



Enterprise Europe Network - Russia
Gate2Rubin Consortium
Regional Center - St. Petersburg



Doing business in **St. Petersburg**

Guide for exporters, investors and start-ups



St. Petersburg Government
Committee for Entrepreneurship
and Consumer Market Development



Doing business in St. Petersburg

Guide for exporters, investors and start-ups

The current publication was developed by and under supervision of Enterprise Europe Network - Russia, Gate2Rubin Consortium, Regional Center - St. Petersburg operated by St. Petersburg Foundation for SME Development with the assistance of the relevant legal, human resources, certification, research and real estate firms.

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Doing business in St. Petersburg. – Spb.: Politekhniko-servis, 2014. – 167 p.
ISBN 978-5-906555-22-9

Online version available at www.doingbusiness.ru.

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Welcome to St. Petersburg



I would like to welcome you to St. Petersburg, one of the most populated and largest cities in Europe as well as a major European economic, transport, academic, cultural and tourism center. St. Petersburg is one of the most attractive Russian cities in terms of economic activity. According to the World Bank's Doing Business in Russia 2012 report which analyzes four areas of business regulation across 30 Russian cities, St. Petersburg ranks 1st on the ease of starting a business, 9th on the ease of dealing with construction permits, 24th on the ease of getting electricity and 27th on the ease of registering property.

St. Petersburg is an attractive location for business and trade which has an established and effectively operating system aimed at supporting different sectors of economy and businesses. The Program for small and medium business development in St. Petersburg for 2012-2015 is aimed at supporting and solving the issues of business development.

This publication was developed by Enterprise Europe Network (EEN) - St. Petersburg in collaboration with professional legal, human resources and real estate firms with the aim of providing start-ups, potential exporters and investors with relevant information on starting and running business in St. Petersburg. I encourage you to take a look at the current state of St. Petersburg and learn about business opportunities and development potential offered by our city.

St. Petersburg welcomes you and is ready for cooperation!

Elgiz Kachaev

Chair - Committee for Entrepreneurship and Consumer Market Development
Government of St. Petersburg



Today, St. Petersburg is a growing economy with a thriving private sector and attractive business environment. Favorable economic and geographical location, developed infrastructure, extensive scientific, research and educational potential, highly skilled workforce as well as broad market and competitive operating costs facilitate the development of efficient, safe and stable business. During the recent years many international companies, including Sitronics, HP-Foxconn, Novartis, AstraZeneca, MAN and many others, implemented investment projects in St. Petersburg. All of them considered the city an ideal location for their business needs, whether it is an R&D center, test market, production center or distribution hub.

The EEN branch in St. Petersburg focuses on providing business support to Russian and foreign companies to foster SME cooperation and internationalization. We encourage you to visit our web portal "Doing business in St. Petersburg" (www.doingbusiness.ru) which contains information on advantages, key business issues and clusters as well as a database of cooperation profiles and export products from St. Petersburg.

We welcome you to St. Petersburg and will be glad to see you among our partners and clients!

Maxim Balanov

Executive director - St. Petersburg Foundation for SME Development
Regional coordinator - Enterprise Europe Network - Russia, Gate2Rubin Consortium, Regional Center - St. Petersburg

1. The city

1.1. Geography



Coordinates:	Latitude: 59° 57' North Longitude: 30° 19' East
Area:	1,439 sq.km.
Climate:	Maritime, with warm damp summers and moderately cold long winters
Average temperature:	July: + 25 C January: - 2 C
Time:	MSK (UTC+4)
Dialing codes:	<ul style="list-style-type: none">• International country code: + 7 (Russia)• Area code: 812


1.2. Public holidays and business hours

Official holidays:	<ul style="list-style-type: none"> • January 1-5 - New Year holidays • January 7 – Russian Orthodox Christmas • February 23 - Armed Forces Day • March 8 - Women’s Day • May 1 - International Labor Day • May 9 - Victory Day • June 12 - Day of Russia • November 4 - National Unity Day
Business hours:	<ul style="list-style-type: none"> • Offices: Mondays through Fridays - 9.00-18.00 (9 a.m. till 6 p.m.), lunch break – 13.00-14.00 (1 p.m. till 2 p.m.) • Banks: Mondays through Fridays - 9.00-18.00 (9 a.m. till 6 p.m.) • Stores: Mondays through Saturdays - 10.00-19.00 (10 a.m. till 7 p.m.), most stores are also open on Sundays • Restaurants: Mondays through Sundays – 12.00-23.00 (12 p.m. till 11 p.m.), many restaurants and cafes are open 24 hours

1.3. Population

Population (01.2014):	5,131,900 people		
Economically active population (2013):	2,848,900 people		
Unemployment rate (08.2014):	1.5% of economically active population		
Population density (2014):	3,566.3 per sq. km.		
Gender ratio (01.2014):	<ul style="list-style-type: none"> • Male: 45.1% • Female: 54.9% 		
Population age composition: (2010):	Male and female (0-15)	Male (16-59); Female (16-54)	Male (60 and above); female (55 and above)
	12.9%	61.6%	25.5%
Median age (2013):	41.35 years		
Birth rate (per 1,000 people, 2014):	12.4		
Death rate (per 1,000 people, 2014):	12.0		
Official language:	Russian		

1.4. Political system

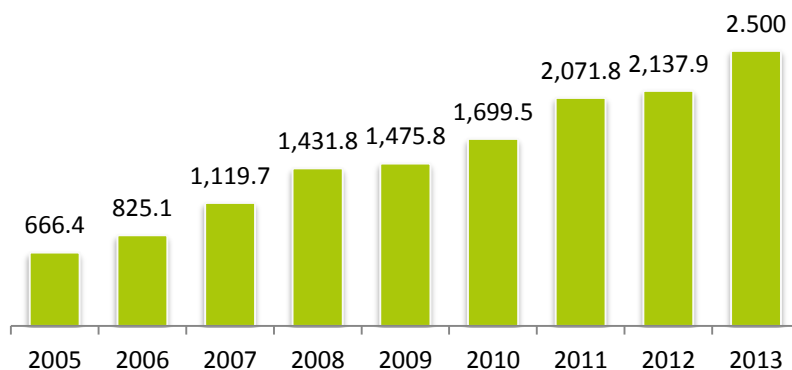
City day:	May 27. The city was founded on May 27, 1703	
City name:	<ul style="list-style-type: none"> • Conventional long form: Saint-Petersburg • Conventional short form: St. Petersburg • Local long form: Sankt-Peterburg Санкт-Петербург • Local short form: С.-Петербург Петербург • Former names: St. Petersburg (1703-1914), Petrograd (1914-1924), Leningrad (1924-1991), St. Petersburg (1991 till present) 	
Administrative division:	<p>While the city is divided into 18 districts (rayons), each district is divided into municipal formations. At the moment there are 111 municipal formations (munitsipalnye obrazovaniya).</p>  <p>The map shows the city of Saint-Petersburg divided into 18 numbered districts. The districts are: 1. Central District, 2. Vasileostrovsky District, 3. Vyborgsky District, 4. Kalininsky District, 5. Kirovsky District, 6. Kolpinsky District, 7. Krasnogvardeysky District, 8. Krasnoselsky District, 9. Kronshadsky District, 10. Kurortny District, 11. Moskovsky District, 12. Nevsky District, 13. Petrogradsky District, 14. Petrodvortsovy District, 15. Primorsky District, 16. Pavlovsky and Pushkinsky Districts, 17. Frunzensky District, and 18. Central District.</p>	
	1. Admiralteysky District	10. Kurortny District
	2. Vasileostrovsky District	11. Moskovsky District
	3. Vyborgsky District	12. Nevsky District
	4. Kalininsky District	13. Petrogradsky District
	5. Kirovsky District	14. Petrodvortsovy District
	6. Kolpinsky District	15. Primorsky District
	7. Krasnogvardeysky District	16. Pavlovsky and Pushkinsky Districts
	8. Krasnoselsky District	17. Frunzensky District
	9. Kronshadsky District	18. Central District

<p>Political system:</p>	<p>The diagram illustrates the political system of St. Petersburg, organized into three main branches:</p> <ul style="list-style-type: none"> Judicial Branch: <ul style="list-style-type: none"> The Charter Court of St. Petersburg Judges of the Peace of St. Petersburg The City Court of St. Petersburg St. Petersburgs Garrison Military Court The Arbitration Court of St. Petersburg and Leningrad region Leningrad Military Circuit Tribunal Legislative Branch: <ul style="list-style-type: none"> The Legislative Assembly of St. Petersburg <ul style="list-style-type: none"> The Chair of the Assembly Two Deputy Chairs The Budget and Financial Committee The Legislative Committee Standing Commissions The Administration of the Legislative Assembly of St. Petersburg The Audit Chamber of St. Petersburg Executive Branch: <ul style="list-style-type: none"> The Governor of St. Petersburg The Government of St. Petersburg Sectoral and Territorial Authorities <p>Municipal authorities of St. Petersburg – municipal councils</p> <p>Source: Business Support Structure in St. Petersburg</p>
<p>Executive branch:</p>	<p>The City Administration (www.gov.spb.ru) is the superior executive body of St. Petersburg headed by the Governor. The St. Petersburg Administration is formed of the Governor, the Government, the Governor's Chancellery, the city committees and the subordinate administrative-territorial departments of the Administration.</p>
<p>Legislative branch:</p>	<p>The Legislative Assembly of St. Petersburg (www.assembly.spb.ru) is the standing effective supreme and sole legislative (representative) body of the state authority in St. Petersburg.</p>
<p>Judicial branch:</p>	<p>Charter Court of St. Petersburg (www.spbustavsud.ru), Judges of the Peace of St. Petersburg (www.mirsud.spb.ru), City Court of St. Petersburg (http://sankt-peterburgsky.spb.sudrf.ru), Arbitration court of St. Petersburg and Leningrad region (www.spb.arbitr.ru) and Leningrad Military Circuit Tribunal (http://leningradskyovs.spb.sudrf.ru).</p>
<p>Suffrage:</p>	<p>18 years of age; universal</p>

Symbols of St. Petersburg:		
	Coat of arms	Flag
Consular and diplomatic representations:	56 consular and diplomatic missions are accredited to St. Petersburg, including 33 consulates general, 1 embassy office, 3 honorary consulates general and 19 honorary consulates	

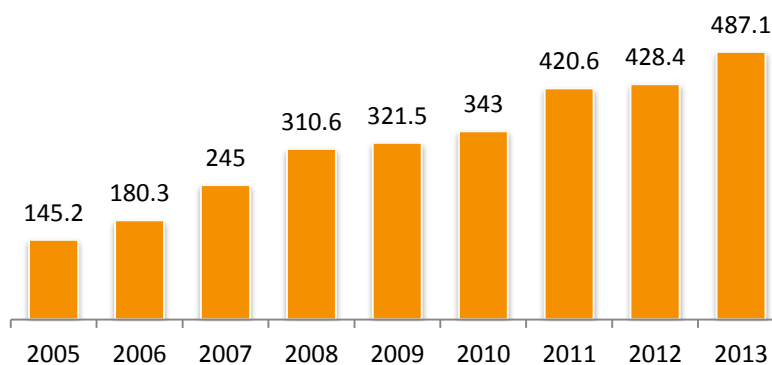
1.5. Economy

GRP of St. Petersburg
(billion roubles):



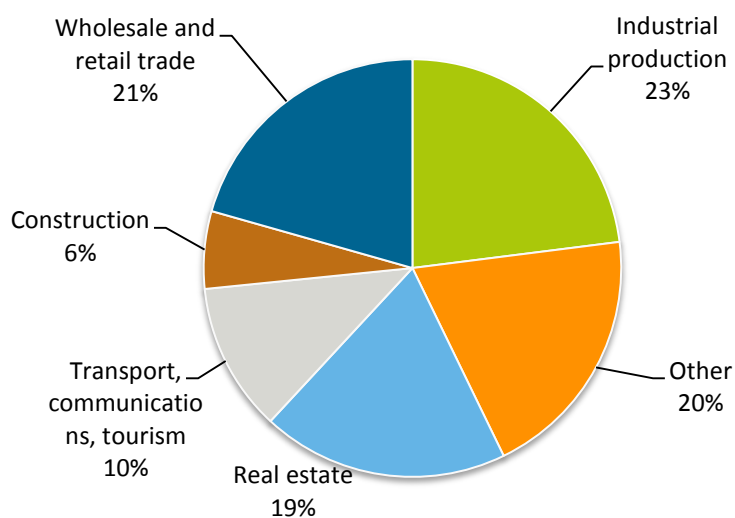
Source: Committee for Economic Policy and Strategic Planning

GRP per capita in St. Petersburg
(thousand roubles):

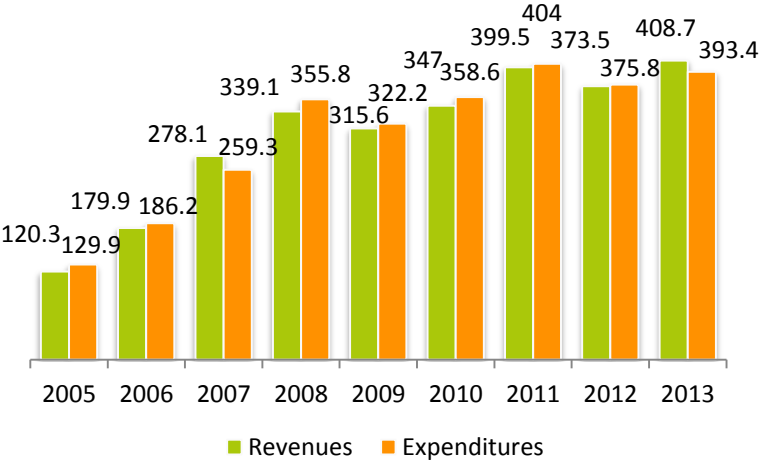


Source: Committee for Economic Policy and Strategic Planning

GRP sectoral composition (2013):

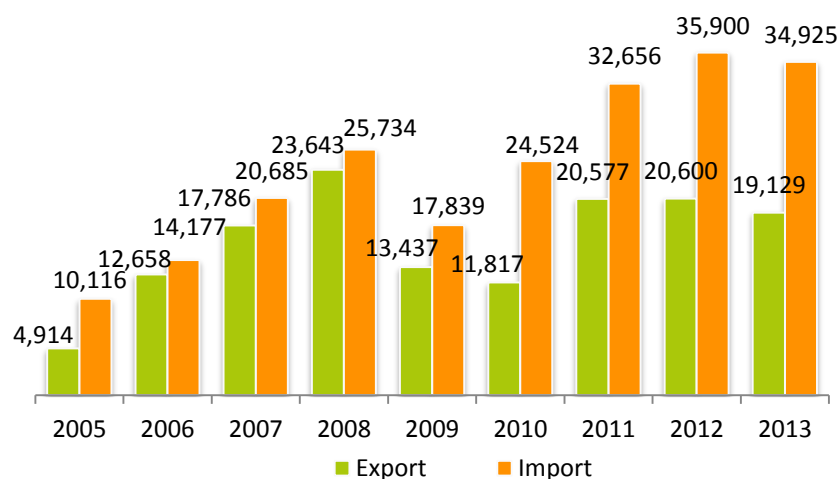


Source: Committee for Economic Policy and Strategic Planning

<p>City budget (billion roubles):</p>	 <p>Source: Committee for Investment of St. Petersburg , Committee for Economic Policy and Strategic Planning</p>
<p>City debt (01.01.2014):</p>	<p>Total - 17,961.4 million roubles, including:</p> <ul style="list-style-type: none"> • Share of internal debt: 100% • Share of external debt: 0%
<p>Credit ratings (2013):</p>	<p>Long-term credit international scale ratings in foreign currency:</p> <ul style="list-style-type: none"> • Standard&Poor’s – BBB, forecast – stable • Moody’s Investors Service – Baa1, forecast – stable • FitchRatings – BBB, forecast – stable <p>Long-term credit national scale ratings:</p> <ul style="list-style-type: none"> • FitchRatings – AAA/rus, forecast – stable
<p>Leading industries:</p>	<p>Machinery, vehicle and equipment manufacturing, electronic and optical equipment, food, including beverages and tobacco; metallurgy and metalworking; chemical production.</p>
<p>Priority sectors/clusters:</p>	<p>Automotive, pharmaceutical, shipbuilding, power plant engineering, information technology, radiology, electronic engineering.</p>

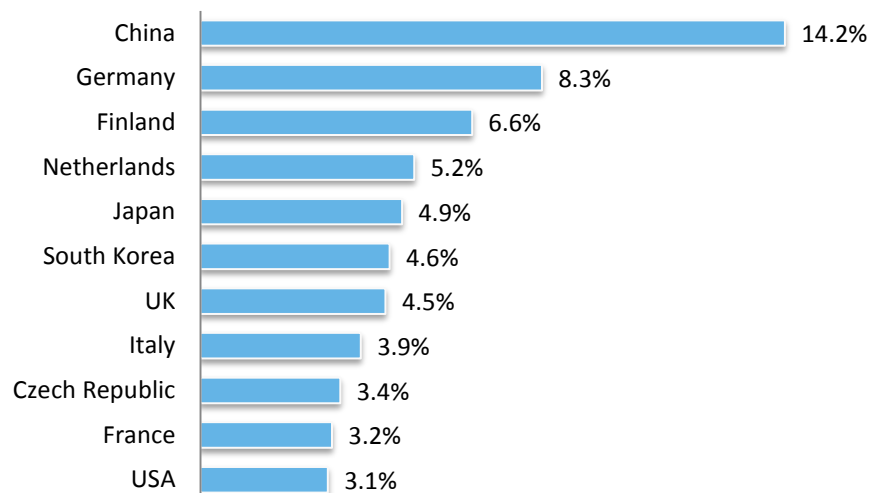
1.6. Foreign trade

Foreign trade turnover
(million USD):



Source: Territorial branch of the Federal State Statistic Service (Petrostat)

Main trade partners
(2013):



Source: Territorial branch of the Federal State Statistic Service (Petrostat)

Currency (code):

Russian rouble (RUB)

Exchange rates:

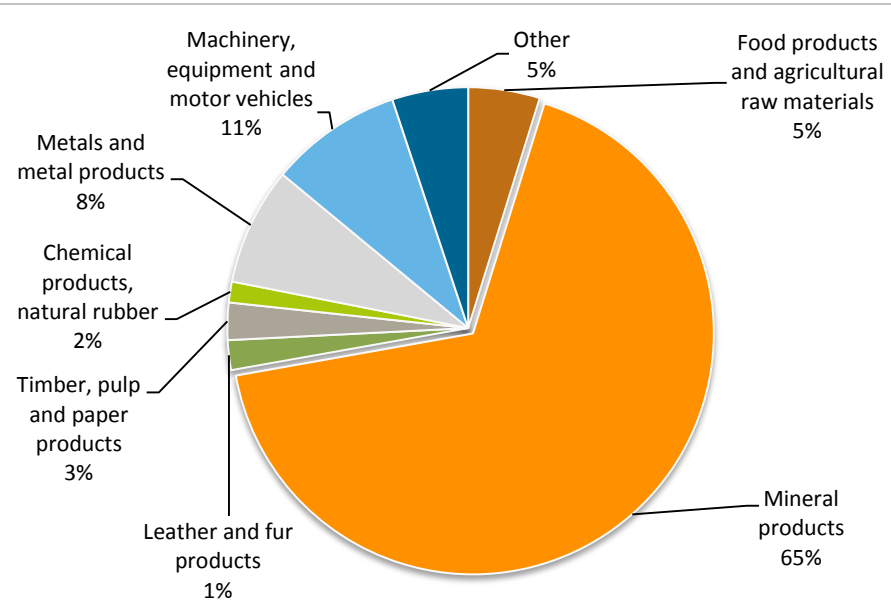
- RUB per EUR – 45.06 (01.01.2014), 39.80 (10.01.2013), 40.76 (11.01.2012), 40.49 (01.01.2011), 43.46 (01.01.2010), 41.43 (01.01.2009), 35.98 (10.01.2008), 34.49 (10.01.2007), 34.34 (11.01.2006)
- RUB per USD – 32.66 (01.01.2014), 30.42 (10.01.2013), 31.87 (11.01.2012), 30.35 (01.01.2011), 30.18 (01.01.2010), 29.39 (01.01.2009), 24.44 (10.01.2008), 26.04 (10.01.2007), 28.04 (11.01.2006)

Source: Bank of Russia, Ministry of Finance of the Russian Federation

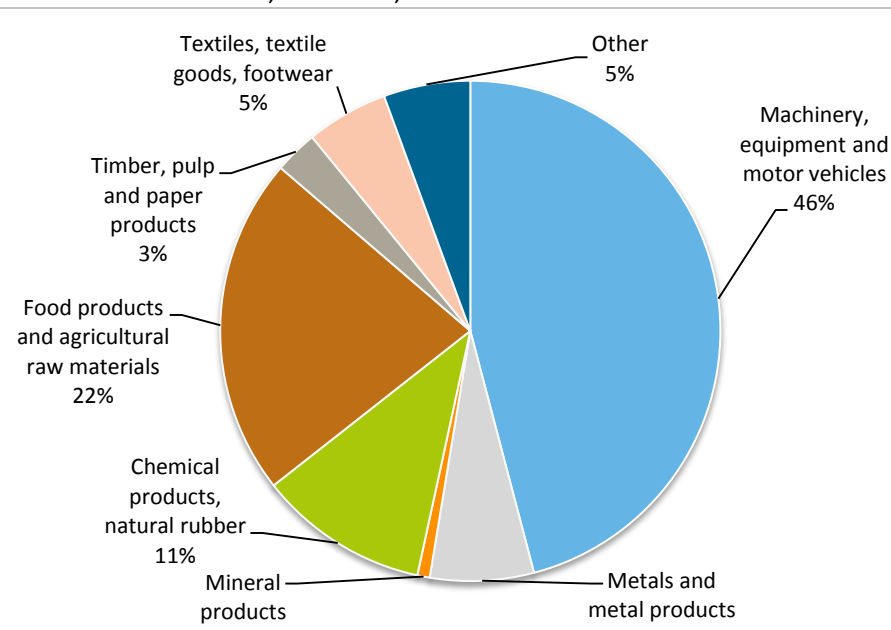
Fiscal period:

calendar year

1.6.1. Export

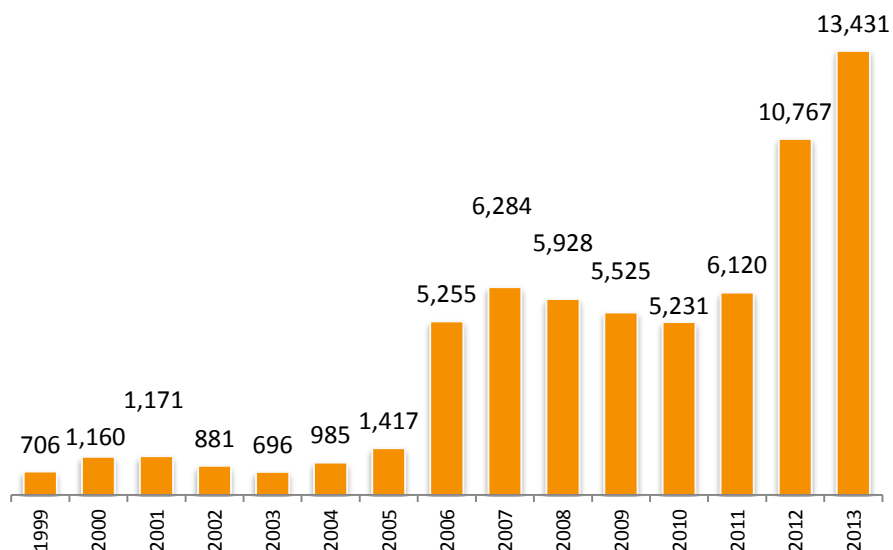
Export volume (2013):	19.1 billion USD (7.4% decrease compared to 2012)																		
Largest exporters (2012):	JSC Sibur Holding, JSC OSK, JSC Ilim group, LLC Gazpromneft Marin Bunker, LLC Nevskiy Mazut, CJSC PNT-GSM																		
Export structure (2013):	 <table border="1"> <thead> <tr> <th>Export Category</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Mineral products</td> <td>65%</td> </tr> <tr> <td>Machinery, equipment and motor vehicles</td> <td>11%</td> </tr> <tr> <td>Metals and metal products</td> <td>8%</td> </tr> <tr> <td>Food products and agricultural raw materials</td> <td>5%</td> </tr> <tr> <td>Other</td> <td>5%</td> </tr> <tr> <td>Chemical products, natural rubber</td> <td>2%</td> </tr> <tr> <td>Timber, pulp and paper products</td> <td>3%</td> </tr> <tr> <td>Leather and fur products</td> <td>1%</td> </tr> </tbody> </table> <p>Source: Territorial branch of the Federal State Statistic Service (Petrostat)</p>	Export Category	Percentage	Mineral products	65%	Machinery, equipment and motor vehicles	11%	Metals and metal products	8%	Food products and agricultural raw materials	5%	Other	5%	Chemical products, natural rubber	2%	Timber, pulp and paper products	3%	Leather and fur products	1%
Export Category	Percentage																		
Mineral products	65%																		
Machinery, equipment and motor vehicles	11%																		
Metals and metal products	8%																		
Food products and agricultural raw materials	5%																		
Other	5%																		
Chemical products, natural rubber	2%																		
Timber, pulp and paper products	3%																		
Leather and fur products	1%																		

1.6.2. Import

Import volume (2013):	34.9 billion USD (2.9% decrease compared to 2012)																		
Largest importers (2012):	LLC Nissan Manufacturing Rus, LLC Hyudai Motor Manufacturing Rus, LLC General Motors Auto , LLC Petro, OJSC Transaero Airlines																		
Import structure (2013):	 <table border="1"> <thead> <tr> <th>Import Category</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Machinery, equipment and motor vehicles</td> <td>46%</td> </tr> <tr> <td>Food products and agricultural raw materials</td> <td>22%</td> </tr> <tr> <td>Chemical products, natural rubber</td> <td>11%</td> </tr> <tr> <td>Textiles, textile goods, footwear</td> <td>5%</td> </tr> <tr> <td>Other</td> <td>5%</td> </tr> <tr> <td>Timber, pulp and paper products</td> <td>3%</td> </tr> <tr> <td>Mineral products</td> <td>1%</td> </tr> <tr> <td>Metals and metal products</td> <td>7%</td> </tr> </tbody> </table> <p>Source: Territorial branch of the Federal State Statistic Service (Petrostat)</p>	Import Category	Percentage	Machinery, equipment and motor vehicles	46%	Food products and agricultural raw materials	22%	Chemical products, natural rubber	11%	Textiles, textile goods, footwear	5%	Other	5%	Timber, pulp and paper products	3%	Mineral products	1%	Metals and metal products	7%
Import Category	Percentage																		
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Mineral products	1%																		
Metals and metal products	7%																		

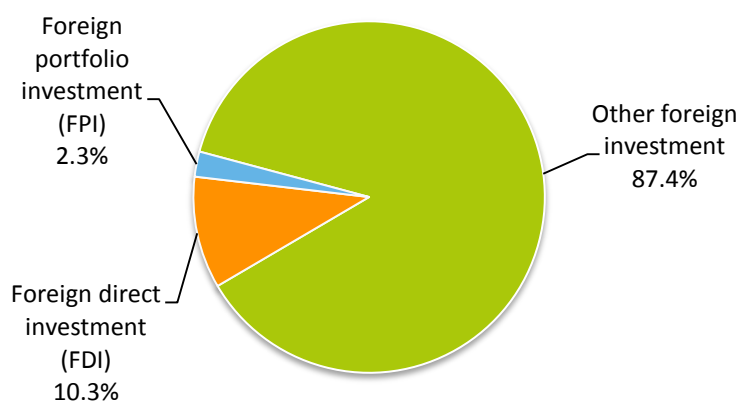
1.7. Foreign investment

Volume of foreign investment
(million USD):



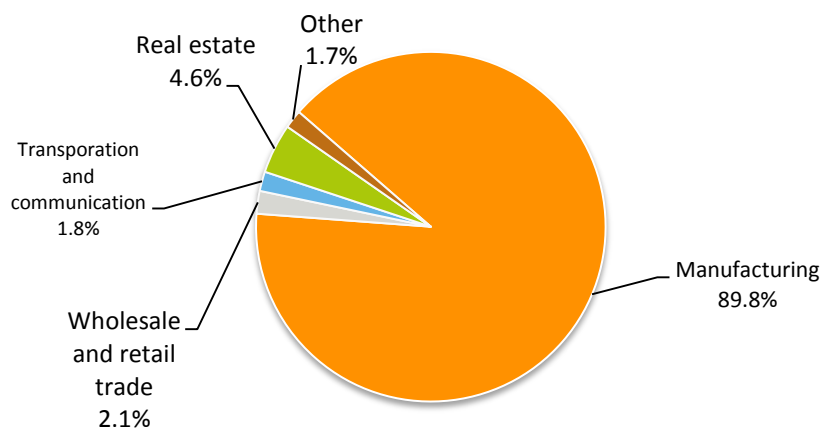
Source: Territorial branch of the Federal State Statistic Service (Petrostat)

Structure of foreign investments
(2013):



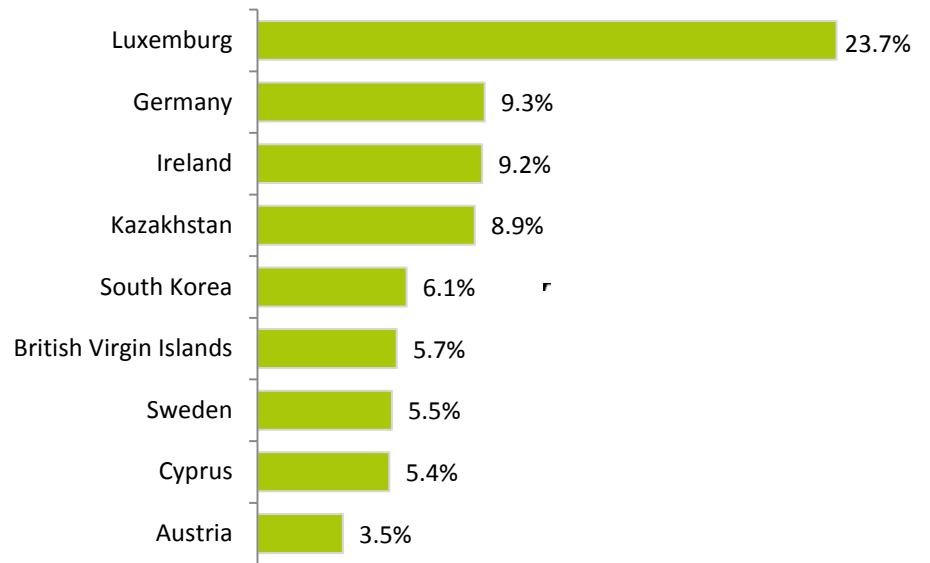
Source: Territorial branch of the Federal State Statistic Service (Petrostat)

Foreign investment by sector of the economy
(2013):



Source: Territorial branch of the Federal State Statistic Service (Petrostat)

**Major investor countries
(2013):**



Source: Territorial branch of the Federal State Statistic Service (Petrostat)

2. Priority business sectors

2.1. Aerospace cluster

2.1.1. General overview

Aerospace cluster was established in September 2012. At the first stage of its development it unites 13 high-technology organizations and higher education institutions, including Frunze Design Bureau "Arsenal", OJSC HK Leninet, OJSC Television Research Institute, OJSC Machine-Building Plant "Arsenal", St. Petersburg State University of Aerospace Instrumentation (SUAI), Ustinov Baltic State Technical University ("Voyenmekh") and other organizations specialized in development, manufacturing and introduction of new aerospace technologies.

The cluster's priority activities lie in processing and application of data received from spacecrafts with the aim of solving a wide range of tasks, including those pertaining to the socio-economic development of St. Petersburg and modernization of the city's economy.

2.1.2. Companies



Frunze Design Bureau "Arsenal"

The history of the Frunze Arsenal Design Bureau and the Machine-Building Plant Arsenal dates back to 1711. The Design Bureau was founded in 1949 as a leading enterprise of the Soviet defense industry. Today, it is a leading designer and manufacturer of space technology, shipboard artillery and launchers. It is a subordinate of the Federal Space Agency of the Russian Federation. Arsenal focuses on design and operation of space complexes and spacecrafts for various purposes, design and development of navy artillery mounts and launchers.



Machine-Building Plant "Arsenal"

Arsenal is one of the oldest defense plants in Russia. Today, Arsenal Machine-Building Plant is a modern defense-industrial enterprise with rich traditions of modern military equipment and civil production manufacturing. Its main production activities include space technology production, naval gun mounts and launchers, civil production: compressor technical equipment, waste-water treatment facilities, extrusion equipment, cryogenic technical equipment.



Арсенал 207

Arsenal 207

Arsenal 207 is a specialized aerospace enterprise engaged in development, optimization and production (in cooperation with Arsenal Machine-Building Plant) of actuators for thrust vector control of powerful liquid fuel sustainers of modern launch rockets.



Bee Pitron

Bee Pitron is one of the first companies in Russia and CIS which started technical re-equipment of national industrial enterprises. Since 1991 the company is engaged in supplying and installation of PDM/CAD/CAE/CAM systems. The company is supplying electric components and runs its own design bureau and production.



Design Bureau of Special Engineering (KBSM)

Design Bureau of Special Engineering is a major enterprise engaged in development of ground equipment for rocket and space complexes. It also participates in development of antenna units for space communications. Today, KBSM is a part of OJSC Concern Almaz-Antey.



Leninets Holding Company

Leninets holding company is a leading Russian developer and manufacturer of avionics, navigation equipment and high precision target systems. The company is specialized in development and manufacturing of on-board avionics, navigation equipment, high precision arms guidance systems for heavy aircraft and target-seeking equipment for air-to-surface rockets. Leninets holding company includes a number of enterprises engaged in R&D, design and experimental, project and construction activities as well as warranty services.



RosPolyTechSoft Corporation

RosPolyTechSoft is engaged in design and implementation of computer technologies for provision of information support for high-technology products (CALS – Continuous Acquisition and Life-cycle Support technologies). The main activities include development of information support for article production, operation, repair, storage and utilization on the basis of CALS-technologies; systematic approach and recommendations on practical use of computer-based information support technologies for high-tech products, research in the field of technical and informational support of the articles; 3D modeling of buildings, compartments and equipment; production of multimedia presentations and computer video clips.



Television Research Institute

Television Research Institute is a multidisciplinary enterprise specialized in research and development of TV optical-electronic systems for observation and measurement. The Institute is a main research center for TV and opto-electronic information measurement complexes and systems. A marine TV equipment developed by the Institute is successfully applied in Russia and abroad.

2.1.3. Supporting institutions

The leading supporting institutions of aerospace cluster include:

2.1.3.1. Universities

- **St. Petersburg State University of Aerospace Instrumentation (SUAI)**
Founded in 1941, today St. Petersburg State University of Aerospace Instrumentation (SUAI) is a multidisciplinary center engaged in providing high-quality education for engineers, programmers, managers, economists and lawyers as well as a large scientific center reputed both in Russia and abroad. The University departments include the Department of aerospace instruments and systems, Department of radio engineering, electronics and communications, Department of information systems and control, Department of computer systems and programming and others.

- **St. Petersburg National Research University of Information Technologies, Mechanics and Optics (SPNRU ITMO)**

The National Research University of Information Technologies, Mechanics and Optics is one of the oldest higher education institutions in Russia. The school has been training specialists in cutting-edge technologies directed to science and technical development for more than 100 years. Today, the University, which has 10 departments and offers 49 specializations, enrolls more than 9,000 full-time students.

SPNRU ITMO is known not only in Russia but also internationally due its students' success at the ACM International Programming Collegiate Contests. The University's top world rating reflects the results of participation in prestigious competitions within several years. SPNRU ITMO is the only university in the world that has become the winner of the ACM International Programming Collegiate Contest 4 times in different years.

- **Ustinov Baltic State Technical University ("Voyenmekh")**

Founded in 1932, the University has educated more than 60,000 thousand specialists in the areas of aircraft jet production, aerospace, physics and mechanics, arms and armament systems, information and control systems, mechatronics and control, applied mechanics and automation, international industrial management.

2.1.3.2. Research Institutions

- **Russian State Scientific Center For Robotics And Technical Cybernetics (RTC)**

Russian State Scientific Center For Robotics And Technical Cybernetics (RTC) is one of the largest research centers in Russia. The Institute was founded in 1968 on the basis of Leningrad Polytechnic Institute (St. Petersburg State Polytechnic University). The Institute carries out research and development of space, aerial, ground-based and aquatorial means of robotics and technical cybernetics. Its scope of activities includes robotics and information-control systems, photon technique and special instrument-making, promising technologies of space application, AND systems and means of information security.

2.1.3.3. Professional associations

- **Non-profit partnership "North-European Aerospace Consortium"**

Non-profit partnership "North-European Aerospace Consortium", initiated by the Design Bureau "Arsenal" with the support of the Committee for Economic Development, Industrial Policy and Trade of St. Petersburg, was formed in June 2012 on the basis of the city's leading aerospace enterprises and educational institutions. Its main aim lies in development of economic, scientific and technical cooperation between Northwestern regions of Russia and countries of Northern Europe as well as uniting its members' efforts in implementation of complex scientific and technical and commercial projects.

2.2. Automotive industry

2.2.1. General overview

Automotive cluster is one of the most dynamically developing and promising segments of St. Petersburg's economy. The total volume of investment into automotive production in the city constituted about 1.3 billion US dollars. The total volume of St. Petersburg's budget expenditures on implementation of investment projects constituted 6.6 billion RUB.¹

The city locates production facilities of the world's leading car manufacturers, including Nissan, Toyota, General Motors, Hyundai and Scania.

Leading car manufacturing plants in St. Petersburg

Brand name	Opening	Volume of investment	Model range
Toyota	2007	133 mln USD	Toyota Camry
General Motors	2008	303 mln USD	Chevrolet Cruze, Opel Astra
Nissan	2009	200 mln USD	Teana, X-trail, Murano
Hyundai	2010	650 mln USD	Solaris, Kia Rio
Scania	2010	10 mln Euro	all types of trucks

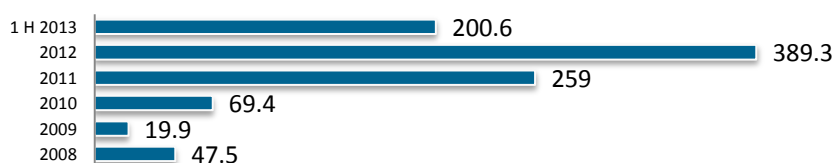
Source: Committee for Economic Development, Industrial Policy and Trade

2.2.2. Industry in numbers

Motor vehicles and equipment production experienced significant growth in 2012 (112.5% compared to 2011) which is attributable to increase in car volumes manufactured at all car manufacturing plants located in St. Petersburg. Hyundai Motor Manufacturing Rus showed the largest production growth rates. Total volume of car manufacturing reached 389.3 thousand units in 2012 which is 1.5 times larger than in 2011.

During the first six months of 2013 more than 200.6 thousand units of cars were manufactured. The growth to the corresponding period of 2012 constituted 5.4%.²

Volume of car manufacturing in St. Petersburg, thousand units



Source: Committee for Economic Policy and Strategic Planning

In 2012, car manufacturing experienced a 43% increase in the total volume of shipped products in comparison with 2011. Hyundai plant manufactured 220 thousand cars in 2012. General Motors manufactured around 85 thousands cars, while Nissan – 50 thousand units. Nissan is planning to increase its production up to 125 thousand cars by 2015 as well as expand its model range manufactured in St. Petersburg. Additional volume of investment will constitute around 170 million Euro. General Motors is expanding its production with additional volume of investment constituting 300

¹ Committee for Economic Policy and Strategic Planning

² Committee for Industrial Policy and Innovations

million Euro. This will allow to manufacture 230 thousand cars per year by 2015. Toyota is also investing in increasing localization of its production by 2014. Investment into the project of plant expansion will constitute about 2.7 billion RUB.

Due to the expansion plans of car manufacturers and new regime of industrial car assembly, annual volume of car manufacturing in St. Petersburg is expected to reach at least 1 million cars per year by 2018.³

2.2.3. Companies

Light motor vehicles



General Motors

General Motors opened its automobile factory in St. Petersburg in 2008. Global car making giant became the second foreign carmaker to open a factory in St. Petersburg. Investment in the project totalled 300 million dollars with up to 1,700 jobs created, followed by the opening of a second production line in 2010.



Hyundai Motor Company

Hyundai officially launched its full-cycle manufacturing plant in St. Petersburg in 2010. St. Petersburg's plant is Hyundai's sixth production facility outside its home market of South Korea. The facility is expected to roll out 105,000 vehicles in its first year of operation with the rise to 150,000 in 2012.



Nissan

Nissan Manufacturing Rus was established in St. Petersburg in 2009. The plant currently represents approximately a 150 million euro investment with the total volume of 28,500 units since the start of production. The plant currently employs 2,000 employees.



Toyota Motor Corporation

Toyota became the first Japanese carmaker to start production in Russia with its car assembly plant opened in St. Petersburg in 2007. The plant, with an annual output capacity of about 50,000 vehicles, initially built 20,000 Camry sedans per year while gradually expanding its production since then.

Trucks



MAN

The German manufacturer of trucks is planning to launch the production in St. Petersburg by the end of June 2013. Memorandum on construction of truck manufacturing plant in Shushary was signed between St. Petersburg authorities and MAN Truck&Bus AG in 2011. The manufacturing capacity will constitute 6 thousand trucks per year. Investment into plant construction constituted 25 million Euro.

³ Committee for Economic Policy and Strategic Planning



Scania

Scania opened its industrial facility for assembling and bodyworking trucks for the Russian market in St. Petersburg in late 2010. This Russian facility is Scania's sixth delivery center. From the new Delivery Center in St. Petersburg, Scania supplies complete trucks that are adapted to the requirements and operating conditions that apply in Russia. St. Petersburg's facility has a technical assembly capacity of about 5,000 truck chassis and 1,500 superstructures per year. It employs about 70 employees.



Yarovit Motors

Yarovit is a Russian manufacturer of cargo trucks, dump trucks, bolster trucks and concrete mixers. Yarovit's manufacturing facility was set up in St. Petersburg in 2003.

2.2.4. Supporting institutions

The leading supporting institutions of automotive industry include:

2.2.4.1. Associations

- **St. Petersburg Association of Manufactures of Automotive Components (SPbAPAC)**
St. Petersburg Association of Manufactures of Automotive Components is the largest professional association of automotive components manufacturers in Russia which functions on the principle of a cluster. At present the association unites more than 60 enterprises which manufacture over 1,500 products. Active participation in regional, interregional and international exhibitions and conferences as well as support of the Government of St. Petersburg and the Union of Industrialists and Entrepreneurs makes the association one of the key players at automotive and automotive components market of the Russian Federation.

2.3. Pharmaceutical and medical industry cluster

2.3.1. General overview

According to Pharmexpert Market Research Center, St. Petersburg is the most investment-attractive region of the Russian Federation as well as a launch pad for successful implementation of pharmaceutical and medical industry projects.⁴

In December 2011 the pharmaceutical cluster in St. Petersburg was renamed the pharmaceutical and medical industry cluster in St. Petersburg by the decree of the City Government. This decision is aimed at facilitating an efficient implementation of federal and regional initiatives not only in the pharmaceutical sector but also in the medical industry.

The concept of development of pharmaceutical and medical industry cluster in St. Petersburg is developed with the aim of identifying major vectors of development of pharmaceutical and medical industry and development of the cluster in St. Petersburg taking into account the strategy of development of this industry in the Russian Federation till 2020. The major aim lies in identifying a consolidated approach to the development of pharmaceutical and medical industry cluster in St. Petersburg by all its participants, responsible authorities and potential investors, including Russian and foreign pharmaceutical companies.⁵

2.3.2. Industry in numbers

Today, pharmaceutical and medical industry cluster unites 145 members, including 109 industrial companies (22 pharmaceuticals companies, 87 medical equipment and product companies) as well as 6 service companies, 30 scientific, research and educational institutions.

More than one and a half dozen projects aimed at development of new pharmaceutical manufacturing projects with the total volume of investment of more than 30 billion RUB are being implemented in the framework of the cluster. These projects include the development of modern research divisions and lab complexes.⁶

New manufacturing sites in pharmaceutical and medical industry sector are mainly located within the territories of “Pushkinskaya” industrial zone and St. Petersburg special economic zone of technical-implementation type (“Noidorf” and “Novo-Orlovsky” platforms).

Implementation of pharmaceutical and medical industry cluster projects

Project	Products
Construction of production site Alkor Bio	Manufacturing of reagents for hormonal and allergy diagnostics.
Development of production and research and development complex Biokad	Development and production of more than 40 pharmaceuticals in accordance with GMP standards, development of research and development complex in the following segments: oncology/hematology, gynecology/urology, neurology, viral infections, diabetes and cardiology.
Development of production and research and development center Pharmaceutical plant of St. Petersburg (Galeno Pharm)	Manufacturing of pharmaceuticals applied in treatment of bronchial allergy; wheezing lung illnesses as well as biologically active supplements and cosmetic products.

⁴ Committee for Economic Development, Industrial Policy and Trade

⁵ Committee for Industrial Policy and Innovations

⁶ Committee for Economic Policy and Strategic Planning

Development of production Geropharm	Manufacturing of injectable pharmaceuticals and suppositories.
Construction of production site Immuno-Gem	Manufacturing of plasma products.
Construction of production site Medelkom	Manufacturing of medical ultrasonic diagnostic equipment and receptors.
Development of production Neon	Manufacturing of high-quality medications of various pharmaceutical groups.
Development of production Novartis Neva	Manufacturing of innovative licensed pharmaceuticals and high-quality generic medications.
Development of production Pharm-Holding	Development and manufacturing of peptidic genetically engineered pharmaceuticals of new generation, modern diagnostic systems and improved generic medications.
Development of production Pharmasintez	Manufacturing of import-substituting medications for oncology.
Development of production Polysan	Manufacturing of high-quality infusion products.
Development of production Samson-Med	Organization of production of active pharmaceutical substances and dosage forms of pharmaceutical products in accordance with GMP standards.
Development of production and center for development of innovative products Vertex	Manufacturing of dosage forms.

Source: Committee for Economic Development, Industrial Policy and Trade

Establishment of Life Sciences Park aimed at complex development of biotechnology infrastructure and pharmaceutical and medical industry is one of the key city's initiatives. The idea of the project lies in creating a positive synergy by localizing research complexes, key companies' labs and major services within one site.

Not-for-Profit Partnership «Medical and Pharmaceutical Projects: 21st Century» was created in 2011 with the aim of uniting and coordinating the efforts pursued by cluster participants in the field of research, development and circulation of pharmaceuticals and medical equipment. This is the first stage of development of the self-regulatory organization engaged in research, development and circulation of pharmaceuticals and medical equipment. Today, it comprises 15 national and foreign organizations representing all market segments – from idea to production.

Non-for-profit partnership “Cluster of Medical and Ecological Instrument Engineering and Biotechnologies” was established in 2005 and unites 100 small and medium enterprises engaged in medical instruments engineering and biotechnologies. The partnership represents the participant companies' interests in interaction with the authorities and facilitates the promotion of products to the regional and international markets.

2.3.3. Companies

Pharmaceutical and medical products



«Alkor Bio» Group

«Alkor Bio» Group established in 1992 is the major biotechnological holding company in the Northwest Russia. Today, it incorporates 12 companies which represent the top national manufacturers of reagents for enzyme immunoassay. The group is focused on development, manufacturing and promotion of diagnostic kits for EIA & molecular genetic analysis; private laboratory studies; development of cellular technologies with further introduction to clinical practice; banking of hematopoietic stem cells from cord blood; investment in innovative biotechnological projects. 200,000 reagent sets of over 60 positions are manufactured annually, including test-systems for hormonal diagnostics, cancer diagnostics, allergies, dangerous infectious diseases diagnostics, sets and software for DS prenatal screening. All diagnostics sets are registered in Russia, most of them received CE mark. The company has 7 R&D labs and 11 patents, including cancer diagnostics, hepatitis C diagnostics, steam sells treatment methods against severe fractures, periodontitis, mental retardation.



Biocad

CJSC «Biocad» is a Russian biotechnological company founded in 2001. It is a fully integrated biotech company which combines scientific research with manufacturing and marketing. The key company activities are focused on original and biosimilar/generic drugs development. The company was among the first four members of the “Noidorf” SEZ section and pharmaceutical cluster of St. Petersburg. At the moment a pharmaceutical complex Biocad 2.0, which will create 500 new jobs, is under construction. The first set of manufacturing facilities is scheduled to begin operations in 2013. The company is planning to develop and manufacture 32 widely used pharmaceutical products included into the VED (Vital and Essential Drugs) list. This will allow to substitute imported pharmaceuticals in a number of therapeutic areas of the Russian pharma market, including oncology/hematology, gynecology/urology, autoimmune diseases, viral infections.



GalenoPharm

JSC «Pharmaceutical Factory of St. Petersburg» traces its history back to 1937. Currently, the company focuses on production of pharmaceuticals for asthma and COPD treatment.

In 2009 the company established the first Russian manufacturing of aerosolized medicines without ODS. Today, the company produces «Beklospir®», which is the first Russian dosed aerosol inhaler with beclometasone dipropionate as an active ingredient. 7 more antiasthmatic pharmaceuticals are undergoing registration. This will satisfy the demand for these medicines at the Russian market.



Geropharm

Geropharm Ltd is one of the leading Russian pharmaceutical manufacturers. Currently, Geropharm is engaged in construction of a new high technology industrial complex in accordance with GMP standards in St. Petersburg with manufacturing facilities located in “Pushkinskaya” industrial area. New manufacturing facilities will allow to produce original Russian pharmaceuticals, innovative products as well as generics for treatment of important diseases. The volume of investment into the first project stage exceeds 500 million US dollars. The project is scheduled for completion in 2014.

ИМУНО-ГЕМ

Immuno-Gem

Immuno-Gem is engaged in manufacturing of plasma products. Since 2002 the company manufactures intravenous immunoglobulin.



Neon

Neon aims to launch the production of high quality effective Russian pharmaceuticals to address the demands of the Russian healthcare system. The project will be implemented within 2010-2014 on the territory of 2.9 hectares within the Pushkinskaya industrial zone. It envisages the establishment of a high-tech production in accordance with the GMP standards with the annual capacity of 960 million units.



Novartis

Novartis has been active in Russia since the 19th century, and today the company is one of the key players at the Russian pharmaceutical market. Novartis currently employs over 2,400 associates in Russia across all business divisions.

The company provides innovative healthcare solutions that address the evolving needs of patients and societies. Novartis offers a diversified portfolio of products, including innovative medicines, eye care, cost-saving generic pharmaceuticals, preventive vaccines and diagnostic tools, over-the-counter and animal health products.

In December 2010 Novartis signed a Memorandum of understanding with the Government of St. Petersburg and announced a strategic investment program in Russia with the investment of over 500 million US dollars over a 5-year period. This comprehensive partnership addresses three core areas, including local manufacturing, R&D partnerships and public health development in Russia.

In June 2011 Novartis held a groundbreaking ceremony for a new pharmaceutical manufacturing plant in St. Petersburg. Once completed and approved for commercial production, which is expected in 2014, the state of-the-art facility will use cutting-edge technologies to produce approximately 1.5 billion units per year. It will also be an attractive workplace for local talent, employing more than 350 highly qualified professionals who will have access to world-class training and development programs at Novartis. The new plant will meet GMP requirements (“Good Manufacturing Practice”).



Polysan

Scientific Technological Pharmaceutical Firm "Polysan" is one of the largest pharmaceutical companies of Russia engaged in development of original medical products. The company is engaged in a full process from the idea generation through the production to realization of the final product. At present the medical products produced by "Polysan" are in the list of the most demanded products on pharmaceutical market in Russia.



Pharmasyntez

RSI Syntez Ltd is a subsidiary of the Irkutsk pharmaceutical factory (Pharmasyntez, OJSC). The company was established to implement an investment project on building scientific and manufacturing facilities in "Novo-Orlovskoe" SEZ section. The project is aimed at developing and producing innovative antitumoral pharmaceuticals with planned annual turnover of at least 100 million US dollars. The product range includes antitumor pharmaceuticals in different dosage forms (pills, capsules, solutions, gels, lyophilizates).

The project with the volume of total investment of 700 million US dollars will create 200 new workplaces. The project is scheduled for completion in 2013- 2014.



Pharm-Holding

Pharm-Holding CJSC (a subsidiary of Geropharm Ltd) is an R&D company engaged in development of innovative pharmaceuticals. The company focuses on innovative peptide and genetically engineered medicines; modern diagnostics systems; improved generics.

In December 2011 the company opened a unique Pharm-Holding R&D center in "Noidorf" SEZ section. The volume of investment into the project constituted 4 million US dollars. The project created 50 new workplaces.



Samson-Med

Samson-Med intends to construct a bio-substances and pharmaceutical manufacturing facility on the territory of 2.7 hectares in the Pushkinskaya industrial zone within 2010-2014. The project with the total budget of 1.5 billion roubles envisages organization of a complete technological cycle for the production of active pharmaceutical substances and pharmaceuticals in accordance with the GMP standards, including cardiology, neurology, pulmonology, ophthalmology, gastroenterology and genecology products.



Vertex

Vertex aims to construct a new scientific and manufacturing complex for the development and production of innovative pharmaceuticals. The project with the total investment of 1.6 billion roubles will be implemented within 2010-2014 on the territory of the Novo-Orlovskaya Special Economic Zone (SEZ). The complex will include research as well as pilot production labs.

Medical equipment



Medelkom

Medelkom is a company founded in 1990 which is engaged in manufacturing of medical ultrasonic diagnostic equipment and receptors for medicine and veterinary.

2.3.4. Supporting institutions

The leading supporting institutions of pharmaceutical and medical industry cluster include:

2.3.4.1. Universities

- **St. Petersburg State Chemical-Pharmaceutical Academy**
St. Petersburg State Chemical-Pharmaceutical Academy is a leading Russian center in educating high qualified process engineers occupied in industrial production of pharmaceuticals of various origin.
- **St. Petersburg State Institute of Technology**
St. Petersburg State Institute of Technology is an acknowledged world's center of chemistry, chemical and biotechnologies, nanotechnologies, cybernetics and engineering. The Institute possesses a vast range of methods of active pharmaceutical ingredients synthesis as well as pilot production of substances in accordance with the GMP requirements. It is a major center dedicated to training of personnel for scientific centers and industrial enterprises.
- **St. Petersburg State Pavlov Medical University**
One of the leading medical schools in Russia carries out preclinical research, including study of new molecules and dosage forms, translational studies, clinical research, pharmacoepidemiological and pharmaco-economic research as well as training of GLP, GCP, GSP and evidentiary medicine specialists.
- **St. Petersburg State Polytechnical University**
St. Petersburg State Polytechnical University conducts a world top-level bioanalytical research in accordance with the FDA and GLP requirements. The oldest pharmaceutical institution of higher education in Russia carries out high-tech research projects on the development and study of active pharmaceutical substances of natural and synthetic origin and educates highly qualified specialists in the sphere of molecular biology.

2.3.4.2. Research Institutions

- **Institute of Cytology of the Russian Academy of Sciences (RAS)**
Institute of Cytology is the leading institution of the Russian Academy of Sciences within the field of modern cell biology. The institute is tasked with studying the structural organization and expression of nuclear genome, structure and function of cell organelles, investigation of intracellular processes and intercellular contacts.
- **Institute of Toxicology**
The scientific center focuses on fundamental and applied research in the field of toxicology, pharmaceutical chemistry and pharmacology. The Institute specializes in the study of mechanisms of action of potential dangerous chemical and natural substances as well as development of novel antidotes and therapies.
- **Research Institute of Influenza**
Research Institute of Influenza is involved in solving fundamental and applied tasks in the field of virology, epidemiology and infectious pathology, thus serving a goal of protecting and augmenting human health, developing healthcare and medical science. The institute is engaged in epidemiologic and etiologic influenza/ARI surveillance improvement, molecular genetic and phylogenetic analysis of influenza viruses, genetic classification of existing and newly emerging viruses, studies on

molecular mechanisms of viral pathogenesis, nanotechnology-based diagnostic reagents generation, exploration of new ways for next-generation vaccine production as well as other relevant research areas.

- **State Research Institute of Highly Pure Biopreparations**
The Institute is a biotechnological center specialized in novel therapeutics and diagnostics. The main scientific areas include elucidation of mechanisms of therapeutic activity of endogenous mediators for the development of new biopharmaceuticals, development of new drug delivery systems for targeted and sustained release of drugs as well as medicine manufacturing.
- **St. Petersburg State Mechnikov Medical Academy**
The oldest and one of the most prestigious institutions of higher medical education in Russia represents a scientific and research center which includes morphology, genetics, biochemistry, immunology, physiology, mathematical modeling and epidemiological analysis labs.
- **St. Petersburg Institute of Pharmacy**
St. Petersburg Institute of Pharmacy functions on the basis Adaptogen Interregional Center and St. Petersburg State Mechnikov Medical Academy. It is occupied in carrying out preclinical studies of new pharmaceuticals, specific food products, biologically active substances and beauty products.

2.3.4.3. Associations

- **Not-for-Profit Partnership «Medical and Pharmaceutical Projects: 21st Century»**
Medical and Pharmaceutical Projects: XXI Century is a non-commercial partnership operating in the sphere of development, production and circulation of pharmaceuticals and medical devices. It was founded in 2011 by a group of companies (participants of the pharmaceutical cluster in St. Petersburg) as an effective tool for development of medical-pharma branch and establishing a market of quality and modern medical services. Main tasks of the partnership lie in participation in the development of the branch regulatory and legal framework; working out uniform rules and standards for the pharmaceutical market, methods of transition to GMP standards; support of investment projects, promotion of the region investment attractiveness; legal backing (copyright, intellectual property, licensing); international representation, monitoring of international projects. Today, the partnership unites almost all companies engaged in production, research and educational projects in St. Petersburg. It is planned to create a self-regulatory organization (SRO) in the sphere of pharmaceuticals and medical devices development, manufacturing and circulation on the basis of the partnership.
- **Cluster of Medical and Ecological Instrument Engineering and Biotechnologies**
The cluster was established in 2005 on the basis of small enterprises engaged in medical instrument engineering since the beginning of 90s. The cluster member companies pursue the common interests in industrial cooperation, joint promotion of products at the Russian and foreign markets, implementation of project aimed at establishment of scientific and production complex in the sphere of medical instrument engineering and biotechnologies. The main product line of companies consists of R&D findings transferred into serial production.

2.4. Radio-electronics

2.4.1. General overview

Radio-electronics is a primary industry which contributes to development of all related industries. St. Petersburg locates more than 100 industrial enterprises and scientific organizations engaged in development, engineering and production of electronic equipment, electronic component base, microcircuits and microassemblies applied in civil and special equipment.

St. Petersburg Innovative territorial cluster of radio-electronics, instrument-engineering, means of communication and info telecommunications is formed on the basis of the Association of radio-electronics, instrument-engineering, means of communication and info telecommunications enterprises. The project of cluster development is aimed at development of hi-tech technologies and utilization of meters, devices and automated systems which are used in various spheres of the city's economy, thus implementing the objectives of social and economic development of the city, including provision of complex security, resource conservation, efficient functioning of the city's economy, housing and utilities infrastructure and authorities.⁷

2.4.2. Industry in numbers

The volume of radio-electronics shipped products constituted 83.3 billion RUB in 2012 which represents a 42.7% increase in comparison with 2011. The leading enterprises in this sector include OJSC HK Leninet, OJSC Svetlana, OJSC SPE Radar MMS, OJSC Research Institute "Vektor", OJSC Avangard and others. Innovative territorial cluster of radio-electronics, instrument engineering, communication and infotelecommunication devices was formed in St. Petersburg in 2012 with the aim of coordinating joint activities in St. Petersburg. The cluster unites 96 enterprises, including 6 Universities located in St. Petersburg. The total production volume of cluster organizations constitutes 16 billion RUB per year. The cluster members employ 22 thousand people.

2.4.3. Companies



Avangard

OJSC Avandard is a leading dynamically developing enterprise engaged in development of innovative technologies and manufacturing of radio-electronics, microelectronic circuitry and instrument engineering. Founded in 1948, Avangard applies modern technologies of microelectronics, including those included in the List of critical technologies of the Russian Federation, and is actively engaged in development of new generation of microelectronic sensors of physical and chemical quantities of double application.



Ferrite Domen Company

Research Institute Ferrite Domen Company (FDC) was established in 1959 as the first and the only state-run enterprise responsible for R&D and manufacturing of ferrite products. Today, FDC remains the leading Russian manufacturer of ferrite products. The company's main focus lies in microwave technology. A wide range of assortment of microwave materials (garnets, spinels, hexaferrites, ceramics) as well as a full line of RF & microwave devices contributes to the company's leading position at both domestic and world markets.

⁷ Committee for Industrial Policy and Innovations



Giricond

Research Institute Giricond was established in 1939 and became a pioneer in condenser engineering. The Institute focuses on development of condensers and nonlinear semiconductor resistors. Today, Giricond develops and manufactures electronic components, sensors and devices of general application as well as unique devices for specific and extreme conditions.



INTELTECH

INTELTECH is one of the leading Russian companies in the fields of scientific research, development and production of telecommunication and automatic control systems. Today, the company is a well-known provider of hardware and software systems for automatic control and data exchange, digital networks for secured telephone communication and protected telecommunication systems for government, civil and military departments of the Russian Federation.



ХК "ЛЕНИНЕЦ"

Leninets Holding Company

Leninets holding company is a leading Russian developer and manufacturer of avionics, navigation equipment and high precision target systems. The company is specialized in development and manufacturing of on-board avionics, navigation equipment, high precision arms guidance systems for heavy aircraft and target-seeking equipment for air-to-surface rockets. Leninets holding company includes a number of enterprises engaged in R&D, design and experimental, project and construction activities as well as warranty services.



Radar MMS

Research and scientific enterprise Radar MMS, established in 1950, is a leader in development of intelligence guidance systems. The company is engaged in a full cycle of R&D and manufacturing activities, including R&D, testing, manufacturing, distribution and maintenance.



Russian Institute of Radionavigation and Time (RIRT)

RIRT is the leading organization engaged in development of systems and coordinate-time support. The systems developed by the Institute are used to determine the current time and mestopo-proposal objects in sea-surface of the Earth, the world's oceans and inland waters, airspace as well as solve problems in astrophysics, geodesy and geodynamics.



Svetlana

JSC Svetlana is one of the leaders of electronic industry in Russia. The history of the enterprise dates back to 1889. Today, Svetlana involves a parent company and subsidiaries specialized in output of specific production lines. The enterprise has the strongest positions in development and production of power electrovacuum devices, klystrons and x-ray tubes.

Svetlana-microelectronics is one of the major Russian design centers for sophisticated microprocessors with original architecture and standard instruction sets and information and control systems.

Svetlana-Electrodevice is the only enterprise that develops and produces protective microwave devices and discrete phase shifters as well as vacuum and semiconductor microwave devices mainly for radar engineering. Svetlana-SED-SPb is a leading enterprise of Russia in field of development

and production of power transmitting, modulator, regulator and receiving tubes.



Scientific and Research Institute Vektor

Scientific and Research Institute Vektor is engaged in development and manufacturing of electronic equipment used in the following application areas: EM waves propagation physics, radio reception at communication complexes, monitoring of electromagnetic radiation, acoustic monitoring, testing of radioelectronic equipment and many others.

2.4.4. Supporting institutions

The leading supporting institutions of radio-electronics industry include:

2.4.4.1. Universities

- **Baltic State Technical University ("Voyenmekh")**
Founded in 1932, the University educated more than 60,000 thousand specialists in the areas of aircraft jet production, aerospace, physics and mechanics, arms and armament systems, information and control systems, mechatronics and control, applied mechanics and automation, international industrial management.
- **Bonch-Bruevich St. Petersburg State University of Telecommunications**
The Bonch-Bruevich St. Petersburg State University of Telecommunications educates highly-qualified specialists in the field of telecommunications with possession of fundamental knowledge and skills in application of various methods and techniques. The University offers training programs in communications and telecommunications, economics, management, advertising and public relations. It provides 15 degree programs to more than 10,000 students. The educational process is carried out in close cooperation with leading companies in the telecommunications sector, including St. Petersburg Telecommunications System R&D Institute, JSC North-West Telecom; LONIIR R&D Institute, Megaphone, JSC Peterstar, Lentefonstroy Holding, JSC Telecominvest, Siemens AG (Germany), CJSC Alcatel, Navigator VNIIRA R&D Institute, Rubin State Unitary Enterprise & Research Institute, JSC VympelCom, JSC Tele 2 and many others.
- **St. Petersburg State Electrotechnic University (ETU)**
St. Petersburg State Electrotechnic University is one of the world's largest education and research centers specializing in radio engineering, electrical engineering, electronics and computer science. The University has a staff of more than 1,000 highly-qualified specialists and scientists, including the Nobel Prize Winner in physics Zhores Alferov. Electrotechnic University is alma mater for over 70 thousand students and over 3 thousand international students.
- **St. Petersburg State Polytechnical University (SPBSTU)**
St. Petersburg State Polytechnical University was founded in 1899. It has recently become the National Research University, thus recognized as a leading Russian and international center in the field of higher engineering and economics. The University attracts students from 96 countries of the world and provides education programs in the field of engineering, physics, economics, humanities and IT. Today, the University has 20 departments and institutes as well as 120 R&D labs and offers more than 150 specializations.
- **St. Petersburg National Research University of Information Technologies, Mechanics and Optics (SPNRU ITMO)**
The National Research University of Information Technologies, Mechanics and Optics is one of the oldest higher education institutions in Russia. The school has been training specialists in cutting-edge technologies directed to science and technical development for more than 100 years. Today,

the University, which has 10 departments and offers 49 specializations, enrolls more than 9,000 full-time students.

SPNRU ITMO is known not only in Russia but also internationally due its students' success at the ACM International Programming Collegiate Contests. The University's top world's rating reflects the results of participation in prestigious competitions within several years. SPNRU ITMO is the only university in the world that has become the winner of the ACM International Programming Collegiate Contest 4 times in different years.

2.4.4.2. Professional associations

- **St. Petersburg Association of Radio-Electronics Enterprises**

The Association was established on the basis of radio-electronics enterprises of St. Petersburg in 2008. During the last 4 years the Association was actively engaged in working with sector Committees and organizations of the city. As a result, numerous initiatives, including projects on monitoring the conditions and design safety of buildings and structures, energy efficient lighting systems, inventory geoinformation system have been tested and introduced. The Association unites 38 radio-electronics enterprises, including OJSC Avangard, OJSC Svetlana, CJSC Kozitskogo Zavod, OJSC Research Institute Giricond, OJSC Research Institute Ferrite Domen, OJSC RIMR, Bonch-Bruевич St. Petersburg State University of Telecommunications and others.

2.5. Shipbuilding

2.5.1. General overview

Historically, shipbuilding has been one of the leading industrial sectors in St. Petersburg's economy. The city locates 43 shipbuilding enterprises which employ more than 50 thousand specialists. Shipbuilding products constitute more than a half of all products produced by military industrial complex in St. Petersburg.

Shipbuilding enterprises not only significantly contribute to the city's economy but also provide employment for thousands of residents. Thus, taking into account all design, instrument engineering and machine-building enterprises engaged in production of marine equipment, the sector employs more than 50 thousand people.

Development of a modern shipbuilding complex on the Island of Kotlin in St. Petersburg will benefit not only the shipbuilding industry but also a number of related sectors. It will facilitate the creation of a modern high-tech production in St. Petersburg as well as promote social and economic development of Kronshtadt.

Basic information on the shipbuilding complex on the Island of Kotlin, St. Petersburg

Main products	tankers, LPG tankers, offshore ice-resistant fixed platforms, ice-breakers, floatable nuclear heat and power plants, first rate ships, aircraft carriers, diesel-electric submarine
Annual gross receipts	38 billion roubles
Volume of investment	35 billion roubles
Total number of employees	6,500 people
City tax revenue	3.5 billion roubles a year
Implementation period	8 years

Source: Committee for Economic Development, Industrial Policy and Trade

2.5.2. Industry in numbers

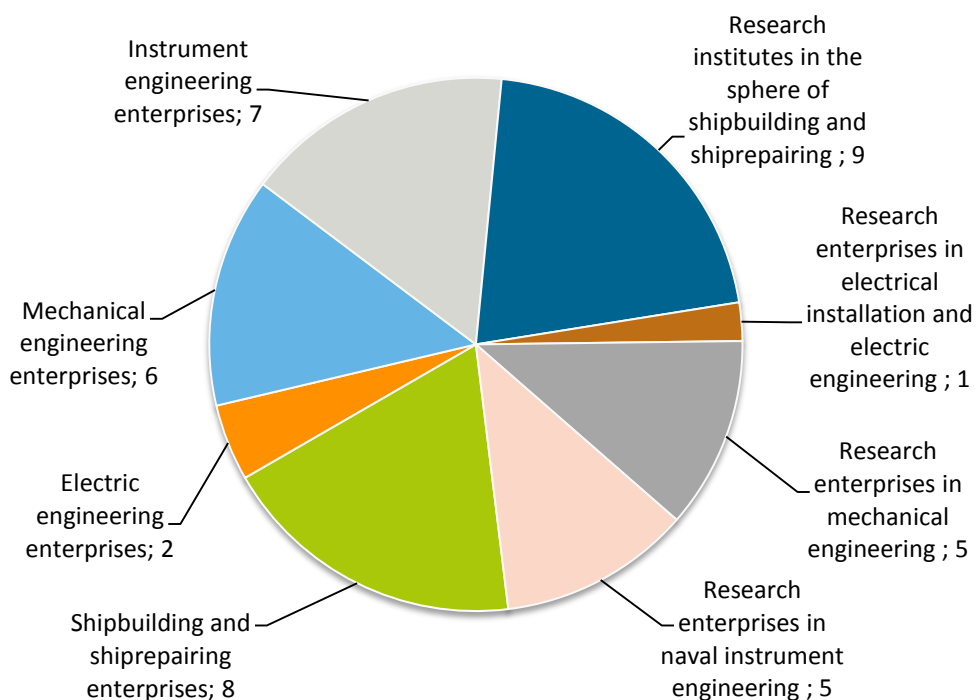
St. Petersburg's possesses unique potential for shipbuilding industry. 43 shipbuilding enterprises, including 23 industrial and 20 scientific enterprises, are located in the city. The production volume of products manufactured at the city's shipbuilding enterprises accounts for 4% of St. Petersburg's GRP, while the share in the manufacturing industries represents 18%. The volume of shipped shipbuilding products constituted 29.3 billion RUB in 2012.

90% of all scientific and project potential of shipbuilding industry is concentrated in St. Petersburg. This fact facilitates introduction of innovation and development of new solutions not only at the production sites located in the city but also in Kaliningrad, the North, Far East and Volga regions.

St. Petersburg shipbuilding enterprises provide more than 70% of all export of the Russian shipbuilding industry. The city's enterprises account for up to 30% of all shipbuilding industry's production volume in Russia.⁸

⁸ Concept of development of shipbuilding cluster in St. Petersburg, Committee for Industrial Policy and Innovations

Structure of St. Petersburg shipbuilding industry, number of enterprises



Source: Concept of development of shipbuilding cluster in St. Petersburg, Committee for Industrial Policy and Innovations

2.5.3. Companies



United Shipbuilding Corporation

United Shipbuilding Corporation is a government-owned company, which unites 37 shipbuilding, repair and maintenance subsidiaries located across Russia. Today, the corporation has 3 subsidiaries, including the Western Shipbuilding and Repair Center in St. Petersburg, the Northern Shipbuilding and Repair Center in Severodvinsk and the Far Eastern Shipbuilding and Repair Center in Vladivostok. The shipbuilding enterprises united under the corporation are engaged in both commercial and naval shipbuilding and account for 80% of all shipbuilding projects in Russia. The Western Shipbuilding and Repair Center includes among others Admiralty Shipyard, Maritime Construction Bureau Almaz, Baltiysky Zavod (Baltic Plant), Kronstadt Marine Plant, Severnaya Verf (Northern Shipyard), Sredne-Nevisky Shipyard.



ALMAZ Marine Yard

ALMAZ Marine Yard was founded in 1931 and specialized in building and repair of Russian Coast Guard and Navy high-speed crafts. In 1970 the production facilities of ALMAZ Marine Yard were modernized and reconstructed to start the production of high-speed crafts, including air-cushion landing crafts for the Russian Navy. Through the application of new technology the marine yard builds the world's largest landing hovercraft of ZUBR class. Since 1974 the company has delivered one hydrofoil and 45 hovercrafts to the Russian Navy.



Avrora

Avrora is a scientific and production association established in St. Petersburg in 1970. Today, the company is engaged in the development and manufacturing of control systems and devices for commercial and naval vessels, including automated control systems of technical facilities, automated combat information and control systems, complex control systems, training systems and simulators, development and manufacturing of control systems for industrial, technological and power generation objects, transportation and port facilities, automated control systems of technological processes of oil and gas extraction, processing and transportation as well as other industrial, medical and technical products.



Gidropribor

Concern “Sea underwater weapon – Gidropribor” is a leading Russian enterprise engaged in development of marine underwater weapons and special-purpose underwater equipment. Over 100 years of history the enterprises of the Concern developed and manufactured dozens of multipurpose torpedoes and mines, mine sweeping gears, including devices to detect and destroy sea mines, means of surveillance of underwater environment, acoustic countermeasure systems and underwater vehicles for divers transportation for the Navy.



Granit – Elektron

Concern “Granit-Elektron” was established in 2006 through reorganization of the Central Scientific and Research Institute “Granit”. The concern is a large scientific and production enterprise specialized in development of electronic warfare systems for the Navy. Granit - Elektron has a status of the federal scientific and production center and is included in the list of strategic enterprises of Russia.



Krylov Shipbuilding Research Institute

Krylov Shipbuilding Research Institute is the leading scientific institution of the national shipbuilding industry and has a status of the Russian Federation State Research Centre for naval commercial ships. This status comes due to both high qualifications of the staff researchers and experts who have established their own world-recognized schools of learning and a unique complement of experimental facilities combined with innovative in-house research methods and tools. The Institute is engaged in performing naval ship conceptual design studies, hydrodynamics, commercial ship and offshore engineering conceptual design studies, structural mechanics, marine power plants and power generation as well as other marine-related technologies.



Oceanpribor

Concern “Oceanpribor” was established in 2006 in a form of an integrated organization which unites scientific and production capacity of Russia in the area of hydro-acoustics. The concern unites scientific and research institutes and plants which product hydroacoustic complexes and stations for shipbuilding industry as well as hydroacoustic equipment for various needs of economy.



Shipbuilding and Ship Repair Technology Center

Shipbuilding & Ship Repair Technology Center is one of the major research institutions in St. Petersburg and a leading center of shipbuilding technologies in Russia. The Center carries out fundamental and exploratory research in the field of creation of modern technologies for shipbuilding and engineering sectors and participates in the development and implementation of large-scale investment projects. Today, the Center incorporates research laboratories, design and construction divisions engaged in the development and modernization of shipbuilding yards, water-development facilities and engineering enterprises, on-shore bases for marine objects, design and manufacturing of ship fittings, design of fishing and fish-processing vessels, special-purpose vessels, as well as production facilities for manufacturing of designed equipment.

2.5.4. Supporting institutions

The leading supporting institutions of shipbuilding industry include:

2.5.4.1. Universities

- **Admiral Makarov State Maritime Academy**
The Academy is the first and only higher educational institution in Russia which educates engineers for locally-built vessels with nuclear power plants. It is the only higher educational institution carrying out targeted training of specialists serving the Northern Marine Route. Among these specialists are not only officers for nuclear powered ice-breakers, but also meteorologists, oceanologists, hydrographers and radio engineers. The Academy is one of the largest centers of marine science with high scientific potential, including 75 doctors of sciences and professors, 175 candidates of sciences and assistant professors.
- **Baltic State Technical University ("Voyenmekh")**
Founded in 1932, the University educated more than 60,000 thousand specialists in the areas of aircraft jet production, aerospace, physics and mechanics, arms and armament systems, information and control systems, mechatronics and control, applied mechanics and automation, international industrial management.
- **St. Petersburg State Marine Technical University**
St. Petersburg State Marine Technical University is the only institute of higher education in Russia which educates world class marine engineers specialized in design, manufacture and maintenance of marine vessels, surface ships and submarines, technical equipment for exploration and extraction of oil, gas and other undersea mineral resources. Founded in 1902, today the University offers educational programs at 5 departments, including natural and social sciences and humanities, naval architecture and ocean engineering, marine engineering, marine electronics and control systems, business and management.
- **St. Petersburg State Polytechnical University**
St. Petersburg State Polytechnical University founded in 1899 is a National Research University, a world's recognized leader in the field of engineering and economic education. The University educates specialists in 36 bachelor and 188 master degree programs as well as 88 PhD and 88 doctorate programs. The University partners with more than 280 Universities 131 scientific and research institutions and 172 companies from more than 55 countries. It has more than 20 international research centers which carry out joint research in cooperation with such companies as Motorola, Microsoft, AT&T, Siemens, LG Electronics, Apple and others.

- **St. Petersburg State University of Waterway Communications (SPSUWC)**

For 200 years St. Petersburg State University of Waterway Communications has been training engineers for waterway transport in Russia. Today, the University is large transport educational center which educates students from more than 30 countries. A number of transport laboratories function at the University, including Prof. Timonov Laboratory of Safety of Hydro technical Engineering Constructions, Prof. Butov Laboratory of Modeling of Transport Processes, Laboratory of Vessel's Navigation Qualities (Towing Tank), Prof. Emets Planetarium Laboratory of Vessels Power Plant, different Training Centers for ashore personnel and seafarers of shipping companies. The University graduates succeed in marine and waterway transport industries and apply their skills in shipping companies, ports, cruise companies, shipbuilding and ship repair yards, in water supply management and administration.

2.5.4.2. Research Institutions

- **Central Scientific and Research Institute of Electric Engineering and Technology**

Central Scientific and Research Institute of Electric Engineering and Technology is a branch of the Krylov State Scientific Center. It is a multidisciplinary specialized scientific and production center engaged in scientific research, design and experimental as well as technology operations. The Institute carries out production, supplies and testing of knowledge intensive electrical equipment, autonomous electric systems, management and control systems, electrostatic protection means for oil-loading facilities.

- **Elektropribor, Central Scientific and Research Institute**

Elektropribor is the leading Russian research institute located in St. Petersburg. The Institute carries out a full cycle of work, including fundamental research as well as product manufacturing. Main products include integrated satellite/inertial navigation systems, mobile airborne marine gravimeter, periscope complex. The institute supplies its products not only to the Russian Navy but also foreign companies from China, Finland, Germany, India, Japan, Norway and the Republic of Korea.

- **Central Research Institute of Marine Engineering**

Central Research Institute of Marine Engineering was established in 1970 with the aim of organization of R&D base for marine equipment and reduction of its development cycle. Today, it is one of the major Russian enterprises engaged in development and supply of ship machinery installed practically on all Russian merchant and naval vessels. The Institute possesses a powerful research and engineering potential as well as a developed high-tech experimental and production facilities.

- **Prometey, Central Scientific and Research Institute of Structural Materials**

Established in 1939, Central Research Institute of Structural Materials has become a multi-specialized state unitary enterprise which carries out orders of the federal ministries as well as Russian and foreign companies engaged in different of industries. Prometey's major fields of operation include hull metallic and nonmetallic materials used in shipbuilding, materials used in shipbuilding and machine engineering, materials for nuclear and heat power engineering, materials for oil and gas production facilities, transportation and refining.

2.6. Software and information technology services

2.6.1. General overview

St. Petersburg is an absolute Russian leader in attracting international investments into IT-related R&D. Dozens of global vendors have already established R&D centers in the city.

Every year over 4,500 IT specialists graduate Universities and enter IT market, thus creating an important pool of talents available for IT-related R&D and commercial software development. St. Petersburg's Universities have been ranked high in the ACM International Programming Collegiate Contests, the most prestigious world championship in software development among Universities. Within the last 13 years St. Petersburg's Universities earned 7 Absolute Champion titles and numerous medals.

Availability of engineers in other high-tech R&D and application areas alongside with software community provides an exclusive opportunity for finding breakthrough solutions on the edge of different sciences and technologies. Creativity and managerial skills of local engineers have been successfully transferred into global successes of local IT businesses in both software development services and software products.

2.6.2. Industry in numbers

There are at least 350 companies and organizations in St. Petersburg which specialize in software development. 250-300 companies are engaged in export operations. St. Petersburg software development industry is the leader in Russia by the amount and share of exporting companies.

The total turnover of St. Petersburg companies and organizations generated by sales of software and software development services reached approximately 1,4 billion USD by the end of 2012 which represents a 14% increase in comparison with 2011. Software development generates 2,1% of GRP and 3,8% of the total export from St. Petersburg. St. Petersburg provides approximately 16% of the total turnover of Russian software enterprises and approximately 18% of the total Russian software export. The ratio of these indicators testifies that St. Petersburg software companies are more oriented to foreign buyers and customers compared to similar companies of other Russian cities.

The total value of St. Petersburg IT market equaled approximately 4,6 billion USD in 2012 which constitutes approximately 14% of the total Russian IT-market.

St. Petersburg software companies employ about 18 thousand software engineers, including approximately 15 thousand working in head offices in the city and 3 thousand - in remote development centers of St. Petersburg companies in other cities of Russia and abroad.⁹

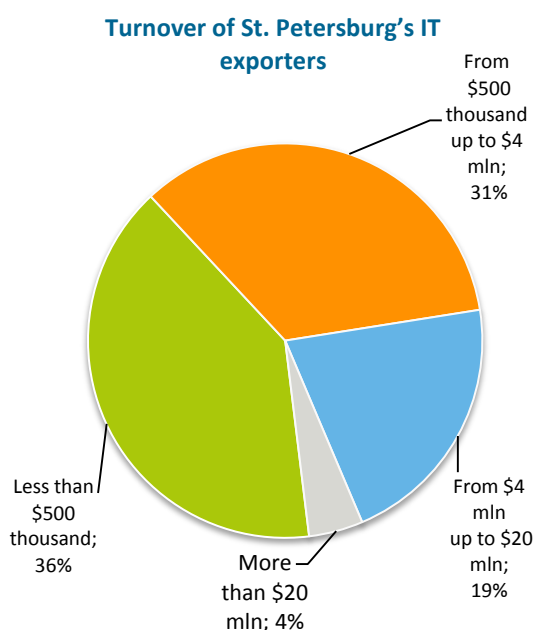
⁹ St. Petersburg Software and Information Technology Services Industry: industry overview, catalogue of export oriented companies & promising start-ups, Enterprise Europe Network - Russia, Gate2Rubin Consortium, Regional Center – St. Petersburg (2013)

Key characteristics of St. Petersburg software industry

	Development of software products and replicated solutions	Software development services	Centers for research and development of international corporations and of Russian companies
Appr. number of companies	160	150	40
Total number of profile employees	7.4 thousand	7.2 thousand	3.4 thousand
Total turnover, 2012	680 million USD	400 million USD	320 million USD
Total turnover growth, 2012	20%	16%	12%
Total turnover forecast, 2013	810 million USD	460 million USD	360 million USD
Total export income, 2012	300 million USD	220 million	280 million USD
Total export income growth, 2012	14%	8%	9%
Total export income forecast, 2013	420 million USD	240 million USD	305 million USD

Source: St. Petersburg Software and Information Technology Services Industry: industry overview, catalogue of export oriented companies & promising start-ups, Enterprise Europe Network - Russia, Module A Regional Center – St. Petersburg (2013)

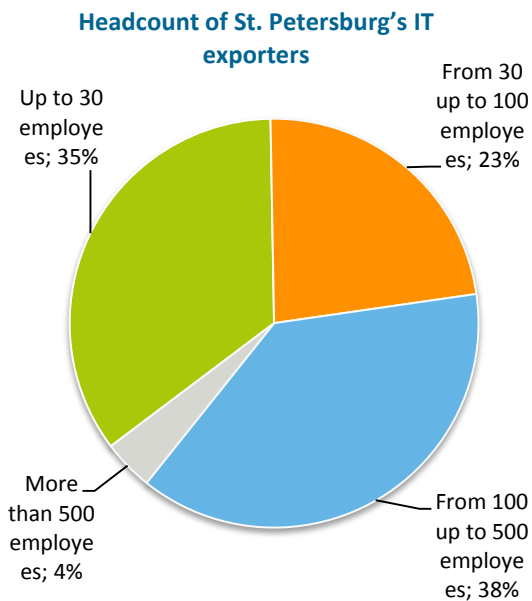
2.6.2.1. Headcount and turnover



The pyramid of the software development export industry in St. Petersburg does not have such a distinct structure compared to Moscow and Russia as a whole. R&D centers and software development centers of large international companies account for a considerable share of export production.¹⁰

Traditionally, in accordance with the corporate policy these centers do not provide any official data for surveys. Taking into consideration only the companies included in the catalogue, only 4% of the companies operating in the city are large exporters with a turnover of more than 20 million US dollars. The majority of the companies are medium-sized and small enterprises. 19% of respondents have a turnover from 4 up to 20 million US dollars, 31% of the companies have a turnover from 500 thousand up to 4 million US dollars, and 36% of the companies have a turnover not exceeding 500 thousand US dollars.

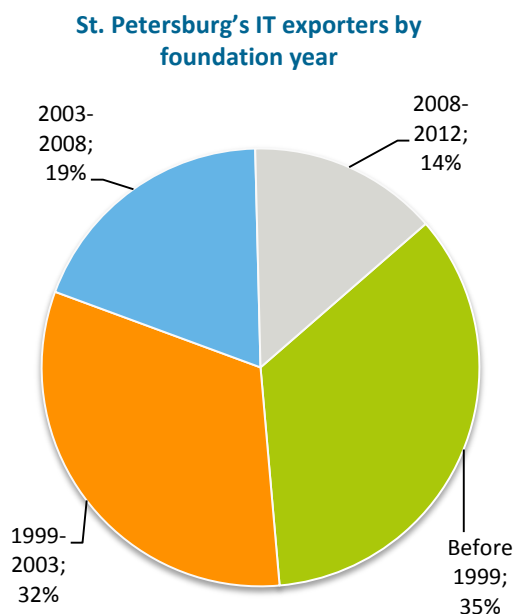
¹⁰ 35% of all export



Correspondingly, the majority of respondents (59%) have less than 100 people in the staff. Only 7 respondents have staff which comprises more than 500 people. 37% of respondents have in the staff less than 30 people.¹¹

2.6.2.2. Year of foundation

The majority of the largest and most well-known St. Petersburg's IT companies were established in 1990-1994. During this period, the country had a considerable scientific and technical backlog, which allowed to gain a market advantage over foreign competitors. However, during the subsequent period (1995-1999), the amount of established companies decreased. This fact was attributable to the exhaustion of the then-existing R&D backlog, lack of investments into R&D sector as well as artificially high exchange rate for RUB to USD.



Following the period of post-crisis economic recovery and strong RUB devaluation against USD, further establishment of a considerable number of new companies in Russia, including St. Petersburg, was noted. Unfortunately, the subsequent period (2006-2009) was characterized by unsatisfactory conditions for establishment of new export-oriented businesses.

Shocks and reductions connected with the economic crisis of 2008-2009 stimulated the emergence of a large number of new hi-tech companies both in the whole country and in St. Petersburg. Besides, in recent years the government provided real support for startups which resulted in a sharp increase in the volume of allocated and venture investments.

A year or two ago, the statistics of venture funds gave evidence of significant increase in the number of startups. Surveys conducted by RUSSOFT did not reveal similar growth but only because new companies got included into data-bases on which they were carried out, with some delay.

¹¹ St. Petersburg Software and Information Technology Services Industry: industry overview, catalogue of export oriented companies & promising start-ups, Enterprise Europe Network - Russia, Gate2Rubin Consortium, Regional Center – St. Petersburg (2013)

In 2013 the situation has changed. The survey has shown sharp increase in the number of new companies among all respondents. If a year ago companies of 4 or fewer years on the market represented only 1% of all respondents, this year this figure is already 14%. Due to the increase of the number of startups formed in recent years, the share of companies of 5 and more years old has been considerably reduced. According to the conducted survey, 35% of St. Petersburg companies were created before 1999, 32% - in 1999-2003, 19% - in 2003-2008 and 14% - after 2008.¹²

2.6.2.3. Vertical markets expertise

While participating in the survey, IT exporting companies mentioned "Information technologies" as the most common vertical market. It is explained by the high skill level of engineers in St. Petersburg companies, whose products and services compete at the most complex markets of software vendors and service providers. At least 80-90% of the companies are oriented to fulfill requests of IT-vendors for all vertical markets in 2013. The percentage of companies that use mobile operating systems (iOS, Windows Mobile, Windows Phone, Symbian) is much higher in St. Petersburg than in other Russian cities. Similar specialization on development of mobile solutions was revealed already a few years ago.

Main vertical markets for St. Petersburg companies include also "Industrial production", "Services", "Education", "Telecommunications", "Health care and pharmaceuticals", "Transport and logistics" and "Retail & Distribution", "Banking" and "Finance". All of them have been noted as priorities by 30% to 35% of respondents. Compared to Russian software industry as a whole, St. Petersburg companies more often have competences allowing them to work at such vertical markets, as "Health care and pharmaceuticals", "Transport and logistics", "Banking" and "Finance".¹³

2.6.2.4. Main export markets

According to the results of the research on software export industry in Russia (RUSSOFT, 2002-2013), all recent years software companies from St. Petersburg were more represented (compared to Russian companies as a whole) in Germany, Scandinavia and other countries of Western Europe. This fact is attributable to geographical and cultural proximity of St. Petersburg to the European countries that are the world's primary consumers of IT industry products.

The survey conducted in 2012 revealed showed that software companies from St. Petersburg are also more active than companies from other cities of Russia in USA and Canada, Australia, Africa and South America.¹⁴

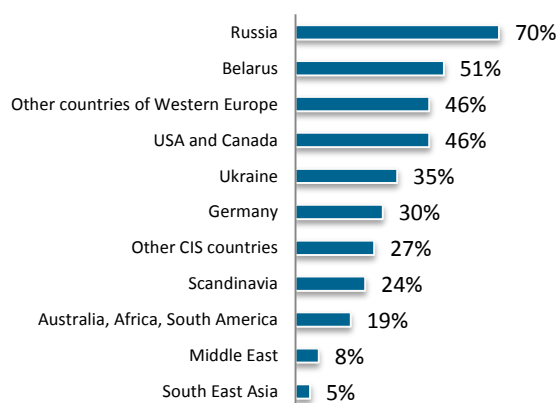
¹² St. Petersburg Software and Information Technology Services Industry: industry overview, catalogue of export oriented companies & promising start-ups, Enterprise Europe Network - Russia, Gate2Rubin Consortium, Regional Center – St. Petersburg (2013)

¹³ St. Petersburg Software and Information Technology Services Industry: industry overview, catalogue of export oriented companies & promising start-ups, Enterprise Europe Network - Russia, Gate2Rubin Consortium, Regional Center – St. Petersburg (2013)

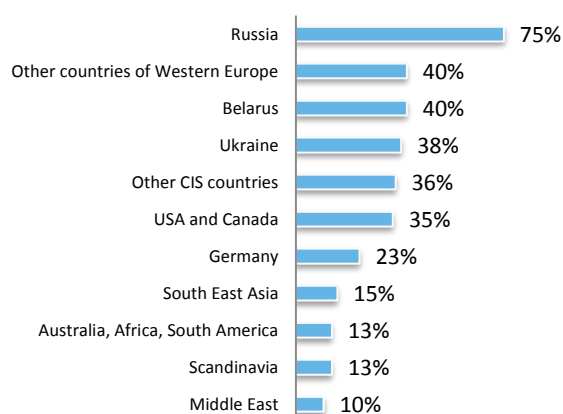
¹⁴ St. Petersburg Software and Information Technology Services Industry: industry overview, catalogue of export oriented companies & promising start-ups, Enterprise Europe Network - Russia, Gate2Rubin Consortium, Regional Center – St. Petersburg (2013)

Presence of St. Petersburg and Russian companies in the world markets

St. Petersburg companies



Russian companies (including St. Petersburg)



Source: St. Petersburg Software and Information Technology Services Industry: industry overview, catalogue of export oriented companies & promising start-ups, Enterprise Europe Network - Russia, Gate2Rubin Consortium, Regional Center – St. Petersburg (2013)

2.6.2.5. Investment attraction

During the last two years software companies from St. Petersburg were less actively engaged in attracting investors than companies from other Russian cities. According to the RUSSOFT survey, only 3% of St. Petersburg companies attracted investments in 2012. In the majority of Russian regions which attracted investors' interest in recent years 12% of companies attracted investments in 2012 (19% - in Moscow). At the same time, St. Petersburg companies are planning to attract investments in 2013 and 2014 more often than companies from other regions.

According to the Russian Venture Company (RVC), the number of investment funds in Russia increases every year, thus increasing the volume of available investment resources. During the last two years the volume of bond funds doubled annually and reached about 6.8 billion US dollars by 2013 it. The number of funds has exceeded 150. According to RVC, 70% of all transactions account for the IT industry. The total amount of transactions in 2012 consisted approximately 1 billion US dollars.

Share of companies which attracted investments (or plan to attract)

	2012	2013	2014
Russian software companies	12%	25%	25%
St. Petersburg software companies	3%	32%	30%

Source: St. Petersburg Software and Information Technology Services Industry: industry overview, catalogue of export oriented companies & promising start-ups, Enterprise Europe Network - Russia, Gate2Rubin Consortium, Regional Center – St. Petersburg (2013)

2.6.3. Companies

St. Petersburg's software companies and IT-service providers



Arcadia

Arcadia is an innovative offshore software development company based in St. Petersburg. The company provides a wide range of software development outsourcing services to customers worldwide. Today, Arcadia unites team of more than 170 software professionals with over 18 years of experience in custom development of business applications.



ASCON

ASCON (CAD/CAM/CAPP/PDM systems developer) has not yet become a global company. The company dominates the post-Soviet area only, but its development strategy envisages active promotion of its software products in new markets within the next 10 years. According to the approved strategy, the company is planning to start operating on all continents at the beginning of the next decade. ASCON opened its first foreign office in Munich at the beginning of 2012. The office is engaged in development of a partner network in German-speaking European countries, including Germany, Austria, and Switzerland. Entry into foreign markets was delayed due to the global financial crisis which led to essential reduction of the Russian CAD/CAM/CAPP/PDM systems' IT market, thus causing decrease in ASCON sales.



Astrosoft

Arcadia, Astrosoft and Digital Design are the companies engaged in custom software development for foreign companies. While Astrosoft and Digital Design are more oriented to the fast-growing Russian market, Astrosoft has strong positions at the Finnish market. It is a premium level IT-services supplier with more than 10-year expertise in implementing projects all over Europe.



Bercut

Bercut and Peter-Service, located in St. Petersburg, are the leading Russian solutions providers for telecom operators. Though both companies are more oriented to the Russian and the CIS markets, they also have installations in other foreign countries.

Bercut is a supplier of end-to-end solutions in the field of telecom services (for example, to Tele2 in Russia) which offers a unique integrated approach to VAS development and management based on cooperation between operator and subscriber. Outside Russia and the CIS, systems installed by the company can be found in Africa and in the Middle East.



DataArt

DataArt is a custom software development company that provides advanced solutions for financial services, healthcare, hospitality and other industries. The company's services include application development, quality assurance, team completion, reengineering and R&D.



DevExperts

DevExperts is one of the global leaders in developing software for financial markets. The company provides professional software systems for on-line brokerage, exchange, and financial activities mostly on stock, options, and Forex markets. DevExperts is specialized in development, implementation, and support of financial systems intended to handle complex business activities, including a full set of advanced tools to meet both trader and broker requirements.



Digital Design

Headquartered in St. Petersburg, Digital Design is an IT consultancy which offers a full range of IT services to clients in Russia and all over the world. Based on its own research, the company creates new companies which promote their solutions not only in Russia but also abroad (DocsVision and AvroRAID). DocsVision is a developer of the self-named document and corporate business processes management system. It dominates the markets of Russia and neighboring countries. AvroRAID is engaged in data storage software development. Its main solution, AVRORA 2.0 platform, assists in creating a high performance and fault tolerant data storage system based on inexpensive widespread standard hardware components. This platform has customers not only in Russia and the CIS countries, but also in India and the US.



FirstLineSoftware

Both Lanit-Tercom and FirstLineSoftware were listed in the ratings of the top 100 world's leading outsourcing technological companies during the last two years.



i-Free

i-Free content provider is another St. Petersburg's company with the turnover estimated at hundreds of millions of US dollars in recent years. The company's sales volume exceeded 200 million US dollars in 2011. Though it a relatively young company created in 2011, i-Free has been present at the world's largest markets since 2006. The company's offices are located in Kiev (Ukraine), Minsk (Belarus), Almaty (Kazakhstan), Mumbai (India), Beijing (China), and San Paulo (Brazil). The company's products and services are delivered to more than 100 countries across the world. i-Free specializes in implementation of innovative projects in the field of mobile and NFC technologies, electronic finance, digital content distribution, electronic payment systems and micropayments, application development for smartphones and new network devices, as well as promotion of digital products in the B2C market and implementation of B2B projects in the mobile marketing sphere. The company uses its foreign divisions to promote other Russian developers' solutions in the foreign markets. i-Free has good development prospects, and its turnover is expected to increase several times.



JetBrains

JetBrains and DevExperts are excellent examples of the success of new Russian companies at the global market. JetBrains develops tools for software developers which regularly win prizes at the most prestigious software competitions.



Lanit-Tercom

Lanit-Tercom is based in St. Petersburg State University. The company also has a number of spin-offs which develop new technologies for the global market.



Peter-Service

Peter-Service is engaged in development of billing solutions for large telecom operators and renders services for products' implementation, integration and technical maintenance. The company has about 100 successful projects implemented for 50 telecom operators in 10 countries across the world (mainly, in the CIS). One of the company's projects has been implemented in Turkey.



PROMPT

The turnover of such St. Petersburg's companies as PROMT (machine translation system developer) and Speech Technology Center (speech recognition and synthesis system developer) will most likely not exceed 100 million US dollars, though considering their partners and customers across the world, these companies are already global.

PROMT is a leading Russian developer of linguistic IT solutions for business and private users which has good positions in Western Europe. The company has been successfully operating at the market of innovative linguistic technologies for 20 years and, today, provides its services to more than 10 thousand client companies all over the world.



Reksoft

Reksoft and DataArt should be specifically noted among outsourcing software developers. For several years both companies were listed in various versions of the top 100 world's leading outsourcing technological companies, including the IAOP Global Outsourcing 100 and the Global Services 100.

Reksoft specializes in supplying software development services, products and solutions to enterprises, ISVs, and system integrators operating in a variety of industries.



SPB Software

SPB Software is another example of successful development. The company which specializes in mobile application development was acquired by Yandex in 2011 and became the center of mobile TV and 3D solutions development for the leading Russian Internet search company.



Speech Technology Center

Speech Technology Center (STC) is an international leader in speech technology and multimodal biometrics. Speech Technology Center is one of the world market leaders which delivers its integrated (hardware and software complexes) to more than 40 different countries. Speech Technology Center is famous by the implementation of a nation-wide personal voice-based identification system set up in Mexico. The success has good prospects to be extended to other Latin America markets as voice recognition is enhanced now by image recognition, providing complex solutions based on recognition of two physical characteristics of a person.



Transas group

Transas group of companies is the largest St. Petersburg's IT solution developer. It occupies leading positions in the world market in the field of software for synthesis of 3-D images, vessel navigation and traffic control systems, as well as sea and air transport simulators. The company's annual turnover has exceeded 320 million US dollars with export accounting for about a half of the turnover. Transas aims to increase these numbers to 1 billion US dollars during the next years. With some of its products, the company dominates such large markets as China and the US.

R&D centers of multinational companies located in St. Petersburg



Alcatel-Lucent

The Alcatel-Lucent experts working in St. Petersburg are engaged not only in development of solutions for the Russian market, but also participate in the company's global projects. They develop software solutions for corporate telecommunications, IPTV and contact centers. In the field of IPTV, a priority task lies in developing a fully functional service platform for large operators. Particularly, St. Petersburg's center develops over-the-top solutions for delivery of multimedia applications via public. As for corporate communication field of activity, the center created a group working on MyTeamwork, a product for on-line conferences.

The R&D center launched from-the-scratch development of analytical solutions for the Genesys Interactive Insight contact centers. This project is interesting since "extreme programming" approaches were first applied in St. Petersburg on demand of Alcatel-Lucent.

In cooperation with the Russian Technologies State Corporation Alcatel-Lucent established a joint venture engaged in development, production and promotion of IP protocol-based hi-tech equipment in the Russian and the CIS markets. Subsequently, the partners decided to organize production of equipment for Russian LTE networks as well as launch another research and development center in St. Petersburg (which is now integrated into the Alcatel-Lucent wireless solutions group).



ECTACO

An American company ECTACO is one of the leaders in the world market of pocket electronic translators. In 1998 the company opened the Center for advanced development on the basis of its Russian office in St. Petersburg. The center eventually became the company's main development center. Thus, in many respects St. Petersburg's experts determine design and quality of the linguistic base and wide functionality of ECTACO translators.



EMC

EMC R&D center in St. Petersburg is oriented towards implementation of projects that require high qualification, although it is not as large as the company's centers in other countries. At the moment of the center's opening, the Captiva engineering division acquired by EMC, which was engaged in development of software for transfer of information from paper to electronic media, was located in the city. 50 employees of the division joined the center. The key direction of the company's activities is storage devices. St. Petersburg's center is engaged in activities associated with Symmetrix, a flagship family of EMC storage systems.



Epam Systems

Epam Systems has been operating in St. Petersburg for over 7 years. The company is one of the leading software services and solutions providers from Central and Eastern Europe. From software products to core business applications, EPAM has provided expert consulting, development, testing, support and infrastructure services to many of the world's leading organizations.



Exigen Services

Exigen Services is an example of a foreign IT-service corporation which has successfully created a dedicated development center in St. Petersburg. This center has developed into an important software development outsourcing service provider, which let Exigen Services become rated among the Best 100 Global Outsourcing service providers for some years. After a certain turbulent process, the company was divided in two parts and now both of them are looking to proper business models for recovery.



Google

Google's software development centers in Russia are located in Moscow and St. Petersburg. There is not much information available regarding their operation. Most likely, the centers develop solutions used by the company in Russia. However, it is known that the Russian software development centers carry out projects for the entire company. Thus, the centers possess the authorship for Google Code, a search service for programmers, as well as perform a large share of work on the Google toolbar development.



HP Labs

HP opened a unique research laboratory in St. Petersburg. Unlike other international R&D centers located in Russia, it is not engaged in localization and development of short-term technologies, but focuses on pursuing fundamental science research with the expected return in at least 5 years. Its staff mostly includes scientists employed on a permanent basis. At the same time, the HP laboratory in St. Petersburg actively cooperates with the leading Russian Universities and academic institutions.

Particularly, the laboratory in St. Petersburg implements a unique project for corporation's research division aimed at developing the Contextualized Information Delivery Platform (CIDP). The platform is intended for so-called knowledge workers (financial or political analysts, sales or marketing experts, researchers and other users) who constantly work with large data sets to make decisions and provide recommendations.

In close collaboration with HP Labs scientists, Russian professors, teachers,

postgraduate students and students conduct research in the laboratory focusing on such fields as natural language processing; extraction of semantic information from multimedia data; extraction of objects, events, complex events, facts for deep text analysis; integration of information from heterogeneous sources; contextual compression, automatic summarization; scalable graph algorithms; service-oriented architectures and cloud services.



Intel

Among all corporations in Russia, Intel has the largest contingent of developers and researchers which includes about 2 thousand people. They work in 5 cities, including Moscow, Nizhny Novgorod, Sarov, Novosibirsk, and St. Petersburg. Intel R&D centers in Russia are mainly oriented to computer technologies development. Nevertheless, some employees are involved in implementation of specific projects, such as development of the Intel Wireless Display technology (Wi-Di) used to connect big screens to a laptop or a desktop computer via wireless channel.

In July 2004, the R&D center was opened in St. Petersburg. 8 years ago, its employees started to work on the development of the Managed Run Time Environment (MRTE) software which is a new field for the company. Intel's R&D center in St. Petersburg was created on the basis of the Elbrus MCST company, which was one of the Russian leading scientific centers in the field of computer technologies. Together with the regional offices, the company employed over 500 highly-qualified experts, including three laureates of the Lenin Prize and five laureates of the State Prize, six professors, eight Doctors of Science, and more than fifty Candidates of Science. They developed a new generation of microprocessors, E2K and Elbrus, and the Elbrus-3M universal multiprocessor computer complex.



Luxoft

Luxoft has been operating in St. Petersburg for over 7 years. The company is a top quality Central and Eastern European IT service provider of high-end business solutions to clients across the globe. Luxoft's domain expertise lies in finance, telecom, energy, automotive, travel and aviation industries.



Motorola

Motorola is one of the first foreign corporations which opened a development center in Russia. The division has four basic lines of activity, including optimization and solutions for wireless platforms, automobile electronics and telematics, cellular network infrastructure, and remote access systems and solutions for them. In cooperation with a Russian holding InformInvestGroup Motorola corporation started to localize production of equipment for 4G broadband mobile communication networks. Russian experts conduct preliminary research and development for the project.



Nokia

Nokia created a network of research laboratories in Russia at Universities and the Russian Academy of Sciences. Due to proximity to Finland, this network started to form in St. Petersburg. The Finnish company acknowledged Russian specialists' expertise in certain areas where they are capable of solving assigned tasks with the same level of quality as their Western European peers. India and China are also considered as an option, however, for a more distant perspective (10 years and more). Despite the fact that the science

develops rapidly in these countries, the required "historical basis" has not been acquired yet.

Two related companies, Nokia and Nokia Siemens Networks, conduct research in the fields that partially overlap, though Nokia Siemens Networks division in St. Petersburg is more oriented to the field of telecommunication infrastructure.

ORACLE

Oracle Development

Following the Sun Microsystems' acquisition by Oracle in 2009, the Sun Microsystems' center of high technologies in St. Petersburg has been functioning as Oracle Development LLC. This division's basic sphere of activity included Java technologies and development tools, in particular, applied aspects of Java, Jini, N1, J2ME, and compilers development. After the Sun Microsystems' absorption, some experts suggested that specialization of its St. Petersburg center will not comply with the Oracle development strategy. However, the corporation continued to finance development in St. Petersburg. Today, the Center of High Technologies, in addition to Java, develops Fusion Middleware products, including, for example, application server and server virtualization solutions.

St. Petersburg's experts are engaged in the full cycle of software development which is developed for the global market. The Oracle developers in St. Petersburg are engaged in solving complex problems that can be dealt with by very few experts in the world.

SIEMENS

Siemens Communications

Siemens Communications opened a joint center on the basis of two St. Petersburg's software development divisions. Siemens opened its first Russian software development center in 1997. The center was engaged in fixed telephony segment. Then, in 2001, the second center, which developed solutions for mobile communication switching subsystems, was established. In 2005, taking into account the global technology convergence tendencies, the company's management decided to consolidate developers under the same roof.

Generally, the software development center receives orders directly from the Siemens AG head office. Other orders are received from the regional Siemens offices in Russia, Belarus, Ukraine, and other CIS countries.

Main objectives of the center lie in development, testing and standardization of software products and applications; adaptation of Siemens technology considering the specific features of the regional market, as well as certified support and maintenance of the solutions in the Russian and CIS markets. The center's area of competence also lies in intellectual network software adaptation to customers' needs (and consulting services on its application) as well as database development for advance payment services.

· · T · · Systems

T-Systems

T-Systems is the Deutsche Telekom's subsidiary enterprise and R&D center in St. Petersburg. It develops software on demand of its parent structure and other large European telecom operators. Besides, the center works for the Russian market. It develops customized software and implements complex information systems.

T-Systems' basic lines of activity in Russia include implementation and support of the SAP ERP enterprise management systems, software

development, integration and support, and rendering of telecommunication services.

Yandex

Yandex

Yandex joined the list of companies with its R&D center in St. Petersburg just before it held a successful IPO three years ago. Yandex is one of the largest internet companies in Europe, operating Russia's most popular search engine and its most visited website. According to LiveInternet, as of July 2013, Yandex generated 62% of all search traffic in Russia. The company also operates in Ukraine, Kazakhstan, Belarus and Turkey.

2.6.4. Supporting institutions

The leading supporting institutions of software and information technologies services industry include:

2.6.4.1. Universities

- **St. Petersburg National Research University of Information Technologies, Mechanics and Optics (SPNRU ITMO)**

The National Research University of Information Technologies, Mechanics and Optics is one of the oldest higher education institutions in Russia. The school has been training specialists in cutting-edge technologies directed to science and technical development for more than 100 years. Today, the University, which has 10 departments and offers 49 specializations, enrolls more than 9,000 full-time students.

SPNRU ITMO is known not only in Russia but also internationally due its students' success at the ACM International Programming Collegiate Contests. The University's top world's rating reflects the results of participation in prestigious competitions within several years. SPNRU ITMO is the only university in the world that has become the winner of the ACM International Programming Collegiate Contest 4 times in different years.

- **St. Petersburg State Electrotechnic University (ETU)**

St. Petersburg State Electrotechnic University is one of the world's largest education and research centers specializing in radio engineering, electrical engineering, electronics and computer science. The University has a staff of more than 1,000 highly-qualified specialists and scientists, including the Nobel Prize Winner in physics Zhores Alferov. Electrotechnic University is alma mater for over 70 thousand students and over 3 thousand international students.

- **St. Petersburg State Polytechnical University (SPBSTU)**

St. Petersburg State Polytechnical University was founded in 1899. It has recently become the National Research University, thus recognized as a leading Russian and international center in the field of higher engineering and economics. The University attracts students from 96 countries of the world and provides education programs in the field of engineering, physics, economics, humanities and IT. Today, the University has 20 departments and institutes as well as 120 R&D labs and offers more than 150 specializations.

- **St. Petersburg State University (SPBU)**

Founded in 1724, St. Petersburg State University is the oldest institution of higher education in Russia. The University's Department of Mathematics and Mechanics together with its comprising scientific institutions is one of the largest mathematical centers in the world. The Department offers 23 specializations and also includes the Research Institute of Mathematics and Mechanics, a computer center and astronomy observatory.

In addition to SPNRU ITMO, SPBU also successfully participates in the International Programming Collegiate Contests. Its students became absolute world champions twice and with several exceptions constantly become prize-winners. The SPBU team became the first Russian winner of the ACM International Programming Collegiate Contest in 2000-2001.

- **St. Petersburg State University of Space Instrumentation (SUAI)**
Historically, the University (formerly known as Aircraft Instrumentation Institute) has been largely involved into projects related to development of software for embedded devices for aviation and space. Today, the University accommodates an important R&D center and implements joint training programs on embedded software development in cooperation with Nokia, Intel and other vendors.

IT specialists are also educated at the following St. Petersburg's Universities:

- **Baltic State Technical University ("Voyenmekh")**
Founded in 1932, the University educated more than 60,000 thousand specialists in the areas of aircraft jet production, aerospace, physics and mechanics, arms and armament systems, information and control systems, mechatronics and control, applied mechanics and automation, international industrial management.
- **Bonch-Bruevich St. Petersburg State University of Telecommunications (SPbSUT)**
Bonch-Bruevich St. Petersburg State University of Telecommunications is one of the oldest higher education engineering institutes in Russia. Founded in 1930, the University's history is closely linked to the development of Russian and world science in communication area and great scientific and technical base. The University is a founding member of the Association of European Universities and Companies of Informatics and Computer Electronics (EUNICE).
- **St. Petersburg State Engineering Institute (LMZ-VTUZ)**
Founded in 1930, St. Petersburg State Engineering Institute focuses on educational, scientific and engineering activities in the areas of power engineering, technology and automatization, industrial processes, triboengineering, corporate IT systems and other.
- **St. Petersburg State Transport University (PSTU)**
St. Petersburg State Transport University includes 10 faculties, 52 departments, scientific research institutes and centers, branches and offices in various Russian towns as well as a complex of specialized secondary educational institutions. According to the Russian Federation Ministry of Education, the University ranks 10-13 among 175 Russian technical higher schools. The University educates specialists in various areas, including railways power supply, automatics, telemechanics, telecommunications, traffic management as well as information systems, standardization and certification, technological processes safety, management and marketing.

2.6.4.2. Research Institutions

- **Central Research Institute of Robotics and Technical Cybernetics**
The Central Research Institute of Robotics and Technical Cybernetics of St. Petersburg State Polytechnical University is created as a special design office of technical cybernetics. Its major activities involve robotics and control systems, the photon techniques, special instrument development, laser technologies, telenetics.
- **JSC "Concern "Central Scientific and Research Institute "Elektropribor"**
The Institute is engaged in high-precision navigation, gyroscopy, gravimetry, and marine radio communication.
- **JSC "Russian Scientific and Research Institute "Elektronstandart"**
"Elektronstandart" is the leading research institute of the radio electronic complex of Russia in the field of reliability, quality, certification, standardization of electronic component base and radio and electronic equipment.
- **Federal State Unitary Enterprise "Emergency Center of the Ministry of Atomic Energy of Russia"**
One of the areas of the Center's activities lies in the development of automated systems for radiation monitoring.

- **Institute of High-Performance Computing and Databases of the Ministry of Science and Technology**
The Institute is engaged in development of modern information technologies, parallel computing, modeling in the field of fundamental sciences, databases and distributed information systems development, and visualization.
- **Ioffe Physical Technical Institute**
The Ioffe Institute is engaged in nanoheterostructure physics, solid state electronics, solid state physics, dielectric and semiconductor physics, plasma physics, atomic physics and astrophysics.
- **JSC “Scientific Research Institute “Neptun”**
Scientific Research Institute “Neptun” is engaged in development, production and repair of communication equipment, design and construction of coastal objects.
- **JSC “Computing Scientific Research Institute “Spektr”**
The company is engaged in development of software, hardware, microelectronics solutions for aviation equipment and production of onboard equipment.
- **St. Petersburg Department of Steklov Institute of Mathematics, Russian Academy of Sciences (RAS)**
The Institute specializes in fundamental research on theoretical mathematics and mathematical models of theoretical physics, including mathematical logic and theory of algorithms, theory of numbers, geometry and topology, mathematical analysis, theory of probability, mathematical statistics.
- **St. Petersburg Institute for Informatics and Automation of the Russian Academy of Sciences (SPIIRAS)**
St. Petersburg Institute for Informatics and Automation is engaged in scientific IT research, including computer security, cryptology, information system security, applied problems of information security, distributed computing structures, object-oriented geoinformation systems, programming technologies and systems, information systems and problems of information security, data transmission system, integrated automation systems, intellectual systems, IT in system analysis and modeling, scientific research automation, applied information science, society informatization, theoretical and interdisciplinary problems of information science, IT in management and robotics, information and analytical technologies in economy, speech and multimodal interfaces, biomedical information science.
- **Vektor Scientific Research Institute**
The Institute is engaged in research, development and production of radio engineering and radio electronics equipment.

2.6.4.3. Associations

- **RUSSOFT**
RUSSOFT is a nationwide association of Russian software companies, which also includes a number of leading software companies from Belarus and Ukraine. The association was founded in 1999 as a Consortium “Fort-Ross” of 10 local companies. It changed the name to RUSSOFT Association in 2004 after a merger with a Moscow based Association (NSDA) and since then has been keeping its headquarters in St. Petersburg. Today, RUSSOFT unites more than 70 companies which employ more than 24 thousand highly-qualified programmers and software engineers. The association was created to represent Russian software development companies at the global market, to enhance marketing and PR activities of its members, and to lobby their interests in the Russian government. RUSSOFT is a part of the Russian Information and Computer Industry Association (APKIT) where it plays the role of the Software Development and Export Committee.

- **SPb CIO Club**

St. Petersburg CIO Club is a professional community uniting IT directors of leading companies of the Northwestern region of the Russian Federation. The organization's major objectives lie in providing support and strengthening the development of professional community of IT directors. Established in 2004, the Club is at present the largest professional IT community in Russia.

3. Business solutions

St. Petersburg is an ideal location for the following business needs:

- ✓ **Headquarters**
Favorable economic and geographical position, highly educated, efficient and motivated workforce as well as developed infrastructure make St. Petersburg an ideal location for Russian headquarters of any international business.
- ✓ **Research & Development center (R&D)**
St. Petersburg is an acknowledged scientific and educational center as well as a Russian leader in information technology, which possesses all necessary innovative infrastructure and extensive government support to accommodate your R&D activities.
- ✓ **Production center**
One of Russia's most important production centers provides you with developed logistics, innovative and flexible business environment as well as highly efficient and motivated workforce to accommodate your production facilities in the city.
- ✓ **Distribution center**
St. Petersburg's westernmost mainland location in Russia and well-developed transport infrastructure makes it an ideal location for your Russian and European distribution center.
- ✓ **Test market**
St. Petersburg is an ideal test market in the European part of Russia, which will allow you to assess the demand for your new products and improve your technology and business models.

3.1. Headquarters

St. Petersburg is the second largest city in the Russian Federation. It is a major European cultural center and an important Russian port on the Baltic Sea. A close proximity to Europe, developed infrastructure and favorable investment climate make St. Petersburg an attractive location for Russian headquarters of numerous international corporations, banks and other businesses.

Russian rating agency Expert ranks St. Petersburg among the most attractive regions of the Russian Federation for trade and investment (1A) characterized by high investment potential given minimum risks.¹⁵ St. Petersburg is also ranked as one of the most business-friendly cities in the Russian Federation (A+) characterized by favorable business climate and excellent conditions for pursuing business in the city.¹⁶

3.1.1. Advantages

✓ Favorable economic and geographical position

St. Petersburg is the world's northernmost city with over one million population. It is the largest westernmost city of the Russian Federation conveniently located along the shores of the Neva Bay of the Gulf of Finland. A complex system of river ports is interconnected with the system of seaports, thus making St. Petersburg the major link between the Baltic Sea and the rest of Russia through the Volga-Baltic Waterway. St. Petersburg is a major trade gateway as well as a financial and industrial center of the Russian Federation specialized in power plant engineering, machine tool technology, shipbuilding and instrument engineering. The city boasts a highly developed iron steel and nonferrous metal industry, chemical industry as well as consumer goods, food and printing industries.

✓ Highly educated, efficient and motivated workforce

Flexible and highly educated labor market provides excellent conditions for establishing your headquarters in St. Petersburg. St. Petersburg is the fourth most populated city in Europe with more than 40% of residents having higher education degrees. Destined by the European location and close proximity to the European markets, residents of the city possess foreign language skills which makes them an ideal workforce for any headquarter located in the city.

✓ Developed infrastructure

St. Petersburg has a well-developed infrastructure which connects European part of Russia with the Nordic and Baltic regions, thus conveniently suiting the business needs of your headquarter. Moreover, the ongoing development of a major strategic investment transportation project will determine further development of the city as a major world transport hub. The Western High-Speed Diameter (WHSD) envisages construction of a motorway which will link passenger and freight transport along the busiest traffic lines and St. Petersburg transport hub, including the Large Port, to the national road network.

¹⁵ As of 13.12.2013, Investment rating of Russian regions, Expert RA Rating Agency

¹⁶ As of 26.06.2013, Business environment in Russian cities, Expert RA Rating Agency

3.1.2. Cases

The following national and international companies have already registered, located or announced their plans to relocate headquarters to St. Petersburg:



Gazprom Neft

One of the largest oil producing and refining companies in Russia, which is an oil arm of Gazprom, has a fully operational head office in St. Petersburg since December 2011.



Rostelecom

Russia's national telecommunications operator with the largest domestic backbone network has its de jure headquarters in St. Petersburg.



Russian Standard

One of the leading banking and alcohol beverage groups which holds the stock of Russian Standard Company, a producer and distributor of Russian Standard Vodka, as well as Russian Standard Bank, announced its plans to register to St. Petersburg in 2007.



Sovcomflot

Russian state-owned maritime shipping company specialized in petroleum and LNG shipping relocated its headquarters to St. Petersburg in 2006.



Transaero

The first private company and one of the largest airline companies in Russia operating since 1991 registered to St. Petersburg in 2006.



Transneft

Russian state-owned company which transports about 93% of all oil produced in Russia and owns the largest oil pipeline system in the world, announced its plans to register to St. Petersburg in 2005.



VTB Bank

VTB Bank is one of the largest banks in Russia, a backbone financial institution with over 85% of the lender's securities held by the state. VTB Bank moved its headquartered to St. Petersburg in 2005.



X5 Retail Group

The largest retail chain in Russia announced its plans to relocate to St. Petersburg in 2007.

3.2. Research & Development

Due to its unique scientific and educational base, St. Petersburg plays a major role in the development of nanotechnology industries in Russia, thus making it an ideal location for your R&D activities. The majority of Russian R&D centers and facilities of international companies are based in St. Petersburg.

3.2.1. Advantages

✓ **Largest scientific and educational center**

St. Petersburg is a leading scientific and educational center of the Russian Federation which possesses 10% of all intellectual potential of the country. The city is home to 252 scientific institutes and organizations with more than 170 thousand scientific workers employed. 8% of all Russian students and 15% of all Russian post graduate students pursue their studies in St. Petersburg. St. Petersburg is home to more than 100 higher education institutions, including St. Petersburg State Electrotechnical University (ETU) which along with the National Research Nuclear University functions as the coordinator of educational activities within the National Nanotechnology Network.

✓ **Extensive government support**

The Government of St. Petersburg applies systematic approach to the development of innovation and technology. The city adopted a complex program aimed at developing and supporting a modern competitive regional innovation system. The government views the development of the following industrial clusters as a priority in sustaining innovative climate in the city: automotive industry, pharma and biotechnology, shipbuilding, information and communication technologies, radiology and power plant engineering. In addition, every year the city hosts the St. Petersburg International Economic Forum (SPIEF), a flagship event which serves a major platform for economic talks between Russian and CIS leaders as well as the world's business elite.

✓ **Innovative special economic zone**

A special economic zone of technical-implementation type has been functioning in St. Petersburg since 2010. The zone focuses on rendering tax, customs and other type of concessions to the companies engaged in the development of high-tech solutions. Simplified customs regime facilitates the development of export/import activities, thus creating favorable conditions for promoting foreign economic activities.

✓ **A leader in information technology**

60% of all Russian IT companies are based in St. Petersburg, including 49 centers of leading international and Russian ICT companies. Availability of developed IT infrastructure, including a technopark, business incubator, modern research and scientific institutions, as well as highly qualified IT-personnel facilitate the development of St. Petersburg as a Russian leader in information technology.

3.2.2. Cases

The following national and international companies have already located their R&D facilities in St. Petersburg:



Alcatel-Lucent

Alcatel has been operating its R&D center in St. Petersburg since 2005. Its main objective lies in the development and integration of innovative telecommunications software systems and adaptation of existing Alcatel products to the specific requirements of the regional market. The center covers three fields of applications, including fixed, mobile and enterprise networks, and employs 150 specialists trained at the specialist Alcatel R&D centers in Europe and the US.



AstraZeneca

AstraZeneca opened a Predictive Science Center in St. Petersburg in 2012. It is the company's first Predictive Science Center in Russia which will focus on the development of bioinformatics, data analysis methods, software and systems to better predict the safety and efficacy of potential new medicines. The center will employ around 30 specialists who will work in close collaboration with local companies and organizations as part of a related agreement with the St. Petersburg government.



Corning

Corning scientific center was founded in 1996 in St. Petersburg and is specializing on mathematic and computer modelling of materials, products and technological processes.



EMC

Opened in 2007, EMC R&D center in St. Petersburg is an important part of the global EMC R&D investment program. The center focuses on rendering support and continuous development of a wide range of world's leading software products. St. Petersburg's center currently employs more than 170 program engineers specialized in data management and data storage systems.



Google

Google opened its second R&D center in Russia in 2006. Today, Russia is only the second country outside the US in which Google has two R&D centers, including Moscow and St. Petersburg. St. Petersburg division focuses on the development of security software and its adaptation to the needs of Russian users. It employs around 10 software engineers engaged in the development of Chrome Developer Tools as well as improvement of V8 virtual machine.



HP Labs

HP Labs Russia is the newest member of the international HP Labs community, and the third new research lab created by the company in the last five years. Opened in St. Petersburg in 2007, HP Labs Russia focus on information management and development of new technologies linked to the explosion of information access brought about by the World Wide Web. The only Russian HP research lab delivers breakthrough technologies and technology advancements that provide a competitive advantage for HP and create business opportunities that go beyond HP's current strategies.



Intel

Opened in St. Petersburg in 2004, Intel R&D center currently employs more than 100 specialists. The center focuses on conducting research and development of innovative software solutions for Internet-related technologies, including Dynamic Runtime Layer (DRL), communication technologies that enhance wireless communication, grid computing to optimize programming environment. St. Petersburg center works in close collaboration with the city universities with the aim of creating a solid academic foundation for information.



LG MC Russia R&D Lab

LG MC Russia R&D Lab (LGERP), opened in St. Petersburg in 1997, is a central LG division in CIS. The Lab plays a key role in the development of innovative high tech solutions for LG Electronics. LG MC Russia R&D Lab focuses on three major directions, including mobile communications, digital television and household appliances.



Microsoft

In June 17, 2011 the Government of St. Petersburg and Microsoft signed the cooperation agreement stipulating the development of education and training system for IT specialists and introduction of modern technologies into the public management system. Microsoft has already been working and launching a number of educational programs in St. Petersburg. The new agreement involves the establishment of Microsoft Information Center within Ingria Technopark located in St. Petersburg as well as the company's participation in the development of St. Petersburg IT cluster.



Sitronics

Sitronics opened its 5th international R&D center in St. Petersburg in June 2011. Investment into the R&D center operating in telecommunications sector constituted 177,000 dollars. The center which is to employ 120 specialists will specialize in the development and testing of convergent billing decisions, including highly-productive rating systems for tariffs in real-time mode. In the future the center plans to carry out research in the field of self-service systems, including web-portals, terminals, pad-computers and communicator applications, CRM-decisions.

3.3. Production center

Today, St. Petersburg is Russia's second most important production center, specializing in the production of complex machinery and equipment. Leading industries in this sector include shipbuilding, instrument manufacture as well as production of electrical generators and turbines, machine tools and machines for printing, textile, paper, food, automotive and leather industries.

During the recent years St. Petersburg turned into the Russia's automobile manufacturing center, which already hosts the production facilities of the world's largest automakers and automobile parts manufacturers, including Hyundai Motor Company, Toyota Motor Corporation, General Motors Company, Nissan Motor Company and Scania.

3.3.1. Advantages

- ✓ **Highly qualified and motivated workforce**
St. Petersburg is a major scientific and educational center of the Russian Federation, which possesses 10% of all intellectual potential of the country. The city is home to a number of leading technical universities, including St. Petersburg State Electrotechnical University (ETU) which along with the National Research Nuclear University functions as the coordinator of educational activities within the National Nanotechnology Network. St. Petersburg boasts a diverse pool of technical specialists given the city's reputation as a Russian IT center.
- ✓ **Innovative and flexible business environment**
The city's innovative business environment provides production companies with access to a diverse pool of talented specialists who can help you innovate and improve your production processes. The fact that 20% of all Russia's advanced technologies are created in St. Petersburg indicates a high degree of production process development and automatization, which significantly enhances the value of your production processes as well as end product. Moreover, the flexibility of existing labor market provides an ideal environment for flexible production, which can be easily scaled up and down.
- ✓ **Acknowledged R&D center and test market**
St. Petersburg is one of the most innovative regions in Russia and an acknowledged R&D center and test market on the territory of the Russian Federation. Excellent framework conditions, open and fast-adopting market as well as high purchasing power of the population will help you assess the demand and improve your new products as well as research and development efforts, technology implementations and business models.
- ✓ **Developed logistics**
Due to the ideal geographical location and scarcity of Russian ports on the Baltic Sea, St. Petersburg is Russia's foremost logistics hub. The city's transport infrastructure with highly developed motor transport network, railway, air, river and sea transport, including Russia's main port of foreign trade and sea gate to Europe, might serve as a key asset in your decision to locate your production center in the city. In addition, the city has a number of modern multifunctional logistics complexes and parks (Pulkovo, Kolpino, Yanino) suitably located to address storing, processing and customs clearance needs of your business.

3.3.2. Cases

The following international and leading Russian companies have already located their production facilities in St. Petersburg:

Bakery



Fazer Group

Fazer Group started operating on the food catering and services market in Russia in 2006, and has invested 204.78 million dollars in its operations in Russia during the last ten years.

Beverage production



Carlsberg Group

Baltic Beverages Holding, a leader at the Russian beer market which manages Baltika, became part of the Carlsberg Group in 2008. Carlsberg currently owns 89.01% of Baltika stock. Today, Baltika Brewery, founded in 1990, is the largest brewery in Eastern Europe and the second-largest brewery in Europe after Heineken Brewery.



Coca-Cola Company

Coca-Cola opened its plant in St. Petersburg in 1995. The facility produces Coca-Cola products for more than 13 million customers in St. Petersburg and Northwestern Russia. It employs more than 1,000 people, while creating up to 200 additional seasonal workplaces during the peak seasons.



Heineken

Heineken has been operating in Russia since 2002 when it acquired the Bravo plant in St. Petersburg. St. Petersburg's Heineken brewery also produces and distributes Budweiser beer, having signed a licensing agreement with Bud's brand owner Anheuser-Busch.



Pepsi Bottling Group, Inc. (PBG)

PepsiCo drinks are produced by Pepsi Bottling Group, Inc. (PBG) at its four plants in Russia. One of the top global FMCG companies in Russia opened its St. Petersburg's plant in 1992. PBG produces and distributes all PepsiCo products, including carbonated soft drinks, water, snacks, juices, teas, and sports and energy drinks.



Russian Standard Company

A leading Russian premium vodka producer opened its distillery in St. Petersburg in 2006. Total investments into the facility amounted to 60 million dollars. The distillery produces 3.6 million dekaliters of vodka annually. A 30,000 square meter facility handles the production of the company's entire vodka portfolio, including Russian Standard Original, Russian Standard Platinum and Imperia.

Candy



Chupa Chups S.A.

The Spanish candy maker launched its St. Petersburg's production facility in 1991. Neva Chupa Chups produces Chupa Chups caramel lollipop candies of various flavors and colors not only for the Russian market but also for export to CIS countries. St. Petersburg's factory has the capacity of making up to 200 million 200-gram rolls per year.

Car assembly



General Motors

General Motors opened its automobile factory in St. Petersburg in 2008. Global car making giant became the second foreign carmaker to open a factory in St. Petersburg. Investment in the project totalled 300 million dollars with up to 1,700 jobs created, followed by the opening of a second production line in 2010.



Hyundai Motor Company

Hyundai officially launched its full-cycle manufacturing plant in St Petersburg in 2010. St. Petersburg's plant is Hyundai's sixth production facility outside its home market of South Korea. The facility is expected to roll out 105,000 vehicles in its first year of operation with the rise to 150,000 in 2012.



MAN

The German manufacturer of trucks is planning to launch the production in St. Petersburg by the end of June 2013. Memorandum on construction of truck manufacturing plant in Shushary was signed between St. Petersburg authorities and MAN Truck&Bus AG in 2011. The manufacturing capacity will constitute 6 thousand trucks per year. Investment into plant construction constituted 25 million Euro.



Nissan

Nissan Manufacturing Rus was established in St. Petersburg in 2009. The plant currently represents approximately a 150 million euro investment with the total volume of 28,500 units since the start of production. The plant currently employs 2,000 employees.



Scania

Scania opened its industrial facility for assembling and bodyworking trucks for the Russian market in St. Petersburg in 2010. This facility is Scania's sixth delivery center. From this new delivery center, Scania supplies complete trucks that are adapted to the requirements and operating conditions that apply in Russia. St. Petersburg's facility which employs about 70 employees has a technical assembly capacity of about 5,000 truck chassis and 1,500 superstructures per year.



Toyota Motor Corporation

Toyota became the first Japanese carmaker to start production in Russia with its car assembly plant opened in St. Petersburg in 2007. The plant, with an annual output capacity of about 50,000 vehicles, initially built 20,000 Camry sedans per year while gradually expanding its production since then.

Chewing gum



Wm. Wrigley Jr. Company

The world's largest maker of chewing gum has been operating a 70 million dollar plant in St. Petersburg since 1999. Wrigley is planning to expand its St. Petersburg plant with an investment of 100 million dollars. The company also announced that it might build a second factory in Russia and acquire local producers to tap its growth at the Russian market.

Electronics



HP – Foxconn

Hewlett-Packard and component maker Foxconn opened a pilot assembly line to make computers in St. Petersburg in 2010. A pilot production line on a rented 10,000-square-meter facility in Shushary produces HP, HP Pro and Compaq models. It currently employs 100 workers, although the staff is expected to grow as production increases. A 32,000-square-meter main facility is expected to cost 50 million dollars and have an annual capacity of 500,000 personal computers.

Elevators



Otis Elevator Company

The world's largest manufacturer of vertical transportation systems has three manufacturing plants in Russia, including the one operating in St. Petersburg since 1994. Otis St. Petersburg was established in 1991 to meet the elevator need for new construction as well as for the replacement market. With 470 employees, Otis St. Petersburg is the only company that manufactures European standard elevators in Russia. Since the opening of the production line, St. Petersburg's plant has shipped more than 3,000 elevator units to CIS countries and other Russian regions.

FMCG



P&G

P&G opened its Gillette razor manufacturing plant in St. Petersburg in 2000 with an investment of 40 million dollars and 500 people employed. It has soon become one of the major razor manufacturing plants in the world with a capacity of 860 million blades a year. In 2004 the facility was expanded with an investment of 502 million roubles and several Gillette factories' productions moved to St. Petersburg.



Unilever

Unilever has been operating in Russia since 1992 and has 7 manufacturing and production sites, including the one located in St. Petersburg. The plant was opened in 1994 and currently focuses on the production of home care, personal care and tea products. In 2009, the company acquired the sauces business of Baltimor Holding, a leading ketchup business in Russia. The acquisition included ketchup, mayonnaise and tomato paste business, accounting for annual turnover of around 70 million euros, as well as a production facility at Kolpino, near St. Petersburg.

Home Appliances

B/S/H/

Bosch and Siemens

The largest manufacturer of home appliances in Europe and one of the leading home appliances companies in the world opened its manufacturing plant in St. Petersburg in 2007. St. Petersburg's plant manufactures Bosch and Siemens cooling appliances. In 2007 the company laid the foundations for a washing machine factory with the capacity of 300,000 machines per year. In 2010 the company launched a new line of washing machines and a second line of refrigerators at its existing plant in Strelna. It has also announced about the expansion of its logistics center. The Strelna factory currently employs 420 people and is to create 100 additional workplaces with the expansion of the production line.

IT

NEC

NEC Corporation

One of the world's leading providers of Internet, broadband network and enterprise business solutions established NEC Neva Communications System, a public switching system manufacturing facility, in 1997. It was the first high-tech alliance between a Japanese and Russian company. NEC delivers tailored solutions in the key fields of computer, networking and electron devices, by integrating its technical strengths in IT and networks, and by providing advanced semiconductor solutions through NEC Electronics Corporation.

LED manufacturing

OPTOGAN

OptoGan Group

A vertically integrated European LED & luminaire manufacturer acquired the Russian subsidiary of Elcoteq together with its industrial facility and infrastructure in St. Petersburg in 2010. Elcoteq started the production of electronic devices and telecom equipment in St. Petersburg in 2006. OptoGaN has already invested over 9.5 million euros in new production lines. The first line with the capacity of 30 million LEDs per month was launched in fall 2010.

Packaging

amcor

Amcor Tobacco Packaging

Originally built by Alcan Packaging in the Krasnoselskaya industrial zone of St. Petersburg in 2005, a tobacco packaging plant started operating under Amcor Tobacco Packaging brand after Amcor acquired Alcan Packaging from Rio Tinto in 2010. With the original investment of 40 million euros, the plant's current capacity constitutes 3 billion units per year.

Pharmaceuticals

NOVARTIS

Novartis

In 2010 Novartis started a construction of a new greenfield pharmaceutical manufacturing plant in St. Petersburg, as part of 500 million dollar five-year investment into the Russian healthcare infrastructure. The facility will be constructed in the Novoorlovskaya Special Economic Zone (SEZ) located to the north of the St. Petersburg city center. Once completed and approved for commercial production, which is expected in 2014, the facility will produce approximately 1.5 billion units of both innovative pharmaceuticals and generics per year.

Pipe products



Severstal

One of the Russia's largest steel and mining industry companies opened its Izhora Pipe Mill at Kolpino outside St. Petersburg in 2006. The plant with the capacity of 600 thousand tons per year specializes in manufacture of large diameter pipes from strip made by Cherepovets Steel Mill. The plant produces unique products for Russian domestic pipe industry which allow to expedite the process of pipeline construction as well as lower the costs and enhance reliability.

Telecommunication



Alcatel-Lucent

Alcatel has been operating its R&D center in St. Petersburg since 2005. Its main objective lies in the development and integration of innovative telecommunications software systems, and adaptation of existing Alcatel products to the specific requirements of the regional market. The center covers three fields of applications, including fixed, mobile and enterprise networks, and employs 150 specialists trained at the specialist Alcatel R&D centers in Europe and the US.

Tobacco



British American Tobacco (BAT)

BAT's plant in St. Petersburg operates 13 production lines producing five premium brands. It provides about 25% of BAT's production volume in Russia. The company completed the construction of new production facilities at its plant in St. Petersburg in 2007 with the total investment of 110 million dollars, thus increasing St. Petersburg plant's production capacity to 40 billion cigarettes a year.



Japan Tobacco International (JTI)

JTI's cigarette making facility in St Petersburg is the company's biggest worldwide plant with the total of 400 million dollars invested. The brand portfolio includes over 30 brand names, both international and local. It supplies the firm's Russian and Ukrainian plants with main tobacco components used for cigarette production.



Philip Morris International (PMI)

Philip Morris Inc. officially opened its third Russian cigarette factory in St. Petersburg in 2000. The total investment of 335 million dollars made this project the company's largest cigarette plant in Europe. The plant, which employs 750 workers and operates 15 conveyer belts, produces the Marlboro, Parliament, Virginia Slims, L&M, Chesterfield and Bond Street brands. In 2002 the company began construction of a new processing line and a warehouse with the total investment estimated at 240 million dollars.

3.4. Distribution center

St. Petersburg's westernmost mainland location in Russia as well as well-developed infrastructure and logistics makes it an ideal location for your Russian and European distribution center. St. Petersburg is an administrative center of the fourth largest federal district in Russia. With a distribution center located in St. Petersburg your business will be able to directly cover 1.7 million square kilometers of the northern part of European Russia and reach more than 13 million consumers within short-term delivery.

3.4.1. Advantages

Existing transport infrastructure supported by extensive rail and road network, one of the busiest Russian airports, developed port infrastructure and efficient inland water transportation system make St. Petersburg an ideal location for your Russian and European distribution center.

✓ **By air**

St. Petersburg is served by the Pulkovo International Airport, which is the fourth busiest airport in Russia. Pulkovo Cargo Terminal is one of the five leading cargo terminals in Russia and the largest cargo terminal in the Northwest Russia. It has the annual cargo handling capacity of 30 thousand tons. Pulkovo has been undergoing a major 1 billion euro modernization since 2007. The first phase of reconstruction, which included the construction of a new passenger terminal and other airport infrastructure improvements, was completed in 2013.

✓ **By land**

St. Petersburg has a well-developed rail and road network with major highways and national roads, connecting northwest Russia with the rest of Russia as well as Nordic and Baltic countries. St. Petersburg and the surrounding Leningrad region have the highest density of roads with a road network covering approximately 1,300 km. Railroad network which is one of the most efficient and dynamic forms of transport in the region is also connected to the Large Port of St. Petersburg and other port complexes in the region.

✓ **By river**

Inland water transportation is one of the largest and most unique logistical competitive advantages of St. Petersburg and northwest Russia. St. Petersburg and the Neva River serve a major terminal point for the Volga-Baltic Waterway, which is a part of the Unified Deep Water System (UDWS) of European Russia, providing inland water connection from the Baltic Sea to the Caspian Sea, the Black Sea and onwards to the world oceans.

✓ **By sea**

Sea transport is one of the most important transport modes in St. Petersburg. Today's northwest Russian port infrastructure is concentrated on the eastern end of the Gulf of Finland, mainly in St. Petersburg. The Large Port of St. Petersburg connected to the Baltic Sea through a channel is Russia's main port of foreign trade and the country's main sea gate to Europe.

3.4.2. Cases

The following international and leading Russian companies have already located their distribution centers in St. Petersburg:



LaserPLY

American company's product line includes flat dieboards, rotary dieboards and platforms. The company's platforms are used in birch core/maple face and back flat dieboards, flat dieboards with a wood and polymer veneer combination, as well as core material for rotary dieboard production. Today, the company operates two international distribution centers, including the one strategically located in St. Petersburg.



Lenta

One of the Russia's largest hypermarket chains operating on the market since 1999 opened its 20 thousand square meters distribution center in St. Petersburg in 2007. Total investments into the project constituted 20 million dollars. Distribution warehouse utilizes the latest processing technologies, thus allowing to reduce costs in shelf storage, cross-docking as well as packaging arrangement and dispatching.



Onninen

The Finnish company provides comprehensive materials' services, including complex electrical, lighting, heating and plumbing as well as other engineering products and services for contractors, industry, public organizations and technical retailers in nine countries. Onninen officially opened its Russian headquarters and distribution center in St. Petersburg in 2007. The company's distribution center serves all northwest Russia and has the capacity of 9,000 pallets, including 18,000 products from 200 suppliers.



Static Control Components

The world's largest manufacturer and global distributor of parts and supplies supporting the laser toner remanufacturing industry is headquartered in Sanford, USA. Static Control operates 20 separate manufacturing plants and operates through the network of global distribution partners. The company's distribution partner in Russia operates several distribution centers, including the one strategically located in St. Petersburg to ensure fast product delivery all across Russia.

3.5. Test market

St. Petersburg's market is a perfect test market for new products and technologies. It is an ideal test market in the European part of Russia for high-tech companies longing to assess the demand and improve their new products as well as research and development (R&D) efforts, technology implementations and business models.

3.5.1. Advantages

Excellent framework conditions, open and fast adopting market as well as high purchasing power make St. Petersburg an ideal test market located in the European part of Russia. It will allow you to assess the demand for your new products and improve your technology and business models.

✓ **Excellent framework conditions**

St. Petersburg is conveniently located in the northern part of European Russia, which can be reached from the capital city of Moscow within an hour by plane. It is the second largest city in Russia as well a major European cultural center. Destined by its geopolitical location as well as historical development, St. Petersburg is often described as the most western city of the Russian Federation. It is characterized by homogeneous population, which is highly receptive to new ideas and products.

✓ **Open and fast-adopting market**

St. Petersburg has one of the most advanced information societies in Russia with the most innovative, motivated and critical consumers. Given St. Petersburg's open, receptive and fast-adopting market, the decision to test your business models, technologies or products in St. Petersburg will allow you to effectively improve and adjust your solutions before entering all-Russian or European markets.

✓ **High purchasing power**

Given the existing variations in population's income and buying power across different regions of the Russian Federation, the most well-to-do population is concentrated in Moscow, St. Petersburg and large regional centers. St. Petersburg's population is characterized by high income and purchasing power, thus facilitating the growth of demand for high quality and innovative products, technologies and solutions.

3.5.2. Cases

The following international companies chose St. Petersburg as a test market for their products as well as technology and information sharing:



AstraZeneca

AstraZeneca opened a Predictive Science Center in St. Petersburg in 2012. It is the company's first Predictive Science Center in Russia, which will focus on the development of bioinformatics, data analysis methods, software and systems to better predict the safety and efficacy of potential new medicines. The center will employ around 30 specialists who will work in close collaboration with local companies and organizations as part of a related agreement with the St. Petersburg government.



Google

Google opened its second R&D center in Russian in 2006. Today, Russia is only the second country outside the US in which Google has two R&D centers, including Moscow and St. Petersburg. St. Petersburg division focuses on the development of security software and its adaptation to the needs of Russian users. It employs around 10 software engineers engaged in the development of Chrome Developer Tools as well as improvement of V8 virtual machine.



Microsoft

On June 17, 2011 the Government of St. Petersburg and Microsoft signed the cooperation agreement stipulating the development of education and training system for IT specialists and introduction of modern technologies into the public management system. Microsoft has already been working and launching a number of educational programs in St. Petersburg. The new agreement involves the establishment of Microsoft Information Center within Ingria Technopark located in St. Petersburg as well as the company's participation in the development of St. Petersburg's IT cluster.

4. Doing business

4.1. Establishing a legal presence

BEITEN BURKHARDT

Information for the current chapter was developed and kindly provided by BEITEN BURKHARDT

Foreign investors can establish a legal presence in Russia in the following main forms:

- a representative office or branch of a foreign company;
- a legal entity established under Russian law (subsidiary, joint venture).

The legal status of representative offices and branches of foreign companies, as well as the organizational and legal forms of Russian legal entities most often used in practice – Limited Liability Companies and Joint Stock Companies – are considered in greater detail in the section below.

4.1.1. Representative offices

4.1.1.1. Status of a representative office under Russian law

A representative office does not have the status of a legal entity, but rather is a subdivision of a foreign legal entity in Russia, which represents and protects the foreign company's interests.

The legal basis for the establishment and operations of representative offices is the Regulation of the Council of Ministers of the USSR “On Approval of the Provision on the Procedure for the Opening and Operations of Representative Offices of Foreign Firms, Banks and Organizations in the USSR” No. 1074 dated November 30, 1989. The establishment and activities of representative offices of foreign banks and other lending organizations are also regulated by the provisions of Order of the Central Bank of the Russian Federation No. 02-437 dated October 7, 1997.

A representative office acts on behalf of, and at the instructions of, the foreign company in question and carries out activities in accordance with Russian legislation. Issues involving the taxation of income of representative offices of foreign companies are regulated by Russian legislation, as well as by treaties on the avoidance of double taxation concluded by the Russian Federation.

The mutual relations between a representative office and the foreign legal entity that established it are based on the following documents:

- the foreign legal entity's foundation documents;
- the power of attorney issued to the head of the representative office;
- the Provision on the representative office.

The activities of a representative office are managed by the head of the representative office, who acts on the basis of the power of attorney issued by the foreign legal entity.

It should be noted that the powers of the head of a representative office must be certified solely by the power of attorney, and may not be based only on the Provision on the representative office or the foundation documents of the foreign legal entity. The head of a representative office is entitled to delegate his/her powers in full or in part to another person, if such a possibility is provided for by the power of attorney issued to the head.

4.1.1.2. Opening (accreditation) of a representative office

In accordance with Russian legislation, a representative office of a foreign legal entity in Russia may be opened only upon permission from the accrediting body. In particular, accreditation is required in order to open bank accounts at Russian banks, rent premises, and hire employees.

A representative office can be accredited by the following organizations:

- the Ministry of Economic Development of the Russian Federation;
- a competent specialized ministry;
- the Chamber of Commerce and Industry of the Russian Federation;
- the State Registration Chamber of the Ministry of Justice of the Russian Federation.

Generally, the State Registration Chamber is preferred, since it also maintains the Consolidated State Register of Accredited Representative Offices of Foreign Companies on the Territory of the Russian Federation. Therefore, a representative office can be accredited and entered into the Consolidated Register at the same time.

A permit to open a representative office is issued by a registration body for 1, 2 or 3 years, with the possibility of extending the term (for 1, 2 or 3 years, as well) on the basis of an application from the foreign legal entity.

If a foreign legal entity fails to apply to a registration body for the extension of the accreditation term in a timely fashion, the representative office shall be considered to have terminated its operations upon expiration of the accreditation term. However, it can be liquidated only upon the completion of all required procedures, such as the cancellation of registration with the tax authorities and state non-budget funds in Russia, as well as closing its bank accounts.

At present, the State Registration Chamber charges the following fees for the accreditation of a representative office:

- for 1 year – RUB 35,000;
- for 2 years – RUB 65,000;
- for 3 years – RUB 80,000.

The fees for extending a representative office's accreditation are:

- for 1 year – RUB 35,000;
- for 2 years – RUB 50,000;
- for 3 years – RUB 65,000.

The issue of a permit to open a representative office and a certificate of entry of the representative office in the register of accredited representative offices, as well as the extension of an accreditation, generally takes 18 business days. In the case of an expedited issue (within 5 business days), an additional fee of RUB 15,000 is applicable.

4.1.2. Branches

Federal Law No. 160-FZ dated July 9, 1999 “On Foreign Investment in the Russian Federation”, provides for the possibility of establishing subdivisions of foreign legal entities in Russia in the form of branches. A branch is a separate subdivision of a legal entity, not located at the registered seat of the legal entity, and performing all or part of the functions of the legal entity, including representation functions.

4.1.2.1. Status of a branch under Russian legislation

The Civil Code of the Russian Federation and Federal Law No. 160-FZ dated July 9, 1999 “On Foreign Investment in the Russian Federation”, which are the legal bases for the operations of branches, reflect the main functional distinction between branches and representative offices: a branch of a foreign legal entity established in the Russian Federation performs the functions, including representation functions, on behalf of the foreign legal entity by which it was established, either in part or in full, whereas representative offices perform representation functions only.

Opening a branch is expedient in cases when the foreign legal entity plans to carry out active commercial activities in the Russian Federation.

With regards to the specific features of branches, it should be noted that the provision on a branch must indicate the composition, the amount, and the terms of property transferred as contributions to the fixed assets of the branch. The property transferred to a branch should be appraised by the foreign legal entity on the basis of domestic or global prices, and indicated in its ruble equivalent in the provision on the branch.

4.1.2.2. Accreditation of a branch

Currently, there are no significant differences between the procedure for opening a branch and that for opening a representative office, including the documents required.

A permit to open a branch is issued by the State Registration Chamber for a term of 1, 2, 3 or 5 years, with the possibility of an extension for 1, 2, 3 or 5 years on the basis of an application from the foreign legal entity.

State duty of 120,000 rubles must be paid to open a branch; in addition, the State Registration Chamber charges the following fees for accreditation:

- For 1 year – RUB 20,000;
- For 2 years – RUB 35,000;
- For 3 years – RUB 50,000;
- For 5 years – RUB 75,000.

The same fees are charged by the State Registration Chamber for extending the accreditation term.

The issue of a permit to open a branch and a certificate of entry in the state register, during the accreditation or accreditation extension processes, generally takes 18 business days. In the case of an expedited issue (within 5 business days), an additional fee of RUB 15,000 is applicable (RUB 10,000 – if a branch is opened for 5 years).

4.1.3. Russian legal entities

Russian legislation considers a legal entity to be an organization that owns separate assets, is liable for its obligations to the extent of such assets, and that may, in its own name, acquire and exercise civil rights, bear civil obligations, and act as a plaintiff or a defendant in court.

The Civil Code of the Russian Federation is the basis for the legal regulation of legal entities. The following special laws are also particularly important:

- Federal Law No. 208-FZ dated December 26, 1995 “On Joint Stock Companies”,
- Federal Law No. 14-FZ dated February 8, 1998 “On Limited Liability Companies”,
- Federal Law No. 41-FZ dated May 8, 1996 “On Production Cooperatives”, and others.

Legal entities are divided into commercial and non-commercial entities. Commercial legal entities pursue profit as their main operational objective, distribute profits generated among the founders, and are entitled to carry out any types of operations not prohibited by law. Conversely, non-commercial legal entities do not pursue profit as their main operational objective, do not distribute profits generated among the founders, and are entitled to carry out business operations corresponding to the objectives for which the organization has been established, and only for the purpose of achieving these objectives.

Also, legal entities are divided into corporate and unitary entities. Founders (participants) of corporate entities (e.g., joint stock companies) have participation (membership) rights thereto and form the supreme management body thereof, whereas founders of unitary entities (e.g., funds, unitary enterprises) do not have said rights.

4.1.3.1. Organizational and legal forms of commercial legal entities in Russia

Russian civil legislation provides for several forms of commercial legal entities, including limited and unlimited (general) partnership, limited liability company, joint stock company, production cooperative and unitary enterprise. The two main forms of commercial legal entities are the following:

- limited liability company (LLC) – a company whose charter capital is divided into participation interests; the participants of such company are not liable for its obligations, and bear the risk of losses connected with company operations only to the extent of the value of their participation interests;
- joint stock company – a company whose charter capital is divided into a particular number of shares; shareholders of such company are not liable for its obligations, and bear the risk of losses only to the extent of the value of their shares.

4.1.3.2. Registration of legal entities

Federal Law No. 129-FZ dated August 8, 2001 “On State Registration of Legal Entities and Individual Entrepreneurs” (hereinafter the “Law on Registration”) regulates the procedure for registering newly established legal entities. Currently, they are established on the basis of the “one-window principle”, in accordance with which, and in order to have a fully functioning legal entity registered, it is sufficient to submit the documents to one state authority. The registration of a legal entity is carried out as follows: a company is registered as a legal entity with the tax authorities, and concurrently registered with other state bodies and extra-budgetary funds.

The state duty for the state registration of a legal entity is 4,000 rubles.

The registration of legal entities signifies their entry in the Unified State Register of Legal Entities by an authorized territorial tax body (in St. Petersburg – the Inter-District Tax Inspectorate No. 15 for St. Petersburg).

In accordance with Article 8 of the Law on Registration, the state registration of legal entities is carried out within 5 business days of the submission of the necessary documents to the tax body.

Upon completion of the registration process, the legal entity is issued with a certificate of state registration, and documents verifying its registration with other state bodies and state non-budget funds:

- certificate of registration as a taxpayer with the tax authority at the location of the legal entity;
- information letter from the territorial body of the Federal State Statistics Service regarding the assignment of statistical codes to the legal entity;
- notice of the legal entity’s registration with the territorial body of the Pension Fund of the Russian Federation;
- notice of the legal entity’s registration with the territorial body of the Social Insurance Fund of the Russian Federation.

In certain cases, as stipulated by the Federal Law "On Protection of Competition" (in particular, if the charter capital of a legal entity is to be paid by shares or assets of other legal entities), the incorporation of a legal entity requires the prior consent of the Russian antimonopoly authorities.

4.1.4. Limited liability companies

4.1.4.1. Legal status and foundation procedure

The legal status of a limited liability company is regulated by the Civil Code of the Russian Federation and Federal Law No. 14-FZ dated February 8, 1998 “On Limited Liability Companies” (hereinafter the “Law on Limited Liability Companies”).

A limited liability company may be founded by one or several persons. However, a limited liability company may not have, as its sole participant, any other business entity comprised of one person.

A company is founded through the holding of a foundation meeting, at which the founders adopt a resolution to establish a limited liability company, elect the management bodies of the company, and approve the company's articles of association.

The founders of the company also conclude a written agreement on the foundation of the company, determining the procedure for them to carry out joint actions in order to found the company, the amount of the charter capital of the company, the amount and nominal value of the participation interest of each founder of the company, as well as the amount, manner, and payment terms of such participation interests in the charter capital of the company. In the case of the foundation of a company by one party, the agreement on the foundation of the company is replaced by a resolution of the sole participant on establishing the company.

The foundation document of a limited liability company is the articles of association. The articles of association must contain the following information:

- the name of the company, its location;
- the composition and authority of the management bodies of the company;
- the amount of the charter capital, the rights and obligations of the participants of the company;
- the procedure for, and consequences of, a company participant's withdrawal from the company (if withdrawal is indeed permitted);
- the procedure for transferring a participation interest (or portion thereof) to another party;
- the procedure for storing the company's documents;
- the procedure for the provision of information to the company's participants and other parties.

As of the state registration, the company shall maintain a list of the participants of the company, including information on each participant of the company, the amount of their participation interest and payment therefor, as well as on the amount of the participation interest belonging to the company.

The number of participants in the company must not exceed 50. If the number of participants exceeds 50, then the limited liability company must be converted to an open joint stock company within one year.

4.1.4.2. Charter capital. Transactions with participation interests

The charter capital of a limited liability company is composed of the participants' contributions. The minimum charter capital amount is 10,000 rubles. The charter capital of a company may be paid either in funds or through in-kind contributions. The value of an in-kind contribution must be assessed by an independent appraiser.

A participant in a limited liability company is entitled to sell or otherwise dispose of (exchange, donate) their participation interest to one or several participants in the company. The consent of the company or the other participants to such a transaction is not required unless the articles of association of the company stipulate otherwise.

A company participant is also entitled to dispose of its participation interest to a third party that is not a participant in the company. However, such a disposal may be prohibited by the company's articles of association.

The company's participants have the preemptive right to purchase a participation interest (or portion thereof) at the price offered to a third party, or at the price previously determined by the company's articles of association, in proportion to the amount of their participation interest in the charter capital, unless the articles of association stipulate otherwise.

In addition, the articles of association may provide for the company's preemptive right to purchase a participation interest (portion thereof) if the other participants have not exercised their preemptive right.

A transaction aimed at disposing of a participation interest (portion thereof) is subject to notarization. The notary public shall inform the registration authority of the certified transaction, in order to ensure

that the changes in the composition of the company participants and the new amounts of their participation interests are reflected in the Unified State Register of Legal Entities.

In certain cases specified by the Federal Law "On Protection of Competition", transactions with participation interests in the charter capitals of limited liability companies are subject to control by the antimonopoly authorities.

4.1.4.3. Agreements on exercising rights of company participants

The participants of a company are entitled to conclude a written agreement on the exercising of the rights of company participants (corporate agreement), which may be entered into either during the foundation of the company, or at a later point in time. Under such an agreement, the participants undertake to either exercise their rights in a certain manner, or to refrain from exercising their rights.

In particular, the participants may establish the obligation to vote in a certain manner at the general meeting of the company participants, to coordinate voting behavior with other participants, to acquire or to sell a participation interest or portion thereof at a certain price and/or upon the occurrence of certain conditions to refrain from disposing of a participation interest or portion thereof until certain conditions have been met, as well as to carry out other coordinated actions concerning company management, establishment, operations, reorganization or the liquidation of the company.

The agreement on exercising the rights of company participants is the Russian equivalent of the "shareholders agreement" common in foreign jurisdictions.

4.1.4.4. Withdrawal from the company

A company participant is entitled to withdraw from the company by disposing of their participation interest to the company, regardless of the consent of the other participants or the company, if specified by the company's articles of association. Also, a company participant may withdraw from the company by demanding the company to acquire their participation interest in cases provided for by effective legislation (e.g., if disposal of a participation interest is prohibited and other participants refused to acquire such a participation interest).

A withdrawal of company participants from the company that results in no participants remaining in the company, or the withdrawal of the sole participant from the company, is not permitted.

In the case of a withdrawal, the company participant is paid the actual value of their participation interest, equal to the portion of the value of the company's net assets and proportional to the amount of the participant's participation interest in the company's charter capital.

4.1.4.5. Management bodies

The General Meeting of Participants is the supreme management body of a limited liability company. The main decisions (amending the company's articles of association, changing the size of the charter capital, distributing profits) and the main rights to manage and control the company (appointment of certain company management bodies, approval of annual reports and balance sheets) fall within the exclusive authority of the General Meeting of Participants.

Companies are required to hold a regular General Meeting of Participants once a year. All other General Meetings of Participants are extraordinary. At a general meeting, participants hold a number of votes in proportion to their participation interests in the company's charter capital.

A company's articles of association may provide for the establishment of the company's Board of Directors (Supervisory Board). The Board of Directors' powers are determined by the company's articles of association, and may include, *inter alia*, resolving issues regarding the appointments of executive bodies and the premature termination of their powers, resolving issues regarding large-scale transactions and interested-party transactions by the company, establishing the company's branches and representative offices, etc.

A company's day-to-day activities are managed, and all other issues not falling within the authority of the General Meeting of Participants and the Board of Directors are also settled, by the company's sole executive body. The sole executive body of a company acts on the company's behalf, represents its interests, and conducts transactions. The sole executive body is usually called the Director or the General Director. A company's articles of association may provide for granting of powers the sole executive body to several persons acting jointly or formation of several sole executive bodies acting individually.

The General Director is elected either by the General Meeting of Participants or by the company's Board of Directors. The General Director acts on behalf of the company by virtue of law without the special power of attorney. The General Director's powers may be limited by the articles of association and internal regulations approved by the company.

In addition to the sole executive body, a company's articles of association may provide for the formation of a collective executive body (management council, directorate).

The collective executive body of a company exercises such powers as fall within its competence under the company articles of association. The functions of the chairman of the collective executive body of a company must be carried out by the person serving as the company's sole executive body.

The management functions of the executive bodies of a company may be delegated to an individual entrepreneur (a manager) or organization (a management company).

4.1.5. Joint stock companies

4.1.5.1. Legal status

The Civil Code of the Russian Federation and Federal Law No. 208-FZ dated December 26, 1995 "On Joint Stock Companies" (hereinafter the "Law on Joint Stock Companies") are the main regulatory acts that determine the legal status of joint stock companies. Legislation on securities is also significant. Over the years, the legislation on joint stock companies has undergone continuous modification aimed at ensuring an increased level of protection for shareholders' rights.

A joint stock company can be established in the form of a public company. Shares and securities of a public joint stock company are placed through a public offer and may be freely acquired by third parties without the consent of the company or its shareholders. No restrictions with respect to number or aggregate value of shares or number of votes held by a shareholder are permitted.

4.1.5.2. Establishment of joint stock companies. Charter capital

A joint stock company is established through a decision of the founders (shareholders). A joint stock company with one shareholder may be established if such a shareholder is, in turn, not a company founded by one entity.

The founders of the company also conclude a written agreement on the foundation of the company, determining the procedure for them to carry out joint actions in order to found the company.

The foundation document of a joint stock company is the articles of association, which must contain the following information:

- the corporate name of the company;
- its location;
- the amount of the charter capital;
- the number, nominal value, category and type of shares;
- the rights of the shareholders;
- the structure and authority of the management bodies;
- procedure for holding the General Meeting of Shareholders;
- information on branches and representative offices of the company.

The amount of a joint stock company's charter capital is equal to the nominal value of all shares acquired by its shareholders. All shares of one type provide their holders with the same rights. Both ordinary and preferred shares may be issued. Preferred shares do not provide their holders with the right to vote at general meetings of shareholders unless otherwise established either by law or the company's articles of association. At the same time, the amount of dividends on preferred shares is fixed.

The charter capital of a company may be paid in funds or through in-kind contributions. If the charter capital is to be paid through in-kind contributions, the value of such contributions must be assessed by an independent appraiser.

4.1.5.3. Shareholders register and registration of share issuances

In accordance with Russian Federation legislation, rights to shares, particularly the title and pledge rights, arise upon the entry of the corresponding record in the shareholders register. The shareholders register is a database consisting of several documents, maintained in accordance with the rules established by law. The main function of the shareholders register is to confirm the identification of persons registered therein, and to certify their rights to shares in the company.

Currently, joint stock companies may maintain their shareholders registers themselves, or engage a special registrar for this purpose. According to the latest amendments to the Civil Code of the Russian Federation, from October 01, 2014 shareholders registers will be maintained by special registrars only.

The rules for maintaining a shareholders register are established by regulations approved by the Federal Service for Financial Markets (since September 01, 2013 the respective functions have been implemented by the Central Bank of the Russian Federation).

In accordance with the requirements of Russian legislation, shares issued by a joint stock company are subject to mandatory state registration with the Central Bank of the Russian Federation or its territorial departments. Owners of unregistered shares are not entitled to dispose of them to third parties.

The procedure for the state registration of a share issue takes 30 - 45 days. A registered share issue is assigned a unique state registration number.

4.1.5.4. Shareholders agreement

Shareholders are able to enter into a shareholders (corporate) agreement, i.e. an agreement on the exercising of rights certified by shares. In particular, such an agreement may specify obligations to vote in a certain manner at the general meeting of shareholders of the company, to coordinate voting behavior with other shareholders, to acquire or sell a share at a certain price and/or upon the occurrence of certain conditions or to refrain from disposing of a share until certain conditions have been met, as well as to carry out other coordinated actions concerning the management of the company, operations, reorganization or liquidation of the company.

Any transaction entered into by a shareholder in violation of the shareholders agreement can be voided by a court if another party to such transaction was aware, or should have been aware, of the restrictions established by a shareholders agreement.

4.1.5.5. Management bodies

The General Meeting of Shareholders is the supreme management body of a joint stock company. The Law "On Joint Stock Companies" determines the exclusive authority of the general meeting of shareholders. In accordance with said Law, the exclusive authority of the general meeting of shareholders includes, in particular, amending the articles of association, electing the board of directors, adopting the procedural rules for general meetings of shareholders, adopting decisions on dividend payments, and liquidating and reorganizing the joint stock company.

A joint stock company is required to annually hold a regular general meeting of shareholders. Moreover, a company is entitled to hold an extraordinary general meeting of shareholders at any time. The board

of directors, the internal audit commission, the auditor, and shareholders holding at least 10% of the shares are all entitled to convene an extraordinary general meeting of shareholders.

The General Meeting of Shareholders is entitled to adopt decisions, provided that the shareholders present thereat hold more than 50% of the voting shares. As a rule, decisions of the general meeting of shareholders are adopted by a simple majority of the votes of the shareholders taking part in the meeting. Other requirements as to the number of votes necessary for adopting decisions may be established by law only.

The Board of Directors has authority over general issues related to the management of the company, which are beyond the authority of the general meeting of shareholders. Establishment of the Board of Director in a public joint stock company is a must.

The members of the Board of Directors are elected at the general meeting of shareholders, and may be recalled prematurely.

For the purposes of coordinating its activities, the Board of Directors elects one of its members to be the chairperson of the board of directors.

The auditor or auditing commission (internal auditor) is the supervisory body of a joint stock company. It primarily controls the joint stock company's financial and business activities.

The General Director (Director) is the sole executive body of a joint stock company. The general director manages the company's current activities, represents its interests, and conducts transactions on the company's behalf without a special power of attorney. The general director's powers may be limited by the articles of association. A company's articles of association may also provide for granting of powers the sole executive body to several persons acting jointly or formation of several sole executive bodies acting individually.

Aside from the general director, the company may additionally establish the Directorate or Management Board as the collective executive body of the company. The chairperson of the collective executive body of a company is the general director. The sphere of authority of the general director and the directorate (management board) is determined by the articles of association. The members of the directorate (management board) need a special power of attorney to conclude agreements on the company's behalf.

Subject to the consent of the board of directors, the general meeting of shareholders may delegate company management functions to an individual entrepreneur (manager) or organization (a management company).

4.2. Foreign investments

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4.2.1. Legislative basis

The document regulating foreign investments in the Russian Federation is Federal Law No. 160-FZ dated July 9, 1999 "On Foreign Investments in the Russian Federation" (hereinafter the "Law on Foreign Investments"). In accordance with this law, which determines and guarantees the fundamental rights of foreign investors, there are other documents that are also both directly and indirectly aimed at regulating investment-connected relations, such as, for instance, Federal Law No. 225-FZ dated December 30, 1995 "On Production Sharing Agreements", and Federal Law No. 57-FZ dated April 29, 2008 "On Procedure of Making Investments in Economic Entities of Strategic Importance for National Defense and State Security".

Investors may be granted certain extra guarantees under bilateral international agreements concluded by the Russian Federation. In particular, assistance agreements on the encouragement and mutual protection of capital investments have been concluded with the governments of states such as Switzerland, Norway, Italy, USA, Japan, and China. Besides, the Russian Federation is the legal successor to the former USSR under similar agreements concluded with the governments of Germany, France, Great Britain, Austria, and Finland.

4.2.2. Main provisions

Foreign investments in the Russian Federation may be carried out in any form not expressly prohibited by legislation of the Russian Federation.

The legal structure provided for foreign investors in the Russian Federation is identical to the one provided for Russian organizations. Any restrictions on the rights of foreign investors may be imposed only by federal laws and only to the extent necessary to protect the fundamentals of the constitutional regime, morals, health, rights and lawful interests of other persons, and ensure national defense and state security.

Any property belonging to foreign investors or commercial organizations, in which foreign investors participate, may not be seized. Exceptions to this rule may only be established by a legislative procedure and must provide for compensation for losses.

Upon payment of taxes and charges stipulated by Russian Federation legislation, foreign investors are entitled to freely use revenues and profits in the Russian Federation and to transfer the same resources outside Russia.

Foreign investors may transfer their rights and obligations to another party on the basis of an agreement. Additionally, foreign investors are indemnified against losses inflicted by unlawful actions (or omissions) of state or local authorities, or officials of such authorities.

4.2.3. Priority investment projects

When foreign investors make direct investments or implement priority investment projects, they may be granted certain concessions and additional guarantees.

Direct investments carried out by a foreign investor are construed as:

- a foreign investor's acquisition of no less than 10% of the shares in the charter capital of an already existing or newly established commercial organization in the Russian Federation in the form of an economic partnership or a company in accordance with Russian Federation civil legislation;

- contribution of funds to the fixed assets of a foreign legal entity's branch to be established in the Russian Federation;
- acting as a lessor in the Russian Federation with respect to particular types of equipment, whose customs value amounts to no less than 1 million rubles.

A priority investment project is an investment project that meets all of the following conditions:

- the total amount of investments in the project equals no less than 1 billion rubles (or its equivalent in a foreign currency at the exchange rate of the Central Bank of the Russian Federation quoted on the date when the Law on Foreign Investments came into force – approximately EUR 40,000,000), or the share of foreign investments in the charter capital of the commercial organization implementing the project equals no less than 100 million rubles (or its equivalent in a foreign currency at the exchange rate of the Central Bank of the Russian Federation quoted on the date when the Law on Foreign Investments came into force – approximately EUR 4,000,000);
- the investment project is included in the list of priority investment projects to be approved by the Government of the Russian Federation. However, it should be noted that at the time of drafting this brochure, this list of priority investment projects had not been approved.

The Law on Foreign Investments provides foreign investors with a guarantee, widely used in international practice, of protection from negative changes in legislation of the host country ("grandfather clause"). In accordance with Article 9 of the Law on Foreign Investments, new federal laws and other legal regulatory acts of the Russian Federation that increase the total tax burden on the activities of an investor and commercial organization with foreign investments, or establish a less advantageous regime with respect to foreign investments, shall not be applied during the payback period of the project, but for not longer than seven years as of the date of commencement of the financing of this project by means of foreign investments.

The guarantee of protection from negative changes in Russian Federation legislation is applied to investors and commercial organizations with foreign investments that implement priority investment projects (regardless of the amount of the share of foreign investments in the charter capital) as well as to commercial organizations, the share of foreign investments in whose charter capital exceeds 25%.

The guarantee is valid with respect to the following taxes:

- federal taxes (with the exception of excise taxes and VAT on commodities produced in the Russian Federation);
- payments to state extra-budgetary funds (with the exception of payments to the Pension Fund of the Russian Federation).

Currently, Russian tax legislation does not provide protection for investors from negative changes in legislation, which makes this guarantee difficult to implement in practice.

4.2.4. Investments in St. Petersburg. Strategic investment projects

In St. Petersburg investment activities are governed by the Law of St. Petersburg No. 185-36 dated July 08 1998 "On State Support for Investment Activities on the Territory of St. Petersburg", establishing the legal framework of state support for investors (including foreign investors) carrying out their activities on the territory of St. Petersburg. The respective support measures may include, inter alia, granting the city's sureties, tax benefits, deferred rent rates for lease of the city's property, etc.

An investment project to be implemented on the territory of St. Petersburg may be recognized as strategic in cases stipulated by the Law of St. Petersburg No. 742-136 dated December 03, 2008. "On Strategic Investment Projects, Strategic Investors and Strategic Partners of St. Petersburg". In particular, the investment project can be recognized as strategic if the following criteria are met:

- improvement of the socioeconomic and cultural living conditions of citizens of St. Petersburg;
- increase in the investment attractiveness of St. Petersburg;
- development of an important sector of the national economy in St. Petersburg;

- promotion of the development of certain territories in St. Petersburg.

A strategic investment project shall also conform to the following requirements:

- economic efficiency of the investment project in terms of its payback period and profitability;
- the aggregate amount of investments in development of the production sector or transport and logistic hub of no less than 3 billion rubles, in other investment projects – 15 billion rubles;
- use of high-tech, energy-conserving, resource-saving and other high-efficiency technologies (if the investment project is connected with industrial production).

A decision on the recognition of a strategic investment project is adopted by the Government of St. Petersburg. Strategic investment projects are implemented on the basis of an agreement entered into between St. Petersburg and the respective investor.

4.2.5. Restriction on foreign investors' activities

Normally, foreign and local investors in the Russian Federation have equal status subject to certain exceptions. For instance, there are restrictions on investments made by foreign parties in the banking and insurance sectors, as well as businesses that are strategically important.

4.2.5.1. Banking sector

Federal Law No. 395-1 dated December 2, 1990 "On Banks and Banking Activities", sets forth additional requirements for the foundation and commercial activities of credit institutions with foreign investments and branches of foreign banks in the Russian Federation.

Pursuant to Article 18 of the mentioned Federal Law, the admissible share of foreign capital in the banking system of the Russian Federation shall be established in accordance with a legislative procedure. The admissible share of foreign capital in the banking system of the Russian Federation is calculated as a ratio of the total amount of stakes belonging to foreign investors in the charter capitals of credit institutions, and the amount of stakes belonging to foreign banks, to the total amount of capital of all credit institutions registered on the territory of the Russian Federation. The Central Bank of the Russian Federation is entitled to prohibit an increase in the charter capital or disposal of shares in the charter capital of credit institutions if, as a result of such actions, the share of foreign capital in the banking system of the Russian Federation is exceeded.

Also, the Central Bank of the Russian Federation may impose restrictions with regard to the performance of banking operations connected to credit institutions with foreign investments, if the respective foreign state imposes restrictions with regard to the establishment and activities of banks with Russian investments, or branches of Russian banks.

However, to date the federal law that sets forth the share of foreign capital in the banking system of the Russian Federation has not been adopted.

On December 16, 2011, the Russian Federation signed the Protocol on Joining the World Trade Organization (the "WTO Protocol"), according to which the share of foreign capital in the banking system of the Russian Federation is limited to 50%.

4.2.5.2. Insurance services sector

The basic legal act regulating the insurance services sector is Federal Law No. 4015-1 dated November 27, 1992 "On Organization of Insurance Business in the Russian Federation", which establishes certain restrictions on foreign insurance organizations' activities through their subsidiaries and associated companies on the territory of Russia.

According to Article 6 of the above-mentioned law, subsidiaries of foreign investors (foreign insurance companies) and insurance organizations, in which foreign investors' share exceeds 49%, may not provide life, health and property insurance to individuals financed out of budget funds, as well as

insurance related to making deliveries, rendering services or performing works for state and municipal needs, and the insurance of property interests of state and municipal organizations.

In addition to the above restrictions, foreign insurance companies and insurance organizations, in which foreign investors' share exceeds 51%, must not provide life insurance and compulsory third party car insurance (these additional restrictions will remain in force until August 22, 2017).

An insurance organization, being a subsidiary of a foreign investor, has the right to carry out insurance activities in Russia, provided that the foreign investor has been an insurance company for at least 5 years, and is performing its activities in accordance with the legislation of the state of incorporation.

The share (quota) of foreign capital in the charter capitals of all insurance companies registered in Russia may not exceed 50%. When the indicated maximum permissible shareholding is either reached or exceeded, the controlling authority supervising the insurance sector stops issuing permits for the performance of insurance activities to subsidiaries of foreign insurance companies and insurance organizations, in which foreign investors' share exceeds 49%.

Permission (prior consent) of the insurance supervisory authority is required to transfer shares in the charter capitals of Russian insurance companies to foreign investors and their subsidiaries.

An increase in the capital of an insurance company with funds from foreign investors and their subsidiaries also requires prior permission from the insurance supervisory authority.

According to the WTO Protocol, within 9 years of Russia joining the WTO, the establishment of branches by foreign insurance companies in Russia will be allowed. Furthermore, within 5 years of joining the WTO, Russia will annul restrictions relating to obligatory insurance and life insurance.

4.2.5.3. Ownership rights to certain categories of land plots

In Russia, foreign investors are not allowed to own certain categories of land plots.

Article 3 of the Federal Law "On Turnover of Land for Agricultural Purposes" states that foreign citizens, foreign legal entities, stateless persons, as well as Russian legal entities in which more than 50 percent of the share capital belongs to foreign citizens, foreign legal entities or stateless persons, may not hold ownership rights to agricultural land.

Pursuant to Clause 3 of Article 15 of the Russian Land Code, foreign citizens, stateless persons and foreign legal entities may not hold ownership rights to land plots located in border territories (the list of respective territories is approved by Decree of the President of the Russian Federation No. 26 dated January 09, 2011) and other special territories mentioned in federal laws.

Such entities may only lease land plots in said categories.

4.2.5.4. Investments in economic entities of strategic importance

Federal Law No. 57-FZ dated 29 April, 2008 "On Procedure of Making Investments in Economic Entities of Strategic Importance for National Defense and State Security" (hereinafter the "Law On Foreign Investments in Economic Entities of Strategic Importance") establishes restrictions on foreign investors when purchasing shares in businesses which are strategically important for national defense and state security, as well as when concluding other deals with foreign investors resulting in the establishment of control over such businesses.

A business that is strategically important for national defense and state security (hereinafter a "business of strategic importance") is a company established in the Russian Federation in the form of a limited liability company, or an additional liability company or joint stock company, which carries out at least one type of activity which is strategically important. The Law On Foreign Investments in Economic Entities of Strategic Importance outlines forty-five types of such activity, which can be consolidated into several groups:

- activity connected with nuclear materials or radioactive substances;

- development, production, distribution, renovation, or usage of military technology, weapons, ammunition and explosive materials;
- space activity, activity related to aviation security, development, production, testing and overhaul of aviation technology;
- mass information activity;
- development, production, distribution or technical service of encoded (cryptographic) assets;
- development, production, distribution and identification of electronic machinery intended for secret collection of information;
- surveying and extracting useful substances from the subsoil of land plots of federal importance and catching of biological water resources;
- activity connected with the use of infectious disease agents;
- carrying out work influencing hydrometeorological and geophysical processes and phenomena;
- activities concerned with the maintenance of transport safety and the security of transport facilities.

The issue of establishing control over an acquisition target is a decisive criterion that determines whether such an acquisition shall be subject to the Law on Foreign Investments in Economic Entities of Strategic Importance. The table below shows those cases in which approval of the acquisition is required:

		Investor	
		Private foreign investor	State foreign investor
Company – acquisition target	General enterprise of strategic importance	Approval is required if over 50% is acquired (also in certain circumstances if a lesser interest is acquired)	Approval is required if over 25% is acquired, while acquisition of over 50% is prohibited
	Enterprise which develops subsoil plots of federal importance	Approval is required if 25% or more is acquired (other than in cases when the Russian Federation owns over 50%)	Approval is required if 5% or more is acquired, while acquisition of over 50% is prohibited

It is important to note that other transactions resulting in the control of a foreign investor over a business of strategic importance (such as agreements on a foreign investor carrying out the functions of a manager of a company, transactions resulting in the possibility of electing more than 50% of the composition of the board of directors (or supervisory board), or appointing the sole executive authority or more than 50% of the composition of the collective executive body of such a business, etc.) also require prior approval in order to be executed.

A foreign investor intending to conduct any such transactions or establish control over a business of strategic importance must submit, to the authorized state body, a respective petition for prior consent to such a transaction, or a petition for consent to the establishment of control. The consideration of a petition takes approximately three months.

4.3. Taxation: the system and main principles, tax incentives, and mechanisms for investment support

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It is common knowledge that, due to the special role of industry in the economic development of the country, in recent years both Federal and local governments have approved multiple concepts, laws and decrees promoting the development of industrial investment. To ensure the further development of investment, it will be necessary, among other things, to continue to raise foreign investment. Both local and Federal governments are implementing this goal by applying various incentive models that are primarily based on a range of tax concessions and support mechanisms. Below is a brief description of the general taxation system in Russia, as well as existing tax support measures.

4.3.1. System of taxes and duties of the Russian Federation

According to the existing classification, all taxes and levies are divided into three levels: federal, regional and local.

4.3.1.1. Federal taxes

The Russian Federation Tax Code (hereinafter the “TC”) establishes federal taxes and concessions. Regional authorities are entitled to change the rates of certain taxes with respect to those parts payable to regional budgets, and to grant concessions thereon.

At present, federal taxes and levies include:

- Value-Added Tax (VAT)
- Excise
- Individual Income Tax
- Corporate Profits Tax
- Tax on Extraction of Natural Resources
- Water Tax
- Charges for use of wildlife objects or for use of biological objects
- State duty

4.3.1.2. Regional taxes

At present, both federal and regional laws regulate regional taxes. Most frequently, the basic elements of a tax (tax base, maximum tax rate, taxpayers) are defined at the federal level (in the TC), while regional regulations determine the exact rate and payment terms of the tax. This also applies to granting tax concessions, to the extent that it is allowed by federal legislation.

Among the regional taxes and duties are the following:

- Corporate property tax
- Gambling tax
- Vehicle tax

4.3.1.3. Local taxes and levies

As a general rule, local taxes are imposed through regulatory acts of local self-governing bodies, which determine the particular tax rates, the procedure and terms for their payment, as well as tax concessions. However, the maximum rate and tax base are established at the federal level. It should be noted that St. Petersburg, although a subject of the RF, is entitled to impose both regional and local taxes.

The major local taxes and levies are as follows:

- Individual property tax
- Land tax

Review of the main taxes payable by companies in the Russian Federation¹⁷¹⁸

Tax / Tax level	Effective tax rates
VAT Federal tax	<p>18% – for the majority of goods, works and services</p> <p>10% – for certain types of food products and goods for children, printed periodicals and medical goods, whether produced domestically or abroad</p> <p>18/118 or 10/110 – for certain types of operations such as receiving advance payments, withholding tax by tax agents, cession of rights</p> <p>0% – in relation to goods for export, services directly relating to the freight or transport of goods falling under the customs regime of international customs transit, and certain other goods and services</p>
Corporate profits tax Federal tax	<p>0% – on income of Russian companies in the form of dividends, provided that a number of conditions established by legislation are met</p> <p>9% – on income in the form of dividends payable by Russian and foreign companies to Russian companies</p> <p>15% (unless otherwise specified by international treaties) – on income in the form of dividends payable by Russian companies to foreign companies</p> <p>10% (unless otherwise specified by international treaties) – on a foreign company’s income from the freight of vessels, aircraft, other means of transportation and containers, provided that the foreign company’s activities do not constitute a permanent establishment in Russia</p> <p>20% (unless otherwise specified by international treaties) – on other income, excluding those sources mentioned above, of a foreign company from sources in Russia, provided that the foreign company’s activities do not constitute a permanent establishment in Russia</p> <p>15% – on income from state and municipal securities (with exceptions)</p> <p>20% – on the profits of Russian or foreign companies, whose activities constitute a permanent establishment in Russia (2.0% shall be paid to the federal budget and 18.0% to the regional budget)</p>
Corporate property tax Regional tax	<p>Not more than 2.2% – on the average annual depreciated value of taxable property according to accounting data and cadastral value of the property for particular objects (e.g.,</p>

¹⁷ During the preparation of this review, the legislative acts in effect as of March 30, 2014 were used.

¹⁸ As of March 30, 2014, and at the time of preparing this review, the refinancing rate of the Central Bank of Russia was 8.25%.

	administrative and business and commercial centers (complexes), properties that are intended for use or actually used as offices, retail facilities, catering and consumer services, immovable property of foreign organizations, except for those who perform their activities in the Russian Federation through a permanent establishment)
Vehicle tax Regional tax	RUB 1 to 50 per unit of horsepower, depending on the engine capacity, or RUB 200 per each method of transportation, for those methods of water and air transportation which do not have engines. These rates may be either increased or decreased by laws of the regional subjects of the Russian Federation by a maximum of 10 times
Charges for insurance against industrial accidents or work-related illnesses	0.2% to 8.5% – on payroll and payments under civil agreements
Insurance contributions for mandatory pension insurance payable to the Pension Fund of the Russian Federation	22% of the sum of payments and other remuneration accrued in favor of individuals. Said tariffs shall apply to the contribution assessment base not exceeding 624,000 rubles (considering indexation for 2014,) on an accrual basis from the start of the calendar year, while amounts in excess of these sums will be subject to an insurance contribution payable to the Pension Fund of Russia, at a rate of 10%.
Insurance contributions for mandatory medical insurance payable to the Federal Mandatory Medical Insurance Fund	From 01.01.2014 – 5.1% of the payments and other remunerations accrued in favor of individuals. Insurance contributions are not charged on payments and other remunerations in favor of an individual that exceed 624,000 rubles (considering indexation for 2014) on an accrual basis from the start of the calendar year.
Insurance contributions for mandatory social security insurance payable to the Fund of Social Security of the Russian Federation	From 01.01.2014 – 2.9% of the payments and other remunerations accrued in favor of individuals. Insurance contributions are not charged on payments and other remunerations in favor of an individual that exceed 624,000 rubles (considering indexation for 2014) on an accrual basis from the start of the calendar year.

4.3.1.4. Double taxation treaties

The provisions of Double Taxation Treaties have priority over other Russian legal acts, in particular, over the Tax Code of the Russian Federation. Most double taxation treaties establish reduced tax rates applicable to dividends (up to 5%) depending on the amount of investment, and eliminate the double taxation of interest and royalties in Russia.

Additionally, Double Taxation Treaties establish special rules with respect to construction (building areas) and installation works (installation objects). Pursuant to general rules, the activity of a foreign company carrying out construction or installation works on the territory of the Russian Federation is not taxable in Russia, if such activity lasts for no longer than 12 months. For example, such provisions are set forth in Subclause 3 of Clause 5 of the Double Taxation Treaties with Germany dated 29.05.1996, the Netherlands dated 16.12.1996, and Great Britain dated 15.02.1994.

4.3.2. Incentive measures

Tax legislation governs, in particular, certain issues related to investment, including tax concessions.

4.3.2.1. Tax concessions

Subjects of the Russian Federation and local authorities are vested with the right to grant tax concessions to investors and other categories of taxpayers with respect to taxes payable to their regional/local budgets. This is one of the most significant incentives used to attract investors.

The only exception is profits tax, the rate of which may be reduced by up to 4.5% by subjects of the RF for certain categories of taxpayers.

4.3.2.2. Other investment incentives

Russian legislation provides for the possibility of altering tax payment terms in the forms of deferments, installment plans or investment tax credits.

4.3.2.2.1 Deferment or installment plan with respect to tax payments

A deferment or an installment plan, as a form of altering tax payment terms, can be granted for a period of up to one year. Through a decision of the Russian Federation Government, a deferment or an installment plan for the payment of federal taxes with regard to sums due to the federal budget may be granted for more than one year, but no more than three years. Federal legislation lists a number of conditions for granting a deferment or an installment plan, including, for instance, seasonality of production and (or) implementation of goods, works and services. Depending on the basis for granting a deferment or an installment plan, interest can accrue on the outstanding tax sum by the amount of 1/2 of the refinancing rate of the Central Bank of Russia (4.125%).

4.3.2.2.2 Investment tax credit

An investment tax credit is the most efficient tool for encouraging investment activity. An investment tax credit is a change in the tax payment terms according to which the taxpayer, given the existence of certain grounds established by law, is granted the possibility, within a certain term and limits, to reduce his/her tax payments with a subsequent phased payment of the loan sum and accrued interest.

An investment tax credit is granted for profits tax as well as for regional and local taxes. According to general rules, an investment tax credit can be granted to the following categories of taxpayers:

- Organizations involved in R&D or experimental and developmental activities, or those engaged in technologically re-equipping their production;
- Organizations involved in implementation and innovation activities, the creation of new technologies or the development of existing ones, and the creation of new unfinished products and materials;
- Organizations fulfilling a very important order with respect to the socio-economic development of a region, or providing essential public services;
- Organizations fulfilling state defense orders;
- Organizations investing in the creation of structures with the highest class of energy efficiency;
- Organization included in the Register of the residents of territorial development zones pursuant to the Federal Law "On territorial development zones and amendments of some normative acts of the Russian Federation".

An investment tax credit can be granted for a period of one to five years. The credit amount is subject to interest of 1/2 to 3/4 of the refinancing rate of the Central Bank of the Russian Federation (4.125 – 6.1875%).

The Tax Code of the Russian Federation provides subjects of the RF and local self-governing authorities with autonomy over the adoption of normative acts regulating the grounds and conditions for granting an investment tax credit, including, to the extent established by federal legislation, the terms of the credit and the applicable interest rate.

4.3.2.2.3 Special Economic Zones

Russian tax law allows the use of particular preferences by residents of special economic zones. According to general rules, a resident of a particular economic zone is a company registered in such a zone. Russian law stipulates several types of Special Economic Zones, and each type of zone offers special incentives related to taxes and customs duties. General information with respect to existing special economic zones is presented below.

Types of Special Economic Zones and measures related to incentives

Type of Special Economic Zone	Taxes and duties, with respect to which incentives are stipulated by law
Skolkovo Innovation Center	<ul style="list-style-type: none"> • Value-Added Tax • Corporate Profits Tax • Corporate Property Tax • Customs duties • Mandatory insurance contributions • Land tax (for management companies only) • State duty (related to work permits and obtaining working visas for foreign employees)
Special Economic Zone in Kaliningrad Oblast	<ul style="list-style-type: none"> • Corporate Profits Tax • Corporate Property Tax • Customs duties
Special Economic Zone in Magadan Oblast	<ul style="list-style-type: none"> • Corporate Profits Tax • Value-Added Tax on imported goods • Customs duties
Technology development zones (situated, in particular, in Zelenograd (Moscow), Dubna (Moscow Oblast), Saint-Petersburg, Tomsk)	<ul style="list-style-type: none"> • Value-Added Tax on imported goods • Corporate Profits Tax • Corporate Property Tax • Land Tax • Vehicle Tax (in certain zones in accordance with regional normative acts)
Industrial production zones (situated, in particular, in Lipetsk oblast, Republic of Tatarstan)	<ul style="list-style-type: none"> • Value-Added Tax on imported goods • Corporate Profits Tax • Corporate Property Tax • Land Tax • Vehicle Tax (in certain zones in accordance with regional normative acts) • Mandatory insurance contributions
Tourist and recreation zones	<ul style="list-style-type: none"> • Corporate Profits Tax • Corporate Property Tax • Land • Vehicle Tax (in certain zones in accordance with regional normative acts) • Mandatory insurance contributions
Port zones	<ul style="list-style-type: none"> • Excise • Value-Added Tax • Corporate Property Tax • Land Tax • Vehicle Tax (in certain zones in accordance with regional normative acts)

4.3.3. Tax rates and concessions in St. Petersburg

4.3.3.1. Tax concessions

A concessionary taxation regime may be granted, on both general and special grounds, to enterprises established with the participation of foreign investors. The current St. Petersburg Law "On Tax Concessions" provides for the following main concessions:

4.3.3.1.1 Concessions on corporate profits tax

The current version of the Law of St. Petersburg "On Tax Concessions" provides for a single 13.5% concessionary rate of corporate profits tax payable to the St. Petersburg budget (i.e. the general tax rate, including the federal part, is 15.5%). In accordance with the current version of the Law of St. Petersburg "On Tax Concessions", the concessionary corporate profits tax rate (13.5%) may be applied to the following categories of investors:

a) investors:

- performing activities pursuant to sections D "Manufacturing Activities" and E "Production and Distribution of Electricity, Gas and Water" or I "Transport and Communications" of the All-Russian Classifier of Economic Activities, excluding certain types of activities;
- that are payers of corporate profits tax due to the St. Petersburg budget;
- investing in new (not previously operated) depreciable fixed assets in the case of the acquisition thereof, and(or) structures (constructions, including through one's own resources) for payment, and(or) obtaining them as a contribution to the charter capital, and(or) obtaining them under a lease agreement (provided that, pursuant to the lease agreement, the depreciable fixed assets are recorded on the lessee's balance sheet), as well as depreciable fixed assets located in St. Petersburg that are being reconstructed and(or) modernized, provided that all said fixed assets are recorded in accounting books, placed into operation in St. Petersburg, intended and used for the production of goods (performance of works, rendering of services) and(or) for managerial needs of an organization, necessary for the production of goods (performance of works, rendering of services) by the organization that made the investment;
- given a sum of investment exceeding 800 million rubles over no more than three successive calendar years, starting from 01.01.2010;

b) investors:

- that are residents of the special economic zone, located in St. Petersburg, engaged in economic activities on the territory of this zone;
- that are payers of corporate profits tax due to the St. Petersburg budget;

c) investors:

- receiving more than 80 percent of their revenue from performing the following types of production activities: production of computers; production of fiber-optic cables; production of image converters, image amplifiers, photo-electronic devices; production of ultra-high frequency devices; production of semiconductor elements, devices; production of transmitting devices for radio telephone and radio telegraph communication, and for radio and television broadcasting; production of medical diagnostic and therapeutic devices, surgical equipment; production of liquid crystal devices; production of lasers; development of ready-to-use software: development of system software, tools, applications;
- that are payers of corporate profits tax due to the St. Petersburg budget;
- investing in new (not previously operated) depreciable fixed assets in the case of the acquisition thereof, and(or) structures (constructions, including through one's own resources) for payment, and(or) obtaining them as a contribution to the charter capital, and(or) obtaining them under a lease agreement (provided that pursuant to the lease agreement the depreciable fixed assets are recorded on the lessee's balance sheet), as well as depreciable fixed assets located in St. Petersburg that are being reconstructed and(or) modernized, provided that all said fixed assets are recorded in accounting books, placed into operation in St. Petersburg, intended and

used for the production of goods (performance of works, rendering of services) and(or) for managerial needs of an organization, necessary for production of goods (performance of works, rendering of services) by the organization that made the investment;

- given a sum of investment exceeding 50 million rubles over no more than three successive calendar years, starting from 01.01.2010;

as well as:

d) investors:

- that are payers of corporate profits tax due to the St. Petersburg budget;
- investing in fixed assets which are reordered and disclosed in the financial accounting statements of the organization, and located in St. Petersburg, including fixed assets which might be transferred for temporary use (excluding lease operations);
- given a sum of investment exceeding 15 billion rubles over no more than five successive calendar years, starting from 01.01.2012.

These concessions are granted for five years from January 1 of the year following the calendar year in which the sum of investment in fixed assets is at least as is stated in the Law of St. Petersburg "On Tax Concessions".

4.3.3.1.2 Concessions on corporate property tax

Investors engaged in activities pursuant to sections D "Manufacturing Activities" and E "Production and Distribution of Electricity, Gas and Water" or "Transport and Communications" of the All-Russian Classifier of Economic Activities, excluding certain types of activities, that have, within no more than three successive calendar years starting from January 01, 2010, made investment of a total amount of at least 800 million rubles, have the right to an exemption from the corporate property tax for 5 years following the year when the right to the tax exemption commenced.

The right to an exemption from the corporate property tax may be related to those organizations engaged in such types of economic activities as electrical transport and communications, management of the special economic zone, maintenance of sea ships and port infrastructure, capital repair of objects of cultural heritage, and to municipal and state-owned organizations.

4.3.3.2. Tax rates

Tax rates and concessions are reviewed in detail in the table below.

Tax rates	Tax concessions	Notes
Corporate Profits Tax		
Federal budget – 2.0%		
Regional budget – 18%	Reduction of the tax rate by 4.5%	Concessions are granted on the grounds set forth in Section 4.3.3.1
Corporate Property Tax		
2.2% of the depreciated value of the property	Exemption from tax payments	Concessions are granted on the grounds set forth in Section 4.3.3.1
Land Tax		
<p>The amount of the tax is calculated on the basis of the cadastre value of the land plot. The regional Law "On Land Tax in St. Petersburg" stipulates many differences, the most important of which are outlined below:</p> <ul style="list-style-type: none"> ○ 0.042% – on land plots used for private agricultural production, parking areas, fishing industry ○ 0.01% – on land plots occupied by residential premises and engineering infrastructure facilities, garages, or those purchased or provided for residential construction ○ 0.3% – on land plots used for agricultural production ○ 1.5% – on other land plots 	Exemption from tax payments	Concessions are granted to individuals, State scientific centers, public authorities of St. Petersburg and its institutions.
Vehicle Tax		
From RUB 10 to 250 per annum per unit of horsepower of a vehicle's engine	Exemption from tax payments	The concession is granted to organizations that are residents of the special economic zone located within the territory of St. Petersburg, for a term of 5 years as of the date of registration of the vehicle in the territory of said zone, with the exception of water and air transportation.

4.3.3.3. Investment tax credit

The foundations for granting investment tax credits in St. Petersburg are established by Article 66 of the TC and the Law "On Investment Tax Credit". An investment tax credit is a deferment of tax payments, which are to be paid later with accrued interest (3/4 of the refinancing rate of the Central Bank of the Russian Federation). In St. Petersburg, an investment tax credit can be granted with respect to corporate profits tax and regional taxes, and is applicable to the amounts payable to the St. Petersburg budget.

To be eligible for an investment tax credit, an investor, in particular, should have no existing indebtedness on taxes and levies payable to the budgets at any level, and must not be subject to bankruptcy proceedings.

The amount of funding provided for a granted investment tax credit from the budget of St. Petersburg is limited, and cannot exceed 0.1% of the evaluated amount of the taxes (corporate profits tax and

regional taxes) specified in the regional budget as budget income. For each fiscal year, the Law of St. Petersburg “On the Budget” establishes this limited amount of funding, for the purposes of granting investment tax credits. But there are no references to the possibility of granting investment tax credits in the Law of St. Petersburg “On the Budget” for 2014 (and the planned period of 2015 and 2016).

4.4. Contracts

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Foreign companies who engage with the Russian market in a reasonable manner can produce extremely impressive financial results. However, thorough preparation and maximum awareness are prerequisites for such results. Several principal aspects that should be kept in mind when establishing contractual relations with counterparties in Russia are briefly covered below.

4.4.1. Analyzing counterparties prior to signing contracts

When taking a decision on whether to enter into a partnership with a Russian company, it is necessary to verify its solvency and reliability. Thus, it is possible to distinguish between reputable and solvent partners, and unreliable or newly established, untrustworthy companies, which reduces counterparty default risks under agreements.

The fastest and most simple way to obtain information about a potential partner is to review open official data sources, in particular the Unified State Register of Legal Entities, the Unified State Register of Rights to Immovable Property and Transactions Therewith, the Land Cadastre, Registers of Intellectual Property (Rospatent), the Unified Federal Register of Bankruptcy Information, and the websites of federal courts, services and agencies. Furthermore, information on various organizations can be requested from special information agencies.

4.4.2. Recommendations for entering into contracts

The main criteria for the "reliability" of a signed agreement are its validity and enforceability. Moreover, it should be noted that the subordination of an agreement to any foreign law cannot preclude possible problems related to the subsequent fulfillment of the agreement.

4.4.2.1. Form of contract

According to the Russian Civil Code, as a general rule, cross-border transactions shall be executed in such a form as stipulated by applicable law. However, a transaction cannot be invalidated due to non-compliance with regards to the requirements of its form, if the requirements of the form of a transaction, as set forth by the legislation of a country of settlement of the transaction, are met. Also, should a Russian entity or person be a party to a transaction, such a transaction cannot be invalidated due to non-compliance with the requirements of its form, if such a form complies with Russian laws.

4.4.2.2. Choice of governing law

Normally, foreign counterparties would like the provisions of an agreement to be executed, and thereby to be governed, by the national law. However, such a choice of law may adversely affect the validity of the agreement, as any terms and conditions contradicting imperative provisions of Russian law are deemed null and void, and cannot be judicially protected or enforced in Russia. As in many countries, a number of issues in Russia are subject to exclusive regulation by Russian law, in particular, the transfer of rights to real estate, shares and interests in Russian companies, the protection of consumer rights, as well as matters related to the establishment and operations of Russian companies.

4.4.2.3. Jurisdiction

As a general rule, the parties to a contract may select a competent court to consider disputes that may arise in connection with the contract. As with the choice of the governing law, in certain cases the choice of jurisdiction is limited. For example, disputes over rights to immovable property located (registered) in Russia may be settled by a Russian state court only.

It should also be mentioned that only court decisions of those countries with which Russia has treaties on the mutual recognition and enforcement of court judgments are enforceable in Russia. In particular, there are such treaties with Italy, Spain, the Baltic States, and certain countries of Central and Eastern Europe. In the absence of such a treaty, a judicial act may prove to be useless.

A common method of avoiding such risks is to enter into an arbitration agreement, providing that all disputes fall within the jurisdiction of Russian or foreign international arbitration. Aside from confidentiality, an undeniable advantage of international arbitration is the enforceability of its awards in more than 140 countries, including Russia. At the same time, it is important to remember that to be enforceable in Russia, foreign international arbitration awards must be recognized by a Russian state court at the place of location of a debtor (in St. Petersburg, this is the Arbitration Court of St. Petersburg and Leningrad Oblast).

4.4.2.4. Liability of parties

Generally, the grounds for and limits of liability for improper performance of contractual obligations are stipulated by the parties to the contract. However, certain restrictions of "free will" should be borne in mind: Russian law does not allow for limited liability in cases involving the premeditation of the party in breach of the contract. For harm caused by a defective product within its established lifespan, the liability of the seller (producer) ensues regardless of the fault of the seller or the presence of contractual links. At their discretion, victims may file a lawsuit for damages against either the seller (importer) or the manufacturer of the product. The only basis for a release from liability is a proven case of improper product use.

4.4.3. Securing contract performance

For the purposes of protecting business interests, it is necessary to consider, in advance, effective means of securing a counterparty's performance of its obligations. The most common means of security under Russian law include a pledge/mortgage, surety and a bank guarantee.

1) Pledge/mortgage

A pledge is one of the most reliable means of security and, in the event the debtor does not fulfill its contractual obligations, it entitles the creditor to satisfaction of its claims from the debtor's property, as is the subject of pledge. Moreover, a pledge lender has the preferential right to satisfaction of its claims, with priority over all other creditors of the debtor. One type of pledge is a mortgage – a pledge of land, buildings (including buildings under construction) and other real estate. The law establishes rather strict requirements for mortgage agreements, as well as the obligation of state registration.

2) Surety

It is often the case that Russian companies have quite modest charter capitals and assets, which would not be enough to satisfy claims that could arise in the future. Consequently, a popular form of securing obligations is a personal surety of company founders – individuals or companies affiliated with the debtor and owning assets. The surety and the debtor bear joint liability for the performance of the secured obligation.

3) Bank guarantee

A distinct feature of a bank guarantee is its independence from the main (secured) obligation. This means that within the period established by the bank guarantee agreement, the creditor is entitled to satisfaction of its claims from the guarantor bank even if the secured obligation is invalid (unenforceable). A bank guarantee is one of the most reliable means of securing obligations. When executing such a guarantee it is necessary to establish precisely which documents the creditor must present to the bank along with a claim for payment, as well as to consider the requirements of current court practice regarding the execution of guarantees (including validity periods).

4.4.4. Currency control

In accordance with the Federal Law “On Currency Regulation and Currency Control”, when implementing cross-border transactions, residents (Russian citizens and companies incorporated pursuant to the Russian laws) shall comply with special requirements stipulated by the law and normative acts of the currency regulation authorities. The most important regulatory acts related to making payments to foreign recipients are issued by the Bank of Russia. Pursuant to the general rule, residents shall provide authorized Russian banks with special documents when making payments connected with foreign trade activities. Responsibility for violating the currency legislation of the Russian Federation and the acts of the currency regulation authorities is specified in the Administrative Offences Code (KoAP). In accordance with currency control regulations, some operations (e.g., an offset of mutual claims) may be prohibited.

4.4.5. Specific features of supply agreements containing conditions on equipment installation

If, within the framework of a supply agreement, a foreign supplier also undertakes to provide services associated with the installation or supervision of installation of the equipment supplied, it is necessary to take into consideration a number of aspects of Russian tax and migration legislation, as well as provisions on the regulation of construction activities.

Should a foreign company render services associated with supply, it is recommended that the respective relations in regard to supply and services be formalized by separate agreements. First of all, this is due to tax consequences. On one hand, when determining the contract price - including the cost of goods and services without dividing it into respective parts - customs payments shall be charged on the entire contract price. On the other hand, in some cases, services rendered by a foreign company in Russia may be subject to VAT (depending on the type of services) and corporate profits tax (if a permanent establishment is formed in accordance with the criteria set forth by legislation). In the above cases, if a foreign company does not have its own divisions, through which activities in Russia are carried out, a Russian company, being a party to the respective agreement and acting as a tax agent of the foreign company, shall calculate and withhold VAT and corporate profit tax on the amount payable to the foreign counterparty as remuneration for its services.

Any issues related to the formation of permanent establishments of foreign companies are regulated by bilateral, international double taxation treaties and the Tax Code of the Russian Federation. As a general rule, a permanent establishment of a foreign company is deemed to have been formed if representatives of the foreign company perform regular commercial activities in Russia. Moreover, a foreign company must be mandatorily registered with Russian tax authorities if such activities are performed for more than 30 days during one calendar year. However, some double taxation treaties establish special rules with respect to construction (building areas) and installation works (installation objects). Pursuant to general rules, the activity of a foreign company performing construction or installation works on the territory of the Russian Federation is not taxable in Russia, if such activity is performed for no longer than 12 months. For example, such provisions are set forth in Subclause 3 of Clause 5 of the Double Taxation Treaties with Germany dated 29.05.1996, with the Netherlands dated 16.12.1996, and with Great Britain dated 15.02.1994.

Furthermore, it should be taken into consideration that in certain cases, in order to perform installation works, a company may have to obtain a permit to perform construction works and join a self-regulating organization (SRO) registered in Russia. It is necessary to check whether a permit is required with respect to each particular type of work in question. In accordance with the current rules, performance of installation supervision works usually does not require a permit from a member of an SRO.

As a work permit is not required, foreign citizens in Russia who are performing installation (supervision) works, service and warranty maintenance, as well as post-warranty repairs, usually stay in Russia on the basis of a multi-entry business visa. However, it should be noted that the aggregate period for a foreign

citizen to stay in Russia on the basis of such a visa must not exceed 90 days during each period of 180 days. If the above works are performed for more than 90 days, the foreign company must consider other options – e.g. replacing personnel every 90 days, or obtaining new business visas or respective work permits.

4.5. Employment

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Labor relations and other relations directly connected therewith are regulated by labor legislation consisting of the Labor Code of the Russian Federation (hereinafter the "Labor Code"), other federal laws and laws of the constituent territories of the Russian Federation, as well as by other regulatory legal acts containing labor law regulations. Requirements of Russian labor legislation are also applicable to foreign citizens and foreign company employers participating in relations involving the performance of labor activities in Russia.

4.5.1. Employment agreement

An employment agreement is the basic document regulating the relations between the employer and the employee. It is mandatory that an employment agreement be concluded between the employer and the employee in writing prior to the commencement of work. Given actual admittance of the employee to work, the employer must execute an employment agreement with him/her in writing within 3 business days after the employee was actually admitted to work.

The following conditions must be included into an employment agreement:

- information on the employer and the employee;
- place of employment;
- date of commencement of work;
- position (labor function);
- conditions determining the nature of the work (mobile, connected with travel, in transit, etc.);
- conditions at the workplace (optimal, acceptable, detrimental, or dangerous);
- compensation, and benefits to the employee for working in severe, detrimental, and dangerous conditions;
- work and holiday time;
- terms of remuneration of labor (salary, possible premiums, bonuses, etc.);
- provision on mandatory social insurance in accordance with legislation.

An employment agreement may also include other conditions not contradicting the effective legislation.

The conditions of an employment agreement may be amended by an agreement of the parties executed in writing. In certain exceptional cases the labor legislation allows the employer to unilaterally change the conditions of an employment agreement (without the employee's consent).

4.5.2. Term of an employment agreement

Employment agreements may be concluded for an indefinite term (unlimited agreements) or for a fixed term not exceeding 5 years (fixed-term agreements).

Generally, employment agreements are concluded for an indefinite term. A fixed-term employment agreement may be entered into only in cases stipulated by the Labor Code and other federal laws, for instance: for the time of performing the obligations of an absent employee, for whom the workplace is preserved; for the time of performing temporary (up to 2 months) or seasonal work; for the time of carrying out work beyond the employer's usual activities; etc. By agreement of the parties, a fixed-term employment agreement may also be concluded with executives, deputy executives and chief accountants of an organization; persons combining jobs; persons studying full time and other persons specified by the Labor Code. Entering into a fixed-term employment agreement in cases not stipulated by the Labor Code or other federal laws is not allowed.

It must be noted that if neither party has requested termination of a fixed-term employment agreement upon expiration of its term and the employee continues to work after expiration of the employment agreement, the agreement is deemed concluded for an indefinite term.

4.5.3. Probation period

Russian labor legislation provides for the possibility of establishing probation for an employee in order to verify his/her suitability for the job entrusted. Probation may be established for a period of up to 3 months. For executives and their deputies, chief accountants and their deputies, executives of separate structural subdivisions (branches, representative offices) the maximum probation period is 6 months. Probation may not be established for certain categories of employees specified by the Labor Code (pregnant women; women with children up to 1.5 years of age; persons under 18 years of age; young specialists; etc.).

During the probation period the employer has the right to terminate the employment agreement with the employee who failed to pass probation, under a simplified procedure. In such case, the employer must notify the employee of the termination of the employment agreement in writing at least 3 days in advance. Moreover, the employer must state the reasons, for which the employee is deemed to have failed to pass probation.

4.5.4. Salary

The amount of the salary shall be specified in the employment agreement and may not be less than the federal minimum wage established for the entire territory of the Russian Federation (5,554 rubles) and the regional minimum wage established by regional laws annually. In St. Petersburg the regional minimum wage is established in the amount of 8,868 rubles for the year 2014.

Salaries must be paid at least every half-month in the currency of the Russian Federation, i.e. rubles.

4.5.5. Working hours

In the Russian Federation the normal duration of working hours may not exceed 40 hours per week.

By agreement between the employee and the employer, part-time work may be established. The employer must establish a part-time working day for certain categories of employees upon their request. Such employees include: pregnant women; one of the parents having a child aged up to 14 years or a disabled child up to 18 years; persons caring for a family member who is ill. In case of part-time work the employee's labor is paid pro rata to the time worked by him/her or the amount of work performed.

Russian labor legislation provides for the possibility of establishing various working schedules by the employing company, i.e. various means of distributing work within a certain period (week, month, quarter, etc.), including: standard working day, non-standard working day, flexible working hours, record of cumulative hours worked.

The Labor Code also allows engaging an employee for overtime work subject to the employee's written consent. The maximum duration of overtime work is 4 hours within 2 consecutive days and 120 hours per year. Overtime work shall be compensated for by granting the employee additional days-off or paying the employee at least one and a half times the regular hourly rate for the first 2 hours and at least twice the regular hourly rate for any subsequent hours.

4.5.6. Leave

Each employee shall be granted at least 28 calendar days of paid leave per annum (basic paid leave). An employment agreement, collective agreement, or internal documents of the employer may also provide for granting the employee an additional paid leave, the duration of which is not limited by law.

As a general rule, leaves are granted to employees in calendar days. Upon agreement between the employee and the employer the annual leave may be divided into parts. At least one part of the leave shall not be less than 14 calendar days.

The employee may be granted a short-term unpaid leave, the duration of which shall be agreed by the employee and the employer. Such leave shall be granted due to family circumstances or other valid reasons upon the employee's written application.

4.5.7. Statutory holidays

Russian labor legislation establishes 14 statutory holidays per year, which are: January 1 – 8; February 23; March 8; May 1 and 9; June 12; and November 4. If a holiday falls on a day-off, the following business day becomes a day-off. The statutory holidays coming for the paid leave period are not included in the number of calendar days of the leave and are not paid.

Work on holidays and days-off is prohibited, except for the cases provided by law, and, as a rule, requires the employee's written consent. Such work shall be paid at least twice the regular rate.

4.5.8. Secondary employment. Prohibited competition

During the time free from the main work an employee is entitled to perform another regularly paid work for the same employer (internal secondary employment) or for another employer (external secondary employment). Working hours at a secondary job may not exceed 4 hours per day. It is permissible to conclude secondary employment agreements with an unlimited number of employers.

In accordance with the Russian legislation, an employment agreement may not stipulate that the employee is prohibited for the term of the employment agreement from performing work or business activities that compete with the employer's activities. No employee may also be prohibited from competing with his/her employer following the expiration of the employment agreement.

4.5.9. Termination of employment agreements

An employment agreement may be terminated only on the grounds stipulated by the Labor Code or other federal laws. Dismissing an employee on other grounds is not allowed.

The Labor Code provides for the following grounds for termination of employment agreements:

4.5.9.1. Termination of an employment agreement by agreement of the parties

Any employment agreement – whether concluded for an indefinite term or fixed term – may at any time be terminated by agreement of the parties. This procedure for terminating labor relations is widely used in practice as it is connected with minimal potential risks for the employer.

The labor legislation does not obligate an employer to pay any compensation to an employee; however, it is possible if provided for by the conditions of the agreement between the employee and the employer. The amount of the compensation is determined by mutual consent of the parties.

4.5.9.2. Resignation of an employee

An employee is entitled to terminate the employment agreement at any time upon his/her own initiative. Such employee must notify the employer of the resignation in writing at least 2 weeks in advance.

Prior to expiration of the resignation notification period the employee is entitled to withdraw the letter of resignation at any time. In such case dismissal does not occur.

If upon expiration of the resignation notification period the employment agreement is not terminated and the employee does not insist upon resignation, the employment agreement remains valid.

4.5.9.3. Termination of a fixed-term employment agreement

A fixed-term employment agreement terminates upon expiration of the term stated therein. If upon expiration of the term of the employment agreement neither the employee nor the employer has requested termination of the labor relations, the provision regarding the term of the agreement loses effect and the agreement becomes indefinite.

In case of termination of a fixed-term employment agreement due to expiration of its term the employer is obligated to notify the employee thereof in writing three calendar days prior to dismissal, otherwise the agreement will also be deemed prolonged for an indefinite term.

4.5.9.4. Termination of labor relations due to circumstances beyond the parties control

In some cases an employment agreement is subject to termination due to circumstances beyond control of the employer and the employee. The list of such circumstances is stipulated by the Labor Code and, in particular, includes: the employee being called military service; reinstatement of the employee that previously performed the respective job duties; recognition of the employee as completely incapable of working; disqualification of the employee; the employee being sentenced to punishment under a court verdict, and other circumstances.

4.5.9.5. Termination of an employment agreement at the initiative of the employer

Dismissal upon the employer's initiative always requires certain substantiation directly stated in the Labor Code, as well as compliance with the mandatory procedure and careful execution of all required documents.

The Labor Code contains a relatively broad list of the grounds for dismissal of an employee upon the employer's initiative. The most important of them are:

- Dismissal for reasons connected with the employee's conduct, including: repeated nonperformance of employment duties resulting in disciplinary sanctions; single gross breach of employment duties; presentation by the employee of falsified documents when being hired, and other grounds.
- Dismissal for reasons associated with the employee's insufficient professional qualifications.
- Dismissal for production reasons: liquidation of the organization or a separate subdivision thereof; staff reduction. In these cases the employees must be notified at least two months prior to dismissal and paid a severance pay in the amount established by the Labor Code.

It is prohibited in all cases to dismiss an employee on the employer's initiative during the employee's temporary incapacity to work or leave, as well as pregnant women, other than in case of liquidation of the organization.

Should any legislative requirements be breached, the dismissal of an employee may be deemed unlawful. In such case the employee may be reinstated at work and the employer may be obligated to compensate for the emotional distress caused to the employee by the unlawful dismissal.

4.5.10. Specific features of employment of company executives

Company executives are individuals vested by virtue of law, other regulatory legal acts and/or the company foundation documents with the right to manage the company, in particular, to perform the functions of its single-member executive body. The term "executive" used in Russian legislation is of general character and when applied to a company of a particular type may be replaced with other terms, for example "director", "general director", "president", "chairman of the board", etc.

An executive is considered to be a company employee. Due to this, an employment agreement shall be entered into by the executive and the company, and relations between them are regulated not only by civil legislation and the company corporate documents but also by labor legislation.

Employment of company executives has the following specific features:

- An executive is employed on the basis of either an indefinite employment agreement or a fixed-term employment agreement, which is established by the foundation documents or the employment agreement.
- The employment agreement with an executive may stipulate a longer probation period: up to 6 months.
- An executive may occupy paid positions in other companies (i.e. have secondary employment) only subject to permission of the employer's authorized body (general meeting of participants / shareholders, board of directors, etc.).
- An executive bears full material liability for direct actual damage caused to the employer and is obligated to compensate for losses, including lost profit, caused to the company by his/her wrongful acts, in cases established by Russian legislation.
- Along with the general grounds for terminating an employment agreement with a company executive, legislation also provides for additional grounds, for example:
 - a) The authorized body of the employing company taking a decision to prematurely terminate the employment agreement with the executive. In the absence of wrongful acts (omissions) by the executive, he/she is paid a compensation in the amount determined by the employment agreement, but not less than three times the executive's average monthly salary.
 - b) Bankruptcy of the employing company.
 - c) Other grounds agreed upon by the parties in the employment agreement.

Federal laws and company foundation documents may extend the above specific features of employment to the members of the company's collective executive body, who entered into an employment agreement with the company.

4.5.11. Financial liability of employees and employers

Financial liability of an employee is limited to the amount of direct actual damages incurred as a result of a wrongful act or omission by the employee. Pursuant to the law, the employer may not claim lost profits from the employee.

Russian labor legislation distinguishes between limited and full financial liability of an employee. As a general rule, an employee who has caused losses to an employer shall be held liable within the limits of his/her average monthly salary (limited liability). Full financial liability means that an employee is obligated to compensate for all losses that he/she has caused to the employer, even if such losses significantly exceed his/her average monthly salary. The employee shall bear full financial liability only in the cases directly stipulated by the Labor Code, in particular: malicious damage; damage caused while inebriated; damage caused as a result of the employee's criminal offence; damage caused while not fulfilling employment duties; damage caused as a result of disclosure of a legally protected secret, including a trade secret; and other cases.

Labor Code provides for 4 main cases of financial liability of the employer:

- Compensation for damages caused to the employee due to illegal deprivation of the possibility to work, including: unfair dismissal, illegal transfer to another job, delays in obeying a court ruling to reinstate employment and other cases. The compensation shall be paid in the amount equal to the employee's average salary for the entire period of deprivation of the possibility to work.
- Compensation for damages to the employee's property. The damage shall be compensated for in full at the current local market prices.
- Compensation (interest) for delaying payment of salary, leave allowances or other sums due an employee calculated at the rate of at least 1/300th of the current Central Bank refinancing rate for each day of delay.
- Compensation for the emotional distress caused to the employee by the employer's unjust actions in the amount determined by the agreement between the employee and the employer or by court.

The employment agreement or written agreements attached thereto may provide for the liability of the parties to such agreement(s). However, such contractual liability of the employer may not be lower, and employee's liability may not be higher than that stipulated by Labor Code or other federal laws.

4.5.12. Employment of foreign citizens

Employers have the right to engage foreign employees provided that respective permitting documents and a special Russian visa are obtained by the employer and the foreign employee. Depending on the status of the foreign citizen, the following documents shall be obtained:

- Employment of highly qualified foreign specialists, i.e. foreign employees who have work experience, skills or achievements in a particular area of activities and are paid salaries of at least 2 million rubles per year, requires obtaining a work permit and a work visa for the said specialist. Both documents are issued for up to 3 years.
- Employment of foreign citizens engaged by foreign commercial organisations registered in WTO countries for the work in Russian branches, representative offices, or subsidiaries of the said organisations also requires obtaining a work permit and a work visa. Both documents are issued for up to 3 years.
- Employment of other foreign citizens is possible provided that the employer obtained a permit to engage and use foreign employees and the employee obtained a work permit and a work visa. These permits and the work visa are issued for the period of up to 1 year.

The said procedure does not apply to foreign citizens holding permanent or temporary residence permits; foreign citizens employed by diplomatic missions and consular establishments of foreign countries in the Russian Federation, international organizations; journalists accredited in Russia; employees of foreign legal entities performing assembly works, service and guarantee maintenance as well as follow-up service for technical equipment installed in Russia, and other categories of foreign citizens specified by Russian legislation.

4.5.13. Taxation of employees' income

Employees' income (salary and other payments under employment agreements) is subject to the personal income tax at the following rate:

- 13% – for Russian tax residents (i.e. persons staying in the territory of the Russian Federation for at least 183 days per year irrespective of their citizenship) and highly qualified foreign specialists (irrespective of their tax residency);
- 30% – for other employees not considered Russian tax residents.

Although employees are taxpayers of the personal income tax, in accordance with tax legislation it is employers acting as tax agents that are obligated to calculate, deduct from the remuneration amount, and pay to the budget the personal income tax.

4.5.14. Social insurance of employees

Pursuant to the Labor Code, employers are obligated to ensure mandatory social insurance for their employees. Russian legislation establishes the following types of mandatory social insurance:

- medical insurance;
- pension insurance;
- social security insurance, which provides for insurance against such cases as temporary incapacity to work, industrial accidents, occupational diseases, maternity and other cases.

Insurance contributions are made on the basis of remuneration of and other payments to employees under employment agreements. Remuneration of and other payments to foreign employees, who entered Russia on the basis of a visa and are not granted a temporary or permanent residence permit, are not subject to insurance contributions, except for contributions towards insurance against industrial accidents and occupational diseases and pension insurance.

Contributions towards mandatory social insurance are paid by employers to the state insurance funds (the Pension Fund of the Russian Federation, the Social Security Fund of the Russian Federation, the Federal Mandatory Medical Insurance Fund) at the rates established by federal legislation.

4.6. Intellectual property rights and franchising

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4.6.1. General information on the legal regulation of intellectual property

4.6.1.1. Regulation of intellectual property in Russia

The institution of intellectual property in Russia is governed by Part 4 of the Civil Code of the Russian Federation (hereinafter the “Civil Code”), which entered into force on January 1, 2008, replacing a multitude of specialized laws and subordinate legislation.

A foreign legal entity or individual may exercise and seek protection for IP rights in Russia, provided that the relevant legal requirements are satisfied. Russia is a party to numerous international treaties on IP rights, including:

- the Patent Cooperation Treaty;
- the Paris Convention for the Protection of Industrial Property;
- the Madrid Agreement on the International Registration of Trademarks;
- the Protocol to the Madrid Agreement;
- the Universal Copyright Convention (UCC);
- the Berne Convention for Protection of Literary and Artistic Works (Berne Convention);
- the Convention for the Protection of Producers of Phonograms against Unauthorized Duplication of their Phonograms (Geneva Convention);
- the International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations (Rome Convention).

4.6.1.2. Types of protected objects

Part 4 of the Civil Code uses the following classification of intellectual properties and equivalent means of individualization:

- copyright (literary, scientific, and artistic works, including computer programs and databases);
- rights related to copyright (performance right, recording right, on-air and cable broadcast right, right of a database producer, publisher’s right to a scientific, literary, or artistic work);
- patent right (patents for inventions, industrial designs, and utility models);
- right to the results of selective breeding;
- right to semiconductor topographies;
- right to a production secret (know-how);
- rights to means of individualization of participants of legal entities, goods, works, services, and enterprises (corporate name, trademark, denomination of origin of goods, brand);
- right to use intellectual properties as part of an integrated process.

4.6.1.3. Transactions with intellectual property

A system of agreements for administration of IP rights is unified for all types of protected objects and includes the following types of agreements:

- agreement on alienation of the exclusive right;
- license agreement (exclusive or non-exclusive license).

Under an agreement on alienation of the exclusive right to intellectual property, the right holder transfers to the acquirer its exclusive right to the respective object. That being said, the original right holder loses the right to independently use the object.

Agreement on alienation of the exclusive right shall be executed in a written form. If intellectual property is subject to state registration, respective agreement shall also be registered with the Federal Service for Intellectual Property (hereinafter, “Rospatent”) under pain of invalidity.

Pursuant to a license agreement, the owner of the exclusive right to IP (licensor) grants the licensee the right to use such IP within the limits established by the agreement, with or without indication of the territory, in which use is permitted.

The licensee under a license agreement may use respective IP only within those scope of rights and means of use that are stipulated by agreement. The right to use IP, which is not directly specified in the license agreement, is not deemed to be granted to the licensee.

A license agreement shall be executed in a written form and, if intellectual property is subject to compulsory state registration, be registered with Rospatent under pain of invalidity.

License agreements are divided into two types:

- ordinary (non-exclusive) license: the licensee is granted the right to use IP, and the licensor reserves the right to issue licenses to other parties;
- exclusive license: the licensee is granted the right to use the trademark, and the licensor does not reserve the right to issue licenses to other parties.

The licensee may grant a third party the right to use IP (a sublicense agreement) only with the licensor’s written consent.

Under a sublicense agreement, the sublicensee may be granted rights to use IP only to the extent of such rights and means of use that are contemplated by the license agreement for the licensee.

In all other respects, a sublicense agreement is subject to the same rules as a license agreement.

4.6.2. Trademarks and service marks

Part 4 of the Civil Code defines a trademark as “a symbol serving to individualize the goods of legal entities or individual entrepreneurs” and a service mark as “a symbol serving to individualize the works performed by legal entities or individual entrepreneurs or the services rendered by them”.

Trademarks may be represented by words, pictures, three-dimensional signs and other designations (or combinations thereof). The Civil Code does not provide for the exhaustive list of types of trademarks and allows for the existence of other types of trademarks, provided they meet the criteria for registration stipulated by law. The criteria for registration of a symbol as a trademark are: distinctiveness (possibility to identify products (services) among similar ones) and novelty (trademark shall not be identical or confusingly similar to existing means of individualization).

Legal protection of a trademark in the Russian Federation is provided on the basis of its state registration in accordance with the procedure established by law or under international treaties of the Russian Federation. The registration of symbols as trademarks in Russia is performed by Rospatent.

The owner of a trademark acquires the exclusive right to use the trademark only for those goods and services, for which the trademark has been registered. Trademarks are registered with the use of the International Classification of Goods and Services, in accordance with which the applicant may select the desired classes of goods and services.

The initial term of the trademark registration is equal to 10 years, at the end of which the trademark owner may renew the registration an unlimited number of times.

The owner of a registered trademark is granted the exclusive right to use it within the Russian Federation. Without the owner’s consent, no one is entitled to use in civil turnover the trademark itself or an identical or confusingly similar trademark. The rightholder is able to use the symbol ® notifying of that respective trademark is protected in the territory of Russia.

4.6.3. Copyright and related rights

Scientific, literary, and artistic works that are the result of creative activity and exist in some objective form are protected in Russia as copyright objects. The key criteria for granting legal protection are as follows:

- presence of a creative component in the work;
- objective form of expression of the work, e.g., written or oral form (in the form of a public utterance, public performance and other similar form), in the form of an image, audio or video recording, in three-dimensional form.

At the same time, a work is protected by copyright irrespective of its artistic value, purpose, and means of expression.

Part 4 of the Civil Code contains an open-ended list of the types of works that are protected by copyright (literary works, musical works, audiovisual works, etc.). Copyright objects also include computer programs (protected as literary works), derivative works (translations, staging's, etc.) and composite works (including databases, anthologies, encyclopedias, etc.).

Official documents and their official translations, state symbols and marks, folklore works and informative reports on events and facts are not protected as copyright objects.

Unlike trademarks and properties protected by a patent, copyright protection is granted by virtue of the very fact of creation of the work as of the moment when the work takes on an objective form. No additional formalities must be observed to obtain the right to protection.

Use of the symbol of copyright protection – “©” – in conjunction with the name of the author and the year of creation of the work is not a condition for granting legal protection, but it may serve as a notice that the work is protected.

Programs and databases can be registered with Rospatent. Such registration procedure is voluntary and does not give rise to rights to the computer programs or databases, but rather it is intended to facilitate proving authorship and time of creation. At the same time, agreements on alienation of the exclusive right to registered programs and databases must also be registered with Rospatent.

In accordance with the traditions of the countries of continental Europe, it is customary in Russian copyright law to divide copyrights into personal non-property and exclusive (property) rights. Personal non-property rights (e.g., right of authorship, right of integrity in a work, right of withdrawal) are closely related to the author's identity and, therefore, cannot be transferred to third parties.

An exclusive (property) right (e.g., distribution of a work, public performance of a work, on-air broadcasting), on the contrary, can be alienated by the author in favor of third parties.

As a general rule, copyright protection lasts for the author's lifetime plus 70 years after his/her death. Upon the expiration of a copyright, the copyright object is considered to be in the public domain and may be freely used by all interested parties.

The exclusive right of a database producer originates as of the completion of its creation and is effective for 15 years. With every update of the database, the effective term of the producer's exclusive right is renewed.

4.6.4. Industrial property

Another institution in Russian intellectual property law is patent law, in the context of which protection is granted to technical achievements and new industrial developments. In contrast to copyright law, which protects the form of an author's works, including scientific and artistic works, patent law aims to protect the essence and content of technical industrial solutions. Part 4 of the Civil Code identifies inventions, utility models, and industrial designs as patentable objects.

A technical solution in any area relating to a product or method is protected as an invention. The following may be patented as inventions relating to a product:

- a device;
- a substance;
- a microorganism strain;
- a plant or animal cell culture.

Processes acting on a tangible object with material resources are protected as method-related inventions. Exclusive rights to a method are complemented by rights to the product directly manufactured by the patented method (indirect protection), with the new product being deemed manufactured by the patented method, unless proven otherwise.

An invention is granted legal protection if it meets the criteria of novelty, level of invention, and industrial applicability.

A utility model is a technical solution relating to a device. In essence, a utility model is similar to an invention, but differs in that the level of invention requirement does not apply to it. The criteria for registration of a utility model are only novelty and industrial applicability.

An artistic design solution for an industrial or artisanal product that defines its outward appearance is protected as an industrial design. This category is largely similar to shape trademarks, which means that the author of the intellectual property is able to choose between these two types of protection.

Industrial designs may be either three-dimensional or flat, as well as being a combination of two- and three-dimensional elements. An industrial design must meet the criteria of novelty and originality.

The following may not be covered by patent rights:

- methods of cloning a human being;
- methods of modifying the genetic continuity of cells of human embryos;
- use of human embryos for industrial and commercial purposes;
- other solutions contradicting public interests or humane and moral principles.

Legal protection of inventions, utility models, and industrial designs is provided on the basis of patents issued by Rospatent. A decision to register an invention, industrial design, or utility model is taken based on an examination of the application. Number of stages of examination and content thereof depends of type of industrial property being registered.

A **patent** certifies the exclusive right of the party, to which the patent has been issued, to use the patented object. The exclusive right of a patent holder means that third parties are not entitled to use the patented object without the patent holder's consent.

The effect of a patent is limited in time and space.

The terms of patents are as follows:

- a patent for an invention – 20 years from the date of submission of the application;
- a patent for a utility model – 10 years, with right of renewal for 3 years;
- a patent for an industrial design – 15 years, with right of renewal for 10 years.

The exclusive right from a patent issued by Rospatent is valid only within the Russian Federation.

Each year, the patent holder must pay the state fee to maintain the patent in force. If the fee has not been paid on time, the patent is canceled, although it may be reinstated within three years after the expiration of the deadline for paying the fee. At the same time, a party that has started using the patented object during the period between the cancelation of the patent and its reinstatement retains the right to continue using it free of charge.

4.6.5. Right to a production secret (know-how)

Relationships arising in connection with the creation and use of production secrets are governed by Part 4 of the Civil Code (Chapter 75). In addition, the articles of Federal Law No. 98-FZ of July 29, 2004 "On Trade Secrets" governing the procedure for establishing trade secret protection remain in force.

Production secrets are understood as information of any kind, including information about intellectual properties in the scientific and technical sphere and information on methods of performing professional activities, that has current or potential commercial value by virtue of being unknown to third parties, that is not freely accessible to third parties by legal means, and for which the owner of such information has established trade secret protection.

Relationships relating to the establishment, alteration, and cancelation of trade secret protection are governed by the Federal Law "On Trade Secrets". Trade secret protection is deemed established after the following measures have been taken by the owner of the information:

- compiling a list of the information that constitutes a trade secret;
- limiting access to the information that constitutes a trade secret by implementing procedures for handling the information and monitoring the compliance with such procedures;
- listing the individuals receiving access to information that constitutes a trade secret and/or the parties to which such information has been disclosed or transferred;
- regulating relationships with regard to the use of information that constitutes a trade secret by employees on the basis of employment contracts and by contracting parties on the basis of civil law contracts;
- marking tangible media (documents) containing information that constitutes a trade secret with the words "Trade Secret" and the name of the owner of this information.

The law rules out the necessity of registering a production secret with state authorities. Therefore, the exclusive right to a production secret arises for the right holder as of the establishment of trade secret protection.

The exclusive right to a production secret may also arise directly at the time of obtaining the information, if the obtained information qualifies as information for which trade secret protection has already been implemented.

The law allows for the possibility of several right holders possessing the exclusive right to one and the same production secret, if each of the right holders has obtained the information constituting such production secret independently of the others. Honesty and independence in obtaining a production secret means that the party that has become a new owner of the production secret obtained the respective information as a result of entirely independent intellectual activities without the knowledge and use of information belonging to other owners of the production secret.

The exclusive right to a production secret remains valid as long as the confidentiality of the information constituting such secret is maintained. As soon as the respective information is no longer confidential, the exclusive right of all right holders to the production secret shall lapse.

4.6.6. Franchising

According to the Civil Code, under a franchise agreement (Russian name "commercial concession agreement" [договор коммерческой концессии]) the franchisor (rightholder) grants to the franchisee, for a consideration, a set of territorially exclusive rights, including the right to conduct business using the franchisor's trademark or service mark. A franchise agreement may also apply to other IP rights, such as the right to use a trade name or the right of access to trade secrets.

As every franchise in Russia involves a trademark, the respective trademark must be valid in Russia when the franchise agreement is submitted for registration. Such validity can be based either on Russian

trademark registration or on World Intellectual Property Organization trademark registration with Russia as a designated registrant country.

A franchise agreement shall be registered with Rospatent. Equally, no amendment to or early termination of a franchise agreement shall be valid until registration has been performed.

A franchise agreement may be concluded for the term agreed by the parties thereto or for an indefinite term. In the latter case, each party is able to unilaterally terminate the agreement by sending a written notice at least six months prior to termination.

Provided that the franchisee duly performed its obligations while the franchise agreement was in effect, once the franchise agreement expires, the franchisee has the statutory right of first refusal to renew the agreement for a new term. However, in this case the franchisor may change the terms, on which the agreement is renewed, in accordance with current market demands.

A franchisor and franchisee are jointly and severally liable for defects in goods and services produced under the franchise agreement. The franchisor is secondarily liable for defects in goods provided to the franchisee pursuant to the franchise agreement, even if the franchisor has no direct control over the franchisee's actions.

The parties to a franchise agreement may agree upon restrictions of their rights thereunder. In particular, such agreement may provide for:

- obligation of the franchisor not to grant to third parties the same exclusive rights for their use on the franchisee's territory or to refrain from own similar activities in such territory;
- obligation of the franchisee not to compete with the franchisor in the territory covered by the franchise agreement;
- refusal of the franchisee from entering into franchise agreements with regard to similar exclusive rights with the franchisor's competitors;
- obligation of the franchisee to distribute goods (perform works, render services) at prices set by the franchisor as well as obligation of the franchisee not to distribute similar goods (works, services) with the use of trademarks or trade names of other holders;
- obligation of the franchisee to distribute goods (perform works, render services) only within the agreed territory;
- obligation of the franchisee to negotiate places of location of commercial premises used in the course of exercising of exclusive rights as well as their external and internal design.

It should be noted that a franchise agreement in terms of the Federal Law "On Protection of Competition" are deemed to be so-called vertical agreements, which are not subject to the most of restrictions relating to concerted practices established by the said Federal Law.

4.7. Infrastructure projects, creation and reconstruction of infrastructure facilities on the basis of private public partnership (PPP) mechanisms

BEITEN BURKHARDT

Information for the current chapter was developed and kindly provided by BEITEN BURKHARDT

4.7.1. Legal forms of PPP in Russia

In Russia, a private public partnership (PPP) may exist in various legal forms, depending on whether a project is implemented at the expense of budget funds or funds provided by a private investor. As a rule, the subject matter of a respective agreement is the creation (reconstruction) of a real estate facility determined therein.

At the moment there is no uniform federal legislative instrument regulating PPP issues. The draft Federal Law "On Basic Principles of Private Public Partnerships in the Russian Federation", as prepared by the Russian Government, is currently under consideration in the State Duma. The main purpose of said Federal Law is to establish a legal framework for relations connected with PPP issues, which all particular forms of PPP must comply with.

The draft Federal Law outlines the following main principles for the implementation of PPP projects in Russia:

- a PPP agreement can be concluded only upon the result of a tender;
- there are no limitations with regard to assets which can be transferred to a private partner (including intellectual property);
- issues connected with the execution and implementation of PPP agreements are regulated not only at the federal level, but also at the regional and municipal levels;
- a "grandfather clause": should any amendments to Russian legislation come into force, which worsen conditions for a private partner, a PPP agreement shall be amended in order to secure the financial interest of the private partner.

After the Federal Law "On Basic Principles of Private Public Partnerships in the Russian Federation" comes into force, regional legislation will have to be amended accordingly. However, this Law (if adopted) will not fundamentally change existing forms of PPP.

Currently, PPP forms may be divided into the groups described below.

4.7.1.1. Concession agreements

Concession agreements are one of the basic forms of PPP project implementation, and stipulate the joint financing of projects by the state and a private investor, and the operation of the concession facility by the investor for a certain period of time upon the creation thereof.

Concession agreements are entered into on the basis of a tender and provide for the granting of rights to state or municipally owned property to investors, for the purpose of the creation or reconstruction of a concession facility and its further operation by the investor (concessionaire). The parties to a concession agreement are the concessionaire (as a rule, a commercial company or consortium comprised of the financing banks and the companies directly implementing the project) and the grantor (the Russian Federation, a RF subject, a municipal entity).

The basic legislative instrument regulating the procedure for entering into and implementing concession agreements is Law No. 115-FZ "On Concession Agreements" (hereinafter the "Concession Law").

The only possible concession model described in the Law is the BTO ("build – transfer – operate") model. The ownership right to the created (reconstructed) facilities is held by the grantor. This, without doubt, limits the applicability of concession agreements.

In 2010 a number of amendments and addenda were made to the Concession Law, aimed at facilitating the implementation of public utility projects, in particular at facilitating the raising of funds for PPP projects and the possibility for state and municipal enterprises to participate in PPP projects on the side of the grantor, and to exercise certain powers of the grantor, specific to the housing and public utility sector.

In 2012 the Concession Law was supplemented with provisions that included motor roads and traffic infrastructure in the list of concession objects. These amendments to the Concession Law are aimed at the creation of conditions for the execution of so-called "life circle" contracts, under which the concessionaire shall construct or reconstruct traffic infrastructure and then ensure the operation of the respective objects within the agreed period, with the corresponding remuneration paid by the grantor.

Regarding motor roads and traffic infrastructure, the Concession Law also permits a direct agreement between the grantor, the concessionaire and the financing company to be entered into, and which determines the rights and obligations of the parties (including liability for non-fulfilment or undue fulfilment by the concessionaire of its obligations to the creditor). The concessionaire's rights under such a concession agreement may be used to secure its obligations to banks.

However, the PPP model under the Concession Law is rather unattractive for private business, due to the complexity of the legal procedures involved, and the lack of legal provisions guaranteeing that personal or raised funds can be recovered.

In terms of investment attractiveness, special attention should be paid to the tariff regulation of the concessionaire's activities implemented upon the creation (reconstruction) of concession facilities in the housing and public utility sector, electric power supply sector, and other regulated types of activities. It is operating profit that is usually the main source of return on such investments. In this case, guarantees in the sphere of state price (tariff, rate) regulation have substantial significance. This issue is reviewed in more detail in the section devoted to the specific features of particular PPP areas.

4.7.1.2. Public procurement

The matter in question is 100% budget financing of the project, in the course of implementation of which an authorized public customer (a state or municipal authority, state enterprise) selects, on the basis of a tender, a contractor to carry out certain works, supply goods, etc., e.g. a general contractor is selected to construct a facility.

The financial basis of project implementation under this scheme is federal, regional or local budget funds. The state exercises total control over the procedure for contractor selection (by conducting tenders, auctions, requesting quotes, or purchasing from a single supplier on a particular market) and the fulfilment thereby of its obligations.

The procedure for conducting a tender is strictly and thoroughly regulated. The criteria for the selection of a supplier are determined by the customer. However, the main criterion is in fact the price offered in the supplier's bid, whereas the functional and quality characteristics (consumer properties) of goods, works or services are, as a general rule, rather insignificant.

Since January 01, 2014, public procurement has been governed by the Federal Law "On Contract System in the area of Procurement of Goods, Works and Services for State and Municipal Requirements", which superseded Federal Law No. 94-FZ "On Placement of Orders for the Supply of Goods, Performance of Works, Rendering of Services for State and Municipal Requirements". This Federal Law implemented, inter alia, the following novelties:

- in addition to the information on each tender, the procurement plans, results of a contract's audits, and information on all material actions of a customer (including information on a change or termination of a contract) must be published on an official website;
- the Federal Law stipulates the procedure for carrying out societal control over procurements (including the right of non-governmental organizations to contest the results of a tender);
- the approach to the procedure for choosing a contractor has changed: the main procedure for choosing a contractor is an open, single-stage tender, while electronic auctions can be used only for the procurement of ordinary, standard goods;
- anti-dumping measures: if a participant in a tender proposes a contract price 25% (or more) lower than the initial one, such a participant shall provide a calculation of the proposed price and substantiate it;
- a qualitative audit of results of the implementation of contracts.

4.7.2. Infrastructure projects in certain areas: types and regulatory considerations

4.7.2.1. Road construction

Motor roads are one of the most common areas where PPP schemes, mainly based on the Concession Law, are applied.

The legal framework of PPP in the road construction sector is established by the Concession Law, the key sector-specific Federal Law No. 257-FZ dated November 8, 2007 “On Motor Roads and Road Activities in the Russian Federation and Making Amendments to Certain Legislative Acts of the Russian Federation” (hereinafter the “Road Law”), and a number of bylaws such as a model concession agreement with respect to roads, toll collection rules and toll rates, the rules of rendering toll collection services by the concessionaire, etc.

The implementation of PPP projects in the road construction sector became possible relatively recently – in 2007. The adopted Road Law, firstly, provided for the possibility of private ownership of motor roads; secondly, it regulated the existence of toll motor roads; thirdly, it expressly identified PPP as a mechanism of creation, reconstruction and use of Russian roads. However, of all the possible PPP schemes, only concession agreements under the Concession Law (“BOT” type) are legally regulated, including guarantees and compensation to private partners, although legislation provides for other PPP schemes, including those ensuring the investor’s private ownership.

Investment attractiveness is increased by the provisions of the sector-specific legislation, which stipulate that if the traffic intensity and vehicle fleet composition indicators agreed upon in the respective concession agreement are not achieved, the state may pay compensation to the private investor.

Excluding public authorities, the State-Owned Company “Russian Motor Roads”, which manages some federal highways (including toll highways), can also act as the grantor under concession agreements.

Recoverability of investments is guaranteed by the procedure for, and conditions of, determining and changing toll rates, and the procedure for toll collection established in a concession agreement. In accordance with a legislatively mandated regulation, specialized services and agencies have the right to use toll roads on preferential terms (free of charge); a concession agreement may also stipulate additional preferential terms. If a road is owned by a private partner, the toll rate is determined thereby subject to the obligations under the respective PPP agreement (the calculation is made in accordance with the approved methods, and taking into account road users’ financial means and the budgeted costs of the company operating the road; in any case, toll rates shall not exceed the limits determined by state authorities). The maximum amount of a toll rate determined by a concession agreement cannot be changed, unless federal, local or municipal regulations that worsen the investor's position have been adopted.

The development of PPP in the road construction sector is significantly constrained by the requirement established by the Road Law, in accordance with which any route that has a toll road should also have a free, alternative road. The length of such a free road may not exceed the length of the respective toll road by more than three times. Taking into consideration the undeveloped road network, very often this requirement cannot be fulfilled. Possible cancellation of this requirement is currently being discussed at the highest level, but due to the political aspect it is difficult to make any predictions about the outcome of these discussions.

At present, the following projects are at different stages of implementation: the Western High-Speed Diameter (St. Petersburg, the total project cost of which exceeds RUB 213¹⁹ billion), the Construction of the Moscow – St. Petersburg High-Speed Railway (the total project cost of which amounts to approximately USD 30 billion²⁰), and the Construction and Operation on a Paid Basis of the Bridge Crossing in Podnovie (Nizhny Novgorod Oblast, the total cost of which exceeds 70 RUB billion²¹).

4.7.2.2. Public utility complex

In accordance with Russian legislation, the public utility complex currently includes only household solid waste management. Other services, which were previously included into the public utility complex (electric power, gas, heat and water supply, water discharge and waste-water treatment), are now governed by separate laws (e.g., Federal Law No. 190-FZ dated June 7, 2010 “On Heat Supply”). However, for the purposes of this brochure, all such services will be considered as a part of the public utility complex.

On one hand, the following features are specific to the public utility complex: significantly dilapidated public utility infrastructure and obsolescence of the technologies used, which entails a low quality of public utility service provision and substantial costs incurred by the providers of such services. On the other hand, there is a high capital capacity for renovation projects. Also, it should be noted that public utility facilities and networks, and the land plots on which they are situated, are not fully and properly registered.

The specific features of this sector also include newly established requirements for electric power, heat and water supply, energy efficiency, and environmental safety of the activities of public utility companies.

The public utility infrastructure is municipally owned (in St. Petersburg and Moscow it is owned by the respective subject of the Russian Federation) and is transferred for management to municipal and state unitary enterprises (MUP/GUP) incorporated and owned by the state administration. The rights (to economic management) of such enterprises to the public utility infrastructure do not impede the transfer of property for the implementation of projects.

The regulatory basis of PPP in the sector in question is Federal Law No. 210-FZ dated December 30, 2004 “On the Principles of Regulation of Tariffs of Public Utility Companies”, laws governing energy supply issues (e.g., Federal Law “On Electric-Power Industry”, Federal Law “On Heat Supply”) and the Concession Law. Most regional PPP laws include the public utility complex in the framework of possible partnerships.

The financial basis of operational and investment activities of public utility companies is proceeds from public utility services rendered. Service fees are established in the form of tariffs, subject to the principle of consumer affordability of such tariffs. Free pricing is impossible. The process of establishing tariffs involves federal, regional and local authorities.

¹⁹ http://top.rbc.ru/spb_freenews/15/02/2013/845402.shtml

²⁰ <http://ru.wikipedia.org/wiki/%D0%92%D0%A1%D0%96%D0%9C-1>

²¹ <http://www.birzhaplus.ru/dom/?73663>

On April 01, 2013 Federal Law No. 291-FZ "On Introduction of Amendments to Certain Legislative Acts of the Russian Federation With Regard to Tariff Regulation in the Area of Electric Power, Heat, Gas and Water Supply and Water Discharge" came into effect. This Law continues the state policy aimed at the transition to long-term tariff regulation, namely that tariffs for public utility complex services shall be approved for a period of 3-5 years. The Law also outlines a mechanism to compensate companies for income lost during the implementation of tariff-regulated activities, to be applied in the case of a decrease in tariff or gross revenue. The procedure for calculating said compensation shall be approved by the Government of the Russian Federation.

It should be noted that the introduction of long-term tariff regulation in the area of heat supply, water supply and water discharge will be implemented on a step-by-step basis, up to January 01, 2016.

Investment projects may be implemented both under the concession scheme, and under other schemes. A concession agreement may stipulate long-term parameters of regulation, binding upon all competent authorities when establishing tariffs. If established tariffs do not comply with such long-term parameters, the terms and conditions of the concession agreement may be reconsidered at the request of the concessionaire (a reduction in the concessionaire's obligations, an extension of the term of operation of concession facilities, etc.). The sources of investment project financing are determined in accordance with the terms and conditions of a concession agreement. The state (municipality) is entitled to assume an obligation to partially finance a public utility company's expenses upon implementation of investment projects.

The state guarantees the return of invested capital once the concession agreement loses its effect. This guarantee, however, applies only to the amount of funds stipulated in the investment programmes of the public utility company participating in concession relations approved by the regulatory authorities.

4.7.2.3. Waste processing

The most important current problem in the waste processing sector in Russia is the absence of a legislative framework that would regulate the main principles of, and the procedure for, environmentally safe, in contemporary terms, waste processing and management, as well as the attraction of private investment in this sector. The basic sector-specific legislative instrument is Federal Law No. 89-FZ dated June 24, 1998 "On Production and Consumption Waste".

The prerequisite for advanced waste processing and recycling is a separate waste collection system. Current Russian legislation does not contain any provisions on mandatory waste segregation; in practice, household waste is also very rarely sorted.

Current legislative initiatives in the waste processing sector are aimed, first of all, at imposing, on manufacturers, responsibility and expenses related to waste management and, in particular, drafting a packaging law.

Separate waste collection being impossible, many regions of Russia have chosen an alternative way, involving the construction of waste sorting and recycling plants. In this regard, it should be noted that such practical aspects as the existing tariff regulation hinder the development of this aspect of the waste processing sector: the cost of waste dumping is still significantly lower than the tariffs of waste sorting and recycling plants. As a result, "proper disposal" of waste, i.e. waste processing and waste clearance before dumping, is not financially induced. However, it is evident that such calculations do not take into account expenses related to landfill maintenance, as well as compensation for damages caused to the environment.

In general, legislation applicable to this sector has only started to take shape, which offers hope for the development of legislative measures to induce the establishment of waste processing and sorting enterprises at the federal and regional level. Currently, a draft Federal Law significantly amending Federal Law No. 89-FZ dated June 24, 1998 "On Production and Consumption Waste" (for example - introducing priorities to state policy in the field of waste processing; lists of products, the recycling of

which shall be ensured by manufacturers; self-regulatory organizations involving waste processing operators, etc.) is being considered by the Sate Duma of the Russian Federation.

4.7.2.4. Social sphere

Social (education, health care, culture and sports) projects on a PPP basis are, as yet, not very popular in Russia.

The investment attractiveness of such projects is low, and no special, effective state support measures have been undertaken. The sector-specific legislation does not regulate PPP issues.

At present, a PPP project in the social sphere is being implemented in St. Petersburg for the construction of educational institutions (3 nursery schools, 2 schools) in the Pushkinsky District.

In the sports sphere, the application of PPP schemes was significantly constrained by an express prohibition on the transfer to private owners of sports facilities owned by the state (the Russian Federation, subjects of the Russian Federation) established by Federal Law No. 329-FZ dated December 4, 2007 "On Physical Culture and Sports in the Russian Federation". According to amendments made by the Federal Law No. 108-FZ dated July 10, 2012, the privatization of sports facilities is now permitted under the condition that the state or municipal enterprise owning such facilities is reorganized into an open joint stock company, 100% of whose shares are owned by the State Corporation "Rostekhonologii".

The creation of new sports facilities by a private investor is permitted both under the concession scheme, and on the basis of regional PPP legislation. A good example is the conclusion of three concession agreements for the construction of fitness centres in Nizhny Novgorod Oblast²² with the participation of a private investor²³: the BOT concession model, a construction period of 1 year, an operation period of 10 years. The financing is raised through the issue of bonds, coupon payments under which will not be paid until the construction has been completed and proper operation of the facilities has started; the maturity of the bonds is 11 years. In accordance with the concession agreement, the concessionaire is entitled to terminate it if the planned financial indicators of activities are not achieved, and the grantor is obligated to compensate the concessionaire for income that has not been received. Such obligations ensured a high rating of the bonds, the inclusion thereof in the listing of the RTS Stock Exchange, and popularity with investors. However, the project is not very commercially attractive: the rate of return is expected to be relatively low during the course of the entire project period.

4.7.3. PPP in St. Petersburg

Regional PPP legislation in St. Petersburg is one of the most developed and practically applicable in Russia. Since its adoption, and to date, the Law of St. Petersburg No. 627-100 dated December 25, 2006 "On the Participation of St. Petersburg in Private Public Partnerships" (hereinafter "St. Petersburg Law on PPP") has been the most elaborated act, which has not precluded its updating through occasional amendments and addenda (in 2008 and 2010).

To elaborate the provisions of the Law, the City Government adopted a number of instruments, in particular, Decree of the Government of St. Petersburg No. 347 dated March 31, 2009 "On the Measures for Implementation of the St. Petersburg Law "On the Participation of St. Petersburg in Private Public Partnerships"", Decree of the Government of St. Petersburg No. 346 dated March 31, 2009 "On the Measures for Development of Private Public Partnerships in St. Petersburg". These acts thoroughly regulate the private public partnership procedure in the city.

²² <http://www.pppinrussia.ru/userfiles/upload/files/artikles/NN/Ahmadeev.pdf>

²³ <http://www.volga-sport.com/>

The leading authority dealing with PPP issues in St. Petersburg is the Committee for Investment of the Government of St. Petersburg, which evaluates proposed PPP projects and coordinates the activities of all competent subdivisions of the Government of St. Petersburg.

The key advantages of the regional PPP legislation include the following:

- a) it provides for both municipal and private ownership rights to created (reconstructed) facilities;
- b) it provides for the use of various PPP models: those expressly established by the St. Petersburg Law on PPP (BOOT, ROOT, BOO, ROO, BOT, ROT, Operation & Management) and other PPP models in accordance with federal and municipal legislation;
- c) PPP is applicable to almost all important sectors of municipal services, including transport, the public utility complex and energy sector, telecommunications, health care, education, culture, sport and tourism;
- d) it specifies the option of referring disputes to international commercial arbitration courts outside Russia,²⁴ as well as to Russian arbitration tribunals;
- e) it expressly provides for the forms of financial participation of the city in the project implementation process, including payments to the partner in cases where the received income is below the minimum established amount, compensation in cases where the proper level of tariffs is not ensured, as well as in cases of the termination of the PPP agreement through no fault of the partner;
- f) the Government of St. Petersburg is drafting model PPP agreements, which unlike Federal Law No. 115-FZ dated June 21, 2005 “On Concession Agreements”, are not binding and are of an advisory nature;
- g) it guarantees protection from further amendments to the municipal legislation, city authorities’ interference in the partner’s activities, including the obligation to compensate for losses caused by unlawful acts of the city authorities;
- h) the appearance of any unknown encumbrances (limitations on use) on the land plots provided to the partner serves as a basis for making amendments to the PPP agreement.

Once the basic parameters of the project, including the amount of investment and the location of the facilities, are determined by the authorized departments and committees of the Administration of St. Petersburg, subject to all required consents and approvals, a decision is adopted regarding implementation of the project through the participation of St. Petersburg in a PPP, which serves as the basis for the preparation of the tender documentation and a draft decision from the Government of St. Petersburg on entering into a PPP agreement.

The requirements for tender participants may relate only to their professional qualities and reputation. Foreign and Russian companies take part in tenders on equal terms. In practice, participation in a tender sometimes requires a special permit (license), which may only be issued to Russian companies. In this case, foreign investors have to accept an authorized Russian participant to a consortium, or establish joint ventures (project companies) to be registered in Russia.

A tender for the right to enter into a PPP agreement is open. However, if the tender documentation contains materials constituting a state secret, this serves as an adequate basis to conduct a closed tender.

At the first stage, participants satisfying the requirements of the tender documentation are shortlisted. The shortlisted participants subsequently submit their bids for evaluation by the tender commission, on the basis of a set of criteria (as a rule, the estimated cost of project implementation is of crucial importance).

After the winner of the tender has been determined, negotiations therewith take place, as a result of which the parties settle those terms and conditions of the agreement not covered in the tender

²⁴ Excluding concession agreements in accordance with Article 17 of Law No. 115-FZ “On Concession Agreements”.

documentation. Entering into an agreement on terms and conditions different from those contained in the tender documentation is an adequate basis to contest the validity of such an agreement in court.

A significant advantage of a tender under the St. Petersburg Law on PPP is that its conditions may stipulate the right to enter into an agreement on the lease of land plots. Therefore, unlike the Concession Law, there is no need to conduct a separate tender with respect to land plots.

At present, several major PPP projects are being implemented or prepared for implementation in St. Petersburg: the construction of a new terminal of Pulkovo Airport, construction of the central part of the Western High-Speed Diameter, reconstruction of the Northern Waterworks, construction of a household waste processing plant in Yanino, Leningrad Oblast. A project for the construction of schools and nursery schools in the Pushkinsky District of the city is being implemented.

5. Costs of doing business

5.1. Costs of starting a company

5.1.1. Overview

Starting a business in St. Petersburg involves completing a series of legal activities. Russian companies, as well as branches and representative offices of foreign companies in Russia, must be registered with several authorities. Companies must be registered with the State Registration Authority (currently, tax authorities), which takes care of state registration and registration for tax purposes, as well as with the State Statistical Committee and three social funds. Branches and representative offices must be registered with the tax authorities and accredited as well as registered with the State Statistical Committee and three separate social funds. In St. Petersburg registration is carried out through the Unified Registration Center, which registers companies with all required authorities.²⁵

In the preliminary phase, it is required to gather and draft all documents, which are to be filed with competent authorities (notarized and apostilled corporate documents of a foreign company, constitution documents of the newly established Russian company or business, etc.).

Additional steps are necessary for Russian companies, branches, and representative offices to be fully operational, e.g. opening of bank accounts, development of a corporate seal, registration of the issuance of shares (for JSCs only) with the securities authorities, etc.

You can establish a company with your own financial and human resources, however it is highly recommended to refer to the services provided by consulting, law or special registration companies to expedite the whole process.

5.1.2. Costs and duties

The following state duties are applied while registering a company through the Unified Registration Center in St. Petersburg:

- **Individual entrepreneur / sole proprietorship**
State duty: 800 RUB
Registration time: no more than 5 business days
- **Legal entity (all types)**
State duty: 4,000 RUB
Registration time: no more than 5 business days²⁶

The following costs may be incurred while registering and starting a company in Russia:

- **Notary services**
Some documents submitted for registration have to be approved by notary
Cost: starting at 200 RUB
- **Stamp**
In order to run a business all legal entities in Russia are required to have a company stamp
Cost: starting at 400 RUB

²⁵ For more information, please see Section 4.1 Establishing a legal presence

²⁶ For more information on state registration of legal entities and individual entrepreneurs, please visit <http://reg.nalog.ru/>.

- **Bank account**
In order to run a business it is necessary to have a bank account
Cost: varies depending on the bank
- **Certification and other issues**
Certification might be required depending on the nature of your business and products
Cost: starting at 2,000 RUB

5.1.3. Contacts

**Administration of the Federal Tax Service in St. Petersburg
Unified Registration Center at Interdistrict Tax Inspection #15**

10-12 Krasnogo Tekstilschika Street

191124 St. Petersburg, Russia

Tel.: +7 812 335 14 03, 335 14 00 | Fax: +7 812 335 14 02

i784700@r78.nalog.ru

www.r78.nalog.ru

5.2. Human resources

5.2.1. Average salaries

According to the Territorial branch of the Federal State Statistic Service (www.petrostat.gks.ru), average monthly salary in St. Petersburg constitutes 51,019 roubles (as of December 2013).²⁷

Average monthly salary in St. Petersburg by industry sector

Industry	December 2013, RUB	In % to December 2012
Agriculture	33,388	96
Mining	75,952	99.3
Manufacturing	47,882	118.9
Electricity, gas and water production and distribution	55,899	109.9
Construction	34,902	112
Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods	31,640	111.3
Hotels and restaurants	24,708	119
Transport and communication	50,399	109
Financial activity	93,399	96.4
Real estate operations, rent and services	60,995	114.2
Public administration, military security, social insurance	82,230	97.9
Education	55,878	133.9
Health care and social services	52,727	124.9
Other community, social and personal services	55,963	125.1

Source: Territorial branch of the Federal State Statistic Service

²⁷ 106.9% to December 2012

5.2.2. Salary survey



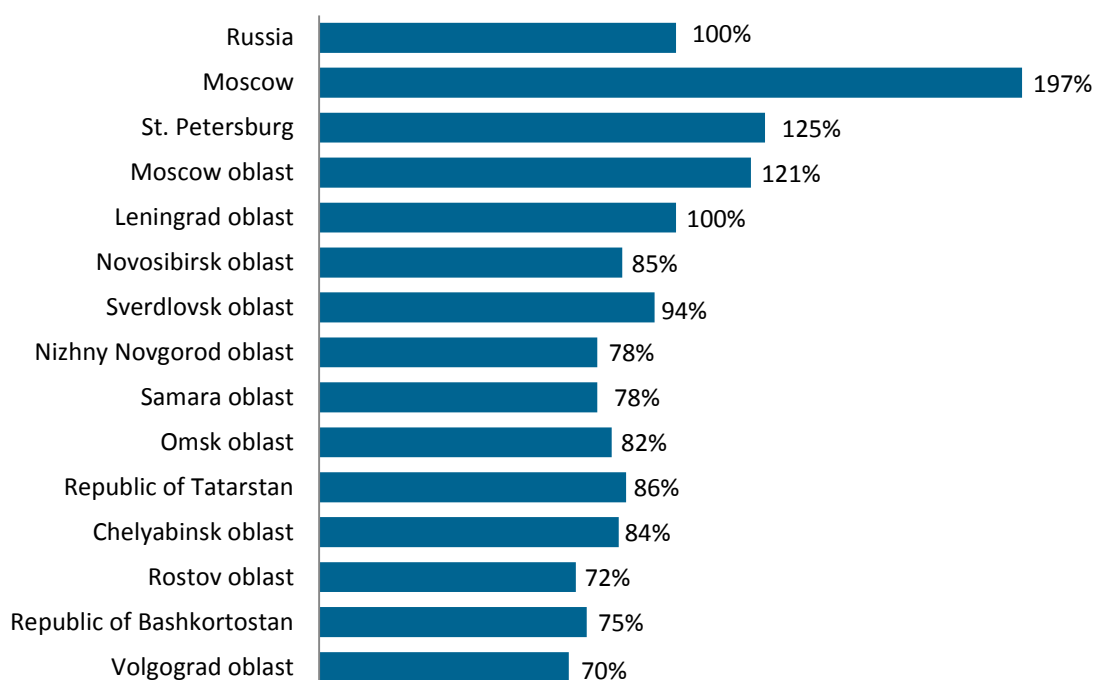
Information for the current chapter was developed and kindly provided by Awara Group

5.2.2.1. General labor indicators in St. Petersburg

The following chart summarizes the general labor indicators in St. Petersburg:

Indicators	St. Petersburg	Leningrad region
Labour force (Q4/2013):	2.8 million	0.7 million
Unemployment rate (Q4/2013):	2%	4.7%
Minimum salary:	RUB 8,868 ²⁸	RUB 7,300 ²⁹

Salary index across Russian regions compared to average salaries per region



5.2.2.2. Employer's cost and social contributions

Companies are required to pay social insurance contributions and mandatory work-related accident and health insurance. The insurance contributions are paid in full at a rate of 30% for an annual income (from the same employer) of up to RUB 624,000 (EUR 12,460), after which limit the income is subject to a rate of 10% without any further limitations.

²⁸ As of 1.01.2014

²⁹ As of 1.04.2014

Under the rule, the 30% insurance contributions are divided as follows:

- 22% is contributed to the Pension Fund (10% tail exceeding the limit goes here as well)
- 2.9% is contributed to the Social Insurance Fund
- 5.1% is contributed to the Compulsory Medical Insurance Federal Fund

In addition, the rates for mandatory work-related accident and health insurance range from 0.2% to 8.5% of the total salary. Foreign nationals that have received a work permit under the privileged status of a so-called highly qualified specialist are exempt from insurance contributions (except mandatory work-related accident and health insurance).

Employer's cost: for an office employee in St. Petersburg to receive EUR 5,000 net salary, the employer must pay the following:

- $5,000 / 0.87$ (13% income tax) = 5,747 EUR gross monthly salary. Annual gross salary 5,747 EUR x 12 = EUR 68,964
- Annual insurance contributions (30% on 12,460 EUR + 10% on 56,504 EUR over the limit) = 9,388 EUR
- Mandatory work-related accident and health insurance (0.2% on annual gross salary EUR 68,964) = EUR 138
- Total yearly sum: EUR 78,490 EUR / year
- Total monthly sum: EUR 6,541 / month

5.2.2.3. Salary survey St. Petersburg 2014

5.2.2.3.1 Overview

This salary survey was conducted to provide an overview of the job market and average salaries in St. Petersburg. To keep the survey manageable yet meaningful, only the most demanded positions were listed.

In general, one can say that salaries, especially for executives, in St. Petersburg are on the rise. Because of this, it is difficult to state definite salary figures for these top rank positions, since they can vary considerably.

The first column displays the salary of the major part of employees. A 'Top earners' column, displaying an average salary level at the top end of the job market, shows the earning possibilities in St. Petersburg. Top earners usually have a higher level of education and specialize in higher technologies or work for international companies.

Spheres covered by the survey:

- Sales & Marketing
- Finance and Accounting
- Legal (In-house and law firms)
- IT
- Hospitality
- Manufacturing
- Construction
- Retail

5.2.2.3.2 Methodology

In order to provide up-to-date and reliable salary information this survey relies on extensive research from a diverse pool of professional sources. The figures were accumulated from online surveys, personal interviews with executives, specialists working in or related to St. Petersburg, representatives of leading employers in St. Petersburg, job candidates, career portals, and estimations by experienced recruitment specialists. The salary estimate quotes in the tables portray average monthly gross salary ranges which do not include bonuses. The figures are presented in RUB.

5.2.2.3.3 Salary Survey St. Petersburg 2013

Net monthly basic salary (RUB)

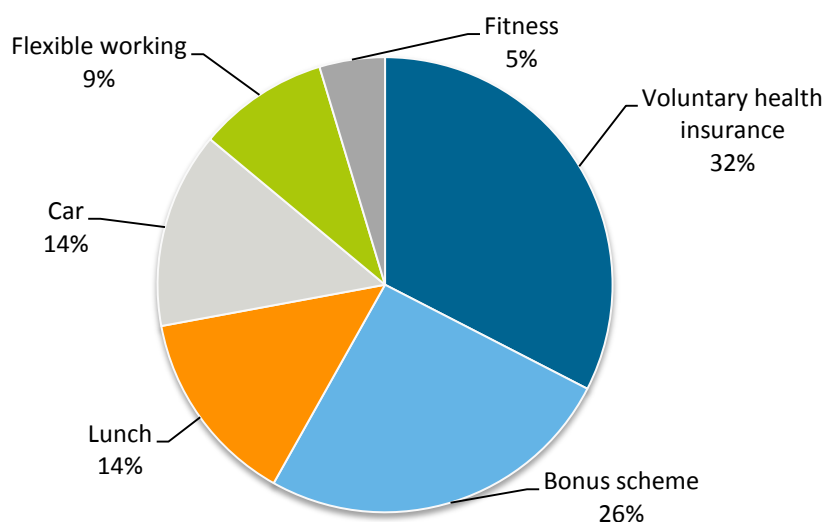
Field and position	Average salary	Top earners ³⁰
Sales and marketing:		
Director Sales or Marketing	150,000	300,000
Sales Manager	42,000	100,000
Key Account Manager	80,000	120,000
Marketing Specialist	40,000	60,000
Legal support (in-house):		
Senior Lawyer	75,000	220,000
Associate Lawyer	40,000	100,000
Legal (law firms):		
Senior Lawyer	100,000	330,000
Associate Lawyer	50,000	100,000
IT:		
Head of IT Department	100,000	200,000
IT System Administrator	40,000	100,000
IT Programmer	80,000	130,000
Hospitality:		
Director Food & Beverage	110,000	150,000
Director Sales or Marketing	120,000	220,000
Sales Manager	60,000	90,000
MICE Manager	50,000	70,000
Executive Chef	140,000	250,000
Sous Chef	80,000	100,000
Front Office Manager	60,000	80,000
Concierge, Housekeeper	25,000	45,000
Bartender, Server	27,000	50,000
Manufacturing:		
Plant Director	250,000	400,000
Purchase Manager	150,000	200,000
Director Technical Services	150,000	200,000

³⁰ Top earners usually have a higher level of education and specialize in higher technologies or work for international companies.

Chief Engineering	100,000	150,000
Engineer	40,000	65,000
Warehouse & Logistics Manager	25,000	35,000
Maintenance Technician	40,000	50,000
Electrician	35,000	45,000
Operator	30,000	40,000
Construction:		
Project Manager	100,000	170,000
Skilled Specialist/Engineer	50,000	60,000
Construction Worker	40,000	50,000
Retail:		
Store Manager	55,000	90,000
Department Manager	45,000	70,000
Logistics Manager	35,000	45,000
Sales Assistant	25,000	30,000
Cashier	18,000	30,000

5.2.2.3.4 Most frequent benefits for managers and specialists in St. Petersburg

Most frequent benefits for managers and specialist consist of voluntary health insurance, bonus scheme, complimentary lunch and car or car allowance.



Other benefits that certain companies provide, especially for the middle and top management include company pension scheme and option (share) schemes.

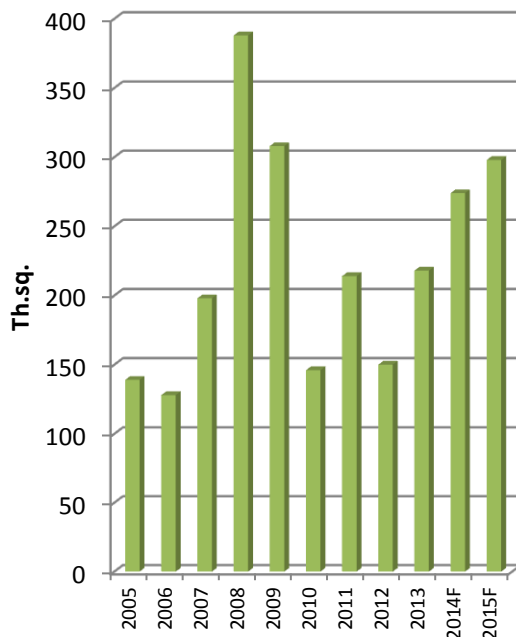
5.3. Office, retail and warehouse market



Information for the current chapter was developed and kindly provided by Colliers International

5.3.1. Office market overview

5.3.1.1. Supply



In H1 2014, nine office buildings totalling 78,315 m² of quality office space were put into operation, which is 68% higher than in the same period of last year. The total of Grade A & B office stock in St. Petersburg at the beginning of Q3 2014 is 2.06 million m², of which 36% is Grade A office space.

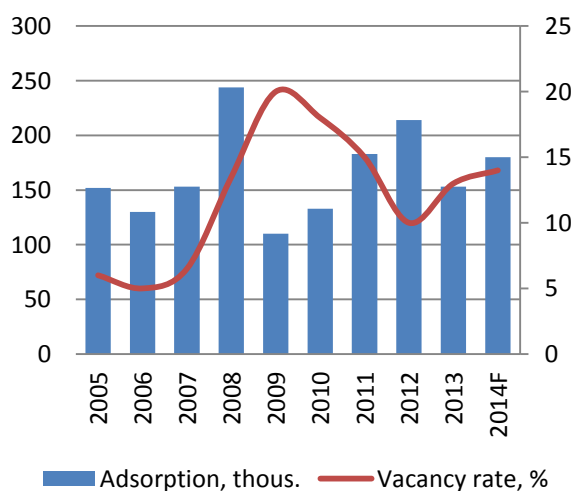
As in previous years, the majority of the volume of new office space is expected to enter the market in the second half of the year. Twenty new office centres with a total leasable area of 197,350 m² are planned to be put into operation from July to December. Thus, in 2014, the volume of quality office space in the St. Petersburg market will increase by 14%.

The preferable destinations for developers have not changed during last several years. After completion of Nevskaya Ratusha office complex, the Moskovskiy district took again primary position in terms of future supply. Approximately 37% of current pipeline is concentrated in this area. Petrogradskiy district is on

the second place with 13% of future office supply.

5.3.1.2. Demand

Adsorption and vacancy rates dynamics



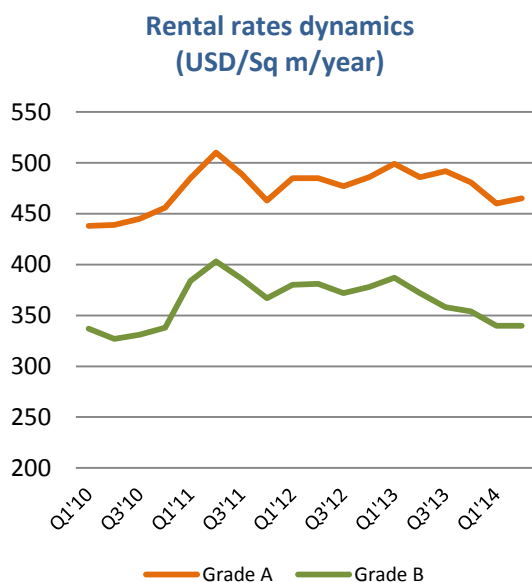
In terms of demand, the St. Petersburg market attracts both small and medium-sized companies. The greatest demand is for office spaces of 100–250 m², with such transactions accounting for about 30% of the total number of deals. The demand for office spaces of 500–1,000 m² remains high, with a share of around 25% in H1 2014.

The main demand for large office areas is created by companies from the oil-and-gas sector and IT companies. Their shares of the total volume of space leased are 26% and 19% respectively.

The demand for office space comes mainly from companies, which already have established their business in the city. New office space is absorbed via expansions and relocations from poor, low quality buildings to new ones. New companies form approximately 20% of the total demand.

At the beginning of Q3 2014, the volume of vacant space in Grade A & B office buildings is around 265,000 m². It should be noted that the amount of vacant space increased due to the completion of new office buildings. The average vacancy rate at the end of H1 2014 was 13% (21.7% in Grade A offices, 8.1% in Grade B). A further small increase in this indicator in H2 2014 seems possible, owing to the large amount of new office space to be delivered to the market.

5.3.1.3. Rental rates and commercial terms



In H1 2014, rental rates denominated in roubles in Grade A office buildings stayed virtually unchanged at RUB1,350/m²/month (\$461/m²/year), including operating expenses, net of VAT. Rates for Grade B have also remained the same, at the level of RUB970–980/m²/month (\$332/m²/year), including operating expenses, net of VAT.

Regarding lease terms, the proportion of short-term agreements (11 months) is gradually decreasing. Almost all foreign companies, along with medium and large Russian companies with clear development plans, look for long-term deals. The average lease term is three years, and less often, five years.

Fit-out options in newly built office buildings usually depend on the size of potential tenant. Small space (less than 500 m²) is usually offered for lease with basic fit-out. For large tenants that have specific

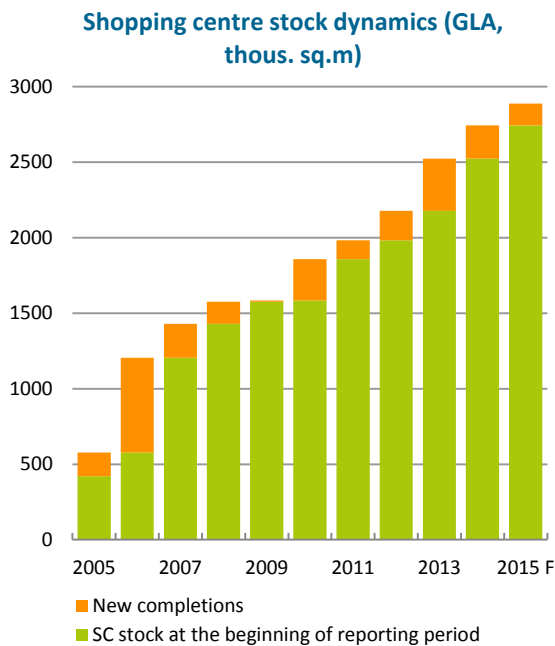
requirements for office space planning and decoration, landlords offer shell&core space with fit-out contribution in the range \$150-250 / m² depending on the project. This sum is returned to the tenant as a rental discount for the first year of leasing period.

5.3.1.4. Trends and forecast

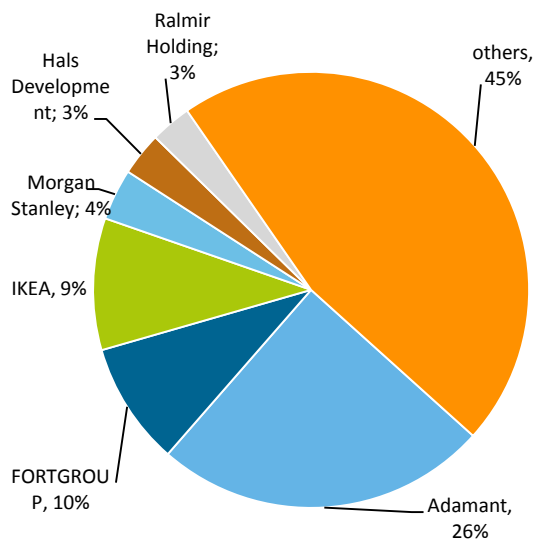
- ✓ Uncertainty regarding the economic and political situation in Russia caused many companies to postpone office lease transactions from Q1 to a later date. In Q2, however, the rental market for office space saw a rise in activity.
- ✓ At the beginning of Q3 2014, there are more than 40 quality office buildings at the active construction stage. Stable growth of this indicator over several quarters demonstrates the confidence of developers and the rising quality of space in the office market.
- ✓ An increasing number of developers have started application procedures for obtaining 'green' certification. Currently, several office buildings are undergoing certification according to LEED or BREEAM environmental standards, including, Eightedges, being developed by Leorsa Group and Trinity Place. Several office buildings already obtained LEED certificates, namely, Technopolis Pulkovo (Phase II) and Renaissance Pravda office building developed by Renaissance Development.

5.3.2. Retail market overview

5.3.2.1. Supply



Key shopping centers owners (by GLA of existing shopping centers)



experienced a reduction in demand and turnover.

Retail operators are observing that sales promotions (seasonal discounts and clearance sales, and various marketing campaigns) create only a short-term effect as consumers become accustomed to such activities in shopping centres. Consequently, retailers are paying close attention to the success of each particular store and companies are ready to consider opening stores in new projects while closing unprofitable ones.

New brands continue their expansion in the St. Petersburg market. For instance, famous British toy store chain Hamleys has signed a lease agreement in the SC Nevskiy Centre. Its first store with an area of about 1,100 m² will open in July. Spanish clothing retailer Mango is introducing a new brand Violeta by

In H1 2014, the stock of quality shopping centres in St. Petersburg stayed at the same level as at the end of 2013 – 2.5 million m². The level of shopping-centre provision in St. Petersburg at present reaches 492 m² per 1,000 inhabitants and remains one of the highest in Russia. Upon the completion of all announced projects, shopping-centre provision will reach 550–560 m² per 1,000 inhabitants in two years.

The Primorskiy, Vyborgskiy, and Moskovskiy districts still lead in terms of amount retail space, accounting for approximately 45% of existing shopping centre stock.

Key market players remain the same. The largest one is company Adamant with the share of the total existing retail space in shopping centres in St. Petersburg at 26%. FORTGROUP has approximately 10.4% of the stock, and will increase it by the year-end, as soon as Europolis SEC will open.

The largest shopping centres announced for completion in 2014–2015 are SC Europolis (GLA – 60,500 sq.m) developed by FORTGROUP, which is announced for completion in Q3 2014, and SC HOLLYWOOD (GLA – 71,000 sq.m) developed by Alice Construction Corporation, which should be completed in Q4 2015. Also, permissions for the construction of two outlet centers were obtained in 2013. These retail schemes will be developed by Hines and Fashion House Group.

5.3.2.2. Demand

According to Petrostat data, in January–May 2014 retail turnover was 99% of that in the same period last year. Catering turnover for the same period is 90.3% of that seen in January–May 2013. Retailers have observed a decline in turnover in the fashion segment, sportswear and consumer electronics, while food and entertainment retail chains have not

MANGO, operating in the 'plus-size' segment. Premium British brand Agent Provocateur will open its first store at Nevsky prospect, for which an agreement was signed in H1 2014. The catering segment continues to develop as well, with new national restaurant chains coming to the market. Chaihona №1 opened its first restaurant in St. Petersburg in a 1,000 m² area in the Galeria shopping centre this spring. The café-bakery chain Le Pain Quotidien signed a lease to open its first café at Nevsky prospect.

5.3.2.3. Rental rates and commercial terms

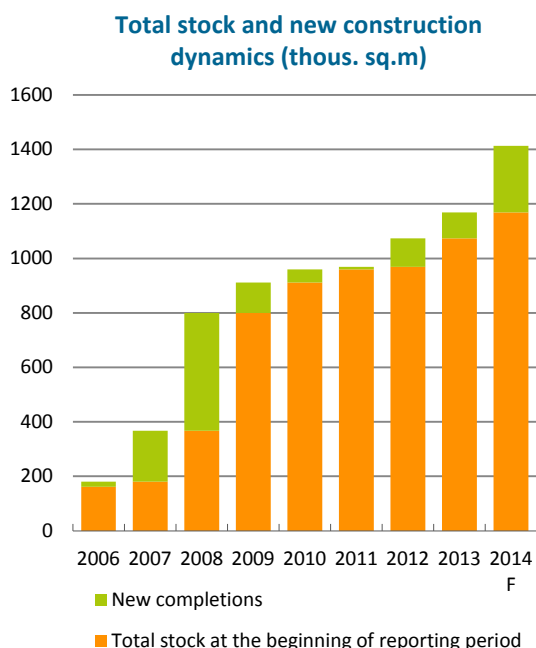
The situation on the retail market, in terms of retail practices in shopping centres, tends to vary. Developers of retail properties that are currently at the stage of having an active rental campaign are providing tenants with step rents when signing new agreements, as well as offering discounts of up to 10–15% for major tenants. The market is observing longer negotiation times as owners and tenants try to find common ground on the commercial terms of contracts. Speaking of existing projects, actions aimed at reducing rental rates are often short-term measures. Owners are willing to provide discounts to key tenants for 3–6 months, with further negotiations, or cancel rental indexation for one year, keeping the base rate at the same level.

5.3.2.4. Trends and forecast

- ✓ Project concept and format will remain of vital importance to the success of shopping centres as the market becomes more competitive and saturated. By the end of 2014, the volume of shopping centre stock will increase by 6% and reach 2.67 million m². The largest anticipated projects are SEC Europolis and SEC Monpansie.

5.3.3. Industrial market overview

5.3.3.1. Supply



At the end of H1 2014, the total speculative supply of warehouse stock in St. Petersburg amounted to 1.2 million m². At the beginning of 2014, the new Admiral-Gorelovo warehouse complex totalling 26,000 m² was opened. The total market volume, including projects for owner-occupiers, reached approximately 2 million m².

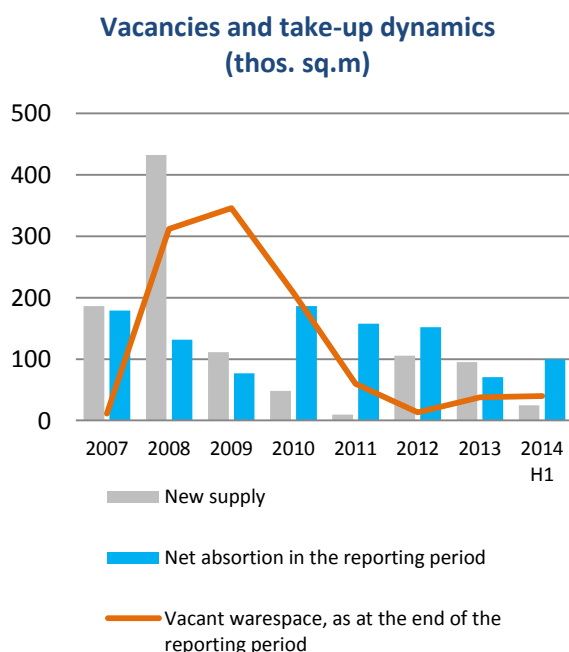
The majority of new speculative supply scheduled for completion this year is due in the second half of the year. This includes Armada Park (the first phase having a total area of 76,000 m²), the third phase of Logopark Osinovaya Roscha (Sterkh Corporation), the A Plus Pushkin industrial complex, and third phase of Logistic Park Troitskiy. Additionally, the new projects AKM Shushary and Octavian were announced this year. These warehouse complexes are expected to be completed in 2015.

A significant share of the construction pipeline is concentrated in the South of St. Petersburg – the

Shushary industrial zone, Moskovskoye highway, Gorelovo and Rybatskoye. These are also the leaders in terms of existing speculative supply, with 44% of the total volume. Other actively-developed areas are Utkina Zavod and the north-east of the city (Parnas, Bugry, Pargolovo), with 16% and 13% shares of existing speculative industrial and warehouse space respectively.

Additional supply is being created by the sub-leasing of warehouse space. Some existing tenants of large warehouse units are optimising their space and offering it to other companies. The average size of such units offered for sub-lease is 1,000–2,000 m².

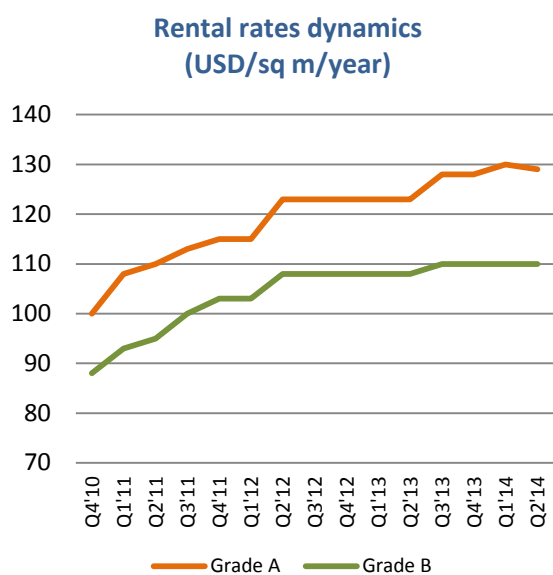
5.3.3.2. Demand



The total volume of warehouse space leased in January–June 2014 in terms of net take-up reached 97,000 m². Approximately 60% of this space was leased in warehouse complexes, that are currently under construction.

Retail chains remain the key driver of demand – their share of the total volume of deals in H1 2014 amounts to 70%. Logistic companies accounted for around 13% of the market during the same period. At the end of H1 2014, the vacancy rate was 4.2%, compared with 3.2% at the beginning of 2014. We expect to see growth in the amount of available space on the market towards the end of this year, given the volume of new speculative supply announced for completion in Q3–Q4.

5.3.3.3. Rental rates



Strong competition in the warehouse market has resulted in a rental correction. By the end of H1 2014, rents for quality warehouse complexes returned to the level as at the end of 2013, thus \$125–130/m²/year (net of VAT, operating expenses and utilities). A market development has been that a number of developers have started offering long-term lease agreements denominated in roubles.

Rental indexation has remained at the level of 3–4% for lease agreements denominated in US dollars or euros, and 6–8% for rouble-denominated contracts. Lease agreements for complexes under construction are signed using an average market indexation.

5.3.3.4. Trends and forecast

- ✓ The demand for built-to-suit projects is rising. Some customers favor the acquisition of warehouse space after completion, while other interested companies prefer to sign long-term lease agreements in warehouses built according to their requirements. The total volume of demand for built-to-suit warehouse property is currently estimated at 200,000m². We expect this figure to rise further.

5.4. Communication

You can easily find all communication channels to suit your business needs in St. Petersburg. The city is a leader among other regions of the Russian Federation in terms of mobile networks penetration as well as quality and volume of fixed broadband access services (following Moscow). Communication market is actively developing through customer service improvement and increase of service packages.

Providers offer extensive telephone, mobile and internet services, depending on your location (technical availability) and needs.

5.4.1. Fixed-line communication

Fixed-line communication is an essential service which is widely used in Russia. Landline communications are available from a number of operators in St. Petersburg. In 2011 the number of landline telephones was estimated at 48 units per 100 residents.³¹

5.4.2. Mobile communication

The number of mobile networks subscribers in St. Petersburg exceeded 16 million people in 2011. Mobile penetration accounted for 351% in 2011. According to the forecast carried out by the Committee of Economic Development, Industrial Policy and Trade, the number of mobile networks subscribers will exceed the city's resident population 5 times by 2014.

Most mobile operators in St. Petersburg run on GSM and CDMA 2000 networks. GSM networks are mostly widely used and cover all parts of the city. CDMA offers quality communication as well as high-speed Internet access. The largest GSM operators are Megafon (34% of subscribers), MTS (28%), Beeline (20%), Tele2 (17%); and Skylink (1%).³²

5.4.3. Internet

Virtually all forms of technology for Internet connections are available in the city. Access to broadband Internet is constantly growing. Today, spending on this type communication does not exceed 3.7% of the average city's salary. St. Petersburg has the largest share of Internet users in Russia estimated at 71% of the total number of population. This indicator is comparable to that of the most developed countries. According to Internet World Stats rating, St. Petersburg could be placed between France (68.9%) and USA (77.3%) in terms of the level of Internet penetration, while reaching the world leaders' level by 2014.

109 Internet providers operate in the city. St. Petersburg is ranked second in Russia (following Moscow) in terms of the volume of provided Internet access services. The largest broadband Internet providers are Rostelecom North-West (28% of Internet access market), InterZet (13.6%), and TKT (12.8%).³³

³¹ Condition and development of Information and Communication Technologies in St. Petersburg in 2011, Committee on Information and Communication, 2012

³² Condition and development of Information and Communication Technologies in St. Petersburg in 2011, Committee on Information and Communication, 2012

³³ Condition and development of Information and Communication Technologies in St. Petersburg in 2011, Committee on Information and Communication, 2012

5.5. Utilities

Utility prices (electricity, water, heating and gas) for business as well as consumer purposes in Russia are regulated by the state. In St. Petersburg the regulating bodies are the Regional Energetics Commission of St. Petersburg Government and the Tariff Committee of St. Petersburg Administration.

5.5.1. Electricity

The following electricity tariffs are effective beginning July 1, 2014 and ending December 31, 2014:

Grades and zones	Units	Tariffs*
1 grade tariff	RUB/kW per hour	3.53
Tariffs varied per day/night zones		
Night zone	RUB/kW per hour	2.14
Day zone	RUB/kW per hour	3.55

*Inclusive of VAT. Tariffs provided for residential customers
Source: Tariff Committee of St. Petersburg Administration

5.5.2. Heating

The following heating tariffs are effective beginning January 1, 2014 and ending June 30, 2014:

	Units	Tariffs*
Hot water	RUB per hectocalory	1,408.01

* Inclusive of VAT. Tariffs provided for residential customers
Source: Tariff Committee of St. Petersburg Administration

5.5.3. Water supply and water discharge

The following water tariffs are effective beginning July 1, 2014 and ending December 31,, 2014:³⁴

Type of customers	Units	Tariffs*		
		Drinking water	Technical water	Water discharge
Population	RUB per cubic meter	21.03	—	21.03
Other	RUB per cubic meter	21.84	3.96	25.60

* Tariffs (with the exclusion of residential customers tariffs) are indicated exclusive of VAT.
Source: Tariff Committee of St. Petersburg Administration

³⁴ Provided by SUE “Vodokanal of St. Petersburg”

5.5.4. Natural gas

Natural gas tariffs may vary depending on location, season, volume of consumption and other issues.

The following natural gas tariffs are effective beginning July 1, 2014 and ending December 31, 2014:³⁵

	Units	Tariffs*
Natural gas	RUB per 1,000 cubic meters	5,241.52

* Inclusive of VAT. Tariffs provided for residential customers

Source: Tariff Committee of St. Petersburg Administration

5.5.5. Gasoline and diesel fuel

Fuel prices are not regulated by the state. Numerous local and international supplies, including BP, Shell and Statoil, operate in St. Petersburg.

The average retail prices of gasoline and diesel fuel in St. Petersburg are provided in the following table.

Fuel	Units	Average retail price*
Gasoline		
A76	RUB per liter	29.14
Ai 92	RUB per liter	31.12
Ai 95	RUB per liter	34.41
Diesel	RUB per liter	33.42

* Retail prices as of January-December 2013

Source: Committee for Economic Policy and Strategic Planning

³⁵ Provided by CJSC "Gazprom mezhregiongaz St. Petersburg"

6. SME support

6.1. Overview

St. Petersburg has been and still remains the leader in the development of small businesses among other regions of the Russian Federation. During the recent years small business has been gaining more weight in the local economy.

Comparative analysis of business environment, 2012

Rating among regions of the RF	St. Petersburg	Moscow
Number of small enterprises per 100 thousand people ³⁶	1 place	1 place
Turnover of small enterprises ²⁶	2 place	1 place
Small enterprises employment ²⁶	2 place	1 place
Conditions for business development among 12 million-plus cities ³⁷	8 place	9 place
Availability of financial resources among 12 million-plus cities ²⁷	7 place	8 place
Ease of business registration ³⁸	1 place	25 place
Ease of getting electricity ²⁸	24 place	30 place

6.2. Definition of SME – EU vs. Russia

Small and medium-sized enterprises (SMEs) are non-subsidary, independent firms, which employ less than a given number of employees. This number varies across countries. In the words of the Organization for Economic Co-operation and Development (OECD) Glossary of Statistical Terms "the most frequent upper limit designating an SME is 250 employees, as in the European Union". Some countries set the limit at 200 employees, while the United States considers SMEs to include firms with less than 500 employees.³⁹ Financial assets are also used to define SMEs. The federal law #209-FZ "On small and medium business development in the Russian Federation" which defines small, medium-sized and micro enterprises was adopted in 2007.

Indicators	Medium-sized		Small		Micro	
	EU	Russia	EU	Russia	EU	Russia
Headcount, <i>and</i>	250	101-250	50	15-100	10	1-15
<i>either:</i> Turnover	€ 50 mln	RUB 1 bln ≈ € 24 mln	€ 10 mln	RUB 400 mln ≈ € 9.6 mln	€ 2 mln	RUB 60 mln. ≈ € 1.4 mln
<i>Or:</i> Balance sheet total	€ 43 mln	-	€ 10 mln	-	€ 2 mln	-

³⁶ National institute for system studies of entrepreneurship, data for companies with 15-100 employees

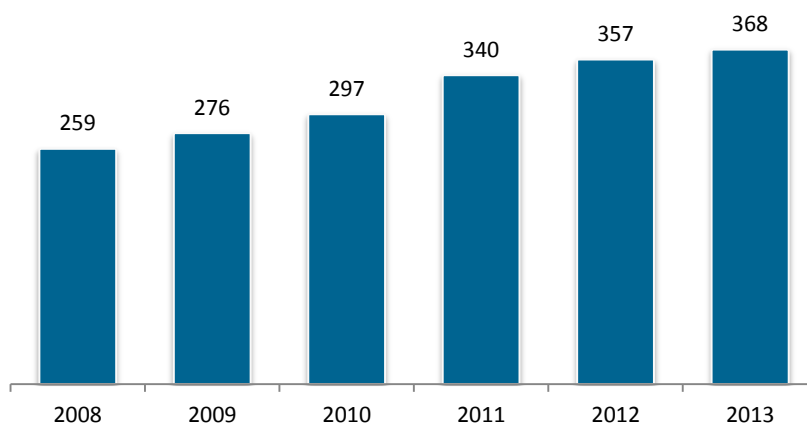
³⁷ OPORA Index

³⁸ Rating of the World Bank

³⁹ OECD Glossary of Statistical Terms (www.stats.oecd.org/glossary)

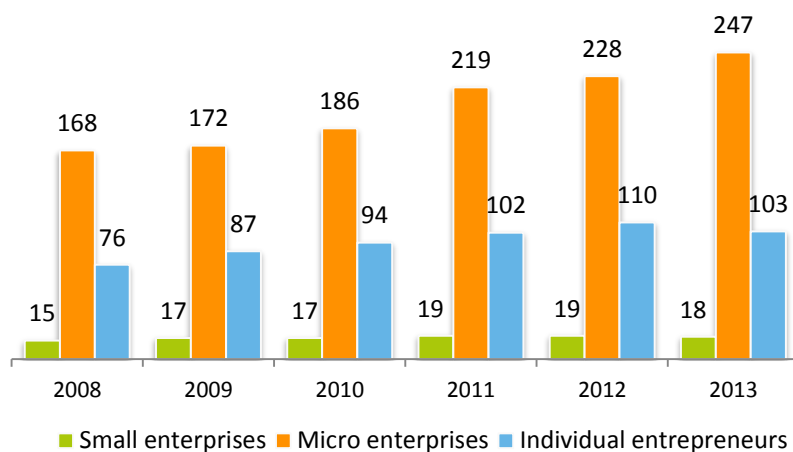
6.3. Statistics

Number of small businesses
(thousand units):⁴⁰



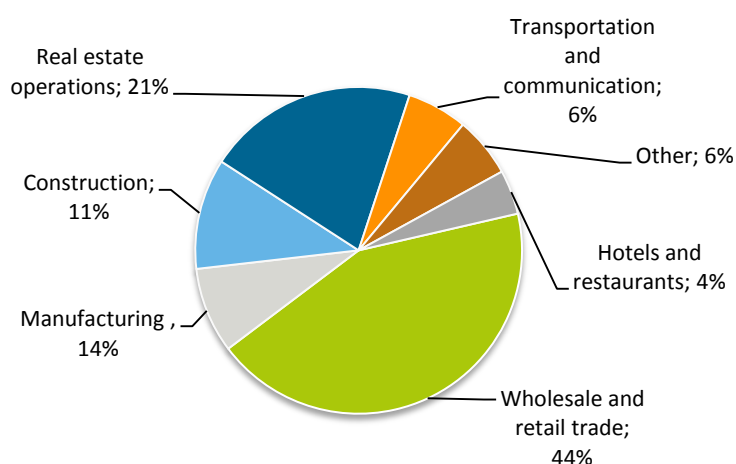
Source: Committee for Entrepreneurship and Consumer Market Development

Structure of small businesses
(thousand units):



Source: Committee for Entrepreneurship and Consumer Market Development

Small businesses by sector of economy
(2013):⁴¹

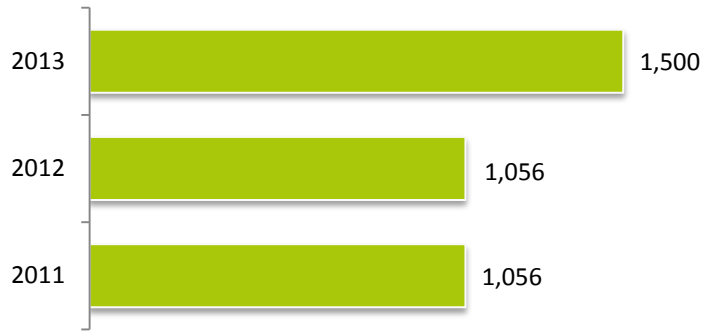


Source: Territorial branch of the Federal State Statistic Service (Petrostat)

⁴⁰ Including small enterprises, micro enterprises and individual entrepreneurs

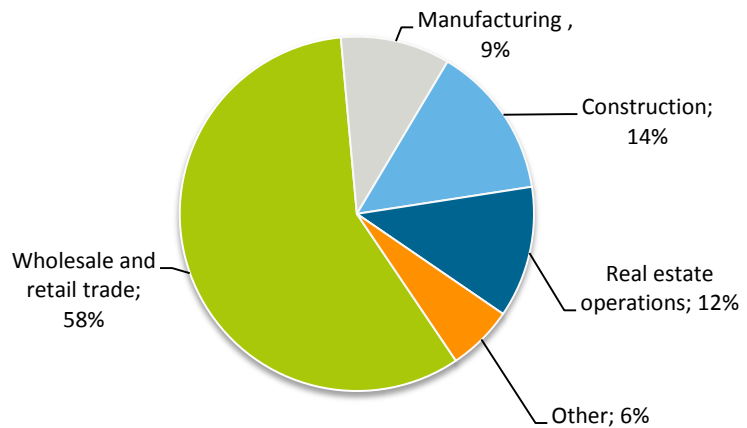
⁴¹ Without taking into account micro enterprises and individual entrepreneurs

Turnover of small businesses
(billion roubles):⁴²



Source: Territorial branch of the Federal State Statistic Service (Petrostat)

Turnover of small businesses by sector of economy
(1-4 Q 2013):⁴³



Source: Territorial branch of the Federal State Statistic Service (Petrostat)

Investment in fixed capital of small businesses
(million roubles):⁴⁴



Source: Territorial branch of the Federal State Statistic Service (Petrostat)

⁴² Without taking into account micro enterprises and individual entrepreneurs

⁴³ Without taking into account micro enterprises and individual entrepreneurs

⁴⁴ Without taking into account micro enterprises and individual entrepreneurs

6.4. SME support and development programs

Small business development program has been functioning in St. Petersburg since 2008. A number of special programs have been implemented since the launch of the program, including the establishment of the Venture Fund, City Business Incubator, Fund for Small Business Credit Assistance, and Enterprise Europe Network - St. Petersburg branch.

The city has managed to significantly reduce the problems of limited financial resources for start-ups, high rental costs, unfavorable credit conditions and complexities of new market entry. During the program implementation period the number of small businesses has increased by almost 70% (from 181 thousand in 2007 to 301 thousand in 2011).

6.4.1. Implementation of the Action Plan aimed at development and support of small business in St. Petersburg (2008-2011)

The priorities of the Action Plan implemented during the period of 2008-2011 included:

- Development of human resources potential;
- Financial support;
- Strengthening of market positions;
- Development of social partnership;
- Information support;
- Increasing public significance;
- Improving information management of authorities.

The total financing of the program amounted to 4,078.4 thousand roubles. In 2010 the Action Plan stipulated the implementation of 30 activities, which included both direct and indirect support of small businesses. 879.7 million roubles were allocated for the implementation of the activities in 2010.

The following 9 special programs of the Action Plan envisaged direct and indirect subsidizing of parts of expenditures incurred by small businesses:

- Business loans from commercial banks for small businesses;
- Rental subsidies for separate groups of businesses;
- Participation in exhibitions and fairs;
- Leasing of fixed assets;
- Grid connection subsidies;
- Small business start-up grants;
- Export subsidies for small businesses manufacturing export products or/and works, services.

Manufacturing enterprises represent a priority target group of the subsidy program. In 2010 manufacturing enterprises were granted 22,7445.9 thousand roubles in subsidies, thus accounting for 62.6% of the total volume of all subsidies for small businesses.⁴⁵

The results of the implementation of the Action Plan aimed at development and support of small businesses in St. Petersburg (2008-2011) are presented in the following table.

⁴⁵ Committee for Economic Development, Industrial Policy and Trade

Major problems	Program solution	Results
Limited financial resources	Special programs	1 bln roubles in subsidies granted to 3,787 small businesses
	Special credit assistance program	1,151 subsidies granted to the amount of 240 mln roubles
	Establishment of the Fund for Small Business Credit Assistance	859 contracts of guarantee to the amount of 2.7 bln roubles which allowed to secure 6.2 bln roubles in credits
High rental costs	Establishment of the First City Business Incubator	More than 100 small companies have undergone business incubation period
	Buy-back of rental premises	1,361 purchase and sale agreements concluded
Shortage of qualified human resources	Special program - Regional University of Small Business	More than 2,500 specialists educated and trained
Complexities linked to new market entry	Establishment of Enterprise Europe Network - St. Petersburg	Services provided to 800 small businesses
Administrative control issues	Establishment of the Public Council on Small Business Development under the auspices of the Governor of St. Petersburg	Effective dialogue pursued between businesses and authorities

Source: Committee for Economic Development, Industrial Policy and Trade

6.4.2. Program for small and medium business development in St. Petersburg for 2012-2015

A new Program for small and medium business development in St. Petersburg for 2012-2015 envisages the implementation of the following major goals:

- Increasing the access to financial resources
- Strengthening of market positions
- Information support
- Development of personnel potential
- Development of social partnership between
- SMEs and executive authorities.

In 2012 results of the program's implementation included:

- Provision of additional financial opportunities
 - 704 subsidy agreements 45% - manufacturing companies
 - 16% increase in share of tax receipts
 - 7,2 bln RUB in concessional lending, 44% - manufacturing companies
 - 78 mln RUB in microloans, 30% increase in comparison with 2011
- Development of infrastructure and indirect support measures
 - Business Incubator, Fund for Credit Assistance, Center for Business Development and Support (CBDS), Fund for Venture Investment Development Assistance, Public Council, Enterprise Europe Network – St. Petersburg
 - Programs for personnel potential development «Regional University for Small Business», «Business for me», «Technological internships», etc.
- Information support
 - Daily free consultations
 - Printed press and TV reports' target audience reach - 1 mln ppl

- Operation of CBDS's hotline and reception desks of the Public Council
- Development of institution of regulatory control
 - 37 statutory and regulatory enactments which underwent Regulatory Impact Assessment (RIA) process

In 2013 small and medium business support measures were aimed at:

Target	Implementation
Lowering of administrative barriers and optimization of legislation	<ul style="list-style-type: none"> ● Launch of RIA ● Organization of CBDS's operation as a «one-stop shop» ● Increase in information transparency of the Committee's operation ● Simplification of procedures of support provision
Simplification of connection procedures	<ul style="list-style-type: none"> ● Establishment of permanent consultation center
Assistance in distribution of end products and exploration of new markets	<ul style="list-style-type: none"> ● Establishment of the Export Center ● Organization of a suppliers conference ● Expansion of consulting services portfolio ● Provision of subsidies for export companies ● Co-financing of SMEs participation in exhibitions
Expanding access to finance	<ul style="list-style-type: none"> ● Development of favorable lending and leasing terms ● Implementation of concessional microfinancing program ● Granting of bank guarantees on lending and lease agreements ● Implementation of subsidy programs for certain groups of entrepreneurs
Personnel training and information support	<ul style="list-style-type: none"> ● Wide range of educational programs provided by support infrastructure ● «Business for me» program ● «Technological internships» program ● Publishing of specialized publications and release of programs
Assistance in introduction of new technologies	<ul style="list-style-type: none"> ● Establishment of regional engineering center ● Provision of a wide range of consulting services ● Promotion of investments in modernization and replacement of fixed assets
Support of socially-oriented business	<ul style="list-style-type: none"> ● Establishment of preschool study centers ● Establishment of children's pastime centers ● Support of business initiatives of socially disadvantaged individuals (disabled, single mothers and fathers) ● Support of certain social groups of entrepreneurs (youth, women)

Source: Committee for Entrepreneurship and Consumer Market Development

6.4.3. Contacts

Committee for Entrepreneurship and Consumer Market Development

16 Voznesensky prospect
 190000 St. Petersburg, Russia
 Tel.: +7 812 576 00 70 | Fax: +7 812 576 00 71
<http://crppr.gov.spb.ru>

7. Contacts of business support infrastructure

7.1. Overview of the business support infrastructure in St. Petersburg

Business support infrastructure provides extensive opportunities for business development during the economic downturn and support for securing future economic prosperity and growth.

This section of the guide summarizes the existing support from government to help your business succeed, including financial support, advice, consulting, information, skills training, etc.

7.2. Authorities

7.2.1. Committee for Entrepreneurship and Consumer Market Development

The Committee for Entrepreneurship and Consumer Market Development is tasked with development and implementation of St. Petersburg's policy as well as coordination of activities of St. Petersburg's executive authorities in the sphere of entrepreneurship, including small and medium businesses, consumer market (wholesale and retail trade, public catering, consumer services, funeral services) as well as realization of St. Petersburg's policy in the sphere of licensing of certain types of activities.

Tasks

- Implementation of St. Petersburg's policy in the sphere of consumer market;
- Licensing of certain activities;
- Development and implementation of programs and projects in the sphere of entrepreneurship development;
- Implementation of activities envisaged by the federal programs of small and medium business development and programs of small and medium business development in St. Petersburg, development and implementation of support measures aimed at innovative development of small and medium businesses.

Contacts

Committee for Entrepreneurship and Consumer Market Development

16 Voznesensky prospect

190000 St. Petersburg, Russia

Tel.: +7 812 576 00 70 | Fax: +7 812 576 00 71

<http://crppr.gov.spb.ru>

7.2.2. Committee for Industrial Policy and Innovations

The Committee for Industrial Policy and Innovations is tasked with development and implementation of St. Petersburg's policy as well as coordination of activities of St. Petersburg's executive authorities in the sphere of innovation policy, industry and agricultural complex.

Tasks

- Coordination of activities on implementation of St. Petersburg's industrial policy;
- Implementation of the state program on agricultural development and regulation of markets of agricultural products, raw products and food and other activities in the sphere of St. Petersburg's agricultural sector, interaction with the Ministry of Agriculture of the Russian Federation with the aim of implementation of state support measures in the field of agricultural complex, rendering financial support to agricultural organizations;
- Implementation of St. Petersburg's innovation policy as well as coordination of activities of St. Petersburg's executive authorities in this sphere and interaction with innovative organizations;
- Development of St. Petersburg's investment policy within the scope of the Committee's jurisdiction, coordination of activities of St. Petersburg's executive authorities in this sphere.

Contacts

Committee for Industrial Policy and Innovations

16 Voznesensky prospect

190000 St. Petersburg, Russia

Tel.: +7 812 576 00 02 | Fax: +7 812 576 36 22

http://gov.spb.ru/gov/otrasl/c_industrial/

7.2.3. Committee for Economic Policy and Strategic Planning

The Committee for Economic Policy and Strategic Planning is tasked with development and implementation of St. Petersburg's policy as well as coordination of activities of St. Petersburg's executive authorities in the sphere of analysis and forecasting of socioeconomic development of St. Petersburg, state planning, development and implementation of socioeconomic policy in St. Petersburg.

Tasks

- Development of strategical planning system of socioeconomic development of St. Petersburg;
- Development and presentation of priorities of socioeconomic and spatial development of St. Petersburg to the Government of St. Petersburg;
- Development of economic policy of St. Petersburg in the sphere of analysis, forecasting and state planning of socioeconomic development of St. Petersburg;
- Development of programs of socioeconomic development of St. Petersburg as well as measures aimed at improving management system of socioeconomic development of St. Petersburg;
- Development of St. Petersburg's policy in the sphere of development of long-term target programs;
- Development of measures aimed at improving the effectiveness of St. Petersburg's budget expenditures, economic justification of St. Petersburg's budget expenditures and revenues, evaluation of economic and budget effectiveness of projects, programs and activities implemented with involvement of St. Petersburg's budget resources;
- Development of measures aimed at increasing the effectiveness of operation of organizations financed from St. Petersburg's budget resources;
- Organization of control and monitoring of St. Petersburg's state order placement.

Contacts

Committee for Economic Policy and Strategic Planning

16 Voznesensky prospect

190000 St. Petersburg, Russia

Tel.: +7 812 576 00 01

http://gov.spb.ru/gov/otrasl/c_econom/

7.2.4. Committee for Investments

The Committee for Investments is an executive body of state authority in St. Petersburg. The Committee is tasked with implementation of investment policy of St. Petersburg, support of investment projects as well as development and promotion of investment attractiveness of the city.

Tasks

- Formation and implementation of St. Petersburg's investment policy;
- Optimization of investment process, lowering of administrative barriers;
- Enhancement of investor support system;
- Development of public-private partnership;
- Elaboration and implementation of marketing strategy aimed at promotion of investment potential of St. Petersburg;
- Support of priority investment projects in St. Petersburg.

Contacts

Committee for Investments

Smolny, 6th entrance

191060 St. Petersburg, Russia

Tel.: +7 812 576 60 41 | Fax: +7 812 576 60 81

info@cisp.gov.spb.ru | <http://gov.spb.ru/gov/otrasl/invest/> | www.spbinvestment.ru

7.2.5. Committee for External Relations

The Committee for External Relations of the Government of St Petersburg is tasked with implementation of the government policy of St. Petersburg in the sphere of development of external relations and interregional cooperation. The Committee includes the following specialized divisions and departments: State Protocol Division; Department for Europe, North America and Australia; Asian, African and Latin American Countries Department; Department for Coordination of State Programs for Interethnic Relations, Cooperation with Compatriots Abroad and Regions of the Russian Federation.

Tasks

- Implementation of the government policy of St. Petersburg in the sphere of the development of external relations of St. Petersburg, interregional cooperation of St. Petersburg;
- Coordination of activities in the development and implementation of international technical assistance and business cooperation programs, including those related to the development of the city economy, social sphere, education, culture and health care in St. Petersburg;
- Coordination of activities in the organization of participation of citizens and organizations in interregional and international conferences and other interregional and international events held by the executive agencies of the St. Petersburg Government;
- Implementation of the government policy aimed at supporting and developing ethnic cultures, languages, traditions and customs of the communities residing in St. Petersburg;
- Organization of work aimed at supporting compatriots residing abroad and using their potential for the development of relations with foreign countries;

- Other issues of foreign relations of St. Petersburg in compliance with the legislation in force.

Contacts

Committee for External Relations of St. Petersburg

Smolny

191060 St. Petersburg, Russia

Tel.: +7 812 576 71 13 | Fax: +7 812 576 76 33

kvs@gov.spb.ru | www.kvs.spb.ru

7.3. Investment support

7.3.1. Agency for Strategic Investments



St. Petersburg State Budgetary Institution “Agency for Strategic Investments” is a structural division of the Committee for Investments of St. Petersburg. It was founded in 2004 with the aim of optimizing the investment support system for strategic projects in St. Petersburg which require significant city areas.

Services

The Agency is engaged in:

- Rendering assistance in implementation of strategic and other investment projects of social and economic importance for St. Petersburg,
- Development of information environment in the sphere of investment activity of St. Petersburg,
- Enhancing investment attractiveness of St. Petersburg.

Contacts

Agency for Strategic Investments

6/2 Griboedov Canal Embankment, office 220

1901186 St. Petersburg, Russia

Tel.: +7 (812) 314 22 95 | Fax: +7 (812) 710 42 99

info@asi-spb.ru | www.asi-spb.ru

7.3.2. St. Petersburg Investment Promotion Agency (St. Petersburg State Institution “City Agency for Industrial Investments”)



St. Petersburg
investment
agency

St. Petersburg Investment Promotion Agency (St. Petersburg state institution “City Agency for Industrial Investments”) has been working on implementation of St. Petersburg investment policy and providing integrated support of investment projects for 7 years. The Agency has the status of a duly authorized organization of the St. Petersburg Government for attraction of investments into the City. The mission of the Agency is to increase the investment potential of St. Petersburg and improve its competitiveness both on domestic and external markets.

The Agency liaises closely and personally with every customer and renders full spectrum of investor support services free of charge.

Services

The Agency renders the following services:

- Information and consulting support at all stages of investment projects;
- Providing information necessary to make decisions on investment, e.g. conditions for doing business in St. Petersburg, availability of sites and condition of infrastructure facilities, applicable legislation and forms of state support, possible partners and project financing sources;
- Selection of land plots most suitable for project implementation;
- Arrangement and carrying out of meetings with participation of stakeholders and project implementation organizations, resolution of current and extraordinary matters;
- Support of investment projects at all stages of design, construction and commissioning of facilities;
- Coordination of investor interaction with executive agencies of the State Government in St. Petersburg, subordinate institutions and other entities participating in projects;
- Assistance in obtaining necessary approvals (statements, permitting documents) from authorized agencies and organizations;
- Preparation of documents for obtaining initial permits and town-planning documents for designing and construction, commissioning of construction/ reconstruction facilities, execution of property rights for land plots and real property facilities.

Contacts

St. Petersburg Investment Promotion Agency

St. Petersburg State Institution “City Agency for Industrial Investments”

88-90 A Griboedov Canal Embankment

190068 St. Petersburg, Russia

Tel.: +7 812 320 50 16 | Fax: +7 812 320 50 15

gapi@spbgapi.ru | www.spbgapi.ru

7.4. SME business cooperation support

7.4.1. Enterprise Europe Network, Gate2Rubin Consortium, Regional Center – St. Petersburg



Regional Center - St. Petersburg (Russia)

The Enterprise Europe Network (EEN) is a key instrument in the EU's strategy to boost growth and jobs. Bringing together 570 business support organizations from 49 countries, we help small companies seize the unparalleled business opportunities in the EU Single Market. EEN's mission lies in helping small businesses make the most of the business opportunities in Russia and the European Union.

Enterprise Europe Network, Gate2Rubin Consortium, Regional Center – St. Petersburg is co-financed by the Government of the Russian Federation and the Government of St. Petersburg and is operated by St. Petersburg Foundation for SME Development since 2008.

Services

The EEN branch in St. Petersburg focuses on providing business support to Russian companies. Our services to foreign companies are provided free of charge and are aimed at fostering business cooperation:

- **Events**
Together with our partners we implement a number of international and national events aimed at developing and promoting international business cooperation.
- **Basic partner search**
In order to find business partners, suppliers or subcontractors in St. Petersburg, please contact your local EEN branch and our colleagues will guide you through the partner search process.
- **Partners, business offers and products from St. Petersburg**
You can find business offers and products from companies located in St. Petersburg on our portal at www.doingbusiness.ru.
- **Information support**
Our internet portal "Doing business in St. Petersburg" is an entry point for international SMEs, investors and other parties interested in pursuing trade, outsourcing, investment activities and starting business in St. Petersburg.

Extensive information on our services as well as key business and investment issues is available in English at www.doingbusiness.ru.

Contacts

Enterprise Europe Network

Gate2Rubin Consortium,

Regional Center – St. Petersburg

14 Izmaylovsky prospect

190005 St. Petersburg, Russia

Tel.: +7 812 325 84 16, 325 8351, 575 04 80 | Fax: +7 812 712 66 07

info@enterprise-europe-network.ru | www.doingbusiness.ru

7.5. SME support

7.5.1. St. Petersburg State Institution “Center for Business Development and Support”



The Center of Business Development and Support (CBDS) aims to improve the quality and accessibility of state services for juridical entities and individual entrepreneurs. CBDS was established in 2010 and is managed by the Committee for Entrepreneurship and Consumer Market Development.

Services

- **Do you need to get permit, license, agreement to develop your business?**
Make use of the services provided at the Multi-Services Center. The Multi-Services Center started to provide various state services for entrepreneurs on the basis of one-stop shop in cooperation with 11 executive authorities of St. Petersburg from January 2012.
- **Would you like your company to participate in state support programs?**
CBDS advises SMEs on state support programs, such as crediting by commercial banks, backing the costs caused by product exports, protection of intellectual property, certification, acquisition of fixed assets on leasing, energy efficiency. CBDS contributes to involvement of St.Petersburg’s SMEs in the process of creating high-tech products on subcontract basis paving the way for localization of the leading foreign companies. Further, the Center implements the mechanism of import substitution in cooperation with large -scale enterprises of St. Petersburg.
- **Do you have any ideas? Do you want to create or have you already been creating new products and technologies?**
CBDS facilitates the implementation of measures aimed at stimulating R&D activities and contributes to the development of Technological platforms. The Center provides support to St. Petersburg companies participating in competitions for funding of innovative projects by the programs of innovative development of companies with state participation, government corporations, federal state unitary enterprises, as well as in federal programs. The Center cooperates with development institutions and St. Petersburg organizations tasked with ensuring continuous financial and non-financial support for innovative projects. CBDS promotes the creation of R&D-centers in St. Petersburg.

The Center conducts educational seminars, panel discussions, meetings and consultations as well as assists in the organization of fairs and exhibitions. Extensive information on services and activities is available at www.crpp.ru.

Contacts

St. Petersburg state institution “Center of Business Development and Support”

16 Voznesenski prospect
190000 St.-Petersburg, Russia
Tel.: +7 (812)576-25-89 | Fax: +7 (812)576-25-89
info@crpp.ru | www.crpp.ru

Multi-Services Center

let. O 10-12 Krasnogo tekstilschika street
Tel.: +7 (812) 417-31-31, 417-31-30
Business hours: M-Th 9:30 am to 5.30 pm; Fri 9.30 am to 4.30 pm, Sa-Sun closed.

7.5.2. Public Council on Small Business Development under the auspices of the Governor of St. Petersburg



PUBLIC COUNCIL
ON SMALL BUSINESS DEVELOPMENT UNDER
THE AUSPICES OF THE GOVERNOR OF ST. PETERSBURG

Consulting and advisory body under the auspices of the Governor of St. Petersburg on the issues pertaining to the realization of government policy in the sphere of

small business development and support.

Public Council unites representatives of the most important public business organizations, including the Union of Industrialists and Entrepreneurs of St. Petersburg, St. Petersburg Chamber of Commerce and Industry, OPORA RUSSIA, St. Petersburg Union of Entrepreneurs, St. Petersburg branch of «Business Russia», Merchant club of St. Petersburg and many others.

Services

- Rendering assistance to executive authorities in the implementation of government policy in the sphere of small business development and support;
- Aligning interests of executive authorities and small business associations regarding the issues of implementation of socio-economic development policy of St. Petersburg;
- Developing recommendations on protection of rights and interests of small businesses in the course of development and implementation of economic, proprietary, city planning and social policy;
- Informing the Governor of St. Petersburg, Government and other executive authorities on the most acute problems of small business development;
- Developing positive image of small business, raising public confidence in businesses, developing business culture and business ethics.

Public Council actively carries out analyses of legislative acts regulating business activities. A lot of attention is also paid to information support. Public Council publishes periodical «Public Council Newsletter», presents TV program «Small business of a big city», organizes 4 city competitions – «Best entrepreneur of St. Petersburg», «Young, bold, ambitious», «Business lady Petersburger», «Mass media about small business».

Public Council regularly holds seminars, conferences, round tables on acute issues for businesses.

Contacts

Public Council on Small Business Development under the auspices of the Governor of St. Petersburg

46/5 Mayakovskogo Street

191014 St. Petersburg, Russia

Tel.: +7 812 576 25 66, 576 26 59, 576 26 58 | Fax: +7 812 273 58 45

sovet@osspsb.ru | www.osspsb.ru

7.6. Financial support

7.6.1. Nonprofit organization “Fund for Small and Medium Business Credit Assistance”



Nonprofit organization “Fund for Small and Medium Business Credit Assistance” was established by the Government of St. Petersburg in 2007. The Fund carries out two programs aimed at supporting small and medium businesses in St. Petersburg.

Services

- **Credit guarantee for businesses to the amount of 50% of the total credit amount and up to 12 million roubles**

Conditions of the credit guarantee program:

- Credit agreements concluded for at least 3 months
- Fund’s commission: 1.75% per annum
- 37 participating banks

Eligibility requirements:

- Small and medium-sized businesses
- At least 3 months of business activity prior to the date of application
- No breaches of previously concluded credit agreements, loan agreements, leasing, etc. 6 months prior to the Fund’s guarantee application

- **Loans to individual entrepreneurs and legal entities to the amount of 50,000-1,000,000 roubles at 10% interest per annum**

Conditions of the micro finance program:

- Application review period: 3 to 5 days
- Percentage accrues on the actual amount outstanding
- Overpayment for 12 months: 5.5%
- Maturity: 3 to 12 months
- Repayment any time, commission free
- Individual approach to every customer
- Standard package of documents

Means of loan guarantee:

- Business owner guarantee
- Loans up to 100,000 roubles: business owner guarantee
- Loans over 100,000 roubles: guarantee and collateral (motor vehicles, property, bank guarantees, etc.)

Contacts

Fund for Small and Medium Business Credit Assistance

2 Rimskogo-Korsakova Street

190000 St. Petersburg, Russia

Tel.: +7 812 640 46 14 | Fax: +7 812 640 46 14

credit-fond@bk.ru | www.credit-fond.ru

7.6.2. Nonprofit organization “Fund for Venture Investment Development Assistance for Small Science and Technology Enterprises of St. Petersburg”



Fund for Venture Investment
Development Assistance
for Small Science
and Technology Enterprises
of St. Petersburg

The Fund for Venture Investment Development Assistance for Small Science and Technology Enterprises of St. Petersburg was established by the Government of St. Petersburg with the participation of the Committee on Economic Development, Industrial Policy and Trade. The Fund aims to create and develop venture (risk) financing infrastructure for small science and technology businesses in St. Petersburg.

Services

- **Selection of innovative investment projects for small science and technology enterprises engaged in priority areas of science, technology and engineering in Russia**

The Fund carries out the selection of innovative projects for investment from two sources – (1) Closed-End Mutual Fund for High-Risk (Venture) Investments “Regional Venture Fund for Investment in Small Science and Technology Enterprises of St. Petersburg” and (2) “Fund for Seed Investments of the Russian Venture Company”.

Selection criteria (1):

- Volume of investment requested – from 10 to 90 million roubles
- Transmission of more than 25% of shares to the Fund
- Strong business team capable of developing a company in conditions of fast growth and limited resources
- Availability of intellectual property rights (patents, copyrights, certificates)
- Project aimed at development of a new type of knowledge intensive products (works, services) or increase of its technical level, introduction of new and improvement of applied technologies
- High level of project development, potential for mid-term business development (4-7 years) at the regional, Russian and international markets, clear company development strategy and plan for application of investment resources
- Business development plan, including description of risks linked to financing

Selection criteria (2):

- Volume of investment requested – up to 33.3 million roubles
- Qualified team
- Availability of intellectual property rights (patents, copyrights, certificates)
- Attraction of investments with the aim of acquiring, development, manufacturing and promotion of commercial version of innovative product/service
- Withdrawal from Investment company in 1-5 years is carried out through transmission of shares to strategic partner or venture fund or through buy-out of company’s management

- **Expert support and consulting of project authors and innovation companies on investment support and preparation of investment projects**

The Fund advises entrepreneurs on venture infrastructure in St. Petersburg and provides information on government measures aimed at small business support.

Contacts

**Fund for Venture Investment Development Assistance for
Small Science and Technology Enterprises of St. Petersburg**

5-7 6th Krasnoarmeyskaya Street, office 202B

190005 St. Petersburg, Russia

Tel.: +7 812 958 51 98 | Fax: +7 812 958 51 98

info@vf-spb.ru | www.vf-spb.ru

7.6.3. Nonprofit organization “Pre-Seed Investment Fund”



Nonprofit organization “Pre-Seed Investment Fund” was established by the decree of the Government of St. Petersburg in 2010 with the aim of support and development of small businesses at an early stage of development engaged in innovation activities .

The Fund is an element of St. Petersburg’s innovative infrastructure and is an instrument of St. Petersburg’s state innovative policy.

Services

Investments are provided in a form of financial resources. The maximum volume of financing constitutes no more than 5 mln roubles.

The Fund uses different investment tools and means of allocating investments in accordance with the Fund’s Investment policy, including:

- Acquisition of stocks or shares in charter capital of innovative companies;
- Provision of refundable target loans to innovative companies;
- Acquisition of innovative companies’ securities;
- Paying up of contribution to innovative companies’ physical assets.

The Fund’s investment strategy doesn’t envisage provision of grants or similar nonrefundable means of financing.

The investment process consists of the following stages:

- Application and initial consideration of investment application;
- Preparation of innovative company for investment (Run-Up stage);
- Realization of investment transaction;
- Withdrawal of the Fund from investment.

Contacts

Pre-Seed Investment Fund

70 Obukhovskoy Oborony prospekt, building 3, office 306

192029 St. Petersburg, Russia

Tel.: +7 812 703-50-49

info@pre-seed.ru | www.pre-seed.ru

7.7. Techno parks and business incubators

7.7.1. Ingria Technopark and Business Incubator



Ingria Technopark will be created on the principles of state-private partnership with the support of the Government of the Russian Federation and the Government of St. Petersburg. The project is a part of the federal program aimed at creating techno parks in the sphere of high technologies. The

Management company, OJSC Technopark of St. Petersburg, was founded in July 2007. The total volume of investment in the creation of Ingria Technopark equals to 30 billion roubles, including 66% of private investment and 34% of state investment. Three companies, Microsoft, DataArt and STC North-West Laboratory, have announced their plans to locate their R&D centers in Technopark. The largest object of external engineering infrastructure, substation Technopark, was opened in November 2011.

Business Incubator Ingria is a subdivision of OJSC Technopark of St. Petersburg. The key specialization of its residents is information technologies. Dozens of large global-level Russian companies and leading international innovation centers became customers of the Incubator's residents. Ingria is actively developing its cooperation with Russian and St. Petersburg Universities, thus sharing its experience with other regions. Many residents of the Business Incubator have already become companies engaged in developing various promising fields, from IT and energy industry to construction and medical equipment production.

Services

- **Programs offered to the residents**

Pre-Incubation and Incubation: Pre-Incubation lies in formation of a business model, while Incubation is aimed at progressing the business and entering the market. Regardless of incubation program, companies can reside in the office during their cooperation with Ingria.

- **Organization of events**

Every year Business Incubator Ingria organizes more than 60 events, including Open Days Ingria (featuring lectures of famous speakers), Lead The Way (discussions of technology trends), StartupLynch, Train&Develop Program (specialized trainings), VC Corner, seminars, round tables, conferences as well as partners' and residents' events. During these events start-ups have an opportunity to receive expert feedback, investment estimation of their projects and improve their presentation skills.

- **Experts and mentors**

Ingria cooperates with major IT and technological companies and venture funds. As a part of joint programs Ingria engages leading experts as mentors of business incubator's residents.

Contacts

Ingria Technopark Business Incubator

70 Obukhovskoy Oborony prospekt, building 2

192029 St. Petersburg, Russia

Tel.: +7 812 313 10 85, 313 10 86 | Fax: +7 812 313 10 87

startup@ingria-park.ru | www.ingria-park.ru | www.ingria-startup.ru

7.7.2. The First St. Petersburg Business Incubator



The First Saint-Petersburg
BUSINESS-INCUBATOR

The First St. Petersburg business incubator supports and facilitates the development of small innovation companies. It is a unique business, information and creative environment for successful development of innovative business of residents.

The First St. Petersburg business incubator was founded in 2006 by the Administration of St. Petersburg in cooperation with the Ministry for Economic Development of the Russian Federation. It is managed by Managing Company «REO «Service». The First St. Petersburg business incubator is located in «Crystal» Business Center.

Services

The St. Petersburg business incubator provides following services:

- **Offices**
Renting comfortable offices equipped with furniture, computers and conditioning system at a reduced rental rate
- **Consulting**
Consulting on legal issues, economy, taxation, marketing, business planning, promotion, PR, accounting, financing, loan services, HR, internationalization
- **External accounting services**
- **Promotion of the companies**
Advertising, exhibitions, media, PR-support, events
- **Education programs**
Seminars, trainings, master classes
- **Internationalization**
Business trips, seminars, joint projects, internships, consulting
- **Access to business incubator's partnership network**

To find more information about the First St. Petersburg business incubator, its services and resident companies visit www.start-business.ru.

Contacts

The First St. Petersburg Business Incubator

37 Sedova St.

192148 St. Petersburg, Russia

Tel.: +7 812 448 56 65 | Fax: +7 812 560 97 49

info@start-business.ru | www.start-business.ru

7.8. Educational programs and internships

7.8.1. St. Petersburg State Institution “St. Petersburg Interregional Resource Center” (SPIRC)



The President Management Training Program is a leading program in professional business education for managers since 1997. Nearly 3,500 managers graduated from the Program during these years. In 2005 St. Petersburg Interregional Resource Centre (SPIRC) was registered as State Institution.

SPIRC represents a new format of the President Management Training Program in St. Petersburg – a state training program for managers of national economic enterprises of the Russian Federation.

Services

- **President Management Training Program**
State Plan for training managers of national economic organizations of the Russian Federation
- **Postgraduate work with President Program’s alumni**
Supporting President Program graduates in career development, assistance in promotion graduate’s business and projects
- **Regional University of small business**
Governmental support programs, educational programs, seminars
- **Development and maintenance of international and interregional educational projects**
- **Special educational projects**
Trainings, Consulting, Coaching, Special Internships
- **Wide range of partnership all over Russia**
Signed collaboration agreements with 18 regions of Russia, Northwest Russia consortium coordination center
- **Event management**
International conferences, meetings, seminars, business meetings in St. Petersburg, exhibitions
- **Database of business contacts**
Business match-making for Russian and potential foreign partners
- **Business exchange program**
Russian-foreign exchange management training program for top-managers in Russia and abroad

Contacts

St. Petersburg State institution “St. Petersburg Interregional Resource Center”

88/90 Griboedova embankment

190068 St. Petersburg Russia

Tel. + 7 812 326 42 75 | Fax: +7 812 326 42 74

int@spbmrcc.ru | www.spbmrcc.ru

7.9. Chambers of commerce and industry

St. Petersburg Chamber of Commerce and Industry

46-48 Chaikovskogo Street
191123 St. Petersburg, Russia
Tel.: +7 812 719 66 44 | Fax: +7 812 272 97 13
spbcci@spbcci.ru | www.spbcci.ru

American Chamber of Commerce in Russia, St. Petersburg Chapter

24 Yakubovicha Street
190000 St. Petersburg, Russia
Tel.: +7 812 448 16 46 | Fax: +7 812 448 16 45
all@spb.amcham.ru | www.amcham.ru/spb/

Finnish-Russian Chamber of Commerce

4-6-8 B Bolshaya Konjushennaya Street, office B301
191186 St. Petersburg, Russia
Tel.: +7 812 322 21 21 | Fax: +7 812 322 21 21
info@spb.svkk.ru | www.svkk.ru

Russian-German Chamber of Foreign Trade

4A Finlyandsky prospect
194044 St. Petersburg, Russia
Tel.: +7 812 332 14 15 | Fax: +7 812 332 14 16
info@petersburg-ahk.ru | www.petersburg.russland.ahk.de

Russo-British Chamber of Commerce

23A Vladimirsky prospect, office 705
191002 St. Petersburg, Russia
Tel.: +7 812 346 50 51 | Fax: +7 812 346 50 52
infospb@rbcc.com | www.rbcc.com

7.10. Business associations

Union of Industrialists and Entrepreneurs of St. Petersburg

1 Smolny proezd, Letter B
191060 St. Petersburg, Russia
Tel.: +7 812 576 76 81 | Fax: +7 812 576 77 92
spp@spp.spb.ru | www.spp.spb.ru

St. Petersburg Union of Entrepreneurs

16 Stachek prospect
198095 St. Petersburg, Russia
Tel.: +7 812 252 39 50, 252 43 50, 252 38 10
www.spbsp.ru

St. Petersburg International Business Association (SPIBA)

21 Nevsky prospekt, office 506
191186 St. Petersburg, Russia
Tel.: +7 812 325 90 91, 312 53 07 | Fax: +7 812 325 90 92
office@spiba.ru | www.spiba.ru

7.11. Audit, tax and consulting firms

Awara IT Solutions

Tel: +7 812 244 75 49

Fax: +7 812 244 75 48

www.awaraitolutions.com

BANKO Audit & Consulting

Tel./Fax: +7 812 702 07 03

www.bankoaudit.ru

BDO

Tel.: +7 495 797 56 65

Fax: +7 495 797 56 60

www.bdo.ru

Deloitte

Tel.: +7 812 703 71 06

Fax: +7 812 703 71 07

www.deloitte.com

Eccona

Tel./Fax: +7 812 622 12 13

www.eccona.ru

Ecovis Audit-Advance

Tel.: +7 812 445 13 68

Fax: +7 812 444 06 27

www.ecovis.com

Energy Consulting

Tel.: +7 812 327 55 22

Fax: +7 812 327 55 39

www.ec-group.ru

Ernst & Young

Tel.: +7 812 703 78 00

Fax: +7 812 703 78 10

www.ey.com

G.C.E. Group

Tel.: +7 812 334 55 61, 334 55 62, 334 55 63

www.gce.ru

Hannes Snellman

Tel.: +7 812 363 33 77

Fax: +7 812 363 33 88

www.hannessnellman.com

IBS

Tel.: +7 812 333 15 44

www.ibs.ru

Impex Consult

Tel.: +7 812 309 39 85

www.impexconsult.ru

Intalev

Tel./Fax: +7 812 677 90 67, 600 99 24

www.intalev.spb.ru

Institute for Enterprise Issues

Tel.: +7 812 703 40 41

Fax: +7 812 703 30 08

www.ipp.spb.ru

Institute of Independent Social & Economic Research (INSEI)

Tel.: +7 812 232 84 54

www.insei.ru

Juralink

Tel.: +7 812 606 66 24

Fax: +7 812 606 66 23

www.juralink.ru

Jurconsult International

Tel.: +7 812 324 73 24

Fax: +7 812 274 68 09

www.jurconsult.spb.ru

Konsu SP

Tel.: +7 812 325 82 94, 327 38 92

Fax: +7 812 325 82 93, 321 29 96

www.konsu.com

KPMG

Tel.: +7 812 313 73 00

Fax: +7 812 313 73 01

www.kpmg.com

PKF

Tel.: +7 812 600 91 00

Fax: +7 812 600 90 50

www.mcd-pkf.com

Moore Stephens

Tel.: +7 812 332 28 51

Fax: +7 812 332 14 88

www.mscis.moorestephens.com

PricewaterhouseCoopers

Tel.: +7 812 326 69 69

Fax: +7 812 363 66 99

www.pwc.ru

Prime Advice

Tel.: +7 812 449 50 00

Fax: +7 812 449 50 01

www.hlbprime.com

PROUD

Tel.: +7 812 329 40 04

www.pra.ru

RBS

Tel.: +7 812 332 13 55

www.rbsys.ru

Russia Consulting
Tel.: +7 812 458 58 00
Fax: + 7 812 458 57 00
www.russia-consulting.eu

**St. Petersburg Foundation
for SME Development**
Tel.: +7 812 325 84 16
Fax: + 7 812 712 66 07
www.fbd.spb.ru

7.12. Banks

Cetelem
Tel.: 8 800 500 89 98
www.cetelem.ru

Citibank
Tel.: +7 812 336 75 75
www.citibank.ru

Banca Intesa
Tel.: +7 812 275 41 54
www.bancaintesa.ru

Bank of Moscow
Tel.: 8 800 200 23 26
www.bm.ru

Bank Uralsib
Tel.: +7 812 334 44 33
www.bankuralsib.ru

Barclays
Tel.: +7 812 747 34 30
www.barclays.ru

Gazprombank
Tel.: +7 812 301 99 99
www.gazprombank.ru

GE Money Bank
Tel.: +7 812 320 87 56
www.gemoney.ru

Nordea Bank
Tel.: +7 812 747 34 30
www.nordea.ru

Promsvyazbank
Tel.: +7 812 321 20 20
www.psbank.ru

Raiffeisen Bank
Tel.: +7 812 334 43 43
www.raiffeisen.ru

Rosbank
Tel.: +7 812 332 12 29
www.rosbank.ru

Russian Agricultural Bank
Tel.: +7 812 335 06 30
Fax: + 7 812 335 06 30

www.rshb.ru

Sberbank
Tel.: 8 800 555 55 50
www.sbrf.ru

Swedbank
Tel.: +7 812 313 63 63
www.swedbank.ru

TransCreditBank
Tel.: +7 812 703 44 30
www.tcb.ru

UniCredit Bank
Tel.: 8 800 700 73 00
www.unicreditbank.ru

VTB 24
Tel.: 8 800 100 24 24
www.vtb24.ru

7.13. Certification and testing

Center for Certification and Marketing
Tel.: +7 906 239 58 30
www.gost-spb.ru

Center of Quality Control
Tel.: +7 812 274 14 30
Fax: + 7 812 274 14 32
www.quality.spb.ru

**Center for Testing and Certification -
St. Petersburg**
Tel.: +7 812 251 39 50
Fax: + 7 812 251 41 08
www.rustest.spb.ru

Center-Test
Tel.: + 7 812 328 62 62, 328 62 02
www.okp.ru

Certification
Tel.: +7 812 337 16 02, 388 12 16
www.sertis.ru

Kvatro – Certification Center
Tel.: +7 812 712 66 05, 972 66 30, 712 67 01
www.kvatro-spb.ru

Mezhregiontest
Tel.: +7 812 **600 06 07**
www.megregiontest.ru

Reglamentsert – Northwestern Scientific and Technical Center for Testing and Certification

Tel.: +7 812 777 05 15, 766 19 40

Fax: + 7 812 766 1940

www.reglamentsert.ru

Rostest

Tel.: +7 812 927 94 11

Fax: + 7 812 633 05 16

www.i-trade.spb.ru

Russian Register

Tel.: +7 812 600 11 67, 600 11 68

Fax: + 7 812 600 11 69

www.rusregister.ru

SGS Vostok Limited

Tel.: +7 812 449 04 66

Fax: + 7 812 449 04 67

www.sgs.ru

Test St. Petersburg

Tel./Fax: +7 812 334 02 62, 327 55 51,

327 5552, 575 0093

www.en.test-spb.ru

7.14. Exhibitions

ExpoForum

Tel.: + 7 812 240 40 40

www.expoforum.ru

FarExpo

Tel.: +7 812 718 36 37

Fax: +7 812 777 04 07

www.farexpo.ru

Imperia

Tel.: +7 812 327 49 18

Fax: + 7 812 327 49 18

www.imperiaforum.ru

Monomax

Tel.: +7 812 335 20 55, 335 20 39

www.monomax.ru

PrimExpo

Tel.: +7 812 380 60 00

Fax: +7 812 320 80 90

www.primexpo.ru

Severnaya Palmira

Tel.: +7 812 975 12 40, 448 36 55

Fax: +7 812 449 52 44

www.congresscity.ru

Sivel

Tel.: +7 812 324 64 16

Fax: +7 812 596 38 14

www.sivel.spb.ru

Sovencon

Tel.: +7 812 369 01 34, 369 00 16, 369 08 45

www.sovencon.ru

Stachek 47

Tel.: +7 812 702 04 38

Fax: + 7 812 784 65 30

www.stachek47.ru

Restec

Tel.: +7 812 320 63 63

Fax: + 7 812 320 80 90

www.restec.ru

Vystavka, LLC

Tel.: +7 812 320 24 57, 320 24 55, 766 47 17

www.y-expo.ru

7.15. Law firms

Accountor

Tel.: + 7 812 327 38 92

Fax: +7 812 321 29 96

<http://www.konsu.com>

Awara Group

Tel.: +7 812 244 75 49

<http://www.awaragroup.com>

Baker & McKenzie

Tel.: +7 812 303 90 00

Fax: + 7 812 325 60 13

Capital Legal Services International

Tel.: +7 812 346 79 90

Fax: + 7 812 346 79 91

www.cls.ru

Castren & Snellman

Tel: +7 812 325 80 85

Fax: +7 812 325 80 86

www.castren.fi

www.bakermckenzie.com

Beiten Burkhardt

Tel.: +7 812 449 60 00

Fax: +7 812 449 60 01

www.bblaw.com

Borenium

Tel.: +7 812 335 22 20

Fax: +7 812 335 22 21

<http://www.borenium.com>

Clyde&Co

Tel.: +7 812 232 22 97

Fax: +7 812 233 81 09

www.clydeco.com

DLA Piper

Tel.: +7 812 448 72 00

Fax: +7 812 448 72 01

www.dlapiper.com

Duvernoix Legal

Tel.: +7 812 702 62 00

Fax: +7 812 702 62 55

www.duvernoixlegal.ru

Egorov Puginsky Afanasiev & Partners

Tel.: +7 812 322 96 81

Fax: +7 812 322 96 82

www.epam.ru

Hellevig Klein & Usov

Tel.: +7 812 244 75 49

Fax: +7 812 244 75 48

www.hkupartners.com

Pepeliaev, Goltsblat & Partners

Tel.: +7 812 640 60 10

Fax: +7 812 640 60 20

www.pgplaw.ru

Salans

Tel.: +7 812 325 84 44

Fax: +7 812 325 84 54

www.salans.com

Unicomlegal Russia

Tel.: +7 812 380 16 61

Fax: +7 812 380 16 61

www.unicomlegal.ru

7.16. Real estate

Advecs

Tel.: +7 812 322 52 00

www.advecs.com

ARIN – Agency for Development and Real Estate Research

Tel./Fax: +7 812 600 03 94

www.arin.spb.ru

Colliers International

Tel.: +7 812 718 36 18

Fax: +7 812 718 36 16

www.colliers.spb.ru

Jones Lang LaSalle

Tel.: +7 812 363 32 31

Fax: +7 812 363 32 30

www.joneslanglasalle.ru

Knight Frank

Tel.: +7 812 363 22 22

Fax: +7 812 363 22 23

www.spb.knightfrank.ru

7.17. Recruitment

Adecco Group

Tel.: +7 812 329 57 70

Fax: +7 812 329 57 70, ext. 133

www.adecco.ru

ANCOR

Awara Group

Tel: +7 812 244 75 49

Fax: +7 812 244 75 48

www.awaragroup.com

BARONA

Tel.: +7 812 448 88 35
Fax: + 7 812 448 88 36
www.ancor.ru
Avenir Group
Tel./Fax: +7 812 718 81 57
www.avenir.ru

BusinessLink Personnel

Tel.: +7 812 327 89 96
Fax: + 7 812 327 89 93
www.blp.ru

CASE HR solutions

Tel.: +7 812 334 24 25
Fax: + 7 812 334 24 25
www.case-hr.com

HR Solutions

Tel./Fax: +7 812 702 70 99
www.hrsolutions.ru

Kelly Services

Tel.: +7 812 332 22 44
Fax: + 7 812 332 23 35
www.kellyservices.ru

Tel.: +7 812 640 90 33,
Fax: + 7 812 640 90 34
www.barona.ru
Business Kernel
Tel.: +7 812 315 55 88, 222 52 51, 222 37 58
www.business-kernel.ru

Manpower

Tel.: +7 812 324 46 46
Fax: + 7 812 324 46 47
www.manpower.ru

Morgan Hunt Group

Tel.: +7 812 336 38 28
Fax: + 7 812 336 38 27
www.morganhunt.ru

1000 kadrov

Tel.: +7 812 313 93 80
www.1000kadrov.ru

Staffwell

Tel.: +7 812 640 20 01
www.staffwell.com

Ventra Employment

Tel.: +7 812 635 86 16
www.ventra.ru

7.18. Transport and logistics

Ahlers

Tel.: +7 812 332 67 00
Fax: + 7 812 332 67 01
www.ahlers.com

DHL

Tel.: +7 812 326 64 00
www.dhl.ru

FedEx

Tel.: +7 812 325 88 25
Fax: + 7 812 571 59 30
www.fedex.com/ru

IWM

Tel.: +7 812 393 70 54
Fax: + 7 812 309 12 12
www.iwm.ru

TNT

Tel.: +7 812 718 33 30
Fax: + 7 812 718 34 95
www.tnt.com

UPS

Tel.: +7 812 703 39 39
Fax: + 7 812 703 16 50
www.ups.com

8. Authors and contributors

Guide “Doing business in St. Petersburg” was developed by and under supervision of the Enterprise Europe Network, Gate2Rubin Consortium, Regional Center – St. Petersburg operated by St. Petersburg Foundation for SME Development with the kind contribution of the following legal, human resources, certification, research and real estate firms.



St. Petersburg Foundation
for SME Development



Regional Center - St. Petersburg (Russia)

St. Petersburg Foundation for SME Development

Enterprise Europe Network, Gate2Rubin Consortium, Regional Center – St. Petersburg

St. Petersburg Foundation for SME Development is a not-for-profit, non-governmental business support institution and independent professional business consultancy. Our mission lies in providing high quality and demanded consulting, training and information services to small and medium-sized enterprises that ensure prosperity and economic growth of the North-West Federal district of Russian Federation.

The Enterprise Europe Network (EEN) is a key instrument to boost growth and jobs. Bringing together 570 business support organizations from 49 countries, we help small companies seize the unparalleled business opportunities on the world Market. ENN’s mission lies in helping small businesses make the most of the business opportunities in Russia and the European Union.

Regional Center in St. Petersburg is co-financed by the Government of the Russian Federation and the Government of St. Petersburg and is operated by St. Petersburg Foundation for SME Development since 2008.

Tel.: +7 812 325 84 16, 325 8351, 575 04 80 | Fax: +7 812 712 66 07

www.fbd.spb.ru | www.doingbusiness.ru



Awara
Group

Awara Direct Search

Awara Direct Search is a leading international recruitment and executive search firm in Russia, Ukraine and the rest of the CIS, offering case by case tailored services to multinational large and middle-sized companies and entrepreneurs across industries. As a leader in internet and social media based marketing, we have a special competitive edge in finding the best and most motivated people. We make use of all available sources in recruitment: wide network of contacts, headhunting, internet, social media, job portals, trade fairs, talent scouts, schools, etc. We reach out to people by actually bringing out our offers, which for example in the case of mass recruiting for restaurants and cafés means that we venture out and chat with the people at points of service and attract the best.

Thanks to our wide network, we are able to fill vacancies quickly. Our method of matching the best professionals with the best jobs is always direct search, and we rely on the global arena in our searches for this growing and attractive market.

With our international background and superior knowledge of local market practices, we possess the solid experience needed to provide quality services in this part of the world.

T: +7 812 244 75 49 | F: +7 812 244 75 48

www.awaragroup.com

BEITEN BURKHARDT

BEITEN BURKHARDT

BEITEN BURKHARDT is an international law firm, represented by 12 offices in 6 countries, with a staff of over 300 specialists providing legal and tax consulting in Western and Eastern Europe, Russia, Ukraine and China. BEITEN BURKHARDT's Russian Practice comprises offices in Moscow (since 1992) and St. Petersburg (since 1996).

The firm's specialists provide comprehensive legal support for investment projects in the areas of manufacturing, infrastructure, health care and real estate, render services for establishing subsidiaries, joint ventures and branches, conduct legal and tax due diligence on companies and property being acquired in Russia, consult on tax, customs, financial and other issues of activities in the Russian Federation. The working languages are English, German and Russian.

T: +7 812 449 60 00 | F: +7 812 449 60 01

www.bblaw.com



Colliers International

Colliers International is a global leader in commercial real estate services, with over 13,500 professionals operating out of 482 offices in 62 countries. A subsidiary of First Service Corporation, Colliers International delivers a full range of services to real estate users, owners and investors worldwide, including global corporate solutions, brokerage, property and asset management, hotel investment sales and consulting, valuation, consulting and appraisal services, mortgage banking and insightful research. The latest annual survey by the Lipsey Company ranked Colliers International as the second-most recognized commercial real estate firm in the world. Colliers International has been active in the Russian market since 1994 and operates through offices in Moscow and Saint Petersburg with over 220 employees in total.

Company is the market leader in all segments of commercial real estate in Russia. In 2012 Colliers International manages a real estate portfolio of almost 1.5 million sqm in Moscow and Russian regions.

In 2011 the company's Moscow office was chosen the Retail Agency of The Year by the Russian Counsel of Shopping Centers (RCSC). It is the fifth time the company has been awarded by this institution. Colliers International was also awarded as the Consultant of the Year in Moscow and Saint - Petersburg in the Commercial Real Estate Awards competition in 2005, 2006, 2008, 2010, 2011, 2012, 2013. This year Colliers International has been praised as the winner in the Industrial Deal of the Year nomination according to CRE magazine.

Colliers International in Russia is a member of the American Chamber of Commerce, British Chamber of Commerce, and ICSC (RCSC).

T: +7 812 718 36 18 | F: + 7 812 718 36 16

www.colliers.com

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This publication was developed and printed in the framework of the project co-funded by the European Union, the Russian Federation and the Republic of Finland.

ISBN 978-5-906555-22-9



9 785906 155522 9

Printed by printing house AiB
190013 St. Petersburg, 9 Ruzovskaya Street

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ISBN 978-5-906555-22-9



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