

Business in Russia

Best Practices for Foreign Investors



Bitzi Andreas
Director – Partner, SCHNEIDER GROUP SPb
Head of Swiss Desk
Zurich, 29 September 2015



Content

- Introduction/Opportunities
- Forms of Doing Business
 - Distributor, Fast Track
 - Rep office, branch, OOO
 - Joint ventures
- Legislative Issues
- 10 Tips for Business Set-up

Content

- **Introduction/Opportunities**
- Forms of Doing Business
 - Distributor, Fast Track
 - Rep office, branch, OOO
 - Joint ventures
- Legislative Issues
- 10 Tips for Business Set-up

Opportunities

- Critical mass
 - Scientific education
 - Demand from defence industry
 - Access to consumers
- 
- Quality of (higher) education
 - Availability of talents
 - Development information technology
 - Access to venture capital
 - Access electricity
- 
- Labour mobility
 - Production technology/-processes & equipment
 - Independent justice
 - Corruption
 - Effectiveness of administration
 - Protection IP
 - Access to financing
 - Innovation
 - regulations
 - Quality of R&D

Weaknesses are an opportunity!

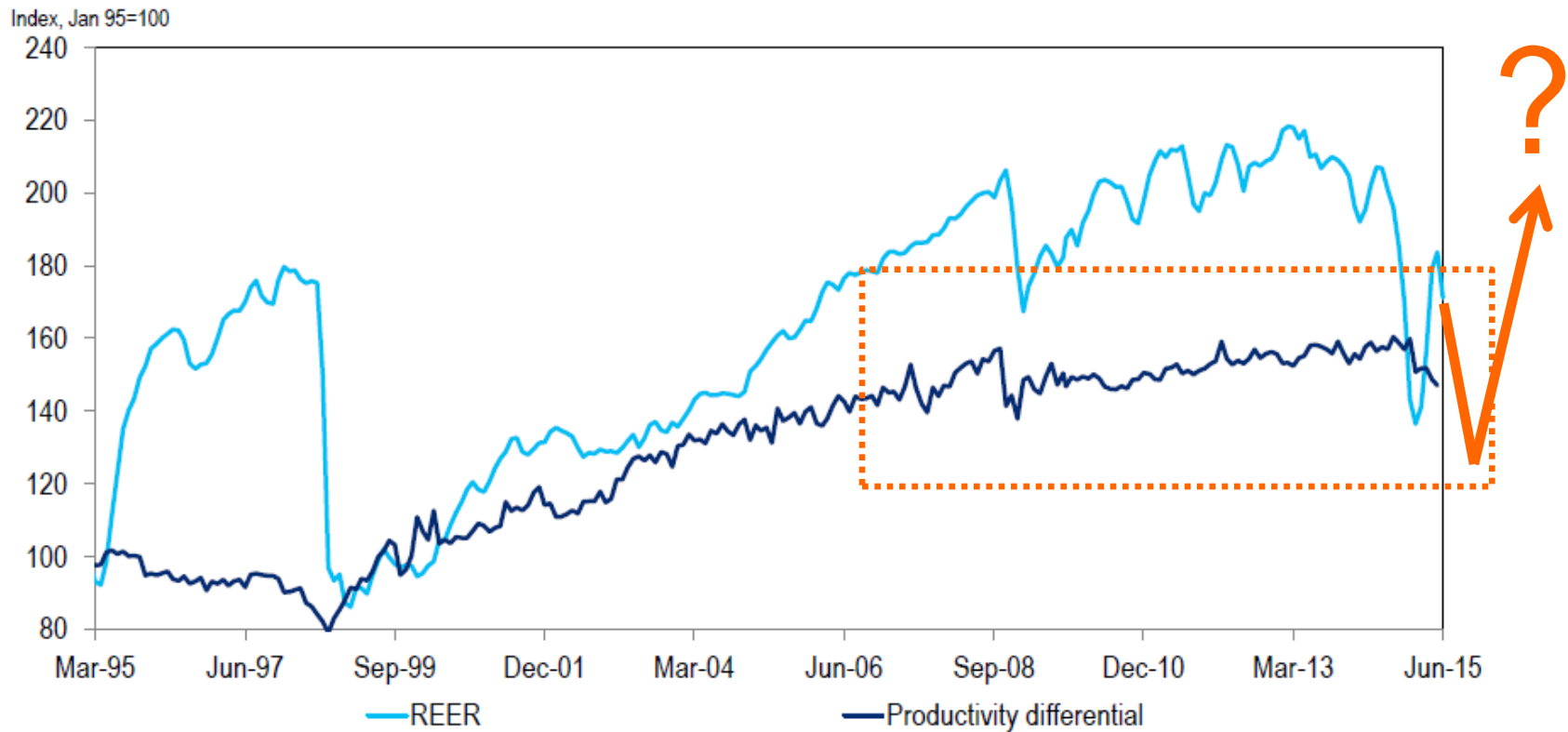
Quelle: Strategy Partners Group, Alexander Idrisov

Opportunities

- The crisis won't last forever; backlog demand
- Local weaknesses as an opportunity: quality, processes, productivity
- Temporarily: cheaper rouble / low labour costs
- Growing Eurasian Union / market
- Enforcement to localise production
 - Government procurement regulations
- Sanctions as an opportunity for Swiss
- Political stability
- Taxes

FX Rates - Addition

*Just a correction of an unhealthy development?
What will the future bring?*



Source: Rosstat, Bloomberg, Citi Research

Content

- Introduction/Opportunities
- **Forms of Doing Business**
 - Distributor
 - Fast Track, Rep office, branch, OOO
 - Joint ventures
- Legislative Issues
- 10 Tips for Business Set-up

Distribution Partner

Knowledge of the
local market

Experience

Access to clients

Distribution network

VS.

Dependence on
partner

Knowledge remains
with DP

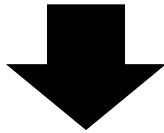
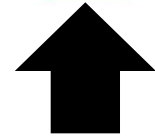
All client contacts
are external

Margin loss

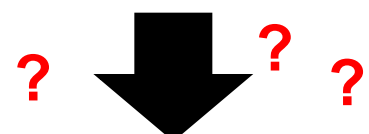
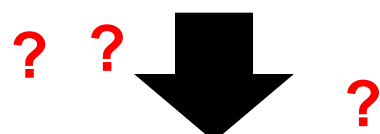
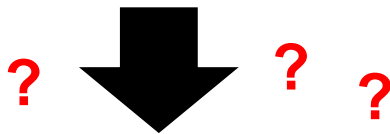
Do I really want that?

Forms of Doing Business

Get into the market, with «probation period»?



« Market Entry Fast Track »



Representative Office

Branch

Subsidiary

Joint Ventures

Why mainly bad experience?

Preconditions:

- Big experience with market & mentality
- Ability to understand the partners
- Clear & open communication
- Strict internal control & processes from the very beginning (+communicate it)
- Willingness to listen, understand, explain
- Take nothing for granted

Content

- Introduction/Opportunities
- Forms of Doing Business
 - Distributor
 - Fast Track, Rep office, branch, OOO
 - Joint ventures
- **Legislative Issues**
- 10 Tips for Business Set-up

Legislative Issues

- Law on personal data
- Localisation laws
- Transfer pricing
- Capitalisation laws
- Double taxation treaties
- CFC rules, de-offshorisation
- Important: not all is as bad as media say
- Currency control
- Migration laws

Content

- Introduction/Opportunities
- Forms of Doing Business
 - Distributor
 - Fast Track, Rep office, branch, OOO
 - Joint ventures
- Legislative Issues
- **10 Tips for Business Set-up**

10 Tips for Business Set-up

- Plan your structure in advance
- Comply with the law
- Have strong internal control systems
- Send your best managers over
- Be patient
- Be open-minded to understand Russia
- Have strong contracts, right legislation
- For production, avoid issues with electricity, gas, and water
- Think of permanent tax establishments
- Make sure your imports are made legally

SCHNEIDER GROUP

- Accounting
- Reporting
- Business Set-up
- Legal, tax,
- Import & certification
- IT, ERP
- GD function
- Office sublease
- Management Support



Chemetall



Sotheby's

outokumpu

LEXMARK



BAIN & COMPANY



Holcim



MAHLE

kapsch >>>
communication leadership





Andreas Bitzi
Director – Partner
SCHNEIDER GROUP
Head of Swiss Desk
BitziA@schneider-group.com

The exclusive right to the content of this presentation including the rights of translation, reproduction, transmittal, distribution and usage of the presentation and parts of it, in any way, as well as the rights to the company's logo and name SCHNEIDER GROUP, in existing and future publications in printed or electronic form, and the ability to confer rights to a third party belong to SCHNEIDER GROUP.

The reproduction, alteration, transmittal or any distribution or usage of this presentation or parts of it, as well as of the company's logo or name SCHNEIDER GROUP in any way, need the written permission of SCHNEIDER GROUP in advance and shall be accompanied with the link to the SCHNEIDER GROUP website and reference to the copyright permission. © SCHNEIDER GROUP www.schneider-group.com

aktau
almaty
astana
berlin
frankfurt
hamburg
kyiv
minsk
moscow
st. petersburg
warsaw



RUSSIA
CONSULTING



UKRAINE
CONSULTING



BELARUS
CONSULTING



KAZAKHSTAN
CONSULTING



GERMANY
CONSULTING



POLAND
CONSULTING

accounting | erp | import | legal | tax

www.schneider-group.com