DOING BUSINESS IN RUSSIA

Roca Group: A Love for Russia Brings Great Rewards

Russian Economy: Is the Worst Over?

Deborah Haines: Business in Russia

Google vs Yandex

Roca Group: A Love for Russia Brings Great Rewards

AECOM: Building Russia’s Future

The Moscow Times
ENCOURAGING INNOVATIONS

After the completion of construction in 2018, Lakhta Centre will become the tallest building in Europe. The design is remarkable for its elegant, geometric solutions and complex site conditions, which require technical solutions to be highly accurate for the structural design. Reinforcement of the low foundation slab required an amount of steel that can be compared to the amount used during the construction of the Eiffel Tower.

St Petersburg’s Lakhta Centre; set to include Europe’s tallest tower.

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Better Times Are Ahead

In these difficult times, it is more important than ever to recognize the achievements of those working on the Russian market and the challenges they face. In this issue, we speak to Deborah Haines, general manager at the Radisson Blu Paradise Resort and Spa Sochi and the district director of Radisson Russia about the peculiarities of working in Russia.

Many international companies chose to leave the Russian market or to cancel expansion plans because of the economic turmoil and political uncertainty. However, many chose to stay and the market can still be a lucrative one, with many success stories. Production costs have become considerably cheaper and manufacturers in the lower price segment in particular have taken advantage of the changed market conditions.

We spoke to Antonio Linares, general director of the Roca Group, a company which has been present on the Russian market for 10 years. He tells us that a love of Russia and a commitment to being here can still bring handsome rewards, as long as the company has a strong and committed team and respects and adapts to the peculiarities of the Russian market.

Olga Bantsekina from Coleman Services believes that a crisis is always a good time to start a business and tells us about the development of the recruitment sector in Russia and how the needs of Russian companies have changed. She encourages foreign investors to take a chance on Russia.

The business climate has undoubtedly become more challenging in the country in the past 18 months and the level of competition across almost all sectors has grown. Foreign companies are facing increasingly restrictive legislation and a ‘localization’ drive.

However, The Moscow Times spoke to a number of experts and explains that, although times are tough now, the crisis has likely already hit the bottom and we will see positive developments in 2016, including modest growth and the increasing stabilization of the ruble.

The crisis has forced all companies to think creatively and seek ways to meet the challenges. Andrei Kuznetsov, chairman of the board of J&T Bank describes the difficulties faced by his bank and the entire banking industry this year, but he remains optimistic about his bank’s prospects and the future of the industry.

The business community in Moscow will get the chance to come together at The Moscow Times Awards on Dec. 2 in the Metropol Hotel and acknowledge those who make a positive contribution to city life and work hard to change Moscow for the better. It is important to recognize the achievement of those who promote Moscow’s image on the world stage and to help members of the international community to succeed in Russia.

The business community in Russia has reasons to be optimistic, as there really does seem to be light at the end of the tunnel. A willingness to adapt and meet the challenges posed by doing business in Russia can ensure that companies remain in Russia, even in these trying times.

Grace Cuddihy
“When It Comes to Business, Everyone Is a Competitor”

The nascent hotel market in Russia has bright prospects, but still poses huge challenges for businesses. These challenges include the country’s strict visa regime. Deborah Haines, general manager at Radisson Blu Paradise Resort and Spa Sochi and district director of Radisson Russia, spoke to The Moscow Times in an interview about the development of the country’s hotel market, the role of strategy and the esoteric “triangle of excellence.”

Prior to moving to Moscow in 2012 to head the Radisson Blu Belorusskaya Hotel, you managed a hotel in the Bulgarian capital, Sofia. In your opinion, what do Bulgaria and Russia have in common when it comes to the hotel market, and what differences are crucial?

The similarities are the processes and structure involved in managing a business. The hotel markets are not comparable due to their different capacities and the capital on the markets. Volumes and negotiations are on different levels in all aspects — rate and value, to name just two. The expectations of clients in Russia are significantly higher than those in Southeast Europe and this is the dominant difference between the two.
Could you say a few words about the building of the Sochi hotel? What was your first impression when you saw it?

Radisson Blu Paradise Resort and Spa evolved through a limited window of nine months, due to a change in the brand which was to be represented here on this site. Many that have seen the exterior of the property will note similarities to the Radisson Blu Congress Center property here in Sochi as the design was similar due to the limited time window. That is where the similarities end, both being individual hotels for the markets that they do business on.

Sochi created an impression on me, as I saw its development over the last four years. When I first arrived in the early hours of the morning, construction could be seen everywhere. The Paradise is quite simply that, and the name change just before opening was the right move. My first impression was one I shared with the general manager at the time, that this was the hotel I would happily leave Moscow for.

How many guests does the Sochi hotel have each month? Do the majority come from abroad, or are visitors mostly Russians? How important is the seasonal factor?

Our occupancy levels change with the seasons, reaching a maximum in August with 1,300 adults and 250 children per day. The main nationality is Russian, with a slight increase this year of overseas visitors due to the favorable state of the ruble for them, but the visa situation continues to keep the number of overseas visitors low. The season began in May 2015 and we closed it on October 15, but we experienced a positive half term vacation period in November and we will extend many of our services for 2016 — including cartoons for our youngest guests.

What is the level of competition among hotels in Sochi? Does the Radisson Blu Paradise Resort and Spa have any close rivals?

Everyone is a competitor when it comes to business, but the difference with Sochi is that all brands and independents in the city focus on destination development and growth. There are many synergies when it comes to incoming business that we share to open up the destination as a strong product with high levels of service aimed at reducing seasonal gaps.

What do you think of the level of development of the Russian hotel market? What are its weak and strong points?

Development has been significant over the last six years, especially when I look at the growth of Rezidor Hotel Group here in Russia and the CIS, which has been leading development during this period. We have many new developments in the pipeline, with many new and key destinations coming up, with us arriving first in many new regions, continuing a trend we began many years ago. Business development is key in identifying new markets. In comparison to many other countries, Russia is new to hospitality and this can often pose challenges but, at the same time, we see it as an opportunity that we have so much young talent to work with and nurture.

In a previous interview, you mentioned a “triangle of excellence,” which consists of staff, guests and the person who runs the hotel. What component, or any other piece of the puzzle, was the most difficult when you started working in Moscow and then Sochi?

Partnership was the most challenging and that impacts all elements of the triangle. Partnership is what drives the business, through engagement, trust and communication and, as a leader, this is a key function when entering a new destination. Compromise is also necessary to reach goals. All three elements are needed for success.

How many guests does the Sochi hotel have each month? Do the majority come from abroad, or are visitors mostly Russians? How important is the seasonal factor?

After living in Russia for several years, have you identified any peculiar features of the Russian soul? Do you still find anything a bit bizarre?

Two things that remain with me are that you must allow time for everything and try to be patient. As with many countries, there are elements of difference, but that would be the same if you went to my home country. I am the visitor and it is for me to respect the country where I work, to embrace new things and learn at the same time.

How would you describe the Russian approach to doing business?

It is diverse when it comes to structure and compromise.

In your opinion, what is the key factor for running a hotel successfully in Russia?

Short and long term strategy with transparent and open communication, allowing time for explaining any changes.

How do you think the hotel industry in Russia will evolve in the coming years? What will the main challenges be?

It will continue to grow in the key cities, and will become known for higher levels of service, which at the moment remains a key challenge. As more business remains in Russia, the opportunity to develop and nurture local talent through growing business levels will be key. The main challenge remains the visa process. When foreigners visit us and leave after a pleasant and more than satisfactory experience, we think it would be great if our hotels were more accessible to them.
There’s Light at the End of the Tunnel for Russia’s Economy

Since early last year, Russia’s economy has been hit by Western sanctions and slumping oil prices. The economy has contracted and the national currency, the rouble, has undergone a sharp devaluation. However, after many difficult months, there might finally be some light at the end of the tunnel.

Oil Prices and Sanctions

“We saw the main impact of the sanctions in the second half of 2014 and earlier this year, when Russia had to start repaying its foreign debt, accumulated earlier, more actively,” said Oleg Kuzmin, vice president at Renaissance Capital investment bank.

“That was one of the reasons for the rouble’s sharp devaluation and the recession this year, although the decline in oil prices has had a more significant impact,” he added.

The Russian economy, which has been heavily reliant on oil and gas exports, suffered a heavy blow when oil prices fell from over $100 per barrel in mid-2014 to under $50 per barrel in early 2015.

Many sectors of the Russian economy have seen declines in pro-
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duction and sales this year, which has led to cuts in investment in longer-term projects.

“The negative trends were triggered by declining prices of raw materials and the ruble’s sharp devaluation, rather than the sanctions as such,” said Pyotr Dashkevich, an analyst at UFS IC.

“But it wouldn’t be correct to say that the ruble devaluation is not at all linked to the sanctions, and, particularly, to the inability of companies to refinance their hard currency-denominated liabilities in foreign capital markets.”

“The sanctions led to a situation where Russian companies and banks were unable to completely refinance their foreign debt and they are now cutting their debt burden,” agreed Anton Struchenevsky, a senior economist at Sberbank CIB.

He added that, until September 2014, when oil prices were over $100 a barrel and the sanctions had already been in place a few months, their impact on the Russian economy was very insignificant.

“As the 2009 [economic downturn] showed, when oil prices are low, Russia has problems attracting foreign capital, regardless of whether it is under sanctions, like now, or not, as it was six years ago,” Struchenevsky said. “In this sense, short-term ramifications of the sanctions are rather insignificant. But in the mid-term perspective, stable growth in portfolio and direct investment is unlikely. Russia, most likely, will have to continue to cut its foreign debt and finance economic growth from its own resources.

According to Kuzmin, in the mid-term, the sanctions’ negative effect will subside as the size of Russia’s foreign debt payment decreases and next year it will be half of what it was this year.

“Still, [the impact of the sanctions] will remain considerable, limiting the Russian economy’s pace of growth,” Kuzmin said, adding that cutting foreign debt in today’s conditions is a sign of a weak economy.

INEVITABLE CONTRACTION

The World Bank predicted that the Russian economy would likely shrink by 3.8 percent in 2015. Russia’s Central Bank came up with a similar figure, expecting the economy to contract by 4 percent this year, and shrink again in 2016.

Analysts cite just about the same number, pointing out, though, that in the wake of the 2008 economic downturn, the slump was much more dramatic.

“Overall, the decline in GDP is going to be around 3.5 to 4 percent this year, which is much better than the 7.8 percent decline back in 2009,” Struchenevsky said.

Longer-term prospects don’t exactly look rosy, either. Standard & Poor’s said in October it expected the Russian economy to expand by about 0.4 percent annually between 2015 and 2018, which is a much lower figure that the average 2.4 percent in previous years.

HARDEST BLOW

Industries that relied heavily on foreign capital or markets were hit hardest by the sanctions.

“It is difficult to make conclusions about the defense industry because of its secrecy,” Dashkevich said. “Most likely, it wasn’t originally oriented toward Western capital markets, so a negative impact is unlikely, apart from the interruption of collaboration with Ukraine. In addition, here import substitution and state support are most noticeable.”

The banking industry was also among the casualties, as banks had difficulties borrowing on foreign markets, while their liabilities denominated in foreign currencies became more expensive due to the ruble devaluation.

The Russian Central Bank was forced to dramatically raise its key interest rate a year ago in an effort to stop the decline of the nation’s currency.

By now, however, prospects are not as grim for banks as they looked in early 2015.

“Banks nearly lost access to foreign capital markets, which had a negative impact on the value of their funds, margin and ability to attract capital under market conditions,” said Dashkevich.

According to Dashkevich, that was partly compensated for by programs of government support, but, coupled with tighter regulation of the sector, the situation has noticeably worsened.

“[The banking industry’s] problems can mostly be resolved,” Struchenevsky said. “As the Bank of Russia’s interest rates go down, the situation will improve.”

He added that, in the long term, technology sanctions are set to be more painful.

“Russia’s economic growth was based on foreign technology, and the sanctions are making it more problematic,” he explained.

“In the oil and gas industry, the sanctions primarily hit companies’ plans, as development of tight deposits became either loss-
making due to low oil prices, or impossible due to lack of access to technology," said Dashkevich.

"Industries with high financial leverage, especially a high proportion of hard-currency liabilities, such as construction, transport and tourism, also took a serious blow," he added.

FOREIGN COMPANIES’ EXODUS

By early 2015, the economic turmoil in Russia reached the point of many foreign investors running for the exit.

Some companies, like General Motors, left the Russian market, while others postponed or cancelled their plans to enter Russia.

"Certainly, the decline in oil prices and the need to repay foreign debt have led to a substantial fall in domestic demand," Struchenevsky said. "This has made foreign companies reconsider their policies toward Russia."

"After a substantial decline — by 8 to 9 percent — in domestic consumer demand, we expect a rather weak recovery of internal consumer demand (under 1 percent) and investment demand (just over 2 percent), which may also prompt foreign business to leave Russia," said Kuzmin.

"However, wages in Russia’s processing industry are now estimated to be lower than in China, in dollar terms, which creates new opportunities for foreign business," he said.

"We are seeing serious declines in many sectors, particularly in the automotive industry," said Dashkevich. "Companies that have been unable to ensure profitable operation in new conditions are exiting the market, while others are trying to step up localization and cut costs."

As the Russian economy continues to adapt to new conditions, examples of foreign companies canceling plans to enter the Russian market or pulling out of Russia will continue, said Kuzmin.

RARE EXAMPLES

However, the financial crisis in Russia has a positive side to it for some foreign companies. As the ruble took a plunge against the U.S. dollar and euro, production costs in Russia became considerably cheaper, and some companies are now looking at ways to capitalize on that by manufacturing products in Russia to be exported to other countries.

Manufacturers working in the lower price segment, such as Chinese automotive companies, have become interested in entering the Russian market as consumers have been shifting to the lower price segment, and sales in that segment are on the rise, said Dashkevich.

Several major companies, mostly in the automotive sector, announced plans for stepping up their presence in Russia this year.

China’s Fuyao Glass Industry Group recently built an automotive glass plant in Kaluga and said it is planning to export about two-thirds of its output.

Volkswagen reportedly plans to build a third plant in Russia to make chassis for cars produced for the local market, while there are also plans to export some of locally made car engines to Europe.

The Finnish tire manufacturer Nokian Tyres said it increased investment in its plant in the Leningrad region to 100 million euros this year, with the same figure slated for 2016 with a view to increasing exports to other countries.

IMPORT SUBSTITUTION

In the summer of 2014, Moscow responded to Western sanctions by banning many food imports from Europe and the United States.

Simultaneously, the government has been promoting an "import substitution" policy aimed at boosting production and consumption of locally produced foods and other items, which have become less pricey than imported goods.
According to Struchenevsky, the policy of import substitution has been most successful in the consumer goods sector.

“The ruble devaluation and ban on import [of food from a number of countries] helped the local food and agricultural sectors, the petrochemical industry, and it improved the exporters’ situation not just in oil and gas, but also in metals, fertilizers and wood processing,” he said.

“In retail turnover, the share of imported goods declined from 45 percent to 35 percent,” agreed Kuzmin, warning, though, that stepping up import substitution any further won’t be easy.

“It will require cheaper credit and the rebound of domestic demand, which will also take time,” he explained.

“If the government can maintain conditions that are beneficial for domestic manufacturers, the situation might improve in the long run,” agreed Dashkevich. “A complete import substitution in agriculture and the meat and dairy industries is impossible to achieve in one year. Probably, in three to five years, Russian producers will be able to strengthen their positions considerably.

“Most of products that used to be exported from Ukraine, including components for the defense industry, pipes and come food items, were substituted relatively effectively,” added Dashkevich.

POSITIVE DEVELOPMENTS

While the Russian economy’s prospects looked grim at the beginning of 2015, the situation stabilized somewhat in the year’s first months and later began to improve.

The ruble, after losing nearly half of its value against the dollar over 2014, partially rebounded, and interest rates came down from their post-sanctions peak and are projected to go down further.

At the same time, exports — boosted by the still weak ruble — were up more than 50 percent year-on-year in the first months of 2015, which, to some degree, compensated for the decline in domestic consumption.

Analysts say that, most likely, the crisis has already hit bottom, and they are pointing to positive developments.

“The main positive development is that, this year, despite the economic downturn, the economy has remained sustainable, which will lead to an overall stabilization next year,” said Kuzmin, adding that, in 2016, small growth can be expected, along with a halved inflation rate, a cut in capital flight to a $60 billion figure, which is “normal” for Russia, and stability of the national currency.

Other experts are even more optimistic.

“The economy has rather successfully adapted to new conditions caused by lower oil prices and problems with refinancing foreign debts,” said Struchenevsky. “What is most important is that there is no longer a feeling of panic.”

“The decline seems to be over,” he went on to say. “Government finances are in order. The exchange rate has stabilized. The inflation rate and interest rates have begun to go down.”

“Apparently, in the eternal contest of fear and greed, the latter is beginning to win,” Struchenevsky concluded. “Business has begun to think about how to make money in the current conditions. I believe that the cheap ruble, alongside relatively high productivity — compared with other developing countries — will allow Russia to move from the import substitution model, which helped to stabilize the economic dynamic, to growth supported by increasing exports.”

The financial crisis has also made companies and private individuals more careful when it comes to spending money.

“State-run companies have finally begun spending in a reasonable way,” said Dashkevich. “Consumers are also becoming more literate, trying to find ways of keeping their consumption standards against the backdrop of declining incomes. Of course, all that is painful, but, in the long run, the economy should benefit from it.”
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SUCCESS ON LEGAL GROUNDS
Roca Group has been working in Russia for 10 years. How much has the market been transformed during this period? Has the company revised its perception of doing business here?
The market has changed a lot. Some of the big players disappeared, new ones popped up. We are revising our perception daily to adjust to the latest challenges. Those who could not understand the new realities went bankrupt. This market changed from being driven by a huge demand with a limited supply in the 1990s and early 2000s into a market with almost every market player present, expecting to find a goldmine here; and finally into a market with strong competition and shrinking demand.

Roca Group built a factory to produce sanitary ware in the city of Tosno, in Leningrad region. Why did the company decide to create its own production facilities immediately after entering a new market?
There were several reasons. When we looked at the real estate sector we understood that the amount of renovation and new construction needed was enormous. We realized that none of the international players were present in Russia and we could set up our factory first. And the high cost of logistics made it worthwhile — transportation and customs were taking a huge share of the ultimate cost of our goods.

How does the factory perform now? What is its productivity?
We have now seven factories in Russia. All of them are performing well, with production mixes of great complexity and they have costs that are among the lowest of all the 78 factories that we have around the world. We produce goods in Russia under several brands, including Roca, Aquaton, Jika, Santek and Santeri, but we also produce for several multinational DIY chains.

What are the main channels of distribution for Roca Group’s products in Russia? Do you sign direct contracts with big retail chains or work via intermediaries?
We as a rule work through wholesalers. Russia is a very vast country and logistics is an issue. We believe that there need to be specialists in every field. We are great at producing, but put all our efforts into making our customers feel confident that the product that they purchase meets the highest standards.
What were the main difficulties that Roca Group encountered when entering the Russian market? What are the main difficulties at present? How do you tackle them?

We first had to convince all major players that we were here to stay. I still remember many of our clients saying with certain skepticism that we were just another foreign producer “studying the ground to eventually do nothing.” We still work with some of them and when we meet we have some laughs remembering those times and those talks. Also, we had to learn and understand how to get things done when it came to local rules and regulations, and also draw lines that we would not cross. That took time and effort, but it proved possible.

There are many who hide their own mistakes by trying to blame Russia, but in Russia, as almost everywhere else, if you make the right decisions and do your homework, things come to a good end. The main difficulties now are mostly associated with a shrinking economy but we have managed to find ways to continue growing. Our team is strong and feels committed; many of them started with us when we were building our first factory and they grew with the company. We also try to live our business as an integral part of our lives, enjoying the privilege of playing a game that can transform the life of our customers. It may sound weird, but can you imagine how it feels being in one of every four bathrooms in Russia? I want to believe that we contribute to bringing comfort and relaxation to the bathrooms of many families.

Did you face many competitors on the Russian market back in 2004? How do you find the competitive environment?

As you would expect, competition has been growing steadily. In Russia you can find products from almost every corner of the world in the shops. And we are fine with that. But we are one of the few that can say with pride that we love Russia. Not just words. And Russian culture is so immensely rich. I believe that the Chekhov International Festival is among the best in the world. I enjoyed two of their shows this year and I recommend that those who still have not seen it try to go in the future.

Yes, we have plans to continue supporting these events. We supported the Tretyakov Gallery as well and we will continue finding projects that share our values and bring joy and fun to the public.

Roca Group collaborates with the Italian fashion house Armani. Would you like to launch any partnership with Russian designers?

We already work closely with them, we participate in some of their projects and we look forward to having them participating in ours. By the way, it was thanks to The Moscow Times that we met Vladimir Pirozhkov, with whom we are working on one of his projects. He is an excellent industrial designer, but most importantly, an excellent person full of ideas and charisma. We have also worked and developed some projects with Yaroslav Rassadin, another very talented Russian industrial designer. And we have close friends among Russian architects and interior designers. We have recently completed a project in the Detaly Interior Design School in Moscow, and we recently finished the International Terminal in the Samara Airport with VOX Architects led by Boris Voskoboinikov, one of our key partners, who has already become a friend.

What disadvantages of the Russian market can you identify?

Many businesses started not long ago and there is certainly a certain lack of experience. The economy is not very diversified and that means that many services are still difficult to get or too expensive. Many companies do not have their professional structure set up with enough efficiency and control. But competition and time will put things in their right place, little by little.

What advantages could you name?

There is still a lot to do, there is energy in the air. The country will surely develop, sometimes at a fast speed, sometimes a bit slower. There are many apartments that still require renovation, and we hope that we will be there to deserve the confidence of all those who decide to make their bathrooms better. I read an analysis recently which said that because of the weak ruble we have now, many would decide not to travel abroad and would instead spend their money in making their homes a better place to spend their holidays. Well, a cozy renovated home might be a wonderful place to spend holidays. When it comes to holidays I am usually so tired of traveling between our seven factories that I often choose to stay at home.

Could you shed light on the history of your partnership with the Bolshoi Theater?

To make a long story short, we are there in the Tsarskaya Lozha (Imperial Box) and on several floors. The details go beyond the limits of this interview, there is not enough time. But we are glad to be there, as we are glad to be part of the Eiffel Tower in Paris and many other iconic places all around the world.

Speaking about culture, it’s worth remembering that Roca Group participated in the organization of the Cinderella ballets in Moscow in June during the Chekhov International Theater Festival. What inspired you to support the Russian cultural heritage? Do you have any plans for similar partnerships in the future?

As I said, we love Russia, it’s not just words. And Russian culture is so immensely rich. I believe that the Chekhov International Festival is among the best in the world. I enjoyed two of their shows this year and I recommend that those who still have not seen it try to go in the future.

We have plans to continue supporting these events. We supported the Tretyakov Gallery as well and we will continue finding projects that share our values and bring joy and fun to the public.

WE ARE ONE OF THE FEW THAT CAN SAY WITH PRIDE THAT WE LOVE RUSSIA. NOT JUST WORDS. WE ARE HERE. WE HAVE INVESTED A LOT HERE. MORE THAN 2,500 PEOPLE WORK WITH US HERE. WE PAY OUR TAXES HERE.
Crisis Slowing Russia’s Internet Market Growth, but Giving Impetus

By Yekaterina Yezhova

It is unlikely that the Russian segment of the Internet, often referred to as the Runet, will escape the ongoing economic crisis and its market growth may halve in 2015, experts say. Officials, however, point to initiatives of companies in fighting difficulties and the high potential of the industry, which is expected to recover by 2018.

The volume of content and services of the Russian Internet stood at 1.094 trillion rubles in 2014, and the market of electronic payments amounted to 476 billion rubles. In total, these sectors of the Internet market accounted for 2.2 percent of the country’s gross domestic product (GDP), the Russian Association for Electronic Communications (RAEC) and the Higher School of Economics said in late October in joint research.

According to the Public Opinion Foundation, the Runet’s audience totaled 77.5 million people aged over 18 years, or 66 percent of the country’s population, including 62 million people who surf the web daily.

“The Runet felt the influence of ‘the general economic crisis’ already in the fourth quarter 2014 — first quarter 2015. According to forecasts of most of experts, the bottom of the crisis will be seen at the end of 2015 or early 2016. The industry will return to pre-crisis growth rates no sooner than at the end of 2017,” RAEC director Sergei Plugotarenko said in a statement.

Experts see the impact of the crisis on certain segments of Runet’s economy.

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Source: RAEC

end of 2015 or early 2016. The industry will return to pre-crisis growth rates no sooner than at the end of 2017,” RAEC director Sergei Plugotarenko said in a statement.

Experts see the impact of the crisis on certain segments of Runet’s economy.
Internet markets in 2014 as rather bad. Views of its influence on individual segments vary insignificantly despite their financial results,” Plugotarenko said.

“When we say that the Runet is feeling the crisis, it means changes in growth rates of markets, not a fall in absolute figures.”

Finam analyst Leonid Delitsyn told the PRIME news agency that the Internet market will not stop growing in rubles in 2015, since web users have become more sophisticated and now make purchases online. Electronic commerce, including tourism, but excluding electronic payments, accounts for 75 percent of the so-called content and services market and serves as a locomotive for the whole Internet.

“If the macroeconomic situation were more stable, we could expect growth of 25–30 percent for ruble-denominated revenue in the upcoming several years. Prospects, however, are not so bright. The main obstacle for growth is a high ratio of imported consumer goods in Russian e-stores with a lack of promise for a rapid rise in consumer incomes,” Delitsyn said.

“I would halve growth rates in 2015 to 10–15 percent. Internet giant Mail.Ru Group reported 8.9 percent growth in January–September as compared to last year. Mail.Ru Group is a diversified company working on several markets and its results mirror the Runet’s health in general.”

The first sign of the crisis was stagnation of the media advertising market, seen in July-September 2014.

Meanwhile, Deputy Communications Minister Alexei Volin said the current turmoil is “a wonderful chance for further progress in the sphere” and the bulk of market participants continued developing and offering new products.

“The industry has not given up and abandoned new targets and ideas, but started doing things that are ultimately important during the crisis. They cut expenses — they reduced salaries, refused new recruitments and curbed perks — and focused on new products. These were correct and necessary actions, which enabled the industry to raise its weight in the whole economy,” Volin said in the RAEC report.

The Runet’s volume stood at 1.1 trillion rubles in 2013, including 750 billion rubles of content and services and 350 billion rubles of electronic payments. The industry grew 36 percent in 2014.

Spheres linked to the replacement of imports and security of personal data also create additional opportunities for the IT industry, as demand for Russian services will only grow. “The Internet starts pushing up other branches of the economy, which we call Internet-dependent ones and their number is growing,” the official said.

The volume of Internet-dependent markets, or markets that one way or another depend on the Internet, amounted to 11.8 trillion rubles in 2014, or 16 percent of the country’s GDP.

The research showed that the digital content market is rising thanks to an emerging trend, widespread mostly among the young, of consumption of legal pay content. The trendsetters here are the U.S. giants Apple and Google, as well as online cinemas, which are becoming more and more popular.
Building Russia’s Future

Raymond Fadel is AECOM regional director for Russia and has worked with developers and architects for over 25 years. We talked to him about AECOM’s recent projects and the construction market in general.

What major projects were completed by AECOM this year? What are the ongoing projects of the company?

Our major project this year is the M11 — the first 43 km of the toll road Moscow to St. Petersburg. It is a public-private partnership project that began five years ago. We finally finished the construction and the commission in October. In November, we started the maintenance period, during which time we must operate and maintain the road.

AECOM is also working on project management at Sheremetyevo Airport involving a new terminal with an annual capacity of 15 million passengers, plus a new transfer link to the existing northern complex.

Another project that we are currently developing is the VTB Arena Park, a sport and commercial complex. VTB Arena Park is a comprehensive development project that includes the construction of a mixed-use sports and leisure complex (VTB Arena and Dynamo Central Stadium), Dynamo Academy of Sports, Arena Park City Block and Dynamo Sports Park. The total project area is about 32 hectares.

The renovated stadium will be unique due to the fact that it will accommodate a soccer stadium and a multifunctional sports arena.
under one roof. Dynamo Sports Society Museum — a leisure and entertainment complex which will provide underground parking — will be located here. The roof will be made of special material, which will allow light to shine through.

Moreover, a large glass wall with inbuilt LED strips that will convert the glass into an enormous video screen at night will also be installed on the roof. The total seating capacity of the soccer stadium will be about 26,000 seats and the seating capacity of the multifunctional arena will be between 11,500 and 14,000, depending on what it is needed for — hockey, basketball or a concert. There will be an enormous screen placed on the west facade facing Leningradsky Prospekt.

We’re also working on several important projects in St. Petersburg: Lotte Plaza, a 300-room hotel; Nevskaya Ratusha business center; and the LIFE-Primorsky and LIFE-Lesnaya residential projects with Pioneer.

How is AECOM involved in the preparation for the 2018 FIFA World Cup?

AECOM is a big professional team that supports Olympic games around the world. AECOM has been involved since Russia was chosen to host the World Cup. I hope that our support and professionalism can be provided in the regions, as well as in Moscow. We’ve been working on the Spartak stadium, a new 43,000-seat stadium. Our architects and engineers worked to ensure that international best practice and regulatory challenges were met. This project was completed a year ago.

I already mentioned our Sheremetyevo Airport project: in 2014, AECOM was appointed to provide construction management services for a major expansion of the airport ahead of the 2018 FIFA World Cup. The expansion will enable passenger numbers to rise to 53 million per year by 2023. Inter-terminal passenger and luggage tunnels under the runways will each be over 2,000 metres long, enabling quick and easy transfer between the north and south terminals.

What regional projects have you taken on? What are the peculiarities of work at the regional level in Russia?

AECOM provides services in different regions. We’re working with major clients in

Yekaterinburg — we developed big projects with the Forum group in particular. AECOM provided the design services and acted as general designer as part of these projects.

In Perm, we assisted a client in developing his facility by providing design services and project management.

We’re also providing service to clients in Ufa, where we are building a poultry facility. AECOM’s role is not limited to design and project management — we can extend our services according client requests.

Kaluga is one of the regions where we have taken part in several projects. We completed more than seven projects there, with Peugeot-Citroen, General Electric, Samsung, Volvo, Lotte, KT&G, etc. It was the first Russian region that we started working in, 18 years ago.

We don’t see any difficulties in working in the regions. All norms and regulations are the same. Of course, Russia is a big country. For example, the seven time zones from Moscow to Vladivostok can make things complicated. The choice of the region depends on the requirements of the region and where the company can develop. The Russian government supports investors in the regions. And the regions are interested in getting investors to improve the level of life for the people who live there.

Could you tell us more about your projects in the Moscow region?

Apart from the aforementioned projects, we’re supporting about 20-30 projects in Moscow, like residential and business centers. We will soon complete our work for the NTV media center. We’re building a retail center on Kuzuzovsky Prospekt, a residential building on Polyanka Ulitsa and in Glukhovo in the Moscow region.

How has the construction and design market changed due to the sanctions and economic situation?

I don’t want to say that business has been affected by the sanctions rather than by the economic situation and oil price. I’d rather say that competition on the market now is very obvious and companies are providing a specific service, service that the client can really see. For example, AECOM now uses Building Information Technology, which will detect all possible problems and minimize risks.

There is some change on the construction market because of the sanctions or economic crisis. The change can be seen in the level of competition and that is good for the level of the services that companies are providing. The sanctions influenced investors who were looking for the support of international banks. But for the local market, where developers and clients are really doing business, it doesn’t make any difference.
INTERVIEW

Just come and work!

A crisis time is always a good moment to start a business, especially if you are a big company, believes Olga Bantsekina, the chief representative for Coleman Services UK and first deputy chair of the board of the Association of European Businesses. She talks about the HR-services most in demand at the moment and investors’ mistakes in doing business in Russia.

How has Russia’s economic slowdown affected Coleman Services and your sector in general?

If starting with the sector, I would say that the major slowdown is in the recruitment field, and that is usual and even “normal” for any crisis. Actually, the recruitment market has totally changed since the previous crisis in 2008. It has not come back and will never come back to the parameters it had had before. At the moment, it’s changing once again and, from my point of view, this very part of the general labor market is the most “narrow,” if I may say so — fewer positions opening, fewer job offers, more candidates on the market, longer unemployment periods, etc.

As to Coleman, we are providing quite a wide spectrum of HR services (apart from recruitment and executive search) — such as temporary staffing, personnel leasing, outstaff-
ing, industrial staffing, outsourcing of different functions, HR consulting, HR auditing. Being that diverse, we are pretty well protected in the crisis and doing well nowadays (rather unexpectedly even to myself, since we’ve been budgeting for the current year at lower levels).

Although I see the difficulties that many of our clients experience in their businesses, HR service is still in demand, which means to me that the market is not dead at least, if not to say it is alive, changing, adapting to difficulties or even growing in certain sectors. Thus, despite the uncertainty connected to the new legislation in the field of secondment/temporary services, we can see many companies opening tenders for flexible labor (increased interest in which is actually logical in any crisis).

You started to talk about the HR services that are the most in demand by business now. Could you tell us any details?

As I have already mentioned, first of all those are services connected to flexible labor and, once again, that’s normal for a crisis. When you can’t plan and are not able to make reliable forecasts, but all of a sudden you realize that you need to produce more for a given period of time, you use temporary personnel in any existing form, as long as you see it necessary for your business needs — you get it quickly and stop it quickly, that’s the privilege for a period of downturn. Unfortunately, we have new legislation (Federal Law 116) coming into force on January 1, 2016, which is going to strictly limit agency labor and prohibit outsourcing and secondment in general. This law is going to ruin the market and make the economic crisis even worse for many companies operating in Russia — both agencies and the industries using their services.

Yet another part of services that is quite in demand now is HR auditing and document flow restoration and keeping, which is connected with tightened labor legislation. Companies are seeking help in compliance specifically before the Labor Inspection’s planned monitoring.

Outsourcing of various functions is also quite popular and growing in view of the obstacles that Federal Law 116 is going to create.

What are the services that are usually outsourced?

In general, such functions as IT, cleaning, reception, and a lot of other back-office functions, like mailroom, payroll, bookkeeping and HR functions — HR document flow, the recruitment process — are all outsourced to a greater or lesser extent. Outsourcing procurement is also becoming more and more popular among our clients.

What are the peculiarities of work on the regional level?

Russia is huge; we all know there are two capitals, and each region has its own peculiarities. Thus, to my mind, it’s hard to talk about the regions in general. The differences are often tremendous. Still, if trying to generalize, they all suffer more from the crisis, and it’s much more difficult there at the moment. Since Coleman is represented in many regions of Russia — from St. Petersburg to Yuzhno-Sakhalinsk — I presume I may judge, at least basing my opinion on our company’s results. Compared to the capitals, the regions are much worse off. Our results are usually the reflection of our clients’ situation on the market.

When I say that regions are different, I don’t mean only the local mentality (and to me it’s obvious that it does differ from one region to another). At the moment, the investment climate in a region is heavily dependent on the head of the administration. When considering an investment project in a Russian region, it is important not only to make correct calculations, but also to communicate well with the local authorities to understand their attitude towards investors. I know many regions that are, at the moment, really very welcoming towards businesses and are doing their best to attract investors and make their life in these regions easier.

Still, there is another issue that is of an extreme importance for any potential investor in a region, which unfortunately pretty often is not taken into due consideration. It is human resources. Russia is still dealing with demographic problems. Along with the problems in our educational system (which are also still there) and combined with the activities of a certain governor, unfortunately, it often seems to be a huge obstacle and an incurable headache for investors. The more attractive a region is (from the investors’ perspective), the less human resources it is usually able to provide.

What advice would you give a foreign company that wants to come to Russia?

Just come and work! Being responsible for the regional activities in the AEB Board, I often communicate with governors and can say that, in the last several years, it has become much easier for businesses to establish proper relationships with local authorities. They do listen, they get in touch, they react, they are more open and eager for further contacts. Many of them are really very friendly towards investors.

Russia is huge and varied, and I believe that any investor can find its own place in the country and its own prospects. Those who are already here do not want to quit. They work and develop here despite everything. Crises come and go, opportunities remain.

I think that the crisis is a good time to come to Russia. When nobody else comes, you can easily find your best option, especially if you are a big investor.
What legal services are currently most in demand among foreign investors?
In recent years, foreign investors have lost interest in entering the Russian market. The inflow of investments into Russia dropped significantly from 2014 to 2015. The current economic and political situation in the country means that carefully balanced decisions must be made in business. However, demand remains high among foreign investors for reliable legal consultants, who are often their guides through the complicated webs of Russian law. The only thing that has changed is the scale of the challenges faced by both.

Services related to the sale and purchase of businesses have seen an increase in demand. Many people now need legal services when purchasing or selling real estate. In addition, a great deal of attention is paid to diligence for sale assets. It is believed that by trying to make an object or business more attractive, contractors sometimes try to hide certain pitfalls. For investors who have been operating in Russia for more than a year, the most popular service is legal support in corporate practice — for debt recovery, protection of interests in court, as well as legal support for M&A transactions.

Now more than ever, a foreign investor in Russia is in need of legal protection and representation. In recent years, the most popular service — in addition to the complex legal support of business — has been legal crisis management, which allows the investor to carry out a number of procedures aimed at improving the individual structural units of the company and/or business in general. This service is a comprehensive legal approach to solving management problems in order to maintain financial and economic activity in the face of pressure on business from environmental and industry restrictions and instability, as well as changes in current legislation.

If we are talking about an investor entering the Russian market — now a rather rare occurrence — the first thing he is interested in is how to build the structure of a business, what risks are involved in a particular industry, the interaction of the company with the local authorities and the mechanisms he can use to protect his interests.
About 80 percent of foreign investment is not focused on the manufacturing sector, because it is a difficult and troublesome process for foreigners, but on financial capital. Most of this money represents short-term loans — up to 6 months — to Russian companies.

The low investment attractiveness of Russia today is quite understandable and logical. Investors who still maintain a presence in Russia are more than ever in need of professional legal support for their business and rely on fast and efficient problem solving.

Tenzor Consulting Group has been the initiator of draft bills in the past. Is it working on anything like that now? What exactly?

In the portfolio of the Tenzor Consulting Group law firm are several drafted bills that have been submitted to the State Duma. They include “On Private Military and Security Companies,” “On Aquatic Planning in the Russian Federation” and “On Single-Industry Municipalities of the Russian Federation (Monotowns).”

The last bill prepared by Tenzor Consulting Group lawyers was “On Amendments to the Federal Law ‘On Arbitration Courts in the Russian Federation.’”

“Affiliates of a permanent arbitration court” is a central concept proposed to supplement the law “On Arbitration Courts in the Russian Federation” prepared by Tenzor Consulting Group lawyers. Restrictions on the participation of affiliates in arbitration proceedings are intended to create an independent system to resolve disputes in arbitration courts and eliminate opportunities for a “legal” solution for certain categories of participants in civil turnover.

The fact is that the cases of creating “pocket” permanent arbitration courts has recently increased, including those attached to public joint-stock companies with a majority participation (directly or indirectly) in the share capital of the Russian Federation, the main activity of which is aimed at addressing national interests in gas, oil, energy and other industries, which has led to an expansion of activities of fictitious arbitration courts according to a well-known scenario.

The innovations proposed in the draft law should improve the work system of arbitration courts, increase their efficiency and eliminate the possibility of abuse by public entities, joint-stock companies with a leading position in certain sectors of the Russian economy, that use arbitration proceedings to get “acceptable decisions.”

What advice would you give to foreign companies entering the Russian market?

First of all, investors need to understand what legal mechanisms regulate a particular industry and what limits exist.

The localization of foreign production in Russia is the most frequent topic of discussion in the business community. There are two main views on this.

On the one hand, companies want to earn money on their investments in Russia and it is now that it is profitable to invest, due to exchange rate fluctuations. On the other hand, companies want to know before making investment decisions how to build a business model and how to predict the repayment of funds, which, when world markets are unstable, is a limiting factor.

What are the features of the registration of real estate in Russia that foreign investors need to know about?

In this regard, the majority of market players have similar questions, such as what legal mechanisms can protect property rights for construction projects.

Investors who invest in commercial real estate want to have guarantees for their rights and to understand clearly what legal tools they may use.

This is a capacious theme, which includes the land and the City Planning Code, economics, finance and law.

Of course, many foreign companies are faced with a hostile takeover attempt when implementing major projects. When the structure of an investor’s ownership is properly established, it is possible to minimize or even eliminate this problem.

What aspect of Russian legislation causes the most difficulty for foreign investors?

The complexity of the Russian legal framework is famous far beyond the borders of our country. It would be fair to say that Russian legislation is an important topic for foreign investors. The World Bank reported that the level of bureaucratization of all important procedures is particularly high in the business sphere in Russia. For example, for a construction project in Russia, it is necessary to collect more than 50 documents, while in Singapore, 11 are needed.

Because of the peculiarities of Russian legislation, foreign companies are faced with many challenges in the formation of the tax base, harmonization of initial permit documentation for capital construction projects, obtaining a construction permit, as well as connection of utilities, including electricity, heat and water supply.

We believe that only a comprehensive legal approach to the implementation of the projects will allow the investor to have the best results in terms of project implementation, as well as the protection of its own financial and property interests.
What has this year been like for J&T Bank? What are the main difficulties you’ve faced and what do you consider the main achievements?

Of course, this year has been difficult due to the behavior of our customers and the overall macroeconomic situation in the country. Still, the bank has been able to keep most of its key indicators and even improve them. Last December, many people were withdrawing their deposits due to the ruble devaluation. But by the first months of this year, the situation had already stabilized. We developed a reasonable policy on interest rates and adjusted our deposit conditions. Starting from the second quarter, we returned to our previous performance level. This year’s main achievement is that we have been able to secure some foreign investment, which came from our shareholder. In these difficult conditions, we have been able to stabilize our capital base and enter new markets.
In addition to the overall economic downturn and the ruble’s weakness against major currencies, this year has also been characterized by increased activity of the industry’s regulator, the Central Bank. What impact has that had on the industry?

One of the challenges has been the tightening of requirements from the regulator. Banks’ licenses are being revoked on an almost weekly basis. And I think that this process will continue for another two or three years. External factors were just a catalyst for problems that the banking system is facing now. Those problems were accumulating for a long time, and sooner or later they had to be dealt with. The Central Bank has now reached a point where it can deal independently with the entire banking system. I think that requirements [of the Central Bank] will become tighter, and sometimes they are excessive, and we feel that. But, in general, this is a movement in the right direction. Two parallel processes are in progress: the consolidation of the banking industry and a purge of the industry. Those banks that survive will come out stronger and more competitive.

At the beginning of 2015, more than 800 banks were operating in Russia. Now that number has decreased somewhat, but what do you think would be the optimum number?

There is a figure that unofficially comes from the Central Bank and people linked to it — 300 banks. That’s a necessary and sufficient number for Russia’s banking system at this stage.

Could you describe the overall situation in Russia’s banking industry at the moment?

The main indicators for the banking industry are profitability and capitalization. This year is likely to bring losses for many banks, I’d say for the majority of them. As often happens, the results of large state-run banks can be corrected thanks to regulatory activities. But what we currently see is substantial losses of retail banks, which will be likely to continue into 2016. While the total capitalization of the banking industry could increase, as many banks have reported hikes in their capital, this year will most likely bring losses for the industry. We expect a good profit, but our example isn’t typical for the industry.

What are the ramifications of sanctions slapped on Russia by the West over Ukraine and Crimea?

The banks are managing. There haven’t been any major defaults. To some extent, this is due to the government’s support of banks that were heavily reliant on foreign credit. Banks such as VTB and Sberbank were among the first to be affected by the sanctions, but they survived the shock. At the moment, I don’t see a serious threat for them unless there are more sanctions or the oil price goes further down.

What bank products are the most and least profitable as the industry adjusts to the new circumstances?

The most profitable products are those in the area of POS (point of sale) crediting. And the least profitable are consumer loans to private individuals. Now, by the fourth quarter, the situation has stabilized somewhat, but it still remains quite problematic. There are just a handful of successful examples (of retail-oriented) banks, and the majority are in a difficult position.

Some experts say that, as the Central Bank cuts the interest rate, the situation in the banking industry will improve. Do you share that opinion?

Just cutting the interest rate wouldn’t be enough. This is just one factor, and I think it will have a positive impact. If the Central Bank can cut the interest rate, keep inflation in check and maintain a relatively stable exchange rate [of the ruble], that will be its major impact on the situation.

As banks adapt to new conditions, are there any new products that they are offering their customers?

The main products remain the same, such as loans, deposits and operations with securities. The change is in the formats in which those services are provided and amounts of money involved. I don’t see any dramatic changes here. The main trends have been formed, and everything is going to develop within those trends, including plastic cards, Internet banking and remote access services.

What can Russian banks expect from 2016?

There will be more hardships. The first half of next year is going to be quite difficult. We are likely to face increased customer caution concerning deposits as they watch the ruble’s exchange rate carefully. As banks adapt to new conditions, are there any new products that they are offering their customers?

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J&T Bank is a partner of The Moscow Times Awards this year. In what way is this partnership important for the bank?

We’re participating in this award for the first time. The format was interesting to us, and we always support events that are in one way or the other aimed at naming the best.
Russia’s Federal Antimonopoly Service in September found Google guilty of violating the law on competition, as it had abused its dominant position on the market for preinstalled applications stored on Android devices. The operating system, owned by Google, occupies about 85 percent of the Russian market for smartphones and tablets in natural terms.

The authority, which initiated the study following a claim by Yandex, ordered the U.S. company to eliminate its violations of the law by December 18, including obligatory installation of a number of its applications along with Google Play, an applications store, and a ban imposed on device makers preinstalling applications by other developers.

Yandex claimed that Google obliges device makers to install the whole Google Mobile Service (GMS) pack by depriving producers of the opportunity to choose which GMS components to install. The Russian giant is also irritated by the fact that Google forces producers who are willing to preinstall Google Play to choose Google as the default search engine and place all its applications on the most advantageous spots on the screen. Yandex also believes that Google limits access to Android for competitive mobile applications and services, making certain Android gadget manufacturers exclusively preinstall applications and services from Google.

There is no wonder that Google decided to litigate. “The Federal Antimonopoly Service ordered Google to distribute Google Play

The Internet search engine market in Russia is turning into a battle between domestic giant Yandex and American behemoth Google. When one attacks, the other steps back momentarily and then resumes the game, loudly crying “en garde.”
separately from such applications as YouTube, Google Maps and Google Photos. We intend to appeal against this decision and explain in court why we find it groundless," the U.S. company’s senior lawyer said in the corporate local blog.

Yandex said that it is ready for Google’s appeal and welcomes an ultimately public hearing of the matter. “Google’s words contradict its actions. The company declares freedom of choice, but in reality, it imposes bans into contracts with producers. Android’s openness is a myth. It’s impossible to produce popular Android devices without Google Play, and one can get Google Play only after agreeing to Google’s conditions. It’s not a freedom; it’s an illusion of choice,” the Russian company said.

Google voiced five reasons to disagree with the local antimonopoly watchdog. The first one is the producer’s choice. “None of the existing manufacturers of devices is obliged to install Google applications in a pack with the Android platform. It’s an open and free platform, and producers can use it as they like,” Google said, exclaiming that “Android is freedom of choice and open competition.”

Yandex argued that most producers make devices embedded with Google Play, as they succumb to the U.S. company’s conditions and cannot negotiate with other firms about preinstallation of the default-page search, or manufacture devices without Google Play.

Google countered that there exist many ways to install applications, including an option for users to download and install applications from third-party websites and stores. Yandex, however, said that Google skirts the fact that preinstallation is the main and most effective channel of carrying mobile services to the user.

The U.S. giant emphasized that the producer can install other competitive applications along with Google Play. “The new Samsung Galaxy S6 is a clear example of openness and a wide choice. The smartphone offers at the same time several preinstalled applications rivaling Google,” the U.S. company said.

“Google silences the ban on preinstallation of a package of Google applications, it’s important for us so that the user would get a fully functional device,” the company said.

Analysts are ambivalent about the case. Investment company Renaissance Capital said that the antitrust service’s decision to penalize Google is “positive for Yandex’s mobile positioning.” Meanwhile, the appeal turned out to be a cloud able to eclipse the sun.

“We believe that the key negative takeaway for Yandex from this news is not the appeal itself, which is likely to delay the implementation of the antimonopoly service’s ruling, but rather Google’s commitment to fight for its market share in Russia, which implies a persistently tight competitive environment for Yandex,” investment company VTB Capital said in a research note. “We believe that, if Google were to appeal the decision, it could be several more months before the antitrust ruling is either confirmed or overturned. While we have not expected any immediate impact on Yandex’s market share on the back of the ruling, we have always seen it as supportive in the medium term.”

Google’s decision to litigate the authority’s decision, whatever the final outcome, implies that the company continues to see Russia as a strategically important market and will fight for its market share.

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Yandex’s chief operating officer Alexander Shulgin told business daily Kommersant in March, shortly after filing the claim to the antimonopoly service against Google, that the position of the Russian company is simple. “As soon as you’ve conquered a monopoly, you cannot use your dominant position in one sphere to promote your products from a completely different sphere. These are antimonopoly rules in all developed counties,” Shulgin said then.

“Producers should be able to install on their devices any combinations of applications that they find necessary. It will make competition healthier.”
Technopolis MOSCOW
Center of gravity for hi-tech industries in Moscow

TECHNOPOLIS MOSCOW is a specialized territory for the development of high technology industries located in close proximity to the city center.

TECHNOPOLIS EXPO
EXHIBITION HALL
5000 m² | S_total
CONGRESS CENTER
2000 m² | S_total

Expo most suitable for innovation, industrial, and specialized exhibitions
The intersection of hi-tech innovation and manufacturing
Industrial loft — following the latest architectural trends
Free parking available

GREENFIELD
AVAILABLE LAND PLOTS
1 Ha | S_total
8 Ha | S_total

BUILDING 5
2-storey modern industrial building
240 000 m² | S_total

BUILDING 24
Currently Building 24 is under renovation. Will be available in 2016
100 000 m² | S_total

CLEANROOMS
BIOTECH
4 blocks (350-400 m² each)
2100 m² | S_total

MICROELECTRONICS
6 blocks (600-650 m² each)
5100 m² | S_total
Making Homes Smarter With MTS

MTS has signed a partnership agreement with Redmond, the producer of household appliances, aimed at developing and promoting services in the field of the “Internet of things” (IoT) to consumers. This unique strategic initiative reinforces the status of MTS as a leading innovator among telecommunications companies.

As part of the agreement, MTS will provide Redmond with smartphones with pre-installed software and embedded telematic SIM cards with a special M2M tariff that enables consumers to control their household utilities online. By promoting “smart home” solutions MTS expects to increase both the number of active data-SIM-cards per household and the number of mobile Internet users, since around 30 percent of smartphone owners do not currently use Internet services.

SIM cards with a special M2M tariff plan will be installed in smartphones that are sold with household devices such as coffee machines, electric kettles, scales, multicookers and irons. The smartphones can be kept in the home and used as routers connecting with the devices via Bluetooth.

Customers are able to monitor the status of these household devices and remotely control their functions via a downloadable app. For example, users can enhance household safety by checking whether an iron has been switched off or preventing children from switching it on. They will also be able to maximize comfort by remotely activating heating systems to ensure the home is warm on arrival.

“‘Smart’ houses have become commonplace in our lives, and our appliances make it affordable and easy to control” said Tatiana Ivanova, Redmond’s director of marketing in Russia.

MTS and Redmond plan to first promote solutions for homes in Moscow and St. Petersburg. By the end of 2015, the partners hope to expand sales to all regions of the country and present some new models of home appliances with remote control like a humidifier, fan, air purifier, intelligent socket, intelligent socket for lamps, power filter and key to search for objects.

Until recently, MTS has primarily worked on IoT with corporate clients. MTS serves around 50 percent of this market by volume of SIM cards.

In H1 2015, the number of MTS SIM cards sold for M2M vehicles increased by 20 percent year-on-year, reaching 3.2 million. During that period, M2M SIM cards generated 18 percent of the total traffic consumed by corporations, twice as much as in H1 2014.

“MTS has become the first operator to focus on developing IoT solutions in the B2C segment in Russia. Today, we are the leader in mobile data revenue growth and in the M2M segment,” said vice president and chief marketing officer of MTS Vasyl Latsanych.
The Moscow Times Awards is here again — the time when we come together to acknowledge those who make a positive contribution to city life and work hard to change Moscow for the better. In these difficult times, it is important to recognize the achievement of those who promote Moscow’s image on the world stage and to help members of the international community to succeed in Russia. We hope you can join us in celebrating the achievements of the members of our community who dedicate themselves to improving this city.

Despite economic sanctions, SCHNEIDER ELECTRIC has not changed plans to invest 700 million euros in Russian electrical equipment. Last year, it completed an agreement with the Russian company Avelar Solar Technology to equip solar power plants.

Volkswagen unveiled a motor plant in the Kaluga region to produce 150,000 engines a year. The project cost is 250 million euros. Engines are assembled from imported components, but before the end of 2015, they will begin to buy from local suppliers.

In 2015, Ford made the decision not to leave Russia, but rather to increase its investment here. It has already invested $1.2 billion to build an assembly plant in Russia, and by the end of this year it plans to open an engine factory worth $300 million.

The president of EkoNiva, German Stefan Duerr, has been engaged in agriculture in Russia for over 25 years. He is the only German who invests in Russian agriculture. Most importantly, EkoNiva has become the largest producer of milk.

Lotte Group announced its intention to invest more than $1 billion in the next three years and become the largest Korean investor in Russia. One of the proposed sites for investment is the Atrium shopping center, which the group intends to acquire for $500 million.
Alexander Borodich is the founder of FutureLabs, which invests in companies in the very earliest stages. Projects in its portfolio: 59. Average check: $25,000–150,000. The portfolio contains projects in the IT sector, from Internet startups to robotics projects.

Vitaly Polekhin is head of the Moscow Skolkovo School of Management investors club. Fields of interest: health informatics, online education, e-commerce, gaming, IT, etc. Projects in his portfolio: at least 25. Average check: undisclosed.

Julian Zegelman is one of the best known Russian angels. Often provides not only cash, but also legal services and assistance in in exchange for a stake in the company. Projects in his portfolio: at least 26. Average check: $20,000–50,000.

Konstantin Siniushin’s focus: communications technology, interior design, scoring on the basis of information from social networks, content services and marketing analytics tools, offline retail. Projects in his portfolio: at least 21. Average check: $250,000.

Igor Shoifot plans to work most actively with e-commerce, gamification for business, crowdsourcing technology and platform solutions, as well as startups at the intersection of online and offline. Projects in his portfolio: 18. Average check: $50,000.

Igor Ryabenkiy’s particular interest, where he has a few exciting projects. His comfort range for investment is $150,000–200,000. Projects in portfolio: more than 60.

Education and medicine are IGOR RYABENKIY’s particular interest, where he has a few exciting projects. His comfort range for investment is $150,000–200,000. Projects in portfolio: more than 60.

1C specializes in the development, distribution, publishing and support of computer software for business and home use. The Russian company made four deals as a strategic venture investor in 2015.

Yandex is a Russian Internet company that owns a search engine and web portal. The company made two deals as a strategic investor in 2015 (Rostaxi and AddFox).

QIWI is a payment service in Russia and the CIS. It owns an integrated payment network that allows users to make payments by physical means, on the Internet and through mobile channels. The company made three deals in 2015 (Box2Box, Contact and Rapida).

Rambler & Co is a Russian group of companies operating in media, technology and e-commerce. Its audience is more than 40 million people per month, and it made two deals as a strategic investor in 2015 (RCO and AgentOn).
Russian Business Week took place for the eighth time. Representatives of business and government discussed the financial and tax systems, the investment climate, removal of administrative barriers, the labor market and social investments.

The motto of the Business Russia Forum this year is “Proactive Movement.” Business Ombudsman Boris Titov presented the report “Portrait of Russian Business in Figures,” which contained more than 200 initiatives to improve the business environment in Russia.

During the plenary sessions of the International Academic Conference on Economic and Social Development (organized by The Higher School of Economics) possible scenarios for the development of the Russian and global economies were discussed.

The National Oil and Gas Forum is the first federal-level event jointly organized by the Russian Energy Ministry and business associations. The forum determines the decision-making strategy in the current geopolitical situation.

Business France, the state agency for trade and investment, launched French Tech, a joint project with the Skolkovo fund and hosted a large-scale Day of Innovation at Skolkovo. The agency has also organized study tours to the regions for French farmers.

Argentina was one of the first food exporter countries to fill the Russian market with its products after the imposition of the trade embargo. In the first half of 2015, that growth continued, and the import of Argentine beef rose to 2,500 tonnes.

Indian investments are estimated at about $7 billion. It exports pharmaceutical products, hardware, clothing, tea, coffee and tobacco and purchases military hardware, nuclear power equipment, fertilizers, power engineering products, steel and diamonds.

Singapore celebrated the 50th anniversary of its independence in 2015. It actively publicized tourism and business opportunities and also supports the Changi group project to modernize the airports in the Krasnodar territory.

SWITZERLAND was the only European country not to join the Western sectorial sanctions against Russia and continued to supply Russia cheese, dairy and meat products. In addition, it has continued the large-scale cultural project “Made in Switzerland.”
**WINNERS**

**BEST BUSINESS CENTER**

- **Nagatino i-Land** is the second-largest town planning office project and the first banking cluster. It is located on the former grounds of ZIL. The concept for development envisages the construction of housing, social facilities and recreational space.

- **Dominion Tower** is the first facility in Moscow designed by the award-winning Zaha Hadid, the winner of the Pritzker Architecture Prize. It is built in avant-garde style that changes the traditional conception of space and architectural geometry.

- **Technopolis** occupies a total area of 30 hectares. There is a modern logistics center with rooms designed for companies working in microelectronics and biotechnology. A modern convention center can accommodate up to 600 people.

- **Evolution Tower** was built in the Moscow City business area on Krasnopresnenskaya Embankment. It is the tallest tower in the world made of cold-glazing, measuring 255 meters in height. From the panoramic viewing platforms you can see almost all of Moscow.

**HUMANITARIAN OF THE YEAR**

- **Svetlana Gannushkina** is the chairman of the Civil Assistance committee and a board member and director of the Migration and Rights network of the Memorial human rights organization.

- **Nyuta Federmesser** is a Russian public figure, the founder of the Vera charitable foundation for the support of hospices and a board member of nongovernmental organizations to protect the rights of patients under the Department of Health in Moscow.

- **Elena Alshanskaya** is president of Volunteers to Help Orphans, a charity foundation for children without parental care. Members contribute to the eradication of child abandonment and ensure children’s basic rights to life within a family.

- **Natalia Vodianova** founded Naked Hearts. The foundation is engaged in the Every Child Deserves a Family program aimed at breaking of the current Russian tradition of abandoning children with disabilities.

- **Natalia Rostova** is a graduate of the Faculty of Journalism and senior correspondent at Slon.ru. She highlights problems in the media and launches projects focused on freedom of expression.

- **Polina Gershberg** is a handicapped person and cancer patient in remission who is one of the most active fighters against illegal construction in Friendship Park in North Tushino.

**BOLSHEVIK** is located on the site of a confectionery factory of the same name. The complex will be transformed into a modern cultural and business center housing a business center, museum of Impressionism, cafes, restaurants and shops.

**SERGEI PARKHOMENKO** is the initiator of the Last Address project, which aims to perpetuate the memory of compatriots who were victims of repressions and state tyranny in the Soviet era. He based it on the European Stumbling Block project.
The 12th CHEKHOV THEATER FESTIVAL opened with Parisian troupe Des Bouffes Du Nord’s production of Le Bourgeois Gentilhomme by Moliere. It packed the house four nights in a row. It ended with a farewell performance by French ballerina Sylvie Guillem.

DIANA VISHNEVA is a Russian ballet dancer, prima of the Mariinsky Theatre and holder of two Golden Mask awards. In May 2015, Vishneva celebrated the 20th anniversary of her artistic career in a gala concert at the Bolshoi and the Mariinsky Theaters.

Vladimir Urin is a theatre critic, director, teacher, professor, and general director of the Bolshoi Theater since July 9, 2013. In its new season, the theater is planning nine premieres — six operas and three ballets. Most of them will be debuts.

In 2015, film director Alexander Sokurov won the prize for Best European Film from the Federation of Film Critics of Europe and the Mediterranean Fedora competition at the 72nd International Venice Film Festival for the film La Francophonie.

Thanks to the efforts of Gorky Park’s former head Olga Zakharova, it became the most popular holiday destination by number of Instagram geotags, overtaking the Louvre and Red Square. In four years, the park’s revenues increased nearly fivefold.

Elena Gremina is a writer, director and playwright of “new drama.” Gremina — co-founder and director of Theatre.doc, operating since 2002 — is one of the leaders of “documentary theater.”

Yevgeny Mironov has been working as director of the State Theater of Nations since 2006. One of the central events of the upcoming season is the staging of Chekhov’s Ivanov. Mironov is also launching a new regional project: the Theater of Nations FEST.

The main achievement of the 15th Tchaikovsky Competition was the beautifully orchestrated webcasts on medici.tv. More than 10 million people around the world watched it. But the main sensation was audience favorite French pianist Lucas Debargue.

The second annual modern art fair took the place of Art-Moscow. Cosmoscow relies on young artists, and also organizes non-profit programs and a charity auction to benefit Natalia Vodianova’s Naked Heart philanthropic fund.

The theme of this year’s sixth Lexus Hybrid Art exhibition, held in the Rossiya Cinema, was “Creating Senses.” The dark auditorium was turned into a mysterious amusement park in the spirit of David Lynch.

The Archive-M exhibition of the collages, video, diaries, posters and costumes of the most prominent Russian artists of the 1990s occupied the premises of the Moscow Museum of Modern Art. It allowed critics and public to rethink the legacy of Mamyshev-Monroe.

For the first time in many decades, the Books of Russia Festival returned to Red Square. In late June, the square was filled with stands from leading publishers of literary fiction, non-fiction and children’s books.
In 2015, the renovated Stanislavsky Electrotheater opened with a production of The Bacchae by Greek director Theodoros Terzopoulos. In the foyer are exhibitions, performances, lectures on art, showings of films, dance master classes and a bookshop.

Moskvarium has a total area of 12,000 sq. m. There are 8,000 marine and freshwater species from all over the world — from Lake Baikal to the Galapagos, Icelandic fjords to the Great Barrier Reef, Greenland and to Kamchatka — living in it.

ZIL House of Culture is one of the biggest in Moscow, built in the 1930s in the Constructivist style. Its most notable events: the opera of Handel’s Messiah by the Questa Musica, ballets by George Balanchine and festival of Japanese Butoh dance theater.

The Tretyakovsky Gallery made admission to its exhibitions free on Wednesdays. This year, a mobile app was also created and a grand jubilee exhibition of Valentin Serov was mounted.

In 2015, Museon Park held several unusual outdoor festivals. The most notable: Fields Music Festival, the Island of the ‘90s Festival, a poetry marathon; 1990s fashion shows and the best Russian films and a concert by rock group Auktsyon.

For the close of the temporary building and opening of the new GARAGE, an exhibition of world contemporary art stars Katharina Grosse and Yayoi Kusama was mounted. After that, it brought in a retrospective of sculptor Louise Bourgeois.

Transformations at DANILOVSKY MARKET began in 2011. Maxim Popov was appointed to the post of market director, while he was working for the Ginza Project and, in four years, he transformed a Soviet collective farm market to a cult place.

Triumphal Square opened in September after reconstruction. Architects from Buromoscow closed the area to automobiles, paved it with granite tiles, and made the space completely pedestrian. The renovated square conveys the feeling of youth and romance.

The number of international parcels and small packets processed by Russian Post in the first half of 2015 increased by 50 percent, the average delivery time for foreign shipments is 7–10 days in Central Russia and 15–20 days in the rest of the country.

The Moscow land transportation operator introduced 11 night routes this year for the first time. In 2015, Mosgortrans also initiated a project to equip municipal ground transport with wireless access points to the Internet free of charge.

The Moscow Department of Culture opened four Swimming Pools in city parks in the summer of 2015 and completely renovated 15 recreational areas near water in parks, out of 38 operating during the summer.

MTS WowMoscow is a project for young people with an online component, which includes a useful educational and entertainment content — and an active part. Among the activities: master classes, free buses, free Wi-Fi, public space improvement.
Ruben Vardanian is a Russian-Armenian entrepreneur, who has founded a United World College for teens — UWC Dilijan College and launched the 100 Lives project, which was dedicated to the 100th anniversary of the Armenian Genocide.

Yury Milner is one of the richest businessmen in Russia. He is known for his support of the sciences. In 2015, he announced the creation of Breakthrough Initiatives, a program to search for extraterrestrial life, in which he plans to invest $100 million.

Sergei Kapkov became the head of the Moscow Department of Culture in 2011, and left in 2015. In the time Kapkov occupied that office, he managed to popularize city cultural institutions and parks, especially among young people.

Since August 2015, LEONID SLUTSKY has been the head coach of the Russian national team. In taking on this ambitious challenge, he will coach about 30 games as the head of the Russian national team and CSKA by the end of the year.
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