

Business in Russia – quo vadis?

31 March 2022

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Andreas Bitzi.

Founder/Managing Director

- 13 years of experience in consulting market in Russia, supporting foreign business
- Founded quality partners in 2017
- Track record in finance, tax & ERP in industrial companies and a leading global IT company
- Procurement, project & process analysis, optimization, financial planning & analysis, budgeting, tax planning, liquidity planning, project valuation, stock optimization, refinancing projects.
- Master of Science in business administration, University of Bern
- Passed level II of the Chartered Financial Analyst (CFA) Exam
- Languages: RU, EN, DE, FRA, ESP

External presence:

- Board Member + Russian Chapter Chair at JCC Joint Chambers of Commerce
- Chairman of the SME Committee of the Association of European Businesses (AEB)
- Deputy Chairman of the AEB in the Northwest
- Board Member + Chairman of the Compliance Committee at Russian-German Chamber of Commerce (AHK)
- Guest lecturer at Graduate School of Management on management and macroeconomics
- Frequent speaker at events on business in Russia with AEB, AHK, Gim-Unimpresa, Switzerland Global Enterprise, etc.



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Irina Saadueva.

Member of the Management Team, VP Legal & Tax

- Manages the legal Department of the company in Moscow and St. Petersburg
- Specializes in projects for localization of production in Russia, especially German, Swiss and Italian companies in the field of automotive, chemical production and pharma
- Expert in contract law with a focus on contractual manufacturing agreements, license agreements, distribution contracts
- Irina has eight years of experience in international companies in Russia, especially in the field of consulting services
- Dipl. Lawyer with specialization on contract law, family and inheritance law, graduated from law faculty of Humboldt University of Berlin (Germany)
- 3 colleagues under supervision in both legal and tax
- Languages: RU, EN, DE, ITA

External presence:

- Dep. Chairman of the Legal Committee at Russian-German Chamber of Commerce Northwest
- Coordinator of the subdivision in St. Petersburg of Association of Italian Business in Russia - GIM Unimpresa
- Speaker at committees and quality partners' seminars



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Business in Russia – Quo Vadis?

Content

- Factors to be considered
- Reduce your business
- Alternative logistics
- «Freeze» of activities
- Business via distribution partners rather than direct sales
- Management Buy-out
- Sale to third party
- Liquidation of legal entities

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Factors for consideration.

- Own conviction / decisions
- Psychological factors
- Reputation
- Sanctioned goods & services, counterparties, banks
- Compliance, overcompliance
- Countermeasures
- Economic development, outlook
- financing
- Logistics
- Loyalty to clients, partners, employees
- countermeasures

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Reduce business, reduce risk.

- Cautious approach in uncertain times
- Most simple variant without big organizational changes
- Often logistics issues, suppliers may be short of materials
- Watch payment terms, cash management, reduce FX risks
- Reduce unnecessary costs and any kind of investment
- Smaller office, remote work
- Reduce/stop marketing activities
- Dismiss staff or keep staff?
- Outsourcing of certain positions/functions

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Freezing activities.

- Hope for better times
- Empty shelves
- Terminate contracts where possible
- Terminate staff, minimise fixed costs
 - ✓ Legal address agreement / no office
 - ✓ Outsource general director, accounting, back office
- Good communication with clients, employees, partners to come back
- Opportunity to scale up anytime in the future or close down for good
- Expropriation risks

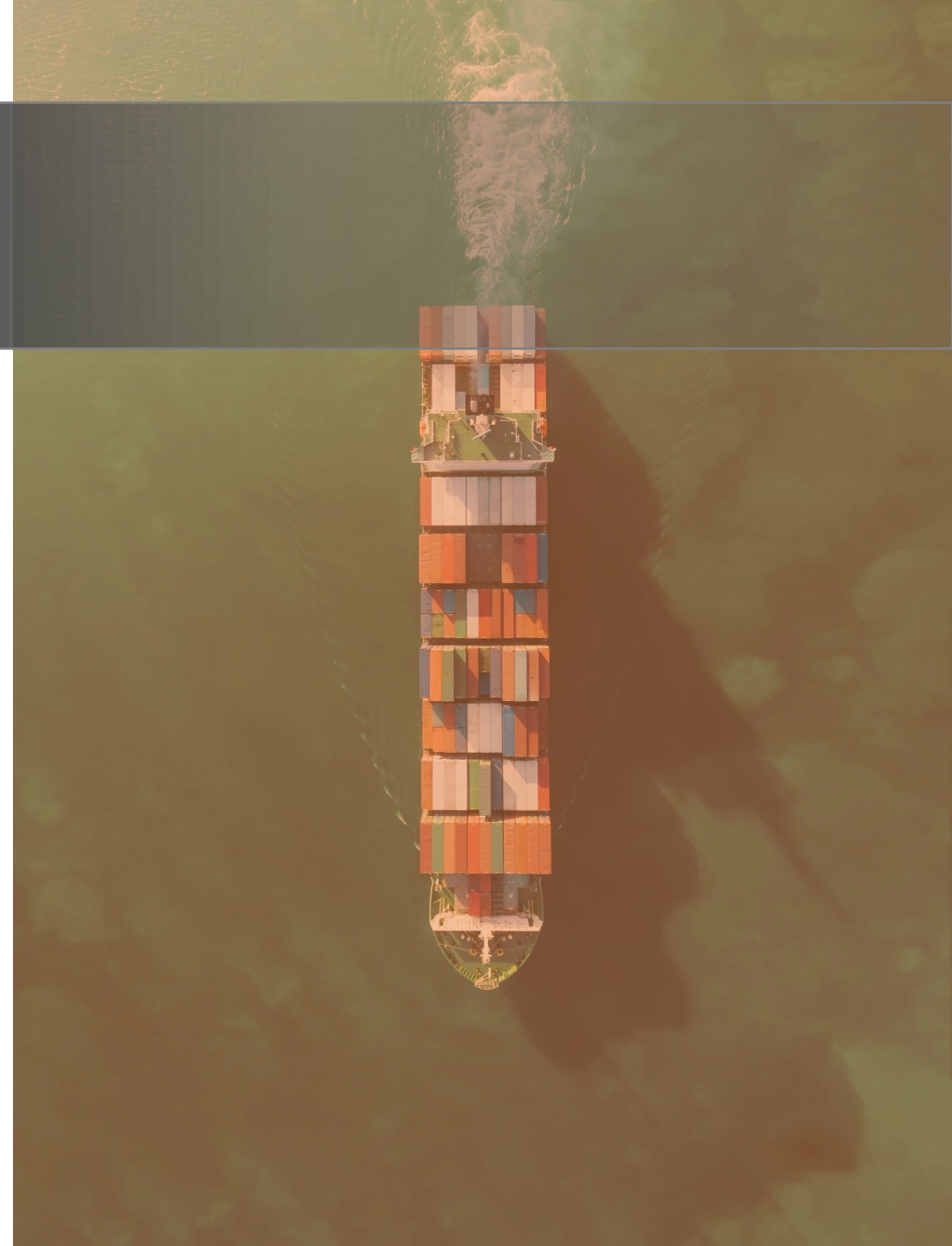
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Alternative logistics.

- Arno Coster, Ahlers



Sales via distribution partners.

- Out of direct sight
- Not being as visible on the market but continue sales into Russia
- Opportunity to get rid of logistics issues
- Distribution partner not necessarily under control (marketing, customs, trade marks, etc.)
- Avoid exclusivity in case of future comeback of own activities
- Losing client contact

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Sales via distribution partners.

- distributor is more than a wholesale intermediary
- positioning of brand through sales representatives
- protection of the trademark
- exclusivity concept



Management Buyout.

- Quick withdrawal for reputation reasons while the entity remains in the market and in good hands
- Opportunity for a re-purchase
- Currently in high demand
- Deliveries to continue
- Use of brand name, logos, etc. shall be decided upon

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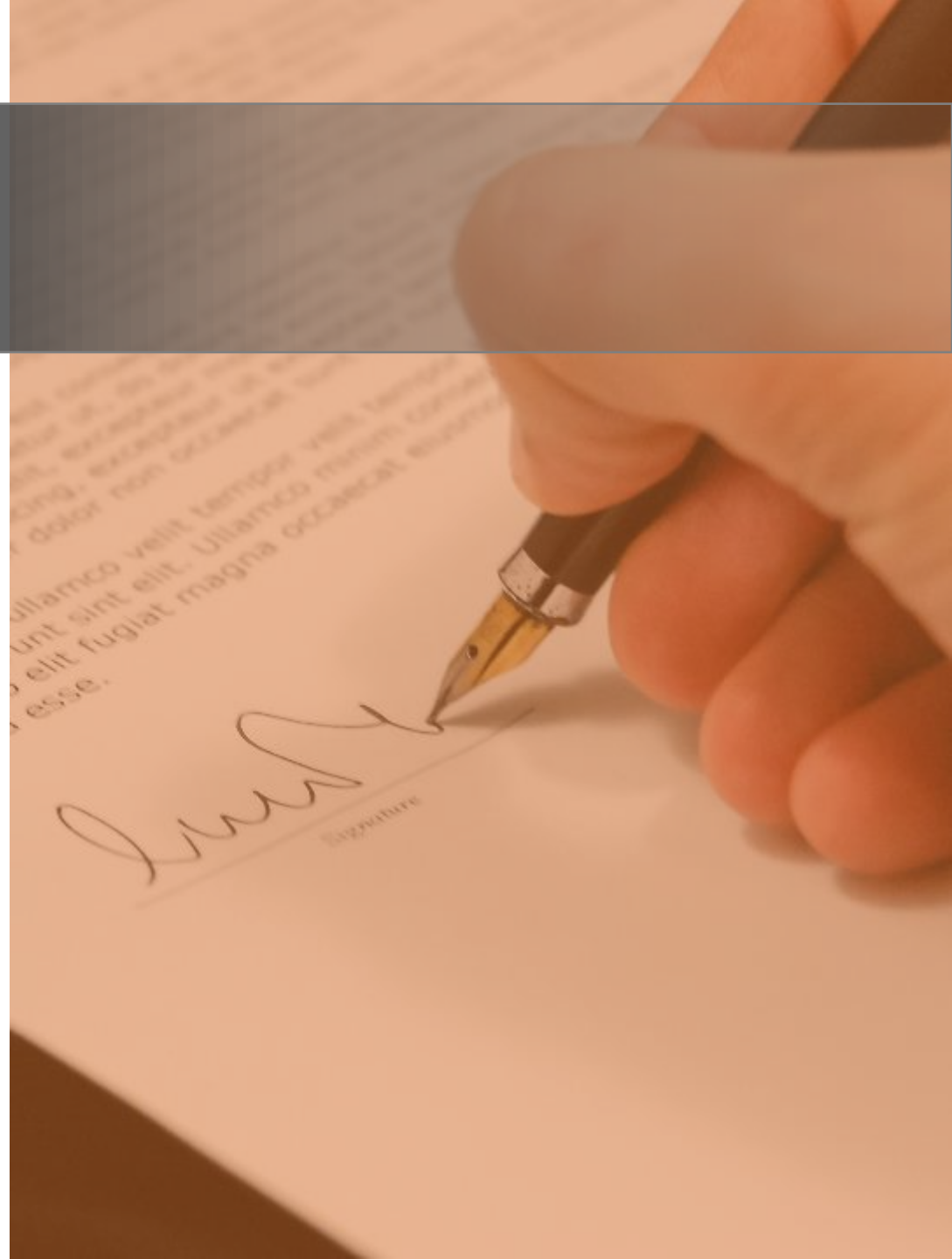
Management Buyout.

- **Corporate procedure under the Russian law**
 - ✓ share purchasing deal
 - ✓ withdrawal of the shareholders
- **share repurchasing agreement**
 - ✓ commercial conditions
 - ✓ irrevocable or revocable rights
 - ✓ jurisdiction
 - ✓ enforceability of court decisions?



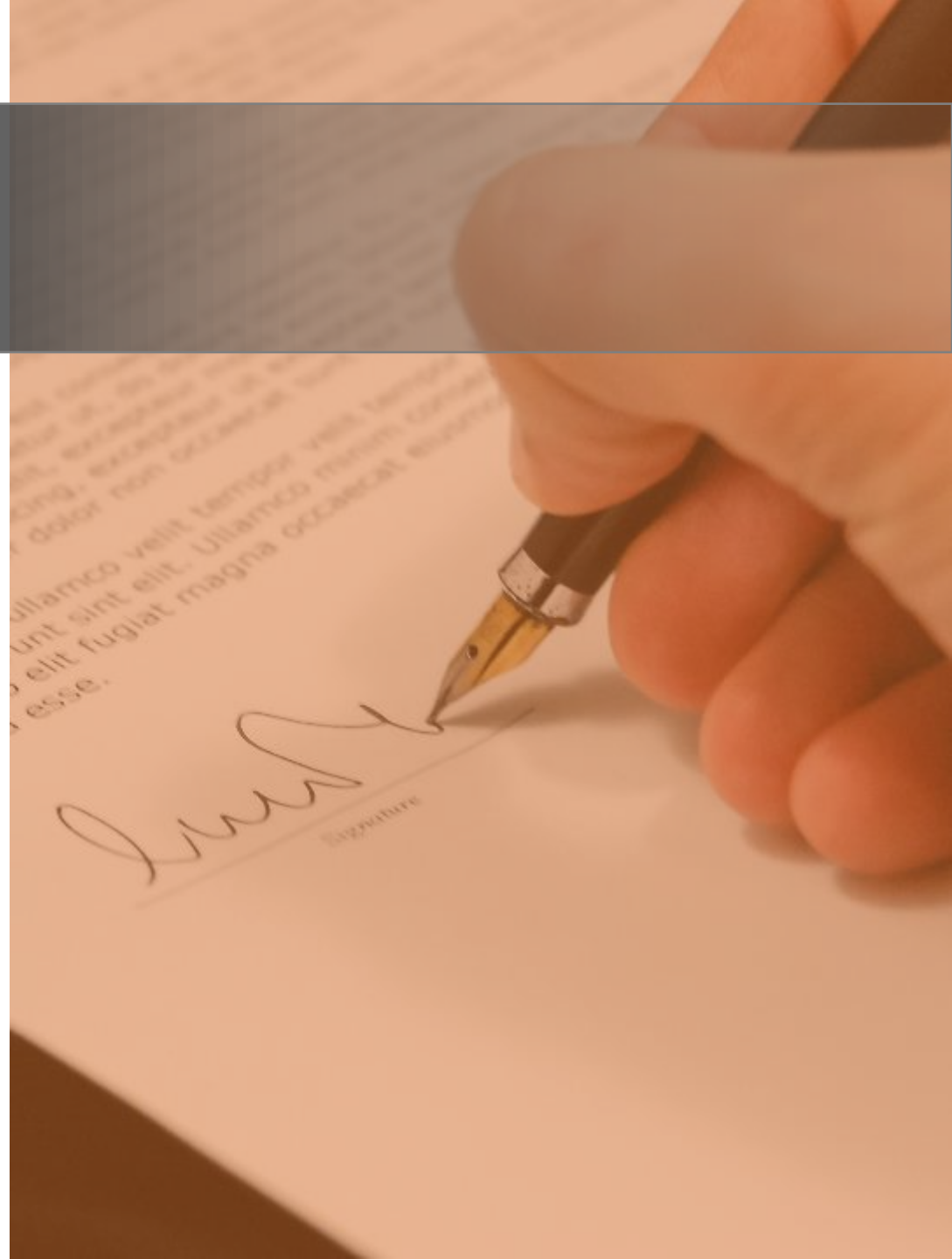
Sale to a third party.

- Exit forever?
- Complete loss of market, know-how, expertise
- Price may not be the best
- If you want to re-enter in the future, the purchaser may be your competitor



Sale to a third party.

- share purchasing deal
- price payment is problematic
- share repurchasing agreement?
- protection of trade mark



Liquidation & full exit.

- Goodbye – forever?
- Losing clients, employee and market expertise
- Criminal liability?
- Opportunities to get assets and equipment out of the country may be limited
- Liquidation process is long and expensive



Liquidation & full exit.

- about 9 months
- 4 stages
- full involvement of the shareholders
- direct payment of the remaining money in roubles



Other considerations, discussion.

- There is no general decision that fits for all – individual approach, assessment, decision
- How long will the conflict last?
- What if the conflict escalates?
- How long will Russia be considered toxic?
- How long are sanctions going to be in place in case of a peace agreement?
- Are more sanctions to come?



Thank you for your attention.



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