge Azoyan has been appointed CEO of Pirelli Tyre Russia and CIS



Serge Azoyan has extensive experience of leading big European and Russian companies. After his studies in Paris at the university of Sorbonne and a MBA at HEC School of Management, he worked in several French companies, including Castel Group and CMA CGM.

Before joining Pirelli Serge Azoyan held the position of a Managing Director of Tashir group, a Russian holding company, consolidating more than 200 companies working in different sectors of economy.

Being in charge of the Russian market, Mr. Azoyan is responsible for development of retail sales and the supply chain, enlarging marketing tools, optimizing logistics and purchasing schemes. Mr. Azoyan also aims at further modernization of plants in Kirov and Voronezh, upgrading the tyre production to high Pirelli standards.

Sheraton

Toni Toshev appointed General Manager of the new Sheraton Moscow Sheremetyevo Airport Hotel

Starwood Hotels & Resorts Worldwide announced the appointment of Toni Toshev to the position of General Manager at the Sheraton Moscow Sheremetyevo Airport Hotel.

The hotel is located just 800 metres from Sheremetyevo international airport and is set to become a cornerstone in the expansion of the surrounding area. Sheraton Sheremetyevo is built as part of the Sky Point Business Park, a fully guarded seven-hectare development with offices, parking and green open spaces, offering an organized and beautiful environment.

As a newly appointed General Manager, Toni is responsible for the opening of the 342-room Sheraton hotel and its future operations. Sheraton Moscow Sheremetyevo Airport Hotel is the company's second Sheraton hotel in Moscow and fuels the Sheraton brand's growth and strategic expansion plans in Russia. Prior to this appointment, Toni was General Manager at the Sheraton Kiev Olympiysky Hotel in Ukraine, a position he has held since January 2012. Toni has over 20 years of experience in the hospitality industry and has filled various management positions in Bulgaria, Russia and Georgia.

NEW MEMBERS



Agentstvo Kontakt

Agentstvo Kontakt offers executive search, management selection, and other human resource services including: HR research, staff outsourcing, and graduate recruitment. Founded in 1990, the company was among Russia's first recruiting agencies. Agentstvo Kontakt is the exclusive Russian representative of the Intersearch international network, which brings together executive search firms from around the world.

Being the innovational leader of the sector, Agentstvo Kontakt was the first recruiting company which in 1996 started using sectoral specialization in recruitment. Now this specialization is used by many leading agencies. Agentstvo Kontakt currently works in 24 sectors

www.kontakt.ru



Aquamarine hotel

The Aquamarine hotel is located on embankment of Vodootvodny channel in the heart of the historic Moscow district, Zamoskvorechie, and is surrounded by historical monuments and sights. Located near Garden Ring and Paveletsky railway station, the area hosts the offices of famous international companies and major banks. Thanks to perfect location and wide transportation infrastructure, guests can reach any point in the centre of the capital in a few minutes: Garden Ring or Boulevard Ring and, of course, the Kremlin and Red Square. The hotel provides not only luxury accommodation, but also conference facilities as well as great service.

www.aquamarinehotel.ru



Best Western

Best Western is not only the World's Largest Hotel Chain* it is a brand. A large family that comprises of more than 4,000 unique properties with 60 years of pride in building a global brand of quality, service and value. Every Best Western Hotel

is individually owned and operated and the brand's uniqueness is found in each individual hotel's charm and local appeal while meeting global quality standards. Best Western offers Hoteliers the unique advantage of retaining their independence while providing the benefits of full-service marketing and training support. Best Western Hoteliers get wider exposure, increased success and greater profitability.

www.bestwesternrussia.ru



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www.bilfinger.com



BUREAU VERITAS

Created in 1828, Bureau Veritas Group is a global leader in Testing, Inspection and Certification (TIC).

Bureau Veritas operated in Russia from 1858 till 1913. CJSC "BUREAU VERITAS RUS" has been carrying out its activity on the territory of the Russian Federation since 1994.

We have nine business lines:

Marine and Offshore, Industry, In-service Inspection & Verification (IVS), Construction, Certification, Commodities, Consumer Products, Government Services and International Trade.

We are always ready to offer a full range of services on conformity assessment, audits, inspections (in construction, Oil & Gas industry, energy production), laboratory studies, certification (ISO), consulting on sustainable development (LEED, BREEAM), consulting and training on Health, Safety and Environment (HSE), to help our clients improve their productivity and control the occurrence of possible risks.

www.bureau-veritas.ru



Continent Express

Continent Express is the largest independent Travel Management Company in Russia, and was the first professional travel management service in this market in 1997. Nowadays our total number of staff is more than 400 people in four offices — in Moscow (HQ), St.Petersburg, Tyumen and Sakhalin.

From the very beginning, we have taken a leading role in the development of travel management as a procurement discipline in this country.

We provide best-in-market services based on international standards and systems, including:

- A fully developed range of corporate travel services across all supply areas
- Highly developed and skilled Visa and Migration services
- Strong MICE and Event Management Department
- Russia's first corporate online booking system, launched in 2012
- 24/7 service across Russia
- Professional analytical account management
- Detailed but concise strategic reporting
- Automated data consolidation
- Effective budget management
- Experienced corporate booking consultants
- Thorough and rigorous supplier management through tenders, negotiation, benchmarking and monitoring

At a global level, Continent Express is integrated with Radius Global Travel Solutions and is an active member of ACTE and GBTA.

Since we started in 1997, we have operated on the same principle: to be client oriented in everything we do, and to operate not as a traditional travel agent selling travel, but as a buyers' advocate and partner in the supply chain.

www.continent.ru



Ekleft

Ekleft was founded in 2008 in Germany and opened its first office in Moscow in 2011 which currently has 120 employees.

Ekleft is the first international outsourcing company specializing in the provision of human resources in areas of SAP, Oracle, NET, JAVA and PHP to have opened an office in Russia. Our main services includes outsourcing, outstaffing, consulting and DDC development. The main area of our business activities is search for personnel for projects related to the implementation and maintenance of SAP. Ekleft has been able to unite, across Europe, a team of more than 800 highly skilled professionals with years of experience.

We also have offices in London, Berlin, Frankfurt and New York

www.ekleft.com

IPnovus Law

IPnovus Law

IPnovus Law is an international, independent law firm with offices in Moscow, Vilnius and Geneva. Our specialization is Intellectual Property law in which we provide a wide range of legal services. We also offer our clients legal support in other areas, including mass media, data protection and e-commerce, contract and corporate law. Most of our clients are well-known international corporations, but we advise companies of all sizes from multinationals to smaller private entities. We offer nationwide coverage in Russia and flexible support roles that include acting as regional legal counsel in Russia.

www.ipnovus.com



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www.leaseplan.ru



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www.rtlgroup.ru

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Telenor Group helps more than 150 million people in 12 countries across Europe and Asia get the best communications services every day. Through our core investment in Russia, VimpelCom, another 215 million people are served in 17 additional markets. As a long-term strategic investor in Russia since 1992, Telenor has been actively engaged in developing the telecommunications market in Russia and contributing to Russian historic and cultural heritage. We are proud to be an official partner of the Bolshoi Theatre, now for the 5th season running.

www.telenor.ru



Telenor Group, official sponsor
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