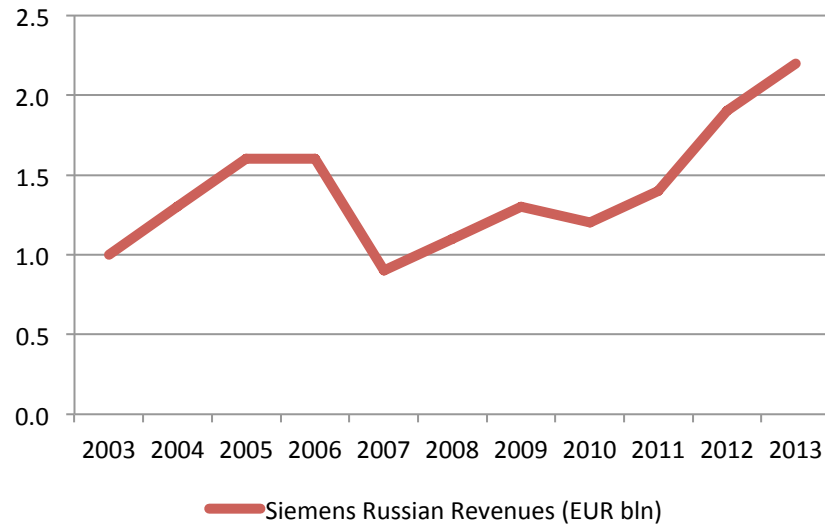


Russia Case Studies

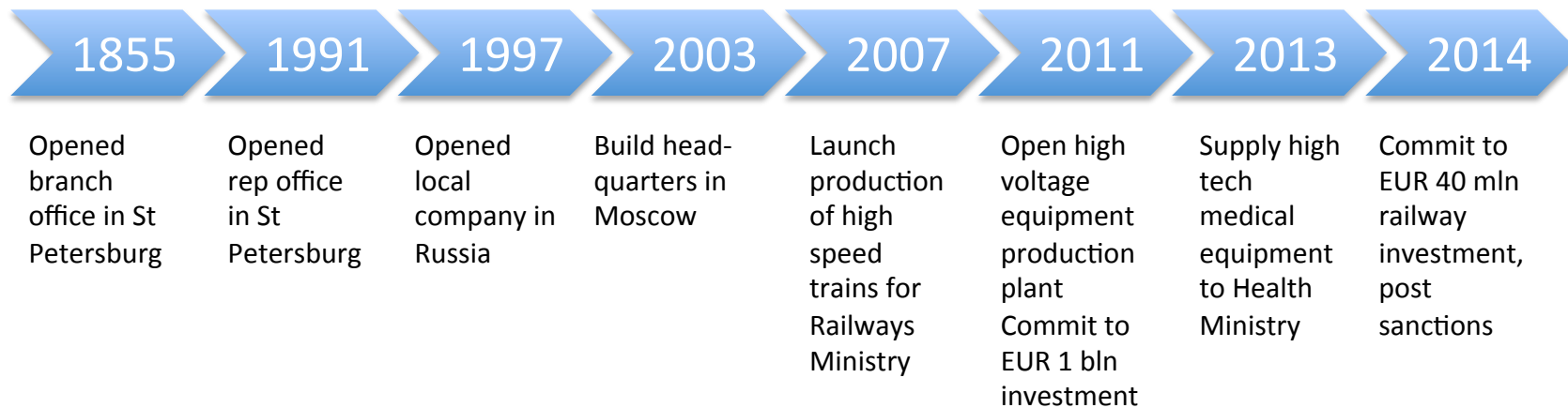
November 2014

Tom Adshead

Siemens



- Siemens CEO regularly meets Putin
- Frequent references to Siemens' pre-revolutionary presence in Russia (since 1855)
- Siemens continued to sell and build in the Soviet Union
- Criticism of sanctions, recent reaffirmation of commitment to Russia
- 2007: Siemens settles fines on accusations of bribery in Russia as part of a general global settlement with Swiss prosecutors



IKEA

Year	Total Sales (EUR bln)	% in Russia	Sales in Russia (EUR bln)	Stores in Russia
2011	24.7	<6%	<1.48	13
2012	27	6%	1.62	13
2013	27.9	7%	1.95	14

- Changed business model to include property development in Russia
- High profile scandals dealt with publicly
- High profile attracts direct intervention from government
- Own managers caught taking kickbacks from suppliers
- Willing to create public conflicts with local officials
- Regularly confirm long-term commitment to Russia
- Ex-manager tried to organise meeting between CEO and Putin and was told it would cost “\$5-10 million”



IKEA starts work on first store

First store opens

Further ten stores opened

IKEA announces freeze on new stores because of corruption

2 managers fired over electricity scandal

IKEA official accused of taking bribe for lease approval

IKEA criticised for logging practices in Russia

Office raided by police (Sept 12)
Announces plans to invest further EUR 2 bln (Sept 18)

Pepsi

Year	Total Sales (USD bln)	% in Russia	Sales in Russia (USD bln)
2008	43.2	1.4%	0.6
2009	43.2	2.3%	1.0
2010	57.8	3.3%	1.9
2011	66.5	7.1%	4.7
2012	65.5	7.5%	4.9
2013	66.4	7.4%	4.9

- Pepsi was available in the Soviet Union
- 2 major purchases:
- 75% of Lebedyansky for USD 1.8 bln (2.5x sales)
- WimmBillDann for USD 5.4 bln (2.3 x sales)
- Coke purchases in Russia: USD 0.5 bln and USD 1.0 bln
- No public Russia-related scandals or lawsuits



USSR agrees to allow Pepsi to sell in Russia

First Pepsi bottling line in USSR (Novo-rossiisk)

First Pepsi production line in Russia (Samara)

Purchase of Lebedyansky

Opening of bottling plant near Moscow

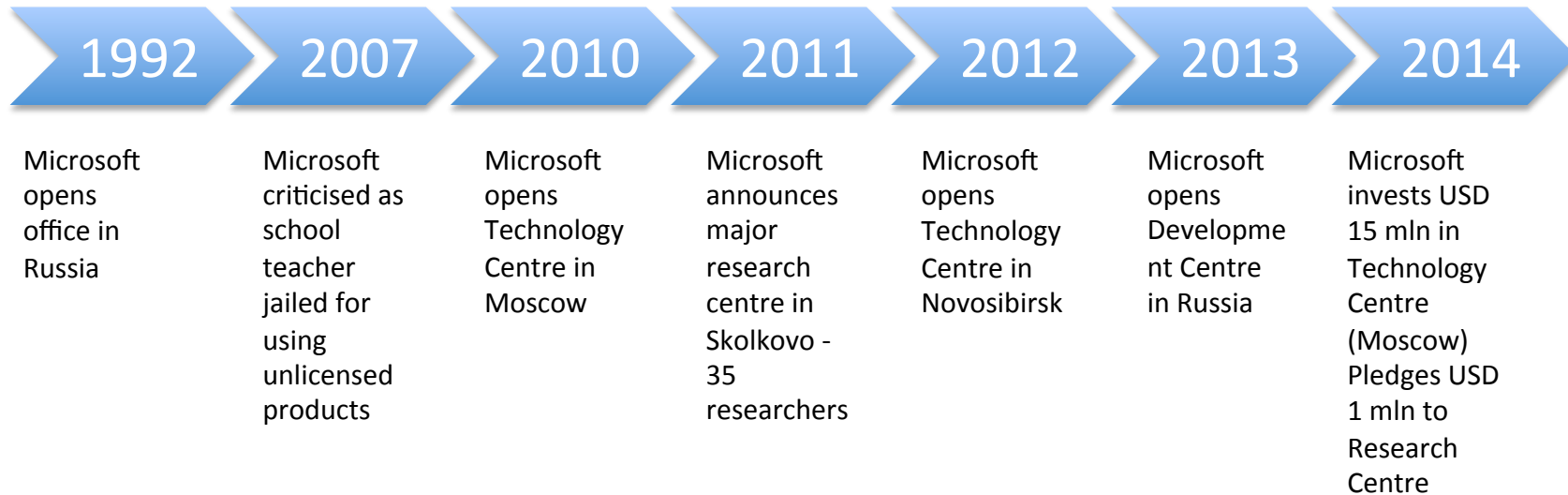
Pepsi launches Kvass brand

Purchase of Wimm-Bill-Dann

Pepsi CEO cancels attendance at St Petersburg forum

Microsoft

- Small footprint in country
- Have appointed high profile locals – Olga Dergunova (now Minister) and Nikolai Pryanishchnikov (ex senior VimpelCom)
- Only real scandal was schoolteacher prosecution, which they quickly disavowed
- No data on sales
- Focus of local development seems to be on Data Science and ERP products



Danone

	Total sales EUR bln	% of sales in Russia	Total sales in Russia EUR bln
2010	17	11%	1.87
2011	19.3	11%	2.123
2012	20.9	10%	2.09
2013	21.3	11%	2.343

- Company has invested a total of USD 1.8 bln in Russia
- Used blocking stake to force Pepsi to pay over the odds for Wimm-Bill-Dann (WBD)
- Merged Russian operations with Unimilk for about 2x sales
- Unimilk deal is one of the better examples of a succesful M&A deal, mainly because the company already had large Russian presence

