

The AEB Monthly



Frank Schauff, CEO
Association of the European Businesses

Dear members,

Russia's WTO accession, global crisis, elections, Christmas and New Year arrangements to organise... busy times ahead. Most of us have enjoyed a good year for a business growth. No doubt, 2012 will bring new challenges and exciting opportunities, and I would like us all to look forward with optimism.

This week the AEB took part in the **EU-Russia Industrialists Roundtable** (see **page 6**), a business platform composed of business leaders from the EU and Russia. We are happy to represent the interests of our member companies in this discussion on economic relations.

It has certainly been a productive year for the Association with the introduction of our new **training programmes (p.8)**, development in the regions, new events and activities that brought all of us together. In 2011, the AEB saw a substantial increase of membership.

The Association is now representing the interests of over 640 companies and 57 sponsors, which is a historical break. We could not have done this without your help. I would like to thank each of you for your part in the success of our organisation.

Finally, I wish you a very Happy Christmas and New Year.

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Russian Energy and European Investors

Russian domestic gas prices will grow 10% in 2012, according to the speakers of the AEB conference “**Russian Energy Sector & European Investors**”. The event took place at the Hilton Leningradskaya hotel on the 7th December 2011.

The oil-indexed gas price growth over the past 10 years was low compared to many other exchange-traded commodities, said **Sergey Komlev**, Head of Contract Structuring & Price Formation Directorate of **Gazpromexport**. “Starting from the end of 90s, the Henry Hub gas price lost 10% of its value, while the NBP price has strengthened by only 60% in the US dollar terms. I should mention that 60 percent price growth is on par with the growth seen in *The Economist*’s Big Mac index over the same period”, he said.

The complete integration of a ‘Single European Market’ for a natural gas is expected by mid/end of this decade, noted **Reiner Hartmann**, AEB Board & Energy Committee Chairman: “The new gas world offers chances to everybody: strong partnerships will be one of the success factors”, he added.

The round table was covering the latest energy news from Russia and worldwide, tax regime for the oil and gas projects in Russia, natural monopolies tariffs dynamics development of energy markets. **Andrey Goncharov**, Director of **Deloitte**, **Dominique Fache**, AEB Board Member, **Vladimir Konovalov**, Executive Director of Petroleum Advisory Forum and **Reiner Hartmann** chaired this successful event.

A general market overview was given by **Leonid Grigoriev**, Deputy General Director of the **Russian Energy Agency**.

Energy companies such as **BP**, **EON**, **Enel O&G 5**, **Eni**, **Gasunie**, **Gazpromexport** & **Shell** participated in this event.

Here are just some speakers of this established conference:

Harry Brekelmans, Country Chair from **Shell**, **Vladimir Drebensov**, Vice-President of **BP Russia**, **Andrey Duyunov** from **Pepeliaev Group**, **Grygory Vygon**, Director of **Skolkovo Energy Centre**, **Sergey Tazin**, Chairman of the Board Directors of **E.ON Russia**, **Uwe Fip**, Senior Vice-President from **E.ON Ruhrgas**, **Ernesto Ferlenghi**, Chairman of the Board Directors of **Federal Grid**, **Wim Groenendijk**, Vice-President International & Public Affairs from **Gasunie**.

BP, **E.ON Ruhrgas**, **Gasunie**, **Shell**, and **Russ Invest**, that in many occasions supported the AEB events, generously sponsored the conference.



Vladimir Yakunin, Russian Railways: Developing Economic Partnership with the EU

Russian government decided to extend the Structural Reform Programme for the rail transport by 2015, said **Vladimir Yakunin**, President of the **Russian Railways**, at the AEB briefing. Here are just some structural transformations planned: creating a competitive market for the freight wagon operations; developing a private local carriers market; improving the existing tariff system and selling stakes in the subsidiary companies. The RZD management has already approved the Concept Plan for the sale of shares in 2012, including up to 75% in Freight One, **Mr. Yakunin** noted.



He also told the AEB members about the most important initiatives to develop economic partnership between the EU countries and Russia. The company is modernising the railway infrastructure of the key international corridors in order to meet the growing requirements for freight transport, efficient multimodal transport and logistics systems. The Russian Railways is also creating an integrated railway infrastructure for the East-West and North-South international transport corridors.

Energy Efficiency: What is the Outlook for the Future?

Industries are the main consumers of energy, and a need for efficiency in this sector is growing rapidly. Energy efficiency presents extensive opportunities for investors and solution providers alike. The round table “Energy Efficiency in the Industrial Sector: Practical Solutions”, organised by the **AEB Energy Efficiency Committee**, addressed the most important issues for the energy efficiency to the industrial sector. It was moderated by the **Committee Chairman Jeroen Ketting**. Held at the **Baltschug Kempinski** in November 2011, this event featured speakers from the international organisations, multinational corporations and Russian companies. The event provided a positive outlook on the prospects of the energy efficiency in Russia. Russia has everything to successfully implement the concept of energy efficiency in the industrial sector, participants agreed.



Pavel Teremetsky from **EBRD** talked about technical assistance and financing for energy efficiency in the industrial sector, while **Vincent de Rul** from **Fenice Rus** gave a practical example of a successfully implemented energy efficiency project in the industrial sector. Other speakers were representing such companies, as **Avtovaz, CMS, KPMG and Philips**. The round table was sponsored by **Fenice Rus** and **Legrand**.

The AEB Joins the Network of European Business Organisations

The AEB joined the network of European Business Organisations (EBOs) that are now playing an increasingly important role in addressing the cause of free trade and investment. They also offer important and timely insights about local economic conditions and opportunities to the European Commission and the EU member states. Frank Schauff, CEO of the AEB, was appointed Vice Chairman of the network.

Visit to the St Petersburg Port and Vnukovo Cargo Terminal

This year, the Customs and Transport Committee arranged two new site visits. The CTC members were invited by the National Container Company to the First Container Terminal at the Port of St Petersburg. They had an opportunity to observe the cargo handling and customs clearance procedures arranged at the port as well as evaluate the advantages of the freight transportation by the sea. The Ust Luga Port is under construction now, and in March committee members plan to visit a new terminal, which will open new vistas for companies' operations

The CTC members also visited Vnukovo Cargo Terminal. **Valery Shturmin**, General Director of the Terminal, welcomed the guests and showed them customer service sections, customs clearance area, warehouse facilities, phito-sanitary control zone. The committee members met the Head of Vnukovo Customs Service, Head of the Phito-Sanitary control and the representatives of the Cargo Terminal.



M&A Trends: the European Debt Crisis Did Not Have Had an Impact on the Russian Deal Activity

The third quarter of 2011 has seen quite a few notable deals in Russia, according to the fifth M&A Newsletter, a quarterly e-publication prepared by the **AEB Mergers & Acquisitions Working Group** in cooperation with the **Mergermarket**.

The newsletter is containing the statistical data, the analysis of the M&A trends and the top deals on the Russian market as well as tips from professionals on different aspects of the M&A activities.

The deal landscape remains diverse with transactions happening in different sectors with different rationales, from consolidation of electricity assets by **Inter RAO UES**, to eventual resolution of long-standing shareholder conflict at Lenta, and creation of a breakthrough joint venture between **Pirelli** and **Russian Technologies** with **Sibur** as the base company.

An interesting observation is that companies with significant Russian Government stake make a big contribution to the deal activity, with 5 out of 10 top deals having such companies with the government influence among the bidders.

The European debt crisis and the mounting concerns about the future of the US economy do not appear to have had any meaningful impact on the Russian deal activity in 2011. The Newsletter is available on the web-page of the **Working Group**.



Engineering in Russia

A concept of engineering in Russia was discussed by the AEB Machine Building and Engineering committee in November 2011. The round table “Engineering in Russia: What is it?” became a part of series of events, addressing the issues within the machine building sector in Russia.

The Committee gave an overview of the engineering services in Russia, discussed existing niches and the latest trends. Speakers at this round table were representing such companies as the **Tebodin Eastern Europe, SGS Vostok, Spectrum Holding, Siemens, EnergoFichtner, Renault Russia, ABB Russia** and **Ecoprog**.

The event was sponsored by **Alstom Russia**.



Natalia Kasperskaya, InfoWatch: Data Loss Reached USD \$7.2 mln

Information leakage grows year to year, said **Natalia Kasperskaya**, CEO of **InfoWatch &** co-founder of the Kaspersky lab, at the briefing organised by the AEB. The estimated costs of the average data loss reached USD 7.2 mln in 2010. Customers’ personal data, financial statements, reports transaction data and new product plans might leak. Natalia addressed the issues of data protection, modern computer threats, the future development of the IT industry as well as some major risks for the banking sector.

The Internet became the most influential information source, Natalia admitted. In the modern society, people trust blogs and forums more than advertising. They exchange their thoughts on products and services and often choose a bank by recommendation. The reputation of many financial institutions is at risk: some companies are using the Internet to internationally generate and distribute negative opinions of their competitors.



Machine Building and Engineering: Changes Needed

The AEB speakers highlighted some necessary legislative changes for modernisation of the machine building sector in Russia. The representative of **Baker & Mckenzie** (M.Gutbrod), **PwC** (A.Ulianova), **Alstom** (E.Prilebskaya), **SGS Vostok** (V.Ovcharov), **Radius Group** (R.Suvorov) have raised and discussed such important issues as customs regulation, human resources, standardisation, certification and infrastructure.

The Committee was co-organised with the Council of Federation. **The AEB Machine Building and Engineering Committee Chairman Philippe Pegorier** from Alstom and **Senator Oleg Eremeev** co-moderated the event.

Elvira Nabiullina Discusses Customs Regulations with the AEB

Frank Schauff, CEO of the AEB, and **Dmitry Cheltsov**, AEB Customs and Transport Committee Chairman, made recommendations on the customs regulation at the meeting with **Elvira Nabiullina**, Minister for **Economic Development of the Russian Federation**.



They advised the customs officers should foster the trade rather than hamper it. The AEB representatives have also addressed such issues as the non-functionality of the “authorized economic operator” mechanism, movement of the customs control on the border, cooperation with the business community on the draft documents on customs legislation and other issues.

EU-Russia Industrialists Roundtable

The future of the EU-Russia trade relations on the eve of Russia’s accession to the WTO was discussed in-depth at the **EU-Russia Industrialist Roundtable (IRT) Council session in Brussels on the 15th of December 2011**. The AEB representatives took part in this event, followed by a meeting with **President Medvedev** and **Van Rompuy**, where the IRT Council Members were able to discuss recommendations sent ahead of the EU-Russia Summit.

The priority issues included: framework conditions for investment and investment protection; technical regulation, standard-setting and conformity assessment; education for innovative entrepreneurship. This year, the IRT Council session took place on the same day as the EU-Russia Summit. The IRT Council members, politicians, representatives of the Russian and European business had an opportunity to debate on the topic: “**EU and Russia in the Global Game: New Rules, New Tools, New Strategies**”



The Association Meets Murmansk Government Officials

In December, the AEB held a meeting with the Murmansk authorities and the Foreign Investors Business Association (FIBA) members. **Sergey Agarkov**, Minister of Economics of the region, made a speech about local clusters policy, state support to businesses and measures for improving investment climate. The AEB members Statoil and Total are already successfully operating in the area. The Association was invited to join exhibitions and business meetings in Murmansk. This visit was organised by FIBA. The Murmansk governor was invited to the AEB Moscow office in 2012.

Finnish EuroReception

The AEB cocktail at the Residence of the Finnish Ambassador was the closing networking event in this season. Representatives of the biggest Russia based companies and the Finnish Business Community as well as European officials – Delegation of the EU and European Embassies – have attended the event. **Guerlain, Ferrero** and **Swissotel** provided some stylish presents for the lottery winners.



Training

Media-training was held on 03 November, 2011. The training was organised in partnership with the AEB member Graling Eurasia. Participants represented such companies as **Dewey & LeBoeuf LLP, LEROY MERLIN VOSTOK, SCA HYGIENE PRODUCTS RUSSIA LLC, Ferrero, Air Liquide, Eurocopter Vostok, DSM Group, Raytheon Professional Services, Bonduelle-Kuban, Chartis Insurance Company CJSC, CB Richard Ellis.**

Training “**Strategic Negotiations: influencing decision-making**” was held on 10-11 November, 2011. The training was implemented by the AEB member ITEC. Participants represented such companies as **UNITED BAKERS LLC, ALSTOM PS, Knight Frank ZAO, Alcon, DSM Group, Total E&P Russie, Logstor, BMW Russland Trading, RusVinyl LLC, Transport Lease, Chrysler Rus, JCB Sales.**

Training “**Procurement and Inventory Management in the Supply Chain**” was organised on 16-17 November 2011 by the AEB member PricewaterhouseCoopers Russia B.V. (PwC) company. Participants represented such companies as **Alderley, JCB Sales Limited, SGS Vostok Limited, Solar Turbines CIS, Porsche Russland, Lantmannen Unibake Russia, Akzo Nobel N.V., Metro Group, ROCA.**

Training “**Presentation Skills**” was held on 24-25 November, 2011. The training was carried out in partnership with the AEB member CBSD company. Participants represented such companies as **Knight Frank, Transport Lease, Eurocopter Vostok, Intertrust, Russian Connection, Quattrogemini Ltd., Algeco, Association of Chartered Certified Accountants (ACCA), AXIA RUS, Volvo Cars LLC, Mitsubishi Electric Europe B.V. Moscow Branch.**

Training “**HR budgeting**” was held on 02 November, 2011. The training was carried out in partnership with the AEB member PricewaterhouseCoopers Russia. Participants represented such companies as **Sogecap Life Insurance, Konecranes, MOL Plc, NORD OUTSOURCING LLC, Ferrero, Oranta, Bonduelle-Kuban, Imperial Tobacco Sales and Marketing LLC, Dewey & LeBoeuf LLP, MetLife Alico, Imtech Rusland, International Science and Technology Center (ISTC).**

Training “**Effective Business Communication**” was held on 8-9 December, 2011. The training was carried out in partnership with the AEB member CBSD. Participants represented such companies as **ALD Automotive, Human Capital Solutions, Mitsubishi Electric Europe B.V. (the Netherlands) Moscow Branch, Media-Saturn-Russia, Chiesi Pharmaceuticals.**

Our training programs in January-February 2012:

- Sales Efficiency, 25-26 January 2012
- Strategic Management, 1-2 February 2012
- Finance** for Non-financial Managers, 9-10 February, 2011
- Time and Stress Management, 16-17 February 2011
- Business Writing in Russian, 20-21 February, 2011
- Professional Interview – the instrument of successful recruitment, 28-29 February 2011

Events Calendar

December 2011

- Health and Pharmaceutical Committee meeting, 20th December, 10:00, AEB Conference Centre

January 2012

- AEB Automobile Manufacturers' Committee Press Conference, 12 January 2012, 12:00 – 15:00 (registration at 11:00)
- AEB Strategy Meeting, 24 January 2012, 08:00 – 12:00 (registration at 7:30), AEB Conference Centre
- AEB Press Reception, 25 January 2012, 19:00 – 22:00 (registration at 18:30)
- Biotechnology WG meeting, 26 January 2012, 10:00, AEB Conference Centre

February 2012

- AEB Breakfast with new members, February 2nd, 2012, 09:00 – 10:30, Hotel Marriott Tverskaya, Hall Seligersky
- AEB Customs Conference, February 9th, 2012, 10 :00 – 17:00 (registration at 09:30), Marriott Aurora, Petrovsky Salon 2 & 3

March 2012

- AEB Board delegation to Brussels, 21-22 March 2012
- Third Northern Dimension Forum, March 29th, 2012, Saint-Petersburg, Hotel Sokos Olympia Garden

April 2012

- AEB Annual General Meeting, April 19th, 2012, 17:00 – 20:00 (registration at 16:15) followed by reception, Swissotel Conference Centre, Grand Ballroom

Regional Activities

AEB North-Western Regional Committee

Third Wednesday of each month	Steering group meetings	St. Petersburg
Monthly	Sub-committee meetings	St.Petersburg

AEB Southern Regional Committee

Forth Thursday of each month	Steering group meetings	
May	AEB Presentation	Rostov-on-Don
June	Summer reception	Krasnodar
June	Round-table	Timoshevsk
October	HR Conference	Krasnodar
November	6-th cross regional forum of the largest SFD and NCFD companies	Krasnodar
December	2-d annual "Corporate social partnership" (CSP) conference	Krasnodar
December	Christmas reception	Krasnodar

AEB Business missions/Presentations

February 2012 (to be confirmed)	AEB presentation	Yekaterinburg
March 2012 (to be confirmed)	AEB presentation	Kaluga
June 2012 (to be confirmed)	Business Mission	Tyumen

NEW AEB MEMBERS

HeidelbergCement*Kesarev Consulting*QOVEO (F)*ECOTEAM LLC*CHR*Orion Pharma LLC*Leroy Merlin
 Vostok*Elopak*Pirelli Tyre Russia*Profile-Euro LLC*THOST Russia Projektmanagement*United Parcel Service (RUS)

We Wish You a Merry Christmas and a Happy New Year!

