

Russia — France

#4 (27)



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CHRISTOPHE JOANBLANQ,
General Manager of Orange
Business Services Russia & CIS

What strategy is Orange Business Services using on the Russian market?

We're implementing a program called Conquests 2015, which essentially aims to increase our growth in emerging markets by acquiring new clients across our voice and data networks. We have an ambitious growth target that by 2015 should see us generate 30 percent of our revenue from the IT services that we offer to businesses, as opposed to the current 10 percent.

What are these services in Russia and what do they entail?

They are divided into four categories. First of all, there are unified communication services, which use IP technology to allow integrated telephone, presence recognition, instant messaging, video – in short, all forms of modern communication – in a single interface for the client. For example, we are in the process of integrating services for local networks, IP telephones, video-conferencing and a new trading floor in the new headquarters of a multinational bank in Russia. We will also provide them with telephone terminals purely for brokerage activities, as Orange is the third largest global producer of these types of specialized terminals. In addition to this, we offer cloud computing services, which allow businesses to use software that we make available to them via a cloud platform in accordance with their needs. It works according to the principle of "pay for what you use." We currently offer Exchange-Outlook, Lync and Sharepoint software, developed by Microsoft; we plan to increase this range soon. Clients are no longer obliged to buy licenses and this service can be useful if, for instance, you plan to send ten people to Novosibirsk for a month. We also offer services for client relations or call centers, which work very well. Our call center in Nizhny Novgorod is set to be expanded. Finally, we offer video-conferencing services ("Open Video Presence"), which can be reserved and configured automatically using client equipment – personal computers, mobile phones, smartphones or digital tablets. We currently have about ten clients who use this service. One client, based in Tatarstan, uses it to connect 200 different sites.

Are the platforms that provide these services operated by Orange or by the clients themselves?

It depends on the wishes and resources of the client. In the case of the multinational bank that I spoke of, all the integration is based with the

client, who wanted it that way for security reasons. But we could easily set up part of the infrastructure via the cloud platform, and the client would simply pay for access to the platform. The same goes for the call centers, which can be outsourced to our center in Nizhny Novgorod, integrated at our client's premises, or can stay with Orange, in which case the client would be billed according to its use of the platform.

What is the value added by the services that you offer in Russia?

Given that we only target businesses, we are fully focused on the services that we offer them and on the quality of these services. We have no need to worry about the evolution of services linked to mobile or residential telephones. By the same token, we are the only operator offering a real international network that is connected to multinational networks. In Russia, Orange obtained licenses that allow it to operate directly on Russian territory, whereas for our competitors would have to tie their services to Russian operators in order to offer the same performance. Furthermore, with our 99.5 percent Russian staff, we have a close relationship with our clients, who are situated in 35 different cities across the country. Finally, we guarantee our clients an ethical business approach: In late 2011, Orange Business Services was awarded a certificate by Ethic Intelligence confirming that our anti-corruption policy meets international norms.

What developments do you anticipate in the coming months?

We intend to focus on the strengthening and concentration of our client network. At present, we provide telecommunications infrastructure for 200 business centers in Russia, and we expect to progress further. Similarly, we should further strengthen the partnerships we have with our equipment suppliers such as Cisco, Avaya, HP, IBM and Polycom. We are also considering the prospect of a more aggressive research policy for identifying new clients in CIS countries. During the economic downturn, we reduced our commercial teams in Belarus, Ukraine and Kazakhstan, but it's a good time to increase our activity in these regions once again. Lastly, we are considering opening a research and development center in Skolkovo. This would allow us to tap into the scientific and human potential in the Russian IT sector, while at the same time giving our brand greater visibility in the country.



**Business
Services**

The Russian president, Vladimir Putin, had his first meeting with his newly elected French counterpart, Francois Hollande, on June 1 during a visit to France. The pair confirmed that they would continue to work to strengthen trade ties between their two countries and committed to moving the relationship to a higher level.

With the eurozone struggling to cope with a deepening crisis, Russia's appeal as an investment zone is growing. The Kremlin's support for the euro is another sign of the economic rapprochement between Russia and Europe. A prime example of this tendency is the growth in French investment in Russia. France is now Russia's fifth-biggest foreign investor and its second-biggest trading partner in Europe – a demonstration of its commitment to enriching this unique relationship.

Franco-Russian relations are growing ever closer, and joint projects are proliferating. For the first time, Russia has launched a Soyuz rocket from a base in French Guiana.

Companies like Dr. Web and UralVagonZavod are investing in France. Every major French group now has a presence in Russia, which they see as a strategic investment area. The inexorable expansion of Auchan has made it the largest foreign employer in Russia. French know-how is meeting Russian needs in banking, insurance, transportation, the chemical and pharmaceutical industry, cosmetics, retailing, infrastructure, energy and the food-processing industry.

The Franco-Russian Chamber of Commerce and Industry has spent the past 15 years bringing together the business communities of France and Russia, giving its members a voice at landmark Franco-Russian economic events and backing business expansion into Russia.

In this supplement, we've opted to focus on projects and achievements that have become part of the Russian landscape while boosting economic modernization. The development of tourism in the North Caucasus is a case in point: a project led by a public-private partnership, an area where French expertise is second to none.



Happy reading!

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Ambassador: Russian-French Ties Expanding in All Areas



COURTESY OF THE FRENCH EMBASSY

FRENCH AMBASSADOR JEAN DE GLINIASTY TALKS ABOUT TRADE, CULTURE AND FRANCE'S ROLE IN RUSSIA'S MODERNIZATION.

France recently elected a new president, Francois Hollande. How will that affect French-Russian relations? When will the French and Russian leaders likely meet?

The new president will continue the policy of cooperation and rapprochement with Russia. Russia is the largest country in Europe and like France is a member of such international organizations as the UN Security Council, Group of Eight, Group of Twenty, and now the World Trade Organization as well. Within the framework of these organizations, we have always worked in close cooperation with Russia, in a spirit of openness and trust, which has allowed us to move forward in solving international crises and critical global issues. Our relations have been significantly strengthened over the past 10 years, and we will continue to work further in this direction. The presidents of our two countries met not long after they took office. There was a constructive and fruitful exchange of opinions on the mutual interests of both our countries. And there are a lot of such mutual interests.

What have been the most important developments in the relationship between the two countries since the last economic forum?

This year our links have been expanded in all areas. This is confirmed by the discussions that have taken place in 2011 on the very highest level, such as between our prime ministers, foreign ministers and defense ministers.

The dynamism of our bilateral relations is also demonstrated in the economic sphere by the signing of agreements in various fields: In the space industry, this includes the signing of a memorandum on creating joint ventures between ISS Reshetnyova and Thales Alenia Space; and in the energy industry this is shown by the strategic agreement between RusHydro and Alstom on producing turbines for hydroelectric power stations and the project between MRSK Holding and EDRF to hand over control over the Tomsk region's energy grid to French partners.

French activity continues to expand in a geographical sense, too. We welcome the activity of our businesses in the regions, such as Schneider Electric, Accor, Sodexo, Renault, PSA and Air Liquide, the last of which has recently opened a factory in Tatarstan, which will add impetus to the

drive to modernize the region. One of the largest foreign employers in Russia, Auchan, recently opened its 50th supermarket in Ryazan.

Finally, on the back of the hugely successful French-Russian year of cultural exchange in 2010, 2012 will also be marked by a spirit of French-Russian friendship, as it is a year of linguistic and literary exchange between our two countries. A multitude of cultural events will be dedicated to knowledge of modern Russian and French literature, as well as promoting language study.

Europe is going through a tough period of austerity at the moment. What role, if any, can Russia play in helping Europe?

Firstly, Europe will count on its own strength to solve the issue of the high government debt burden of several of its members while seeking to develop the economy in general. The solution lies in the reforms carried out by the member states,

2012 will be marked by a spirit of French-Russian friendship, as it is a year of linguistic and literary exchange between our two countries.

which will be extended, depending on initial results. Nevertheless, we cannot ignore the opinion of all partners in the European Union, which is one of the world leaders and accounts for 25 percent of global GDP. Russia actively participates in international forums dedicated to the crisis (such as the recent Group of Eight summit), and we value its constructive approach and its support of the euro, which Russia has chosen as a key currency in its foreign exchange reserves. I am convinced that, just as always in the past, Europe will emerge from this crisis even stronger, and the political will of French and European leaders in this respect will remain unswerving.

With financial difficulties all over Europe, Russian tourists are becoming more and more attractive. What measures is France taking to attract Russians to your country?

France remains one of the main tourist destinations in the world. But it would be wrong to think that France is resting on its laurels. Over the past few years, much has been done to attract tourists to our country, for instance developing transport infrastructure and hotels, and creating a certification system for towns according to the warmth of their welcome and the level of their services. Also, much has been done to spark interest in France's cultural heritage, such as Armada in Rouen, the theater festival in Avignon and the festival of lights in Lyon.

The number of Russian tourists in France continues to grow. In 2012, the flow of tourists increased 20 percent over the previous year. Every year the French consulate in Russia issues more than 350,000 Schengen visas to Russian citizens. At the same time, the number of agencies accredited with the embassy also rose. One hundred and thirty eight tour operators now send in passports to the visa center. A range of procedures designed to

simplify and regulate the application process were also developed, including for peak times. We are also striving to increase the convenience of the services we offer by allowing visa applicants to apply at the visa center without registering in advance.

In addition, after discussions that took place March 29-30, the Russian and French governments signed an agreement on liberalizing our mutual airspace. The discussions concerned assigning a second national carrier for flights between Moscow, Paris and Nice, with a frequency of seven flights a week. This agreement, along with the launch at the end of 2011 of trains between Moscow, Berlin and Paris, will allow an even greater quantity of Russian tourists to visit France!

Russia wants visa-free travel with Europe, but opinions within the EU on this differ considerably. What is France's position?

France argues in favor of a visa-free zone between the European Union and Russia. In particular, measures have been taken to simplify the procedures for receiving multientry visas.

In addition, as a result of discussions that took place in December 2011 in Brussels between Russia and the European Union, a "common steps" strategy consisting of four stages was adopted. When these stages are complete, we will be able to switch to discussions on removing the visa regime for short stays. This is a crucial phase in relations between the EU and Russia from the point of view of freedom of movement.

France will actively take part once more in the St. Petersburg Economic Forum. How important is the forum, and what does French government and business hope to achieve there? Can you tell us about your experiences at previous forums, too?

The St. Petersburg Economic Forum is a unique opportunity for contacts on all levels. Above all, this is an opportunity for our managers to meet and discuss issues concerning the economy while expanding our bilateral relations with concrete proposals. France was an honored guest of the forum in 2010, which was declared the Year of France in Russia and the Year of Russia in France.

At the following forum in 2011, agreements on a range of large-scale, far-reaching projects were signed: between French bank Caisse des Depots et des Consignations and North Caucasus Resorts. In this way, the St. Petersburg Economic Forum is an ideal place for deepening our efforts to work with Russian managers and to take part in the modernization of Russia, so that our entrepreneurs know each other better and are able to face global economic challenges together.

How important is France's role in helping Russia modernize? In what areas does France have an edge over the many other countries who are also trying to succeed in Russia?

France strives to be the leader in providing support to the Russian government in its efforts to modernize and diversify the economy. In November 2011, during a meeting of the French-Russian interparliamentary commission, we signed a joint program on modernization, opening new prospects for collaboration in such fields as innovation, finance, infrastructure and cooperation between local power structures. Above all, our contribution to the modernization of Russia includes large projects such as the development of tourist infrastructure in the North Caucasus, participation in the Greater Moscow project, the involvement of French companies and research centers in the Skolkovo innovation project, as well as our joint work in the space, energy and atomic industries. In all these areas France and Russia have professional experience and knowledge, which can be of use to the other partner.

You have been ambassador since 2009, how have relations between the two countries changed over that period?

Traditionally, from the times of General de Gaulle, French-Russian relations have borne a friendly character and continue to develop in past years thanks to the high quality of our bilateral political dialogue, regular discussions on economic issues (including meetings between our prime ministers and economy ministers) and meetings on foreign policy and security (as shown by the yearly meetings between our foreign ministers and defense ministers). In addition, within the context of its leadership in 2011 of the G8 and G-20, France made its contribution to cooperation with Russia in such major interna-

tional forums as the Group of Eight and the Group of Twenty, and, of course, the UN Security Council. France can be proud of its relations with Russia, which has become an important strategic partner. We hold regular dialogue on the main tasks facing the global community at the beginning of the 21st century, discuss possibilities for countering global threats (organized crime, terrorism and piracy, for example) and ways to solve global economic difficulties, which were at the center of attention during France's leadership of the G-20 last year.

What are the most important areas where French business has had success in Russia. Which other spheres do you see becoming more important in the next few years?

In recent years we have noticed a dynamic upswing in contacts in industry, trade and real estate. In 2011 a number of large-scale projects were completed that are important for the economy and have a symbolic importance for us, such as the launch of the first Soyuz missile from the cosmodrome in French Guyana and the completion of the Nord Stream gas pipeline linking Russia to Europe. I also welcome the foundation of the French-Russian Center for Energy Efficiency, which has among its goals establishing links between French and Russian companies. I am firmly convinced that the professional experience and knowledge of both partners will continue to be put to use in projects related to atomic energy, aviation and pharmaceuticals manufacturing.

There are a number of large French businesses working in Russia. What does Russia and France have to do to increase the number of French small and medium businesses working here?

Russia can truly become an extremely attractive destination for small and midsize French businesses – their presence in Russia is growing every year. Our government structures should provide them with support, consulting services and convince them that doing business in Russia



The historic Igumnov house, the residence of the French ambassador in Moscow.

COURTESY OF THE FRENCH EMBASSY

is both possible and profitable. Once our small and midsize businesses can overcome their prejudices with respect to the Russian market, real success awaits them thanks to the creativity and effectiveness of their work. The depth of our economic ties depends in equal measure on the realization of large-scale projects and increasing links between small and midsize businesses and Russian companies. Major French companies could become a sort of consultative link, bearing in mind that in the long term it is worth attracting small and midsize businesses to their projects in Russia, just as they do in other foreign countries.

Corruption and red tape remain a regular complaint among businessmen in Russia. How does the French government assess the situation and

what do you advise to French businessmen who come to work here?

I should acknowledge that the Russian government makes great efforts to simplify many administrative formalities. Russia is an enormous country, and the situation in the regions varies considerably. It is worth stressing that in the regions many governors and mayors have supported French companies' projects in full accordance with the law. Some Russian regions, such as Kaluga, Nizhny Novgorod and Kazan have been able to use their advantages to simplify administrative barriers as much as possible, which has made them very attractive to French investors in recent years.

I am sure that the heads of all of Russia's federal subjects have made the economy their No. 1 priority, but it is important to understand

that this is a long-term policy, which cannot yield immediate results.

Renault-Nissan is set to raise its stake in AvtoVAZ, leading to huge investment in the Russian car industry. Was the decision one that involved the French government at the top level and what factors pushed the decision to invest?

This strategic decision was taken exclusively by Renault-Nissan. There were many reasons for their decision, but the most important, in my opinion, was the presence in Russia of a positive economic outlook, steep growth in economic indicators and an expanding middle class. According to initial calculations, in Russia almost 3 million cars will be sold this year. For this reason, the interest of French carmakers such as Renault-Nissan is entirely justified and can be explained by the dynamism of the Russian auto market.

2010 was the Year of Russia in France and the Year of France in Russia. How did that affect the two countries' relations? Also, what is the goal and what will be discussed at the French-Russian cultural sessions in 2012?

A multitude of events of an economic, cultural and scientific nature were held at the time of the French-Russian year of cultural exchange. They strengthened our friendship yet further and provided the people of our countries with the opportunity to get to know one another better and jointly face future challenges. Drawing on the huge success of the cultural events in 2010, the leaders of our countries took the decision to declare 2012 French Season in Russia and Russian Season in France. We expect a string of cultural events to be arranged on various topics linked to language, translations, literary meetings and studying languages in school. I welcome all Russians who are interested in French language and literature to have a look at the packed program of events, which to a large extent caters to young people. These cultural seasons reflect the strength of our friendship. XXI



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Moscow City Looks to France to Update Tram Network

A JOINT VENTURE BETWEEN FRENCH ALSTOM AND LOCAL PARTNER TMH COULD BREATHE NEW LIFE INTO MOSCOW'S SOVIET TRAM FLEET.



COURTESY OF ALSTOM

By Howard Amos

The Russia-specific tram developed by global infrastructure giant Alstom and its local partner, TransMashHolding, is the leading contender to replace Moscow's aging Soviet fleet as the city looks to breathe new life into a once-doomed form of transportation.

Before the construction of the metro system in the 1930s, trams were the most popular type of public transportation in Moscow, but decades of neglect have brought them to the brink of irrelevance.

Less than 14 percent of the journeys undertaken by Muscovites on public transportation in 2011 were by tram, making the electric vehicles more infrequently used than buses, private minivans (marshrutkas), trolleybuses and the metro.

Faced with the pressing need to battle the congestion in Russia's capital city, however, and drawing on the success of tram networks in cities from France's Bordeaux to Casablanca in Morocco, the Moscow city government committed last year to renew its tram system.

City Hall will invest 10.3 billion rubles (\$329 million) between 2012 and 2014 on upgrading more than 150 kilometers of tram network. And new lines are planned that will link Moscow's outlying regions, including Zvenigorod and Zhukovsky to the outer fringes of the metro.

But, while local government can invest in infrastructure, it needs to look further afield for new vehicles to replace its old tram fleet. "No new vehicles have been built since the Soviet period.

"Existing trams are obsolete and physically worn-out," said Moscow Mayor Sergei Sobyenin on Feb. 27. "Moscow cannot buy imported trams because they are too expensive and they are not suitable for our road system."

Spotting this niche, Alstom and TransMashHolding, or TMH, designed and produced a tram adapted from Alstom's flagship Citadis model that is suitable for the existing Russian infrastructure and can be manufactured domestically.

Moscow city government is planning to invest 10.3 billion rubles (\$329 million) between 2012 and 2014 on upgrading more than 150 kilometers of tram network.

The joint venture is now in prime position to be selected to produce the modern trams that will serve a rejuvenated system.

About 500,000 people use trams every day in Moscow at the moment, but experts said the network has significant expansion potential.

"In Moscow, tram transportation is one of the most under developed forms of above-ground transportation," said Mikhail Pak, an analyst at Aton brokerage.

Alstom first began thinking about a project to develop a new tram specifically for the Russian and CIS market in 2010, said Bernard Gonnet, senior vice president at Alstom Transport.

"If cities are looking to completely renovate their whole tram infrastructure then it will be very expensive," he said. "That's why we were forced to develop and adapt a product specifically for Russia and CIS."

The Alstom-TMH trams can run 14 kilometers an hour faster on current tracks than the

have created a new type of tram that is sufficiently acceptable in terms of price and suitable for passenger transportation."

But he added that he wished to see more entries for the city's upcoming tender. "I hope that Alstom's competitors will get involved in this project and that we will have not only a monopoly proposal but proposals from other companies," he said.

An official tender for the provision of new trams in Moscow has not yet been announced but is expected soon. Alstom anticipates the bidding, when it comes, will be for an annual delivery of 100 to 200 vehicles.

While TMH already has plants in Moscow and St. Petersburg, Alstom is looking to build a new factory in St. Petersburg to manufacture the trams if the project gathers momentum, Gonnet said. They are aiming to make the final price tag of each tram slightly lower than analogous models in Western Europe.

The technology employed in the design and production has all come from the Alstom side of the joint venture with TMH, Gonnet added.

"Nothing is coming from TMH because they are not making any tramways today," Gonnet said. "TMH is bringing the access to the market and the capability to operate in the market."

Alstom has developed similar tram networks in Europe and is currently involved in negotiations about the possibility of installing trams in Beijing.

The company does not intend to limit its operations to Russia's major cities of Moscow and St. Petersburg. The new tram has been

models in use at the moment. Their life spans are 12 years longer, and they can take almost twice as many passengers.

After having a ride on one of the new trams in February, Sobyenin praised the vehicle. "You kept your promises and I am very satisfied," he told company executives. "Alstom and TMH



The existing fleet of trams is obsolete. No new vehicles have been built since Soviet times.

But the analyst Pak said boosting Moscow tram numbers must be accompanied by camera surveillance and strict fines for other vehicles blocking tram lines “ something that is common in the city. Lines of vehicles turning across tram lines can often be seen causing tram traffic jams.

Without such measures, he warned, “all the advantages of this form of transportation will be negated.’

Proponents of the tram point to its minimal ecological impact, as it runs on electricity. Alstom and TMH’s new model even uses 10 percent less energy than the trams currently in use in Moscow.

Gonnet claimed that trams can be used as a tool in urban planning and as a way to avoid the step of shutting off whole sections of cities for cars.

“Cities [can] take the opportunity of introducing a tram to redesign the city,’ he said.

One disadvantage, however, is the relatively high cost of building trams, their tracks and signals “ and maintaining them, particularly when compared to the relative simplicity of buses.

“But you have to look in time frames of 10 or 20 years,’ said Vladimir Dorogov , a transportation analyst at Alfa Bank. “High initial expenditure may be compensated by efficiency over the long term.’

XXI

designed to withstand temperatures from minus 40 degrees to plus 40 degrees Celsius and function in all parts of Russia and the countries of the former Soviet Union.

“The big cities are normally showing the others the way to follow,’ Gonnet said.

The attractiveness of trams for congested urban transportation systems lie principally in their separate tracks, which make them impervious to the traffic jams that plague all other road-based forms of public transportation.

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- Suitable for temperatures:** minus 40 degrees to plus 40 degrees Celsius
- Optional extras:** WiFi, entertainment system on LED screens

Fives 200 years of industrial progress



The first hot slab from Fives’ Digit@l Furnace® installed at Mill-5000 of Vyksa Metal Works, OMK



The first car assembled at Fives’ assembly shop at the new Peugeot-Citroën-Mitsubishi Automobile Rus plant in Kaluga

Fives, an industrial engineering group, is celebrating its 200th anniversary in 2012. The group designs and supplies process equipment, production lines and turnkey plants for the world’s largest industrial players in the aluminium, steel, glass, automotive & logistics, energy and sugar sectors. The group has 80 operational entities in 30 countries; it employs more than 6,000 specialists, and reached €1.3 billion in sales in 2011.

The history of the group dates back to the time of the Continental Blockade during the Anglo-French wars of 1801-1814, which forced France to develop its own sugar beet production. One of the group’s founders – Jean-François Cail – was a prominent French engineer and industrialist, who personally designed and improved different devices and machines for the sugar industry and registered 51 patents. By the middle of the 19th century, the company was one of the largest industrial groups in France designing sugar equipment, supplying steam engines and locomotives, and manufacturing monetary machines and other process equipment. The group’s landmarks include the Alexander III Bridge in Paris, which at the time was considered a spectacular achievement at the height of six meters, metal frames for Gare d’Orsay, now the museum, and lifts in the Eiffel Tower.

Fives has been working in Russia since 1852, when the company Derosne & Cail opened an agency and a warehouse of sugar industry equipment in Smela, a town in what is now Ukraine. In Ukraine, the company purchased 18,000 hectares of land located in Trostianets-Podolsk and built 4 sugar plants, one of which was the well-known Mariinskiy sugar plant. The Mariinskiy sugar plant, named in honor of Emperor Alexander II’s wife, was described as one of the greatest in the Russian Empire for its architectural design and efficiency. It remained in operation for 120 years and was honored with many awards, including gold medals at the Paris Exposition Universelles in 1889 and 1900, and the right to mark its products with the double-headed imperial coat of arms. In Russia, the company built bridges and viaducts along the Moscow – Nizhny Novgorod and Moscow – Saratov railroads and delivered 85 locomotives for the Kiev-Balta railroad.

The times of the Soviet Union era saw the construction of new sugar factories (Nikiforovskiy, Otradinskiy, Orelskiy), cement kilns at Achinsk cement factory, the supply of conveyors at AZLK and KAMAZ, machine tools to AVTOVAZ, a gas treatment center for KrAZ, an anode production plant

at TadAZ, and rolling mills at ChMK, NLMK and Elektrostal.

During the past few years, Fives implemented more than 120 projects in Russia and CIS in different industry sectors, and set up two local companies responsible for project implementation. Russia, which is enhancing production capacities and is in significant demand for new technologies, is a strategic market for the group Fives.

Last year, Fives designed and supplied two furnaces for the new metallurgical complex Mill-5000 at Vyksa Steel Works, OMK group. The new metallurgical complex remains unique in both Russia and worldwide with an annual production of 1.2 million tons of wide plates, especially considering that both the rolling mill and big diameter pipe production are located on the same site. The mill-5000 will enable OMK group to produce wide plates for energy, transport and machinery manufacturing industries. OMK group expressed its gratitude to the employees of Fives, saying that the furnaces were first put into operation in the in-line equipment chain, thus becoming a symbol of the birth of a new workshop thanks to the exceptional competence and experience of Fives specialists.

Last year, the group signed a contract with the cement producer Mordovcement allowing the company to replace fossil fuel with an alternative fuel. The contract foresees the supply of high-tech rotary kilns burners for three plants, and the design of wooden chip handling systems for rotary kilns. It will be the first installation in Russia with wooden chips used as an alternative fuel, thus allowing the cement producer to reduce cost and the ecological impact.

In the automotive industry, the group participated in the commissioning of an assembly shop at AVTOVAZ for the new model Lada Largus, developed at Renault-Nissan platform B0, the serial production of which successfully started on April 4, 2012. For the Lada Granta model, the company is participating in the development of a new powertrain assembly line and the modernization of an engine assembly line. Furthermore, in February 2012, the assembly shop, designed and equipped with new overhead conveyors by the group Fives, produced the first car at the new Peugeot-Citroën-Mitsubishi Automobile Rus plant in Kaluga.

Fives’ experience in industrial engineering and in managing large projects is unique. Fives’ multi-sector expertise gives it a global vision of the industry which provides a continuous source of innovation and has allowed it to propose industrial solutions that combine technology, safety and profitability. “Designing the plants of the future today” is a shared credo within the Fives group.

Building Moscow's First Ecodom



THE WORLD WILDLIFE FUND WANTS TO CREATE A NEW GREEN OFFICE, A FIRST IN MOSCOW. FRENCH COMPANY LAFARGE IS HELPING OUT.

By Justin Varilek

Moscow houses are some of the least energy efficient in the world, but the World Wildlife Fund Russia hopes to change that by creating a new, green office, which will set an example of energy efficiency for Russia as a whole.

Moscow's first "green" office building will reduce energy consumption by 11 times and water use by two times when built, the WWF says.

"[We wanted] to create a model that would demonstrate the potential there is to save energy in Russia. Especially as the largest energy drain in the country is buildings. We need to demonstrate what can be done," said Maria Vinokurova, a spokesman for WWF.

The Ecodom building has been backed by a French government grant and by the French world building materials company Lafarge.

Nicknamed Panda House after the WWF symbol, the design of the house "which will cost 2.5 million euros (\$3.1 million)" is supposed to improve energy efficiency through a "green" roof, geothermal heating, the reuse of water, solar collectors, energy-efficient windows and increased insulation.

Initially, the WWF decided to transform its central Moscow office building, built in the late 19th century, into a state-of-the-art building, but the city nixed the proposal and the fund is now looking for a new location.

The fund has received financial backing of 89,000 euros from the French Environment and Energy Management Agency and donations from companies such as the world leader in cement manufacturing, Lafarge.

Lafarge has had a global partnership agreement with WWF International for the past 10 years.

"Our mission is to build more livable and sustainable cities and help human beings, whatever their income, culture and geography, to get better-quality housing at a cost they can afford, with lesser impact on nature," Lafarge Russia CEO Alex de Valukhoff said in an

e-mail interview. "In this respect, WWF Russia's Ecodom project is an avant-garde initiative and very much in line with our values and main directions."

Lafarge will provide expert advice and 300 tons of special "green" cement worth 25,000 euros. In so doing, they have partnered with the Krost company, who will use the cement to produce 80,000 euros worth of concrete for the project.

To produce the "green" cement, Lafarge will use fly ash, an already burnt product, instead of burning limestone and gas, to create the

a coolant, so when the sun heats up the roof, the water evaporates instead of heating up the building.

Geothermal ducts will decrease heating and cooling needs by passing air through a pipe network 4 meters underground. In winter, temperatures at such a depth are between 3 degrees and 4 degrees Celsius and thus will naturally warm the air that will circulate within the building.

By installing two parallel water networks, water from showers and sinks, which is called gray water, will also be collected, treated and

benefits of energy efficiency, the fund says.

When finished, the building is predicted to create 190 billion euros worth of savings in just under 20 years, according to the WWF.

The need for such houses is obvious.

Russia is "2 1/2 times less energy efficient than other countries in Europe," said Vasily Belov, head of the energy-efficiency cluster at the Skolkovo Foundation.

By implementing cost-effective measures in buildings, Russia could save up to 13 percent of its total energy consumption, consulting firm McKinsey & Company said in its Energy Efficiency in Russia report. This is just under one-third of the amount of energy the government has targeted to save by 2020.

The World Bank's International Finance Corporation has estimated that it will cost \$320 billion to upgrade the country to decent energy-efficiency standards.

To save energy, Russia has to look at its aging buildings, said Igor Chestin, director of the World Wildlife Fund Russia, but the fund came up against an obstacle along the way, when the initial proposals for the Ecodom were rejected by the Moscow Cultural Heritage Department, which said the historical building could only be renovated if the main walls, their structure and materials were retained.

"We couldn't follow their requirements," WWF Russia CEO Pyotr Gorbunenko said. "It is a late 19th-century building, and the second floor is made of wood. There is no way under those requirements that it could be what we envisioned."

The fund has the continued support of Lafarge.

"Lafarge Russia is an official partner of this project," Lafarge Russia CEO Alex de Valukhoff said. "It is our commitment to support this project regardless of its location or time line."

The WWF is now looking for other possible buildings to transform near the Kolomenskoye, Vorobyovy Gory and Filyovsky parks areas.

"Our designs are too well worked out. We will still use them," Gorbunenko said.

"Already a lot of effort and time has gone into this building," Gorbunenko said. "And we aren't about to give up. Our task at hand is to push through to realization."

By implementing cost-effective measures in buildings, Russia could save up to 13 percent of its total energy consumption, McKinsey & Company reported.

cement "a far more environmentally friendly option.

One of the most interesting features of the Ecodom is the roof, made up of a veneer of vegetation and sod, which acts like a sponge during rainfalls. The accumulated water flows through a draining system to be reused for watering and toilets, saving an expected 80 cubic meters of drinking water per year.

The water and vegetation will also act as

revised for cleaning and flushing. This alone is expected to save 1 cubic meter of drinking water per day.

Solar collectors will reduce energy costs by heating cold water, which then flows into the water supply, diminishing the amount of energy necessary for producing hot water.

All this technology will be open to students, engineers and architects as an example of sustainable systems and to raise awareness of the



Photos of the WWF office and, top, how designers see the new Panda House.

The Construction Sector Needs a New “Khrushchev Plan”

Alex de Valukhoff, CEO, Lafarge Russia



French group Lafarge, a world leader in the construction and building materials sector, is one of four French firms that sit on the exclusive Foreign Investment Advisory Council. This Council aims to improve the investment climate in Russia by bringing together representatives of Russian authorities with leaders from foreign businesses. A few weeks prior to the St. Petersburg Forum, *Le Courrier de Russie* met Alex de Valukhoff, CEO of Lafarge Russia.

What impact has the economic crisis had on Lafarge's activities in Russia?

The Russian economy fell hard and fast, especially in the construction sector, where activity is closely linked to the evolution of the overall economy. The Russian market, which until that point had been very profitable, saw production volumes for cement drop by 30-40 percent on average, while cement prices sagged by almost 50 percent. Under these conditions, margins and revenues suffered considerably.

How exactly did the crisis reach the cement sector?

Although the Russian economy largely depends on the export of raw materials, entire production cycles take place in Russia – deposits, extraction, the conversion of materials or minerals, transport – right up until the products leave the country. The process for creating value is therefore fundamentally local and the consequences of the global crisis have been severe for the economy as a whole, but it is felt even more acutely in the construction sector, which is particularly sensitive to changes in the overall economy.

How is the recovery shaping up?

Even better than we had hoped. We were already sure of the recoverability of the Russian market and so were counting on a sector recovery that would be quicker and stronger than in most western economies. The current volume of sales has now surpassed even the peak of 2007. We haven't fully caught up in value terms, which is a good thing when you think about the overheating of prices that were characteristic of that period. Currently, we're a year ahead of our forecasts in terms of volume and price.

Does the Russian market have a lot of potential at this point?

We are very confident about the market's long-term outlook. In 2009, at the height of the crisis, we began constructing a new plant. Alongside India, Russia is the only country where we are currently developing new production capacity. Bear in mind

that the average Russian has a living space of only 24 sq. meters. It is even lower in Moscow (at 19 sq. meters), and that's when counting just the legally registered inhabitants, while in fact there are many more inhabitants than that. This is less than in the United States (70 sq. meters) or Europe (40 sq. meters), but it is even less than China, where the average inhabitant has 27 sq. meters. Of course, there are huge disparities, though that gives you an idea of the potential for an uptick in the housing sector alone.

How do you rate the quality of the housing stock in Russia at the moment?

It is low quality and decrepit.

Given the need for new housing, I'm convinced that Russia needs a new generation of modern, accessible housing for the majority of the population, in the vein of the buildings put up by Khrushchev in his time.

However, the requirements and the possibilities of current techniques must be taken into consideration, such as the durability of materials, energy efficiency, comfort, etc. In capitalizing on the know-how of the Russian construction industry, the country's body politic is demonstrating a clear desire to tackle this problem.

What is Lafarge's strategy for making the most of these opportunities?

The Russian construction market needs to learn how to do more with less. Governed by industry norms from the 1950s, current Russian buildings require greater quantities of cement and building materials for reinforcements – against wind, earthquakes, etc. – than in Europe. The durability of materials has evolved continuously since the 1980s and the Russian authorities should take this into account. In Kaluga, for example, we are constructing a group of silos whose durability matches that required by Russian norms, but considering the materials and the construction system we used, they are three times “lighter.” Lafarge focuses on durable construction that takes into account the complete production chain, the construction materials used, and the life-cycle of buildings. We prefer to concentrate on the quality of innovation rather than on the volume of sales.

In a country where raw materials are so abundant, are environmental issues and energy efficiency seriously taken into consideration?

If public-private partnerships promote durable construction and mobilize thinking about the advantages of energy efficient buildings, they come up against opposition from Russian energy companies. While the oil and gas sectors are at the core of the country's economy, it is easy to see that oil and gas producers look unfavourably on any attempt to curb the consumption of fossil fuels. With our partners such as Schneider or St-Gobain, we create housing that has a limited environmental impact. This helps to spread ideas and provide a basis for the wider population across Russia to take the plunge.

Which sectors are performing the best?

This requires a nuanced answer. I would say

that private consumption – or to be specific, cement bags – has not suffered from the crisis. Russians put into practice an old reflex: “I will renovate my house for fear of inflation.” This segment of the market makes up about 20 percent of our sales. Prefabricated concrete, or about 40 percent of our sales, has also held up well, notably thanks to investments made in social housing. Conversely, ready-to-use concrete, which is used in technical construction or for infrastructural works and which constitutes the rest of our activity, literally collapsed during the crisis – though this is where we have the most demand at the moment. So, we can say that all segments are recovering now, though this is a little less marked in prefabricated and ready-to-use concrete.

Yet the need for Russian transport infrastructure renovation is huge, isn't it?

It's crucial. Bottleneck jams are still visible, clogging up the transport networks, be it near the ports or on the railways. The shortage of cement felt in Moscow in June 2011 was proof of this: For several weeks it was very difficult to deliver cement to the capital because of repair work taking place on a single railway line that serves Moscow. Supplies thus dropped by 40 percent. It's better news for this year, since the contracts for renovating the roads – which are worth up to \$1.2 billion – were signed as early as January. This is the first time that these contracts have been signed so early. Beyond this, there are some ambitious renovation programs. For one, Russian Railways (RZD) has planned \$450 billion worth of investments over the next 15 years.

So is your confidence in the market unshakable?

The Russian market has huge potential, with a very high rate of return on investments, but that is only achievable over the long-term.

It's certainly not an easy market; it is very volatile, and favors companies of a critical and sustainable size, while it takes time to understand how it functions – which is costly in the short-term. Despite all this, I remain confident that the volume of cement usage in Russia will reach a level similar to that of the Russian Soviet Socialist Republic – around 90 million tons per year.



Accor: Budget Hotel Pioneers in Russia

AFTER 20 YEARS IN RUSSIA, ACCOR IS STEPPING UP DEVELOPMENT.



Russian cities will be looking to expand our budget chain ibis and mid-market options Novotel and Mercure,' Delaroff said.

More and more international chains are introducing high-quality budget options like ibis, said a recent analytical report by real estate agent Knight Frank.

"There are plenty of hotel rooms in Moscow, but not enough options that are good quality and affordable. If you want a cheaper hotel room, you need to look at one of the old Soviet buildings where the quality can be irregular and unpredictable,' said David Jenkins, partner and head of hospitality at Cushman & Wakefield.

Budget brands target an important market: business and leisure travelers who expect good quality and service but can't afford to pay the list prices at higher-end hotels.

Prices for a standard room in an ibis start at \$66 per night in Yaroslavl, but are higher in larger cities like Moscow, where prices start at \$133 per night, and in St. Petersburg at \$221 per night. Centrally located Novotel prices start at \$221 per night in Moscow and \$333 per night in St. Petersburg.

"Our analysis of hotel development projects suggests that the proportion of economy hotels, including those under international management, is gradually going up,' research analysts at Knight Frank said.

Ibis says they offer an international standard with all the major services of a modern hotel, for the best local market value.

The first ibis hotel opened in Bordeaux in 1974 and its formula of offering higher standards than ordinary economy hotels, but at the same price, distinguished it from the rest of industry. The brand rapidly spread across France and onward throughout Europe and the rest of the world.

By Jemma Buckley

Russia has changed drastically since 1992, when French hotel group Accor became the first foreign hotel chain to open a hotel in Moscow — a Novotel at Sheremetyevo Airport.

"We often saw armed men enter the hotel. We were victims of intimidation, threats and racketeering attempts,' wrote Andre Cantiniaux, who was in charge of the hotel between 1994 and 1998, in a publication to celebrate 40 years of Accor in 2007, "Since 'might makes right' was more or less the rule for daily life, the solution was to have protection. My protection was my head of security, a special forces veteran who had been in Afghanistan."

In May, the Novotel Sheremetyevo celebrates its 20th anniversary in a much calmer time.

"Twenty years ago Russia was almost another country — hotels were the only civilized place to meet, eat and do business and criminal gangs with cash on hand were typical customers of such establishments,' said Accor's CEO in Russia Alexei Delaroff, who is overseeing Accor's

current expansion in Russia. "Hotels owners and investors are now normal business men and the use of force and masked men is left to criminals,' Delaroff said.

Accor has 4,400 hotels and 530,000 rooms in 90 countries, and is the No. 1 hotel operator in the world with the most units owned, leased or operated under management contracts.

Twelve of those hotels, the Novotel, ibis and Mercure brands, are currently in Russia with a total of 2,550 rooms, but the company is expanding fast.

By the end of the year Accor expects to have 16 or 17 hotels open in Russia and the CIS with that figure rising to 45 to 50 in the next 3 to 4 years, said Delaroff, adding that Accor aims to be the market leader in the region by 2015.

Mid-range Mercure is the latest Accor brand to arrive in Russia with the official opening of Mercure Arbat Moscow taking place this month. The 109-room hotel offers boutique-style accommodation aimed at both business and leisure travelers.

The mid-range Novotel brand spread to St. Petersburg in 2005 and to Yekaterinburg in 2010. Recent development, however, has concentrated on Accor's budget brand ibis. The chain is spreading across Russia with hotels

now open in Moscow, St. Petersburg, Yaroslavl, Nizhny Novgorod, Samara, Kazan and Omsk.

Although internationally Accor is active in all market segments, expansion in Russia has concerned just mid-market and budget options with the luxury market at virtual saturation point.

"In capital cities of the former U.S.S.R. development will concern all market segments [budget, mid-market and luxury]. In regional

By the end of 2012 Accor expects to open 16 or 17 hotels in Russia and the CIS, with that figure rising to 45 to 50 by 2016, according to Alexei Delaroff.





Accor started in Russia with a Novotel at Sheremetyevo Airport.



COURTESY OF ACCOR

At the end of last year, ibis celebrated the opening of its 900th hotel worldwide in Tangier, Morocco. The brand is now present in 53 countries around the globe, providing 113,077 hotel rooms. It is now Europe's largest leading economy chain and the fourth largest worldwide.

Expansion plans show that the ibis chain will not be resting on its laurels: the brand plans to maintain the current pace of expansion with 70 new hotel openings, equivalent to 10,000 hotel rooms, globally each year.

"The majority of nonbranded hotels I've stayed in around Russia are still hungover from the Communist era and are pretty basic," said British photographer Harry Engels, 21, who has stayed at ibis hotels in St. Petersburg, Yaroslavl, Nizhny Novgorod, Samara, Kazan and at the newly opened Sofitel in Ashgabat, Turkmenistan. "Some still have a babushka sitting on each floor looking after the rooms. You know what

you're getting with an ibis as they're basically identical and the price is right too. They're good value for what you get."

The uniform nature of ibis hotels can, however, cause problems for frequent travelers. "I left an ibis in Kazan at 6 a.m., flew to Nizhny Novgorod and had checked into an absolutely identical room by 9 a.m. It's easy to forget which city you are in," Engels said.

Accor currently has the edge on other international chains as it is the clear leader in the Russian budget hotel market.

"We feel that there is no competition for ibis; it is a unique product," Delaroff said.

Unique for the time being at least. Jenkins predicts that good-quality budget hotels will be the focus of the next wave of development in Russia. Budget hotels are currently under construction by rival groups including Hilton and Intercontinental, but for now Accor is leading the way. **XXI**

HOTEL FACTS:

- Accor has hotels in eight Russian cities: Moscow, St. Petersburg, Yaroslavl, Nizhny Novgorod, Samara, Kazan, Omsk and Yekaterinburg.
- Accor has 3 brands in Russia: Novotel, ibis and Mercure.
- Accor has more than 4,400 hotels in 92 countries, totaling 530,000 rooms.
- There are more than 180,000 employees working in Accor brand hotels.

Source: Accor

Moscow Hotel Scene:

- As of April 2012, total room stock in Moscow (three- to five-star hotels) was 31,100 rooms, about one-third of which (10,100) was international brands.
- In the last three years, the share of rooms in internationally managed hotels has increased 7 percent.
- Foreign nationals account on average for 25 percent to 50 percent of demand for hotel accommodation in Moscow.
- Average annual room occupancy in Moscow is 62 percent.
- As of the beginning of 2012, more than 25 hotel projects totaling 7,000 rooms are at various stages of design and development in the Russian capital.

Source: Knight Frank research 2012

advertising

The company Atos has been present on the Russian market for almost 20 years and is currently in active development. Last year, the company had its second wind with the creation of Europe's largest IT services firm, which co-opted 40 years of experience of the best IT-companies and the IT locations of international companies.

Atos is always situated on the vertex of innovation technology, applying self-engineered products and using the best solutions. For implementation of the most innovative solutions, the company starts with itself; it is currently running the program Zero E-mail, which will affect several employees. Relying on self-experience in the realization of this new operation method, the company will be set for its delivery to customers.

The company offers all these technologies on the Russian market. For more than 10 years, we have been upgrading our resources at Russian universities in Voronezh, where more than 600 qualified specialists have been trained. Facilities of Russian employees are in use both on the internal market and the foreign market. Notably, more than 50% of our employees are engaged in international projects.

We have extensive plans in Russia. To begin with, I'd like to talk about creation of an energy competence center. This center is to be developed based on French companies' accumulated experience in the area of nuclear power, which they would like to share with Russian colleagues.

Apart from that, Atos is bringing its experience in realizing international IT-projects to the Olympic Games in Russia, as well as to other large sporting events, by reference to its long-

term collaboration with IOC, the company's strategic partner. Currently, Atos specialists with vast experience in the operation of Olympic projects are carrying out preparations of IT-systems and infrastructure for the Sochi 2014 Olympic Games.

Atos is traditionally presented in Russia in the system integration segment. The company is a service provider for the implementation of ERP-systems based on SAP-solutions and also specialized industry solutions and services for the support of business applications. The company also provides consulting, creation and IT-infrastructure support services with full or selective outsourcing.

Together with these solutions and services, we are about to offer in Russia our best European experience with payment systems and IT security.

Atos relies on long-term and narrow partnership with its customers. Following specific requests and the requirements of customers, Atos provides facilities both for the productive development of existing relations and for the creation of new mutually-profitable relations for both of the partners.

The implementation of IT-technologies is one of the key conditions of Russian innovative development today and our company is prepared for all possible assistance in this process, proposing solutions and services that ensure the stable operation of Russian companies and organizations and also assist in the intensive development of innovation in the country's regions.

Edgars Puzo, CEO Atos IT Solutions and Services LLC



More Than Moscow

ALSTOM is one of the world's leading energy and transport solutions companies. Together with their local partner TransMashHolding, they are the leading contender to replace **Moscow's** aging fleet of trams.
www.alstom.com/russia/ru

LOREALS factory in **Kaluga** is designed to pump out 120 million cosmetic products a year to be sold in Russia, Ukraine, Kazakhstan and Belarus. The company reportedly invested 26 million euros into the factory. www.loreal.com.ru

PEUGEOT CITROEN made **Kaluga** its home in 2010, when a new factory was opened to produce cars for the Russian market. The factory currently bolts together the Peugeot 308, Citroen C4, Peugeot 4007, Citroen C-Crosser and Mitsubishi Outlander from imported parts. In June Peugeot plans to unveil a vehicle designed for the Russian market, which will be produced solely at the plant. www.peugeot.ru, www.citroen.ru

BONDUELLE, the world's leader in processed vegetables, opened an office in Russia in 1994, selling canned vegetables through a network of distributors and importers. In 2004 Bonduelle opened a production plant in **Krasnodar** and recently confirmed plans to acquire a 6,000-hectare farm nearby. www.bonduellerussia.ru

LOCCITANE EN PROVENCE was founded in 1976 and since then has developed a range of natural skincare products and fragrances that are now sold around the world. The brand is present in more than 30 regions across Russia including Volgograd, **Sochi**, Tyumen and Yaroslavl. They also offer a home delivery service. www.loccitane.ru

DECATHLON is a superstore selling sportswear and equipment. It is part of the Mulliez portfolio, which also includes supermarket Auchan. As well as stores in Moscow and St. Petersburg, Decathlon is also present in **Rostov-on-Don**, **Krasnodar** and Voronezh. www.decathlon.com

PROMOD, created in 1975, is one of France's biggest fashion store chains. The brand has 975 outlets in 52 countries around the world, 20 of which are located in Russia. Most of these are in Moscow but there are also outlets in Nizhny Novgorod, Ivanovo and **Vladimir**. www.promod.com

AIR LIQUIDE is the world's leading gas supplier for industrial, health and environmental uses with bases in **Cherepovets** and Tartarstan among others. The company has been in Russia since 1989. www.ru.airliquide.com



Caisse des Depots is primarily a financial institution, but it also provides industry and service solutions. A subsidiary of the company, Compagnie des Alpes, helped to develop the ski resorts in the French Alps and has in its portfolio nine of the 10 largest ski resorts in the world. Caisse des Depots has entered into a joint venture with OJSE **North Caucasus** Resorts to build a series of ski resorts in the North Caucasus by 2020. www.caissedesdepots.fr

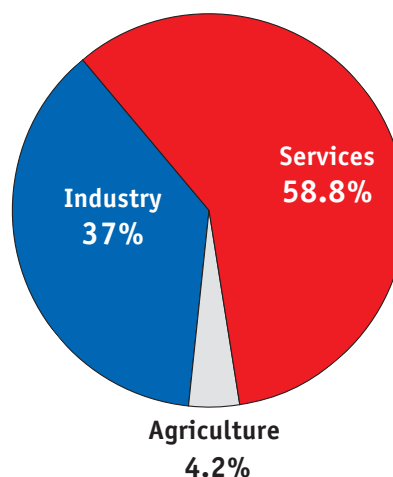
DANONE produces yoghurt and dairy-based products including Actimel, Danissimo and Danakor and has facilities in **Tolyatti** among others. In 2010 Danone merged their dairy business in Russia and the CIS with local brand Unimilk. They now lead the dairy-product market in the region, occupying a 21% share. www.danone.com, www.perfettivanmelle.it/

Russia Facts

ECONOMY

Nominal GDP, 2011: \$2.38 trillion*
 GDP Real Growth, 2011: 4.3 percent*
 Inflation, 2011: 8.9 percent*
 Exports, 2011: \$498.6 billion*
 Leading Export Destination: Germany (8.2%)
 Imports, 2011: \$310.1 billion*
 Leading Import Country, 2010: Germany (14.7%)
 FDI at Home, 2011: \$343.4 billion
 FDI Abroad, 2011: \$314.6 billion
 Corruption Perception Position: 143rd of 182

GDP COMPOSITION



POPULATION

Total, 2011: 138.1 million*
 Urban Population, 2010: 73 percent
 Average Age: 38.7
 Life Expectancy: 66
 Literacy Rate: 99.4 percent
 Internet Users, 2009: 40.9 million

INFRASTRUCTURE

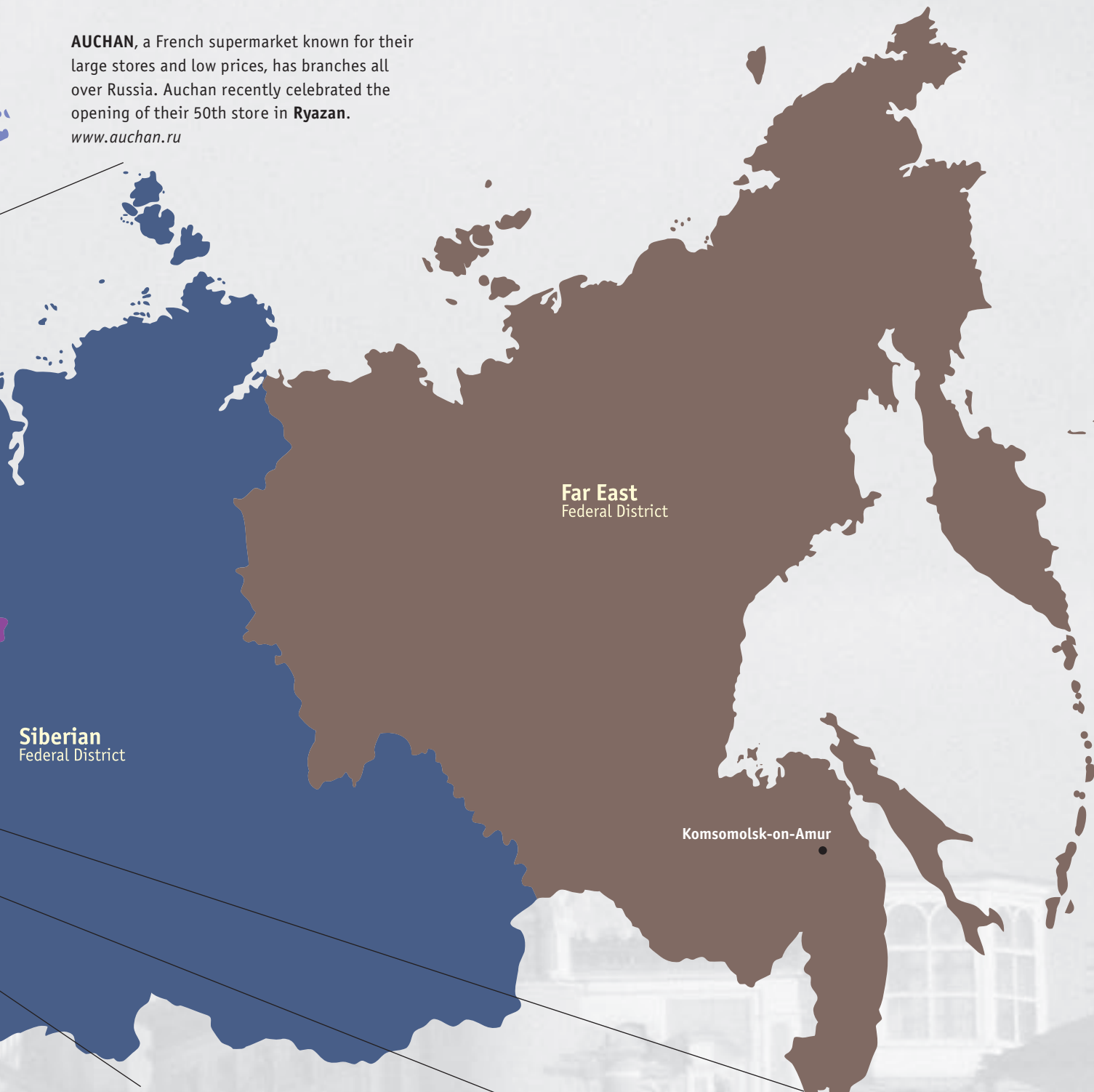
Number of Airports, 2010: 1,213
 Span of Railways: 87,157 kilometers
 Span of Roads: 982,000 kilometers

* Estimate
 Sources: The World Factbook, Transparency International



FRENCH BUSINESSES HAVE SPREAD ALL OVER RUSSIA. THIS MAP IS JUST A SELECTION OF THE COMPANIES WHO HAVE LAID DOWN ROOTS IN RUSSIA. THE RANGE OF BUSINESSES IS VAST, FROM AUTOMAKERS TO FASHION CHAINS AND MUCH MORE.

AUCHAN, a French supermarket known for their large stores and low prices, has branches all over Russia. Auchan recently celebrated the opening of their 50th store in **Ryazan**. www.auchan.ru



ACCOR GROUP is Europe's largest hotel operator and currently has three of their brands in Russia: Novotel, ibis and Mercure. Economy brand ibis is most present in the regions, with hotels in Yaroslavl, Samara, Kazan, **Omsk** and Nizhny Novgorod. www.accor.com

LESAFFRE, the world's largest yeast-production company, are known as SafNeva in Russia and has bases in St. Petersburg, Moscow region and the **Kurgan region** among others. The company mainly supplies yeast to bakeries in industrial quantities but also has a range of products suitable for the consumer market. www.lesaffre.ru

EUROCOPTER, known as Eurocopter Vostok in Russia, manufacture helicopters which are used in missions ranging from VIP services to pipeline patrols. In conjunction with one of their leading Russian customers UTair Aviation, they run an approved maintenance and training center in **Tyumen**. www.eurocopter.ru

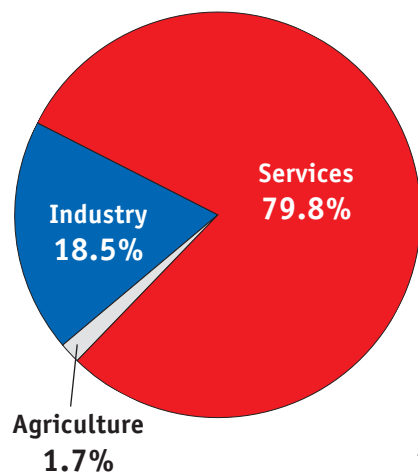


France Facts

ECONOMY

2010 Nominal GDP: \$2.214 trillion
 GDP Real Growth 2010: 1.7 percent*
 Inflation 2010: 2 percent*
 Exports 2010: \$578.4 billion*
 Leading Export Destination: Germany (16.4%)
 Imports 2011: \$684.6 billion*
 Leading Import Country: Germany (19.3%)
 2011 Stock of FDI at home: \$1.186 trillion
 2011 Stock of FDI abroad: \$1.787 trillion
 Corruption Perception Position: 25th of 182

GDP COMPOSITION:



POPULATION

Total, 2012: 65.6 million*
 Urban population, 2010: 85 percent
 Average Age: 39.9
 Life expectancy: 82
 Literacy rate: 99 percent
 2009 Internet Users 45.262 million (8th in world)

INFRASTRUCTURE

No. of Airports, 2010: 475
 Total Railroad: 29.640 kilometers
 Length of Road: 951.200 kilometers

* Estimate

Sources: The World Factbook, Transparency International



French Companies By Federal District

A small selection of French companies compiled by The Moscow Times using "French Presence in Russia: A Directory of French Establishments," published by the French Regional Economic Service in Moscow.

NORTHWEST Federal District

Accor Groupe
Actaris
Actual
Agrobiotech
Air France
Air Liquide Russie
Alcan Packaging Moscow
Alcatel-Lucent
ALD Automotive
Algieva Rouss Studio Est-
Alstom Holdings
Apsys Group Russia
Armadillo Business Posylka
Auchan
BA Finans
Rosbank
Vostok
Biomerieux
BNP Paribas ZAO
Brainpower
Briz
Bureau Veritas
Ceit Travelscope
Cetelem
CGTT Voyages
CIAT Distribution
Clarins
CMA-CGM
CNI-Colloides Naturels
Complex International
Coplan Vostok
Ecole des Roches
Emerson/ Leroy Somer
EMI SA
Eurasia Telecom Seti
Europa Media Group
Evolution Voyages
Fashionel
Gaz Suez (Gaz de France)
Geismar Rus
Groupe SEB Vostok
GSE
Guard Industrie Vostok
Harry s CIS
Leroy Merlin Vostok
L'Occitane Rus
L'Oreal Russie
Louis Vuitton Vostok
Onduline
Orange Business Services (Equant LLC)
Pernod Ricard Rouss
Promod
Salans
Salaun Evasion
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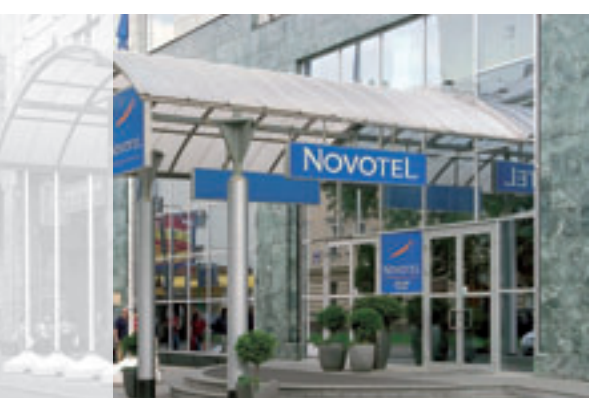
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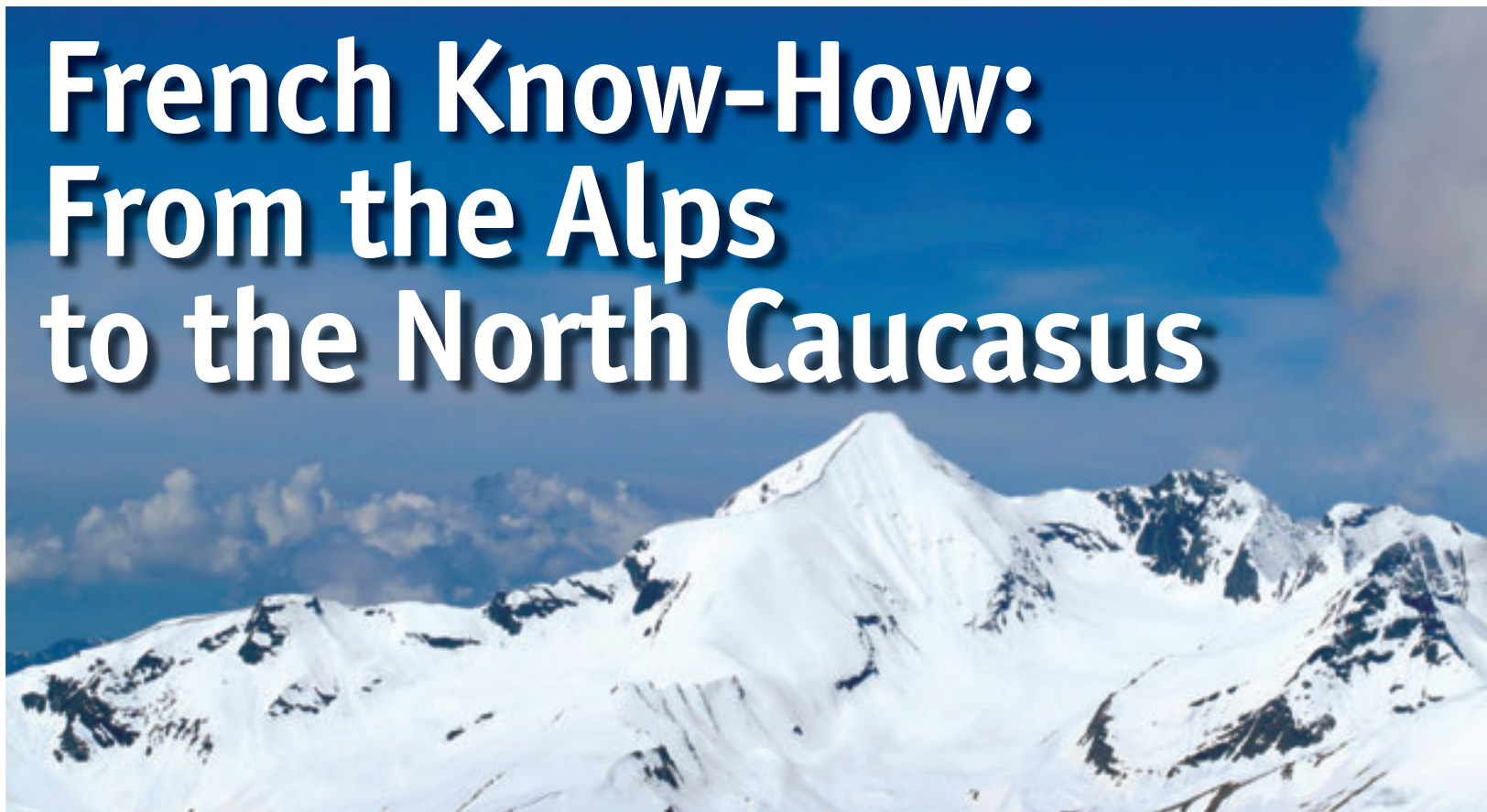
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WITH SUPPORT FROM CAISSE DES DEPOTS THE NORTH CAUCASUS COULD SOON BE HOME TO WORLD-CLASS SKI RESORTS.

French Know-How: From the Alps to the North Caucasus



CAISSE DES DEPOTS

L Laurent Vigier, director of European and International Affairs at Caisse des Depots et Consignations, speaks about ambitious plans to build a series of ski resorts in the North Caucasus by 2020 and concerns over security and the environment in the volatile region.

We know that Caisse des Depots and OJSE North Caucasus Resorts have entered into a joint venture, how did this joint venture come into being?

This joint venture was initiated at the state level between the French and the Russian presidents on the occasion of the G8 summit in Daeuville last year. The cooperation between France and Russia on the development of the North Caucasus is an old story; it can be traced back to the 1970s.

At that time France developed its large ski resorts in the Alps, and [French] President Pompidou and the Secretary General of the Communist Party of the Soviet Union, Leonid Brezhnev, signed an agreement between those countries to develop the North Caucasus and

build ski resorts after the French model. It didn't happen then due to the overall conditions between East and West. After the demise of the Soviet Union, it was French experts who came to Russia, who went to the Caucasus and identified possible sites for building new ski resorts in this region. So, it's something that has been on the map of Franco-Russian cooperation for a long time.

But what really made this project happen was the decision by both presidents to make this happen. Actually, when we entered into this cooperation one year ago, the company, OJSC North Caucasus Resorts, had already started work, so we were not the first to enter into this project. Our objective is that this project

comes from the drawing board to reality, and that it is constructed according to the highest international standards: business standards, environmental standards, social standards, and we want this project to happen. So it's basically the key to our commitment. We are the immediate engineers on the ground [who are] reviewing all the plans, the general planning of the project, and the improvement of it. We have established a joint venture, which is now operational, and has been established on legal grounds, and we are in the process of finalizing the recruitment of top management for the joint venture. We're going to have 30 people working in Russia in the coming months, in Moscow. Their mission [will be] to optimize all the planning of the project, and

optimize all the technical aspects of the project. It's a complex operation to build ski resorts because you have to figure out the environment of the resort, the infrastructure, the marketing, and so on. On the financial structuring and marketing of the project, our objective is to bring in as many industrial and financial French investors as possible, and international partners [as well]. [We are working on] the branding strategy and marketing of the project because at the moment the Caucasus is a new tourist destination. About 1 million Russian tourists flock every year into the Caucasian mountains for spas, walking, skiing and mountaineering, but for non-Russians, there's clearly a need to build up the image of the Caucasus.

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What can you say about the history of Caisse des Depots and past experience and expertise the company has with regard to developing ski resorts?

Well Caisse des Depots is an institution that is 200 years old. It is first a financial institution, but we started by financing local development. When we finance local development, we also design solutions “ engineering solutions, management solutions, service providers and industrial solutions ” and so now, we are both a financial institution and an industry and service group. And when France decided to develop and build ski resorts in the French Alps, Caisse des Depots was brought in as financiers to start with, but once we entered, we set up companies to build the ski resorts and then to manage the ski resorts. And so now, among the subsidiaries of Caisse des Depots Group we have Compagnie des Alpes, which is the No. 1 company in the world for the management of ski resorts. We have in our portfolio nine out of the 10 largest ski resorts in the world, including such big names like Val d Isere.

Why is Caisse des Depots interested in this particular development project in the North Caucasus?

We are interested first and foremost because our mission is to serve the public interest and the economic development [of the region]. So, this is clearly a long-term investment project that will advance the economic conditions of the region of the North Caucasus. But also beyond this, it will advance the integration of Russia in the global economic community and also strengthen the links between France and Russia; between Europe and Russia. So in that sense, we think it has many positive externalities. We are also

interested in this project because it's also going to be an occasion to export our know-how, and make good investments in a ski project, which is one of the historic activities of Caisse des Depots because we have been active in the ski industry for more than 50 years in France. And we are already active in the Caucasus! Apart from the North Caucasus Resort project, our subsidiary Compagnie des Alpes is managing one of the Olympic ski resorts for 2014 at the moment.

What exactly will French expertise bring to the region?

There is a specificity in the French approach to this kind of project. This is not only a matter of building hotels, or ski lifts. We have excellent hotel companies, we have excellent, world-renowned lift-making companies such as Pasmal Ski. So what we bring to this project is the vision of territorial development. It's a project of not only putting one hotel next to another, and one resort next to another “ you have to devise, to conceive the development of the whole region, which is a large one. You see, for this kind of project, it's something that France has developed a very good model. When we developed the ski resorts in the Alps we did not develop only one ski resort. We decided to develop, all together, 20 ski resorts. So the idea was that it was not enough to think about only one, but it was necessary to think about the cluster, and when you think about the cluster, you think not only about the ski resort, but about the accessibility, the infrastructure, the impact on the environment, involving the local population and creating as many local jobs as possible, and so on. So this kind of holistic approach to a project is probably what we add most to this project.

How successful do you expect this project to be? And how do you measure success?

Well, our aim, you see, is that this should be a Franco-Russian project. But it's not going to be a closed project. Our idea is that the involvement of French expertise and financing capacity in this project is going to upgrade this project to the best international standards. For me, the measure of success will be first: it has to happen. It's important, you see, because Russia is a huge country, with a huge capacity to make things happen, but sometimes, things do not appear to

happen as fast as people expect, or in the way that people expect. What we want to do is prove that [even] in this region, which is complex, which has a certain volatility, [it can happen]. Then it's possible to demonstrate that yes, Russia can make it. Russia is going to host the Winter Olympics and then Russia can succeed in making a success of the development of the North Caucasus.

Arkhyz has the potential to become the equivalent of the French ski cluster Le Trois Vallees, which is home to world-class ski resorts such as Courchevel.

The second measure of success is to make good investments and to demonstrate the capacity and the expertise of French mountain technology and mountain development experience in this field. So, if we succeed there, we can make it elsewhere in the world, and it's going to be major.

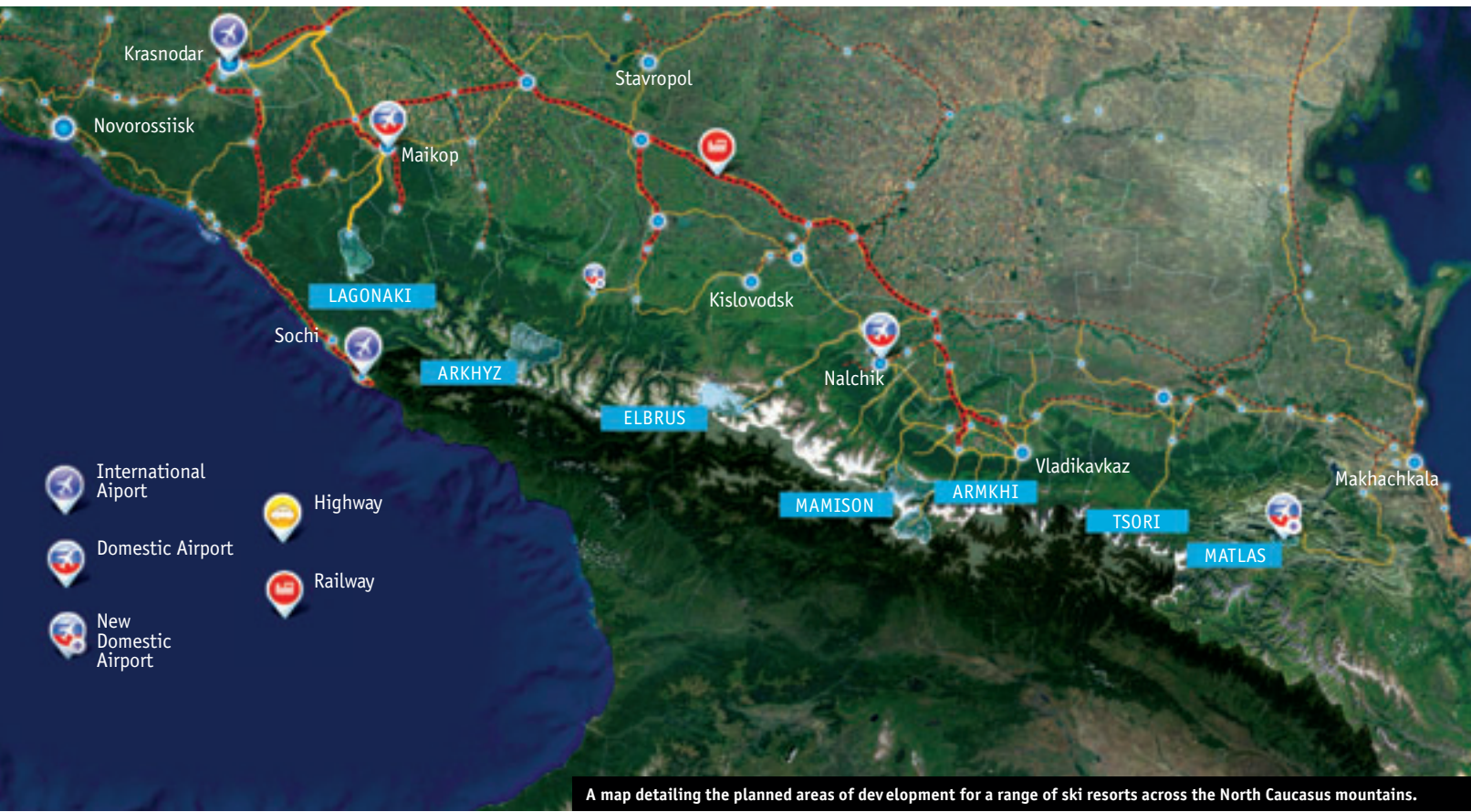
Third is to bring on board as many international partners and investors as possible. And

for improvement and we are working on this improvement with our Russian partners. And we think that the diversity of the region and of the local population, this is not a liability [either]. This also matters for the project because people are not going to the Caucasus because they are looking for something that looks like Austria or Switzerland. They're going to go to the Caucasus because there is an identity in this region. When you have 100 different nationalities living in such a region, it means that it is complex. It is complex to manage, there can be some sensitivities, but it means also that there is culture and tradition. And we think that this culture and this tradition should be part of the project; they're going to bring the soul of the project.

Do you think that the project will improve the social and political conditions of the North Caucasus?

At the moment the North Caucasus is seen through the prism of violence. People see the headlines and there is some bad news, but the reality is that people don't know that much about the Caucasus except for that. The reality is that the North Caucasus is a region where there is a degree of violence, where there are some problems. But it's also a region that has very good demographics; it's the youngest region in Russia, there are 25 million people living in the North Caucasus Federal District, and it's a region that is close to a lot of big population centers. It's not very far from Moscow and St. Petersburg by plane “ only a couple of hours ” and it's a one-hour flight from Istanbul, a three-hour flight from Abu Dhabi and Dubai, and so it's really very central.

And the point is that there's a lot of unemployment. What we want to do is to use this project to create jobs because the best guarantee of security is when a lot of people have a stake in the project. If people think that this project is not something imposed from abroad and that they have to live with that, but [rather] that it's something that's going to provide jobs for kids,



A map detailing the planned areas of development for a range of ski resorts across the North Caucasus mountains.

the possibility to improve living standards, it's going to be positive. This is really key to the security and to the success of the project.

Certain environmental NGOs are concerned about the effect of this project on the environment. Can you comment on this? Are you in dialogue with these NGOs?

Absolutely. We are in dialogue with these NGOs. We have been challenged by some of them, and we have absolutely no problem with that, and I think it's important that we can pursue a dialogue that is based on facts. It's important that we don't base the dialogue on rumors. We need to base dialogue on facts, but we need also to make this project the best in its class. And [we need] to treat the environment as an asset and not as a liability for the project. There are some protected areas, and we need to respect that. But we also need to realize what the overall size of the project is. People when they think about this, they don't really know the region, they underestimate the size and magnitude of the region. Actually we're going to develop about 1 per cent of the overall surface of the North Caucasus mountains. One per cent. It's very limited; the impact is going to be very limited. Overall, the ski development is going to be roughly equivalent to the development of the Spanish side of the Pyrenees Mountains, which are three times smaller than the Caucasus. So, it's certainly not going to be overdeveloped. It's going to be very significant but also a properly managed development of this region. We don't want to overequip the Caucasus. We want to make a world-class ski destination, but also we want to respect and preserve the environment, which makes the uniqueness of this region.

Back to the issue of personal safety. As you know, three tourists were killed by masked gunmen while traveling on Mount Elbrus, one of the sites you are developing. How do you go about addressing concerns over personal safety?



CAISSE DES DÉPÔTS

Well, first of all, we shouldn't overplay, nor understate the security concern. Security is a legitimate concern for tourists. They want to come with their families, they want to be safe, and they want to enjoy the region peacefully. And that's normal. It's the responsibility of the Russian authorities to provide security for this project and security for the tourists. We shouldn't overstate that. The security conditions, they can be improved, but you have some regions in the world that are big tourist destinations " I'm thinking about Mexico, I'm thinking about Egypt, I'm thinking about India " where you have also some security concerns and difficulties. So, this is a big challenge, but it shouldn't preclude the development of the region.

You see, the region should not become a hostage to violence. The importance of this project is to open a new perspective. The new perspective is not only for international investors and partners; it should be for the local population. If they see their interests in the project, if they are involved

actively in the project, if they can benefit in the long term, it's going to become their project and their project is going to become their future. And what we want to do is change this project from our project to their project for their future. That's what we want to achieve, and that's going to be the ultimate security guarantee. Lots of people need to be proud of their resorts.

Can you comment on the specific disadvantages and advantages of the five sites that are being developed?

I think what is interesting is that the five sites are going to provide a complex gamut of offers. Of course, there are different qualities. You see, Russia is a winter country. But, due to a lack of capacity for tourists, people have not had the chance to experience alpine skiing. So there's a lot of cross-country skiing, but not a lot of alpine skiing. So people need to learn skiing; many people who are young adults want to discover skiing.

So, they need to have some kind of nursery slopes and so on. The best resorts for that I would say are Lagonaki (Krasnodar region, Adygeya republic) and Matlas (Dagestan republic). They're going to be absolutely perfect in that respect because they are not too steep, not too high, and there's the possibility to develop year-round activities at this resort in beautiful nature settings. So, for families, I think probably Lagonaki and Matlas are going to be top-class resorts. And then you have the three central Caucasus resorts: Arkhyz (Karachayev-Cherkessia republic), which has just opened the first new lifts, French lifts actually " Poma Lifts " one or two months ago, Mount Elbrus-Bezengi (Kabardino-Balkaria republic), and Mamison (North Ossetia republic). These three resorts are going to be world-class resorts. They are much higher: the top of the lifts will be at 4,200 meters, which is going to be higher than in the Alps. And there's going to be a vertical drop of more than 2,000 meters. These three resorts have the capacity to be in the top 10 resorts in the world. It will depend on the speed of development. But to give you an example, our experts tell us that for example, Arkhyz has the potential to become the equivalent of the French ski cluster Les Trois Vallées, which is home to world-class ski resorts such as Courchevel, Meribel, and Val Thorens. So, it's a new development in the ski industry, and I would say that probably the Caucasus has the potential to match the best in class in the Alps and in the Rocky Mountains. **XXI**

During the 2011 Sochi International Investment Forum, the Franco-Russian Chamber of Commerce and Industry led a delegation of more than 30 French companies from the construction and tourism industries. The contract to develop the regions in the North Caucasus tourism project is exclusive to French companies, known for their experience and expertise in the development of winter sports resorts infrastructure.

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PEUGEOT PLANS TO INCREASE ITS MARKET SHARE IN RUSSIA: NEW DEALERSHIPS WILL BE OPENED, PRODUCTION LEVELS INCREASED AND A CAR LAUNCHED SPECIFICALLY FOR THE RUSSIAN MARKET.

By Roland Oliphant

Peugeot Sets Roots Down in Kaluga



PEUGEOT

If you're in the auto business in Russia, the chances are that at some point or another you've been to Kaluga.

The sleepy country town, about 180 kilometers to the southwest of Moscow, has in the past decade transformed itself into a center for investment from European carmakers seeking to cash in on Russia's booming auto market.

Peugeot-Citroen made its home there in 2010 with the opening of a new factory to produce cars for the Russian market in the city "a market that PSA Group, which runs both the Peugeot and Citroen brands, believes will soon become the "first driver" of European car sales.

Sales of new cars in Russia crashed 50 percent following the financial crisis of 2008, but they are coming back fast. Russians bought 2.65 million new cars in 2011, up nearly 40 percent on 2010, and will probably hit pre-crisis levels this year. The Association of European Businesses expects sales to hit 4 million "overtaking Germany as Europe's largest market for new vehicles" by the middle of the decade.

That is one reason why PSA Group declared Russia and the CIS one of its key priority regions. (The company's other two priority regions are China and Latin America "also fast-developing emerging markets).

The move in-country with the opening of the Kaluga plant "a joint venture with Mitsubishi" reaped immediate rewards. Sales leapt 20 percent to 35,734 in 2010, up from 29,748 the previous year "a factor of both the opening of the factory and the market bouncing back from the economic crisis.

However, both brands are lagging well behind other foreign rivals who arrived earlier. Chevrolet and KIA shifted more than 116,000 and 104,000 cars, respectively, in 2010, while French rival Renault was the third-best-selling brand in Russia, shifting about 96,000 that year.

PSA Peugeot Citroen sold 53,153 cars in Russia in 2010 "including just over 35,000 Peugeots and 17,000 Citroens" placing it 10th out of all automakers operating in Russia and ninth out of foreign automakers.

Renault-Nissan, by contrast, shifted more than 180,000 vehicles "96,000 Renaults,

nearly 80,000 Nissans and nearly 5,000 Infinitis" not counting the vast sales of their Russian partner AvtoVAZ, which produces the ubiquitous Lada and still outsells other brands by an order of magnitude.

It's a challenge the company recognizes. "It's true in terms of market share that our

presence is relatively modest compared to some rivals, mainly because we have a relatively young presence in the country," said Dmitri Portanski, PSA's external relations director. "Of course, we have plans to increase market share. We are going to achieve this by introducing new models to the Russian market, including those produced locally, offering new innovative services to our customers and increasing their satisfaction, developing after-sales operations and continuing to expand our dealer network all over the country."

One way of doing that is simply selling more cars: Peugeot alone will have 85 dealerships across the country by the end of 2012, and Portanski says the group is regularly opening new dealerships, with four new dealer centers already launched by both brands in 2012 and about 10 more to come.

But the fundamental building blocks of expansion are ratcheting up production "the Kaluga plant is scheduled to reach its full capacity of 125,000 vehicles a year by the end of 2013" and the launch of its own car tailored to the local market.

The factory currently bolts together the Peugeot 308, Citroen C4, Peugeot 4007, Citroen C-Crosser and Mitsubishi Outlander from imported parts but marks two important milestones with the unveiling of Peugeot's own purpose-built vehicle for the market and the beginning of full-cycle production in June.

The Peugeot 408, unveiled May 15, follows in the footsteps of the Renault Logan and Volkswagen's Polo Sedan as an affordable and locally produced "compact saloon" targeted at Russia's emerging middle class.

"It is the first car fully assembled at Kaluga, and not only made in Russia but made specially for Russia," the company said in e-mailed comments.

Based on a model already on sale in Latin America and China, Peugeot says they went one



MAXIM STROYEV / VEEDINOSTI

Peugeot Citroen sold 53,153 cars in Russia in 2010, including just over 35,000 Peugeots and 17,000 Citroens, placing it 10th out of all automakers in Russia.

better with the Russian version by road testing it in the Ural mountains and the Arctic to prove its suitability in the country's notoriously tough climate.

As a result they reinforced and raised the suspension, put in under-engine protection, gave it a high capacity battery and alternator, and made it as warm as possible " it boasts heated seats, a particularly effective heating system and a heated lower windscreen with hot-air vents.

At 4.7 meters long, it is also unusually big for its class, and, so the company claims, exceptionally spacious.

Sales are set to start Sept. 15, and at an affordable 549,000 rubles (\$17,200), Peugeot will hope the 408 will repeat the success of its domestic rival when it launched the Logan in 2004.

"It's a matter of tailoring vehicles to the

local market demands. For example, one reason the sedan design is so popular is that for many years people had very limited access to them, and owning a Volga or a Lada was a real sign of success and comfort," said Portanski, explaining the trend.

"The C-segment [of small family cars] is the most important in the Russian automotive market, and the sedan is especially strong in Russia, so it made sense to offer something in this segment," the company explained.

The strategy certainly worked for Volkswagen, who saw a 74 per cent jump in sales when its own factory in Kaluga hit full production capacity in 2011 " a success that the German company also pegged to its market-specific Polo Sedan.

PSA is also targeting other segments with the 508, a business-class saloon, launching later this year, and the 4008, a family-oriented



The Kaluga factory will begin full-cycle production in June.

SUV. Russia-tailored Citroen hatchbacks are also rumored to be in the works.

"But it's not just about the 'budget segment,' Portanski said. "Of course, that will remain a strong strategy for sometime to

come, because Russians want affordable alternatives to domestic brands. But there is more and more room for other segments, too, especially given the rate at which the country is developing." XXI



PEUGEOT CITROEN FACTS:

- After opening the in-country plant at Kaluga, sales leapt 20 per cent to 35,734 in 2010, up from 29,748 the previous year.
- Peugeot Citroen sold 53,153 cars in Russia in 2010, including just over 35,000 Peugeots and 17,000 Citroens.
- Sales figures place Peugeot Citroen 10th out of all automakers operating in Russia and ninth out of foreign automakers.
- Peugeot alone will have 85 dealerships across the country by the end of 2012.
- Peugeot Citroen's Kaluga plant is scheduled to reach its full capacity of 125,000 vehicles a year by the end of 2013.
- The Kaluga factory currently manufactures the Peugeot 308, Citroen C4, Peugeot 4007, Citroen C-Crosser and Mitsubishi Outlander from imported parts.

SALANS IN RUSSIA

Mathieu Fabre-Magnan, Partner of Salans' Moscow office, Co-Head of Salans' Global and Russian Luxury, Fashion and Beauty Practice, Head of Salans' French Desk in Russia, and a French national living and working in Russia for 20 years, speaks about Salans' Russian Practice.

— What's special about Salans in Russia?

It's no secret that our firm is one of the leading international firms in Russia. Many of our practices are annually top ranked by Legal 500, Chambers and Partners and PLC Which lawyer.

We were one of the first international firms to open a Russian office. This was not just a chance event: a Salans founding partner was one of the few specialists providing legal support for doing business with the USSR back in the 1970s. He started to advise McDonald's when they were only planning to enter Russia and, back in the 1980's, he worked with Coca-Cola when the US embargo prevented them from launching their soft drinks during the 1980 Olympic Games. Our Paris office still has documents from work in the USSR from the 1970's on file.

Another difference between our firm and many other international law firms operating in Russia is that we had Russian partners at a very early stage. We now have 17 partners in Moscow, 11 of whom are Russian.

Yet, our advantage is that we are part of a large international organization with 20 offices around the world. Lawyers in the Moscow and St. Petersburg offices work as an integrated global team with colleagues in Salans' Russian practice based in Paris, London, Brussels, New York, Berlin and Frankfurt. The experience of our staff at all our offices enables us to provide high-

quality advice and legal support for major international transactions.

— When was Salans' French Desk established in Russia?

Salans' Moscow and St. Petersburg offices, key elements of the Global French Desk, were opened in 1991 and 1993 respectively.

Our French Desk in Russia acts for major French clients active in various sectors – luxury goods, services, agribusiness, construction, financial services, life sciences and many others.

Although we are incredibly international and have no head office, Paris was the place where our firm was born and one of our three founding partners is French. French companies have therefore always formed an important part of our clientele in Russia.

We have a core team of 15 French-speaking attorneys in Moscow and St. Petersburg and a full range of French-speaking local support staff. In addition we benefit from French lawyers expert in Russian affairs in other Salans offices. Thus, our French Desk in Russia is able to provide a full range of legal services to French-speaking clients and contribute to their business objectives.

Having a special focus on French clients, I also take an active part in the French business community in Moscow and in promoting economic ties between France and Russia.

— What type of work is Salans best known for in Russia?

In Russia the firm is well known for its Corporate/ M&A, Tax, Banking/ Finance, Bankruptcy/ Restructuring, Real Estate, IP, Labour, and Dispute Resolution Practices. We have particular expertise in the luxury, hotel and hospitality, energy/ natural resources, IT/ telecoms, life sciences, retail and automotive sectors.

Salans has strong local knowledge and an excellent reputation, as demonstrated by numerous accolades and awards including winner of the "Law Firm of the Year in Russia" in 2011 (Lawyer Monthly Awards), and "Law Firm of the Year in Banking" and "Law Firm of the Year in Construction" in 2012 (DealMakers Monthly Awards).

— What major developments are affecting Salans' Russian practice this year?

We are seeing an increased demand for advice in the hotel & hospitality, life sciences, automotive and retail sectors and will continue developing these practices in Russia as well as Asia and Europe.

Salans' Russian Competition Law Practice has been developing fast and handles some of the most complex competition law projects in Russia. In January 2012 Marat Mouradov joined Salans as partner and head of the practice.

Salans' Russian Tax Practice has grown considerably over the past few years and has developed a very high reputation on the



market. Today the Tax Practice offers not only the "standard" service lines but also services rarely offered by law firms: tax due diligence, transfer pricing, accounting advice, personal tax compliance and currency control advice and defence.

Russia's entry to the WTO is anticipated to bring significant changes for businesses. Salans' WTO practice is unique on the Russian market and worldwide. It's members personally participated in negotiations on Russia's WTO accession. Compliance with WTO agreements and systemic commitments will play a significant role in the development of Russian law and enforcement in matters relating to trade and economy.



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Olga Sviblova: One Foot in France, the Other in Russia

THE HEAD OF MOSCOW'S MULTIMEDIA ARTS MUSEUM AND THE FOUNDER OF MOSCOW'S PHOTO BIENNALE WAS INSPIRED BY HER TIME IN FRANCE.



I'm going to interrupt your question. There are a lot of myths. For me, there is physical time. It exists objectively and subjectively. And every one of us lives in a special era. It's our very own era. Today, some people are living in the 1970s, others in the 1960s, others in 2050. Some live in accordance with their time, others remain in the past and others are already living in the future. And that has nothing to do with age. Sometimes there's a link, but today some people are born and live as if it were 1937—a time when our country was living under Stalin's repressive rule. I myself am a child of the "Khrushchev Spring," after the 20th Congress of the Communist Party, when the prison camps were opened up and life in Russia became freer. The second spring period was Gorbachev's perestroika. We each have our own spring. Then came the Brezhnev era, in the 1970s, which offered the chance of a parallel existence, if you didn't want to share that absurd ideological soup.

And where does photography fit into all that?

It has always existed in Russia, even when there were no exhibitions. In fact one of Lenin's first decrees in 1917 was on photography, because he had understood that this medium, in a country where 70 percent of the citizenry could neither read nor write, was a powerful weapon. And he hoped to use that weapon. He even helped to equip the soldiers of the Red Army not only with guns, but with cameras as well. He quickly saw that all that was going on around him was running counter to his dreams, because the civil war, which was being waged at the same time as World War I, completely destroyed the country. And the soldiers didn't know how to use their weapons, never mind cameras.

Quite quickly, a new form of photography emerged: photomontage. It was well-supported by the Communist Party and it existed until the early 1930s, a time when Russia had more

By Benjamin Huppert

Olga Sviblova loves art, photography and Russia. The director of the Multimedia Art Museum in Moscow talks about discovering photography in Soviet times, her time in France, her first Photo Biennale and the future of art.

The collection of photographs by the filmmaker Wim Wenders currently on display at the Multimedia Art Museum is striking.

I love it. Because they're really are photographs of suspense. A total meditation. You enter into them, and you can't get out. You can imagine what happened before, what happened after, but at the end you are lost for words. Take any kind of mind-altering pursuit, from narcotics to meditation—you only have to look at his photos to get all those effects. It's the same with his films—the most wonderful thing about them is their emptiness.

That emptiness is such a hallmark of his film "Paris, Texas."

One of my favorite films. Its atmosphere has a kind of invisible magic. His pictures are wordless, but at the same time, they speak volumes. They allow you to give full rein to your imagination. And even the photos of empty cities: As you stand before them, they send you off on a

journey of the imagination. You can build anything you want. It's genuinely atmospheric photography, which in turn gives rise to this huge suspense. And the suspense can be like in a Hitchcock film, where everything accumulates, or conversely it can be very, very empty. An emptiness that draws our attention. Today we pack our space with characters because we

have a fear of solitude and silence. And the whole of life is the story of this trajectory—the more afraid we are, the more we close down. And this type of creation gives us the chance to touch base with this moment in life.

You organized your first exhibition in 1985, at a time when photography



PHOTOS: VLADIMIR FELONOV / ART

photographic publishers than in the rest of the world put together. It was the time when our underground emerged, with Rodchenko, Ignatovich etc. The photographic landscape was an extremely varied one. We had the Photographers Union, which had been in existence since the end of the 19th century, and had created a strong movement with a distinguished international reputation.

So all that gave rise to a flood of exhibitions. The end of that period came in 1934, when the forms of Socialist realism put on a kind of metal jacket. That was when photography in Russia went the same way as in any other totalitarian state: all photographers adopted pretty much the same style. The forms adopted by totalitarian art are the same everywhere. And that went on until World War II.

What impact did World War II have on the world of photography?

It made a big contribution to Russian photography because photographers joined with soldiers in fighting for their country. Even if the soldiers shouted Stalin's name when they went into battle, the main idea was to defend their own families, their own villages. And it was at that moment that Russia, which suffered the greatest tragedy of all the 72 countries that were involved in the war, was creating powerful photographic art. All the photographers who had felt oppressed by Socialist realism and the authorities discovered a second freedom. Their creations were not all published (Dmitry) Baltermants, for example, whose emblematic photos of World War II didn't see the light of day until they were published in France in the early 1960s.

In 2000, I launched a project to bring together photography from the 72 countries that participated in the conflict. It's very interesting because when you have looked through the books, you're left with the impression that each country had its very own war.

Dmitry Baltermants emblematic photos of World War II didn't see the light of day until they were published in France in the early 1960s.

In fact, when you bring them all together, you realize that the subject is the same, that the suffering is the same. The photos of Norway are actually very similar to photos taken in Africa or in Germany after the bombardments. You realize that women in the American munitions factories are the same as the women in the Russian munitions factories. And that children



The Multimedia Arts Museum on Ostozhenka Ulitsa recently reopened after a grand reconstruction.

caught up in the middle of disasters are also all the same.

After World War II, photography was brought back into the service of the ideological machine. But then, in the early 1960s, an underground photography was born. And during Khrushchev's Spring, photography clubs started to multiply like mushrooms after rain.

My specialism was the creative process because from the age of 19, I had been linked to underground culture (my first husband was a poet of the underground). And being a psychologist of the creative process meant it was easier for me to organize exhibitions on the alternative model. I created one of the first festivals of the Russian underground in 1987 in Finland.

Who were these artists of the Russian underground?

All the stars of Russia's contemporary art scene today. The Formani squat, the groups around Mukhamor, Konstantin Zediatyotov, the Miranienko brothers, Filipov and the others. I made my film "Carre Noir" (Black Square), which won a prize at Cannes. [It is] a film about underground culture from the death of Lenin up until 1988, when this world was discovered. I tried to show in the film how the creation of the movement was directly linked to life outside, to the social situation, etc.

In the mid-1990s, it wasn't possible to make a living in Russia from contemporary art because the market was in free fall all over the world. But prior to that, that market had exploded in Russia

with all the interest sparked by perestroika. That wave pushed the underground onto the highest echelons of the international artistic scene. In Russia, we had no commercial institutions or galleries, no art market, and the state wasn't able to support this kind of creative activity, so it became necessary to take action.

At that time, I had already spent many years in France. I had done a lot of work there, and I'd learned a great deal from the French photographic experience. So photography excited me in two ways: first because it was one of the most popular forms of contemporary art, with (Christian) Boltanski, Annette Messager, Nan Goldin, Cindy Sherman. All that was born at that moment. At the same time, I felt that photography could open up history to us, and Russia, five years after the fall of the Soviet Union, was trying to see what the future held and had more need of history than most. Today, I still see no difference between art and photography. The only thing is that photography can sometimes have the power of documentary.

So why a photo biennale?

In Paris in 1985, I had a chance meeting with some representatives of Moscow City Hall who had come over to seal the first cultural accord between Moscow and Paris. They asked me to help with interpreting. So I suggested Moscow host a biennale as a partnership event to the Mois de la Photo (Month of Photography) in Paris. The people from City Hall gave it the green light. In 1996, we launched the first photo biennale in Moscow. And in 1999, we created a second biennale devoted to fashion photography.

In Russia, the world of photography

There is no world of photography. There are personalities of the world of photography. And these figures look at the world through diverse and varied prisms.

Is it still possible to revolutionize art today?

I think it's always possible. I imagine that art will become interactive, that it will live and touch these virtual worlds. I think that that's where revolution is possible. And that it will come swiftly. Art is communication. And if we're witnessing a sea change in the way we communicate, it follows that art will also undergo change.

XXI



Sviblova showing Mikhail Gorbachev round a recent exhibit at the museum.

Supplying Gas to Russia Using French Technology

FRENCH COMPANY AIR LIQUIDE PLANS TO DOUBLE ITS WORKFORCE AND INVEST 350 MILLION EUROS (\$430 MILLION) IN EXPANDING ITS BUSINESS IN RUSSIA.



COURTESY OF AIR LIQUIDE

By Kevin O Flynn

One French company specializes in supplying gas to Russia rather than the other way round and has big plans for expansion.

This is not the gas that heats homes that Russia sends to Europe but the ones in the air that we breathe. Separate air into its components, and they can be used in various ways with the food we eat and in factories all over the world.

French company Air Liquide is the world leader in supplying gases and has operations worldwide.

The company was founded in 1902 when Georges Claude and Paul Delorme developed a process of liquefying air, hence the company name. This process allows the air to be separated into its individual components — oxygen,

nitrogen, etc., and for those gases to be used for different purposes.

One of its engineers, Emile Gagnan, famously invented the Aqua Lung with French sea explorer Jacques Cousteau.

Before the Revolution, Air Liquide was involved in Russia but only returned in the 1990s, said Dmitry Ermolov, general manager of Air Liquide in Russia.

The company has more than 140 applications in the food industry for different technological processes and products, and they have launched ALIGAL, their brand for the food industry worldwide. One such technology is Modified Atmosphere Packaging, which removes air and replaces it with a gas to stop deterioration.

One of the more obvious applications is in fizzy water.

"It's very hard to produce the water without CO2 if you want water with bubbles," Ermolov said.

The main gases used in the food industry are nitrogen and gas mixtures, nitrogen+CO2,

oxygen+CO2. These can be used to protect foods from bacteria and as a cryogenic liquid that acts as a freezing agent.

Consumption of frozen and processed food is predicted to grow by about 7 percent a year, and Air Liquide sees great potential in this area.

However the bulk of the company's business in Russia, where they have seven plants, is in supplying industrial gases.

"The Russian market excites us as it has a lot of potential," said Ermolov, adding that the metals industry is a prime target for business. "We have a workforce with skills and education, which we are happy about."

Air Liquide plans on almost doubling its workforce by 2030, up from current figures

of 550 to 1,000 and has investment plans of 350 million euros.

In other countries, pipelines are used to transport the gas, but in Russia the gas is more commonly provided within a facility by the industrial works or through transport delivery.

"We would like to build a network of gas pipelines in the future. Air Liquide owns the biggest industrial gas pipeline network in the world," Ermolov said.

The company's largest plant is in Cherepovets, supplying industrial gases to Severstal, the steel giant. Air Liquide plans to build a second plant by the end of the year with an investment of 150 million euros.

Last month, Air Liquide launched an air separation unit in Tatarstan with the French Ambassador Jean de Glinasty in attendance. The unit will produce 200 tons of oxygen and nitrogen a day for industrial customers in the region as the company invests 35 million euros.

"With the latest development, Air Liquide will be able to expand its industrial merchant offer in this fast-growing area in Russia," said Guy Salzgeber, a member of the Air Liquide Executive Committee, "This investment is in line with the group's program of targeted investments in expanding industrial basins in developing economies."

The company's gases are not just in use in the metals industry. Air Liquide supplies gas to a glass company in Ryazan. "You need nitrogen and hydrogen to ensure a quality glass is produced," Ermolov said.

On a smaller scale, Air Liquide has a stake in Logika, a company in Zelenograd that supplies microelectronic companies, medical oxygen for hospitals and gases for small and medium-sized industrial companies such as "a welder who needs a few acetylene or oxygen cylinders."

Air Liquide invests heavily in research and development with eight such centers around the world and it is investing in Russia, too.

"We are working with research companies in Novosibirsk with the Khristianovich Institute of Theoretical and Applied Mechanics and with Tomsk High Current Electronic Institute," said Ermolov, "They develop unique technologies, which is interesting."

He added that there were also joint projects with a couple of companies in Skolkovo. XXI

French Food Companies

French food-production companies long ago moved into Russia and now hold dominant positions in their respective markets.

Danone, which produces yoghurt and dairy-based products like Actimel, Danissimo and Danakor, were one of the first foreign producers to come to Russia. In 1992, a branded store was open on Tverskaya Ulitsa and by 1995 a production factory had opened in Tolyatti, Samara region. In 2000 Danone opened a second factory in Lyubuchany, Moscow region. The plant currently produces about 290,000 tons of products every year. In 2010 Danone signed an agreement with local brand Unimilk to merge their dairy businesses in Russia and the CIS. They now lead the dairy product market in the region, occupying a 21 per cent share.

Lesaffre, the world's leading yeast-production company owns 35 factories in 23 countries across the world. Four of those factories are

located in Russia — in St. Petersburg, Moscow region, Voronezh region, Tula region and Kurgan region. In 1998 Lesaffre created the Russian arm of their company known as Saf-Neva. The company mainly supplies yeast to bakeries in industrial quantities but also has a range of products suitable for the consumer market.

Bonduelle, the world's leader in processed vegetables, opened an office in Russia in 1994, selling canned vegetables through a network of distributors and importers. In 2004, after a positive reception in Russia, Bonduelle opened a production plant in Krasnodar producing green peas and sweetcorn. Today Bonduelle sells more than 80,000 tons of canned and frozen vegetables. In March this year, plans were confirmed to acquire French cooperative group Cecab's 6,000-hectare farm located near to the production plant in Krasnodar with the intention of taking over Cecab's DAUCY and Globus brands of canned vegetables. XXI



Air Liquide has seven plants around Russia.

COURTESY OF AIR LIQUIDE

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