



# Public Affairs In Russia

Engaging Stakeholders in the Current Investment Climate

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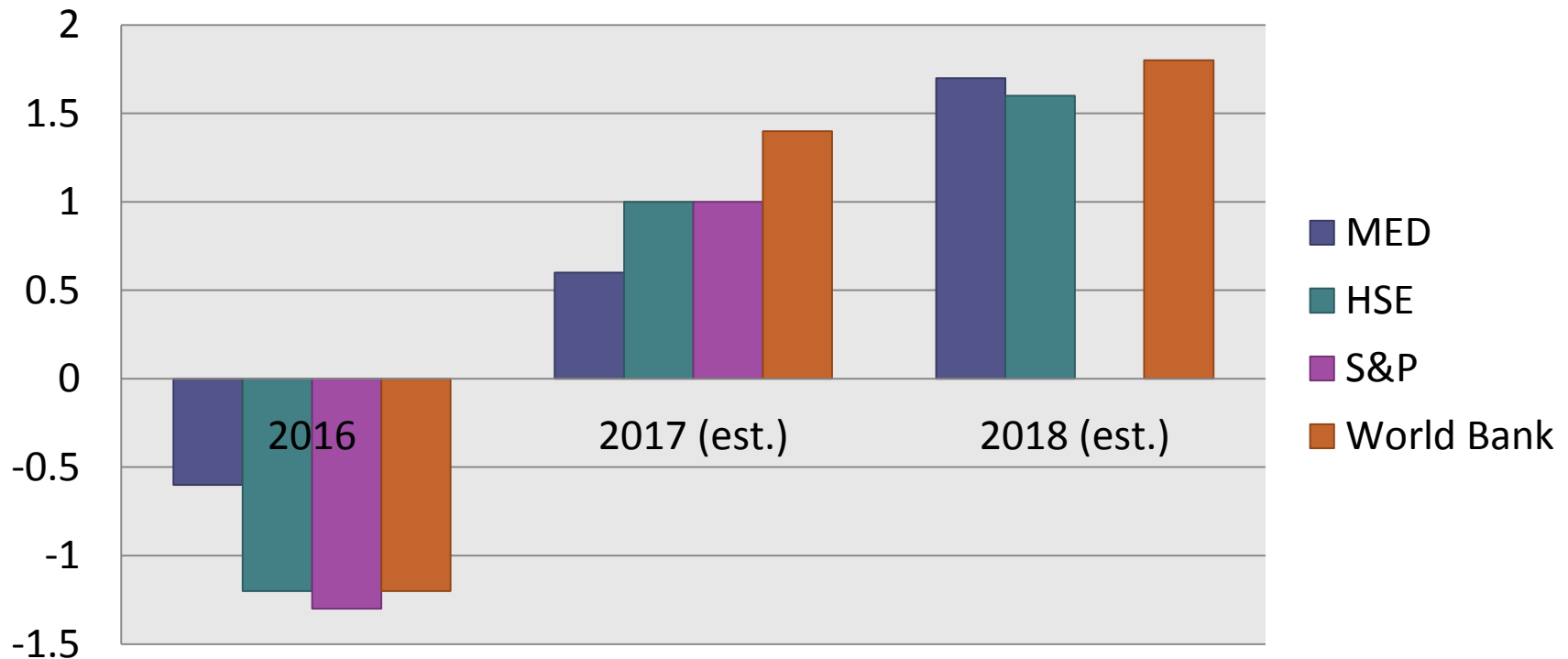
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## **Public Affairs in Russia: Engaging Stakeholders in the Current Investment Climate**

- Economic Overview
- The Regulatory Environment / Sanctions
- What are Investors Saying? What are Investors Doing?
- Best Practices for GR/Corporate Affairs in Russia

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**Economic Overview :  
GDP Estimates From Russian and International Sources  
2016, 2017 and 2018**



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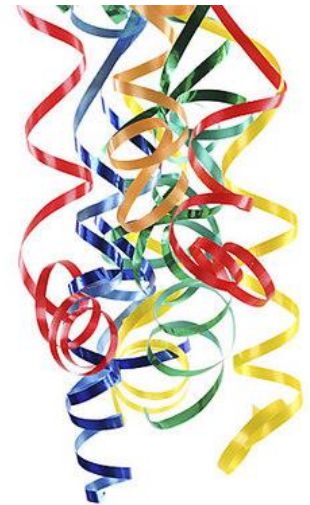
### Economic Overview - 2016

■ Industrial Production	+0.1% (Jan– Aug '16) ROSSTAT
■ Unemployment	5.2% ROSSTAT
■ Inflation	6.4% ROSSTAT
■ Consumer Confidence	<b>(-17%)</b> SBERBANK CIB
■ Real Disposable Income	<b>(-7%) YOY</b> ROSSTAT
■ Fixed Capital Investment	<b>(-3%)</b> ROSSTAT
• National Welfare Fund	\$72 billion RF MINFIN
• Reserve Fund	\$32 billion RF MINFIN
■ Corporate External Debt	\$477 billion CBR
• Foreign Exchange Reserves	\$398 billion (+8% YOY) CBR
• PMI for Manufacturing and Services	Mfg: 50.8 /Services 53.5 IHS MARKIT
• Capital Flight	\$9.9 billion (Jan-Aug '16) CBR

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### **FUN** Facts about Russia!

- World's 7<sup>th</sup> Largest Economy (PPP basis) IMF World Bank
- World's 14<sup>th</sup> Most Innovative Country Bloomberg Innovation Index (
- Top 10 for annual R&D expenditures in science
- World's 7<sup>th</sup> largest labor force World Bank
- World's 3<sup>rd</sup> longest railway network International Union of Railways
- #1 in Europe Russian Association of Electronic Communications
  - Internet usage (86 million)
  - Broadband access (33 million)
- Top 20 for per capita chocolate consumption Confectionary News



## **Regulatory Environment / Sanctions**

### **Russia's Investment Environment**

- World Bank Ratings
- State's Role in the Economy
  - Chief Interlocutor
  - The Power Vertical
  - Government Procurement
- Sanctions
- National Security Priorities
- Import Substitution
- Seeking out Foreign Investment / Special Investment Contracts
- Eurasian Economic Union

## **What Are Investors Saying?**

“We continue to see long-term development opportunities in Russia, including in sourcing from Russian manufacturers for our global businesses. Today, we are also pleased to be strengthening our partnerships with Rosneft and Transmashholding. This is a great example of GE working with leading Russian companies to tackle some of the region’s most technically intensive projects.”

**- Jeffrey Immelt, Chairman and CEO, GE; *February 14, 2016***

Our strategy in Russia is to focus on investments in local manufacturing and developing and retaining local talents— The launch of [our] new plant will strengthen our market position.”

**- Jean-Christophe Flatin, Mars Global Chocolate President; *July 8, 2015***

## **What Are Investors Doing?**

- ✓ **In automotive sector, Ford opened new engine plant in Tatarstan (March 2015)**
- ✓ **In aviation, Boeing opened state of art training and research center in Skolkovo (June 2016)**
- ✓ **In FMCG, Mars expanded confections plant nearly 20% to bring M&M Peanuts to Russia**
- ✓ **In oil and gas and rail, GE announced a plan to source \$1billion in products from Russian companies by 2020 (February 2016)**
- ✓ **In pharma, Pfizer new JV with Nova Medica**



## **Top Ten Tips for GR/PR in Russia**

1. Stay Informed – Use Consultants and Trade Associations
2. What's in it for Russia?
3. Safety in Numbers
4. Understand the Government (Official's) Agenda
5. Present a United Front on the GR/Corporate Strategy / Know Your Brief
6. Build Trust – Build Relationships
7. Understand the “Reverse Lens “ of the Power Vertical
8. All Comments are Global
9. Deal with Crisis Situations Appropriately
10. Get to Know the Eurasian Economic Union