



Institute of World Economy and
International Relations (IMEMO)
of Russian Academy of Sciences



VALE COLUMBIA CENTER
ON SUSTAINABLE INTERNATIONAL INVESTMENT
A JOINT CENTER OF COLUMBIA LAW SCHOOL AND
THE EARTH INSTITUTE AT COLUMBIA UNIVERSITY

Russian multinationals continue their outward expansion in spite of the global crisis^{*}

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The Institute of World Economy and International Relations (IMEMO) of the Russian Academy of Sciences, Moscow, and the Vale Columbia Center on Sustainable International Investment (VCC), a joint undertaking of the Columbia Law School and the Earth Institute at Columbia University in New York, are releasing the results of their survey of Russian outward investors today. The survey is part of a long-term study of the rapid global expansion of multinational enterprises (MNEs) from emerging markets. The present survey, conducted in 2009, covers the period 2006-2008.

Several years ago Russia became one of the leading outward foreign direct investors in the world. Foreign assets of Russian MNEs began to grow very rapidly and only China, including Hong Kong, could be compared to Russia. As the results of our survey show, Russian non-financial MNEs have remained significant actors of world economy in spite of the global crisis that began in 2007. The foreign assets of the 20 leading Russian MNEs were about USD 118 billion at the end of 2008 (table 1).

Table 1. Ranking of 20 top Russian multinationals by their foreign assets, end of 2008 (USD million)

Rank	Name	Main industries	Foreign assets
1	LUKOIL	Extraction of oil & gas / refined petroleum products and chemicals / petroleum products retail	23,577
2	Gazprom	Extraction of oil & gas / gas distribution / electricity production	21,408
3	Severstal	Iron & steel / mining of metal ores and coals	~ 12,198 ^a
4	Evraz	Iron & steel / mining of metal ores and coals	11,196
5	RENOVA	Conglomerate	~ 8,500 ^a
6	Basic Element	Conglomerate (non-ferrous metals dominate)	~ 6,200 ^a
7	Novolipetsk Steel (NLMK)	Iron & steel / mining of metal ores	4,985
8	Sovcomflot	Sea transport	~ 4,642 ^a
9	Norilsk Nickel	Non-ferrous metals / mining of metal ores	4,600
10	VimpelCom	Telecommunications	4,386
11	Sistema	Conglomerate (telecommunications dominate)	3,804
12	TMK	Metal tubes	2,361
13	Mechel	Iron & steel / mining of metal ores and coals / electricity production	2,315
14	Zarubezhneft	Extraction of oil / refined petroleum products	~ 1,900 ^a

^{*} This report was prepared by an IMEMO team that was led by Prof. Alexei Kuznetsov, with Dr. Anna Chetverikova. It is based on a survey conducted in October – November, 2009. Research assistance was provided by Anna Gutnik, Sergei Khavronin, Ilya Darmanov, and Natalia Toganova.

15	INTER RAO UES	Electricity production and supply	1,374
16	Koks	Iron & steel / mining of metal ores and coals	1,073
17	Eurochem	Agrochemicals	1,015
18	ALROSA	Mining of diamonds / jewelry production and trade	860
19	OMZ (Uralmash-Izhora Group)	Electric power machines / iron & steel	714
20	FESCO	Sea and railway transport	~ 707 ^a
Total			117,815

Source: IMEMO-VCC survey of Russian multinationals.

^a The symbol ‘~’ indicates that the amount is an estimate by the IMEMO team. In these cases, company reports did not provide an exact official figure and the companies themselves either did not respond to the survey or asked the team to use its own estimates.

Their foreign sales were USD 266 billion and they had more than 190,000 employees abroad. The top 20 list includes state-controlled firms as well as private ones, although private firms under oligarchs’¹ control dominate. Resource-based MNEs form the clear majority, although there are a number of services firms as well. Successors of Soviet multinationals can be seen side by side with companies which began their internationalization only in the past few years. It is perhaps worth noting that, although the firms at the top of the list (LUKOIL and Gazprom) are much larger in asset size than most of the others, the list is nothing like as lopsided as some of the others published by the VCC this year. Only three of the 20 firms have less than USD 1 billion in foreign assets.

Profile of the 20 firms on the list

- **Growth of foreign assets.** Despite a significant decrease in their total assets, the 20 listed Russian MNEs showed some growth in foreign assets even during the global crisis. Thus, although there was a 7% drop in these MNEs’ *total* assets between 2007 and 2008, there was a 13% rise in their *foreign* assets over the same year (table 2). If one takes the period 2006-2008, the rise was far larger: 79%. (For details of foreign asset changes in individual companies, see annex table 6.)
- **Foreign sales expansion.** With rare exceptions, all Russian MNEs are large exporters. Export revenues usually supply the necessary finance for Russian investments abroad. At the same time, the turnover of new foreign subsidiaries increases the total volume of the foreign sales² of Russian MNEs. Moreover, in many cases, foreign direct investment (FDI) supports exports. The foreign sales of the 20 MNEs on the list increased by 58% between 2006 and 2008 to USD 266 billion, at a slightly higher rate than the growth of total sales (table 2).
- **Continued growth in foreign employment.** The 20 MNEs on the list had begun significant domestic staff reductions even before the peak of the crisis in 2009, but their foreign employment grew not only in 2007 but also in 2008. It should be noted that the employment statistics of Russian MNEs are less than transparent and that this is probably not an accident.

¹ The chosen ways of privatization in Russia did not reduce a high level of monopolization in the Russian economy. A number of persons founded financial and industrial groups that came to control the principal Soviet industrial assets. These billionaires are usually both the main owners and the top managers of large companies within their conglomerates. Russians usually call such persons “oligarchs” on account of the special relations they established with the federal government in the 1990s.

² Foreign sales of Russian multinationals consist of exports from their Russian affiliates and total sales of their foreign affiliates (excluding their exports to Russia).

Although Russian trade unions are weak, the government is most anxious about unemployment, especially during the economic crisis.

- **Development of transnationalization.** All components of the listed MNEs' *transnational index (TNI)* increased during 2007-2008. The aggregate TNI for these companies is 34%, which hides large variations among the components. Thus, while the share of foreign sales in total sales is 70%, the share of foreign assets in total assets is only 21% and the share of foreign employment in total employment is even lower at 11%. It is also important to note that several large Russian companies begin making their first outward investment foray every year. As a result, almost all Russian large industrial and service companies will probably become multinationals in a short while.

Table 2. Overview of the 20 listed Russian MNEs, 2006-2008

Variable	2006	2007	2008	% Change, 2006-2008
Assets, USD billions				
Foreign	66	104	118	+ 79%
Total	422	610	569	+ 35%
Share of foreign in total (%)	16%	17%	21%	
Sales, USD billions				
Foreign	168	214	266	+ 58%
Total	246	314	380	+ 54%
Share of foreign in total (%)	68%	68%	70%	
Employment, millions				
Foreign	0.11	0.17	0.19	+ 73%
Total	1.73	1.78	1.72	- 1%
Share of foreign in total (%)	6%	10%	11%	

Source: IMEMO-VCC survey of Russian multinationals.

- **Distribution by industry.** Companies in the oil & gas, steel, and non-ferrous metals sectors control the majority of Russian foreign assets (annex figure 1). These industries represent the areas of Russian specialization in the world economy. However, many other Russian industries have also begun investing abroad. Companies in machinery, chemicals, electricity supply, transport, and telecommunication are also to be found on the list of the top 20. Many other MNEs, too small to make it on to the list, are to be found in such industries as retail, food, building materials, and paper.
- **Types of Russian MNEs.** It would be a misleading simplification to divide Russian MNEs only into state and private companies, among other things because of some of the unusual features of privatization in the 1990s and the special problems of creating a competitive business environment in the Russian Federation. In reality, the situation is quite complex. Among state-controlled firms, one can find both effective and market-oriented companies and clumsy giants that could hardly function without state backing. Similarly, among privately owned firms, there are both dynamic business groups and rent-seeking empires of the oligarchs. Although nowadays it is mainly the classic MNEs that dominate among leading Russian multinationals, some companies with significant foreign assets do have features of other types. For example, Zarubezhneft and, in some aspects, Gazprom can be seen as successors of Soviet MNEs. There are a lot of questions around Gazprom, which

bears the stigma of being the Kremlin's arm. Most of its foreign assets consist of current assets (as against fixed assets) because Gazprom is a large exporter of resources. It has also invested heavily in the development of new export and distribution infrastructure because some transit countries in Eastern Europe are unreliable partners. Then there are companies which exploit transnational economic ties within the old Soviet area – INTER RAO UES and perhaps Eurochem. Sovcomflot and FESCO, with their fleets in Cyprus and some other countries that offer flags of convenience, have some of the features of pseudo-MNEs. The steel firms Severstal, Evraz and NLMK prefer to invest in the most developed markets but nobody knows exactly whether they have assets-seeking strategies and intend to transfer new technologies into their Russian enterprises, or whether their investment is only a new form of legal 'capital flight'.

- **Drivers.** The motives of Russian outward investment also vary significantly. The typical outward FDI motives of Russian MNEs are the search for markets and resources. Their investment can also be strategic-assets-seeking but it is rarely efficiency-seeking. Sometimes, it is driven as well by image-building or insurance motives. Illustrations of various FDI motives can be seen in top Russian outward deals (see annex table 3). For example, Norilsk Nickel and ALROSA have been trying to broaden their resource bases, while LUKOIL, VimpelCom and Sistema have been trying to strengthen their positions in foreign markets, and RENOVA trying to acquire modern foreign technologies for use in Russia.
- **Capital markets.** The shares of only six companies from the top 20 list are not listed on any stock exchange. The most popular stock exchanges are the Russian RTS and MICEX, but shares or ADR / GDR of some Russian multinationals can be bought also on the LSE (nine companies), the FSE or other German stock exchanges (four companies) and the NYSE (VimpelCom and Mechel) – see annex table 2.
- **Localization.** Almost all companies on the list have either their head office or their second principal office in Moscow. However, several head offices are situated in other cities and towns, viz., Cherepovets in the Vologda Region (Severstal), Lipetsk (NLMK), St. Petersburg (Sovcomflot), Kemerovo (Koks), Mirny in the Republic of Sakha (ALROSA) and Vladivostok (FESCO) – see annex figure 2. Some companies have their head offices in the Russian capital but they are not registered formally in Moscow (for example, Norilsk Nickel in Dudinka in the north of Krasnoyarsk Krai and Evraz in Luxembourg, i.e. abroad).
- **Local management.** In all 20 companies, the CEO is a Russian citizen. Moreover, there are no foreigners among top managers in several Russian MNEs. Foreigners have a majority on the board only of VimpelCom, while their share is 50% on the boards of Severstal and Eurochem. Several companies have no foreigners on their board (annex table 2).
- **Acquisitions versus greenfield projects.** The rapid growth of Russian assets abroad is powered mainly by cross-border acquisitions of large companies in steel and non-ferrous metal industries. There are some significant greenfield projects but brownfield investments are more popular. Russian companies usually take over cheap old plants or new service companies and then make huge investments in their development – see annex tables 3 and 4.
- **The geography of Russian MNEs.** Nowadays some Russian MNEs have affiliates almost all over the world. For example, the largest Russian multinational LUKOIL has subsidiaries in the main industries of its specialization in 35 countries, as well as some service and financial affiliates in several additional countries. Nevertheless, the effects of neighbourhood and cultural ties are still evident in the geographical distribution of Russian

assets abroad. For instance, the foreign production of Koks is concentrated in Slovenia, while OMZ owns foreign plants only in the Czech Republic. At the end of 2008, Russian MNEs on the list had 49% of their foreign assets in Western and Central Europe. The share of the CIS was 23% and the share of North America was 17% (annex figure 3 and annex table 5). As far as other regions are concerned, Russian investors still seem wary – for example, of Latin America, which is seen as a far-away underdeveloped region, with institutional barriers such as the lack of bilateral double taxation and investment treaties. Many African countries are also *terra incognita* for Russian multinationals, although Angola is the main field of ALROSA's foreign expansion while non-ferrous metal producers have subsidiaries in parts of West Africa and Southern Africa. India has already attracted Sistema, while China has received small investments from a few companies (see annex box 1).

The big picture

The investment expansion of Russian companies dates from the beginning of the twentieth century, mainly in satellites of the Russian empire (for instance, in Persia) but some affiliates were founded in Western countries. For example, the oldest Russian company abroad is the Moscow Narodny Bank in London (nowadays VTB Capital plc.). It was in 1919 as a successor to a bank of Russian cooperators, established in 1912, and then this bank became a subsidiary of Vneshtorgbank (see box 1). After the Bolshevik Revolution of 1917, the internationalization of Russian business came to an abrupt end. Only a few Soviet multinationals appeared, given the absence of a market economy, ideological barriers at home and political barriers abroad. There were several service companies (mainly in developed countries) which supported Soviet exports and several mining enterprises (especially in Vietnam and Mongolia). Despite terrible social consequences (collectivization of rural society, political repressions and so on), the industrial power of the Soviet Union grew significantly and new competitive advantages appeared. According to recent estimates by IMEMO, GDP per capita in the Russian Soviet Federal Socialist Republic, in purchasing power parity terms, was USD 13,000 in 1990 (in 2005 dollars), which was about 40% of the US level and just over 50% of German, Italian or French levels. Thus there was a great latent capacity for internationalization in the USSR.

In the 1990s Russian output fell substantially. However, after the difficult post-communist reforms the rapid growth of the Russian economy finally began. During the privatizations of the 1990s, large private industrial groups and conglomerates were established on the basis of famous Soviet giants in oil, steel, non-ferrous metals and some other industries. Some industries remained mainly under state control but also became more market-oriented. As a result, all competitive sectors of the Russian economy started internationalizing. In the 2000s, the major Russian exporters acquired the financial resources to narrow the large gap between Russia and other European countries in the level of outward FDI. In recent years, the majority of competitive Russian companies have become real MNEs (see annex table 1).

Box 1. Russian transnational banks

Our report does not cover financial services. Moreover, the Russian banking sector is not globally competitive. Nevertheless, an internationalization process can be seen in the Russian financial sector as well. For example, all five leading banks (as well as some other Russian financial institutions) have foreign subsidiaries or affiliates in several countries:

1. Sberbank owns subsidiaries in Kazakhstan (since 2006) and Ukraine.
2. VTB (former Vneshtorgbank) works in 18 countries: the UK, France, Germany, Cyprus, Austria, Namibia, Angola, Ukraine, Georgia, Belarus, Armenia, Azerbaijan, Kazakhstan, Singapore, India, China, Vietnam and (since the beginning of 2009) the UAE. Banks in London (since 1919), Paris (since 1925), as well as in Germany, Cyprus and Austria originally belonged to Vneshtorgbank of the USSR, which was transformed into Vnesheconombank (VEB) in 1988.
3. Gazprombank has business in Belarus (since 1998), Armenia and Switzerland.
4. Alfa-bank has established banks and financial companies in the Netherlands (since 1994), USA, UK and Kazakhstan.
5. The Bank of Moscow has founded subsidiaries or taken over local banks in Belarus (since 2000), Ukraine, Latvia, Estonia and Serbia.

Sources: Banks' annual reports.

The specialization of Russian MNEs – with their focus on oil & gas, steel, and non-ferrous metals – is best explained by the history of Russian large-scale forced industrialization, which occurred mainly from the 1930s to the 1950s, and the lopsided nature of scientific and technical progress in the Soviet Union, with its focus on defense-related activities. As a result, competitive industries are today mainly those related to natural resources and the development of military, nuclear and aerospace technology. The top 20 list has many examples of natural-resource-based companies. Finally, some other latent possibilities were realized in mass telecommunication in the 1990s, as a consequence of which VimpelCom and Sistema are among the top 20 Russian MNEs listed, as well as OMZ with its nuclear machinery plants. The possibilities of investment expansion for defense-related or aerospace activities are naturally limited. Nevertheless, there is the Military-Industrial Corporation NPO Mashinostroyeniya, which owns 49.5% of the joint venture BrahMos in India. Another example is the S.P. Korolev Rocket and Space Corporation Energia, which has its main foreign assets in California, Kazakhstan and launch sites in the Pacific Ocean. Although these assets are substantial, they are not large enough to bring these companies into the top 20 list, as well as the leading Russian MNE in traditional civil machinery Concern Tractor Plants (foreign assets of this company are USD 194 million).

The comparison of foreign assets with FDI data is difficult. For one thing, foreign assets can be financed from sources other than FDI; for another, FDI statistics can include not only FDI proper but also pseudo-FDI via offshore jurisdictions. Thus, in discussing Russian investment expansion, one needs to take separately into account both foreign assets data and FDI data, the latter of which can be found in the Central Bank's publications (see annex table 5). It can be seen that Russian FDI outflows in the second half of 2008 were smaller than in the first half of the year but there is clear growth in comparison with 2007. In 2009, the influence of the global crisis is stronger but FDI expansion continues, although at a slow pace.

Some additional comments on the country destinations for Russian outward FDI might be appropriate. Cyprus is the main offshore jurisdiction for Russian MNEs and its investment relations with Russia are strongly dependent on the whole situation in Russian and the world economy. The United Kingdom and Netherlands are also very popular for Russian pseudo-FDI, along with many other small offshore centers. The United States and Canada, on the other hand, have become the

main recipients of real Russian FDI (especially from the steel industry), while Ukraine and Germany have become less important. In Belarus, Gazprom is the only significant Russian investor. India and the UAE are rather new areas for Russian business interests, while Uzbekistan and Armenia, as well as the Czech Republic and Bulgaria, are the best examples of the neighborhood effect and the role of cultural ties in outward investment.

Finally, the global financial and economic crisis has not left Russian multinationals unaffected but the consequences have not been severe, as one can see by looking at outward FDI flows in annex figure 4. When it comes to outward stock, there was indeed a significant decline in 2008 (annex figure 5). But the main reason was a decline in asset prices; there were very few significant divestments. Moreover, during the first six months of 2009, for example, LUKOIL spent USD 1,565 million for acquisitions abroad and invested USD 661 million in the development of its foreign subsidiaries. In February, the company spent about USD 1,050 million for finishing the ISAB deal in Italy, while in April it made the second payment (USD 150 million) for almost 700 petroleum stations, some infrastructure items and a small plant in Turkey (the Akpet deal). In February, Gazprom became the owner of 51% of the equity in Serbian NIS with its two refineries (its investment was about USD 560 millions) and increased its share in Beltransgas to 37.5% for USD 625 millions. On the other hand, the metal giants (especially Norilsk Nickel and Rusal from the conglomerate of Basic Element) suffered the first consequences of the global crisis, made some divestment or postponed their new deals in 2009. Severstal, NLMK, and some other steel companies, however, were more successful in their foreign expansion. The same is true of Russian MNEs in telecommunications, as VimpelCom and MTS (from the conglomerate Sistema) are expanding their business into new emerging markets in 2009. Thus, all in all, the global crisis has not been destructive for Russian multinationals.

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Emerging Markets Global Players (EMGP) Project

The IMEMO ranking of Russian multinational enterprises was conducted in the framework of the Emerging Market Global Players (EMGP) Project, a collaborative effort led by the Vale Columbia Center on Sustainable International Investment (VCC). It brings together researchers on FDI from leading institutions in emerging markets to generate annual ranking lists of emerging market MNEs. For further information visit <http://www.vcc.columbia.edu>, or contact vcc@law.columbia.edu.

Institute of World Economy and International Relations (IMEMO) of the Russian Academy of Sciences

The Institute of World Economy and International Relations (IMEMO) was established in 1956 as a successor to the Institute of World Economy and Politics which had existed from 1925 to 1948. It is the leading Russian research center in the field of world development and one of the world's 50 leading think tanks, according to a special global survey of institutions focusing on public policy, economics, social issues, security and ecology. The Institute is a non-profit organization which acts within the Charter of the Russian Academy of Sciences. For many years, research carried out by IMEMO has served as a reliable basis for political decision-making. At the same time, IMEMO takes an independent and uncommitted position in its research. The Institute employs approximately 400 researchers, including several members of the Russian Academy of Sciences and more than 260 Professors and Ph.D.s. IMEMO has eleven research centers and several research departments, including the Center for Industrial and Investment Studies, the Center for European Studies, the Center for Research in Transitional Economies, et al. Since December 2006, the Institute has been directed by Academician and professor of economics Alexander Dynkin. For more information, see <http://www.imemo.ru>.

Vale Columbia Center on Sustainable International Investment

The Vale Columbia Center on Sustainable International Investment (VCC), headed by Dr. Karl P. Sauvant, is a joint undertaking of the Columbia Law School and The Earth Institute at Columbia University. It seeks to be a leader on issues related to FDI in the global economy, paying special attention to the sustainability dimension of this investment. VCC focuses on the analysis and teaching of the implications of FDI for public policy and international investment law. Its objectives are to analyze important, topical and policy-oriented issues related to FDI, develop and disseminate practical approaches and solutions, and provide students with a challenging learning environment. For more information, see <http://www.vcc.columbia.edu>.

Annex 1

Annex table 1. Ranking of the 20 Russian MNEs listed, key variables, 2008
(USD million and thousands of employees)

Rank	Company	Assets		Sales		Employment		TNI
		total	foreign	total	foreign	total	foreign	
1	LUKOIL	71,461	23,577	107,680	87,677	152.5	23.0	32
2	Gazprom	284,047	21,408	123,150	79,412	376.3	~ 8.0 ^a	25
3	Severstal	22,480	~ 12,198 ^a	22,393	13,514	92.0	~ 14.0 ^a	43
4	EvrAZ	19,448	11,196	20,380	12,805	134.0	29.5	47
5	RENOVA	~ 20,000 ^a	~ 8,500 ^a	~ 17,000 ^a	9,150	~ 100.0 ^a	31.2	<i>n.a.</i>
6	Basic Element	~ 20,000 ^a	~ 6,200 ^a	21,400	<i>n.a.</i>	~ 300.0 ^a	<i>n.a.</i>	<i>n.a.</i>
7	NLMK	14,065	4,985	11,699	7,138	70.1	5.9	35
8	Sovcomflot	5,727	~ 4,642 ^a	1,634	<i>n.a.</i>	5.0	~ 1.0 ^a	<i>n.a.</i>
9	Norilsk Nickel	20,823	4,600	13,980	10,355	88.0	3.9	34
10	VimpelCom	16,760	4,386	6,115	1,520	38.4	10.3	26
11	Sistema	29,159	3,804	16,671	3,983	80	11.0	17
12	TMK	7,071	2,361	5,690	2,302	48.5	4.1	27
13	Mechel	12,010	2,315	9,951	4,609	83.1	7.9	25
14	Zarubezhneft	2,433	~ 1,900 ^a	774	<i>n.a.</i>	2.6	0.7	<i>n.a.</i>
15	INTER RAO UES	3,467	1,374	2,358	1,594	~ 15.0 ^a	~ 13.0 ^a	65
16	Koks	2,817	1,073	2,609	2,091	24.6	3.5	44
17	Eurochem	4,162	1,015	3,818	3,168	21.5	1.1	37
18	ALROSA	9,553	860	3,100	1,472	38.1	3.1	22
19	OMZ	1,275	714	1,175	588	16.5	1.1	38
20	FESCO	2,164	~ 707 ^a	1,247	75	10.1	~ 1.0 ^a	16

Source: IMEMO-VCC survey of Russian multinationals.

^aThe symbol ‘~’ indicates that the amount is an estimate by the IMEMO team.

Annex table 2. Supplementary indicators of Russian MNEs

Company	Stock exchanges (shares, ADR and GDR)	Foreigners of board, 31.12.2008	CEO na- tion- ality	Govern- ment control	Number of countries with foreign affiliates in main industries of specialization
LUKOIL	RTS, MICEX, LSE, FSE & other German exchanges	20%	RUS	–	35
Gazprom	MICEX, LSE + RTS, IXSP, FSE	10%	RUS	50.002%	22 (without Wintershall AG)
Severstal	RTS, MICEX, LSE	50%	RUS	–	11
Evraz	LSE	40%	RUS	–	6
RENOVA	–	–	RUS	–	5
Basic Element	–	n.a.	RUS	–	19
NLMK	RTS, MICEX, LSE	33%	RUS	–	6
Sovcomflot	–	14%	RUS	100%	4
Norilsk Nickel	RTS, MICEX, LSE, BBSE	15%	RUS	–	5
VimpelCom	RTS, NYSE	56%	RUS	–	8
Sistema	RTS, MICEX, LSE	30%	RUS	–	11
TMK	RTS, MICEX, LSE	30%	RUS	–	3
Mechel	RTS, MICEX, NYSE	22%	RUS	–	4
Zarubezhneft	–	–	RUS	100%	4
INTER RAO UES	RTS, MICEX	–	RUS	66.3%	7
Koks	RTS, MICEX	–	RUS	–	1
Eurochem	–	50%	RUS	–	2
ALROSA	–	–	RUS	91.9% (federal: 50.9%)	3
OMZ	RTS, MICEX, LSE, BBSE & other German exchanges	11%	RUS	–	1
FESCO	RTS, MICEX	22%	RUS	–	10

Source: IMEMO-VCC survey of Russian multinationals.

Annex table 3. Top Russian outward acquisitions, 2006-2008

Rank	End of acquisition	Acquirer name	Target name	Target industry	Target country	Real payment and deal value, USD million ^a	% of shares
1	2007, June & Aug.	Norilsk Nickel	LionOre Mining	Mining of ores	Australia, Botswana, S. Africa	5,865	100
2	2008, June	Evraz	IPSCO Inc.	Iron & steel	Canada (US part was resold to TMK)	4,250 (2,450 in Canada, the rest was resold to TMK till 2009, Jan.)	100
3	2007, Jan.	Evraz	Oregon Steel Mills	Iron & steel	USA	2,276	100
4	2008, April & Sept.	Evraz	Palmrose	Iron & steel, coke and mining of ores	Ukraine	2,108	100
5	2006, July (first payment)	RENOVA	Oerlikon	High-tech	Switzerland	More than 1,500 (from stock exchange)	44,7
6	2008, Oct.	Mechel	Oriel Resources	Mining of ores	UK	1,440 (assets in Kazakhstan and Russia)	100
7	2007, June & 2008, Feb.	Gazprom	Beltransgas	Gas transportation	Belarus	1,250 The total for 50% will reach US \$ 2,500 million in 2010	25
8	2007, Dec.	Gazprom	Wintershall Gas GmbH	Gas supply	Germany	1,218 (change of assets with BASF)	15
			Wintershall AG	Gas production			49
9	2008, Aug.	Severstal	Esmark	Iron & steel	USA	978	100
10	2008, Nov.	Severstal	PBS Coals	Mining of coal	USA	877	100
11	2006, Dec.	NLMK	Steel Invest and Finance	Iron & steel	Italy, USA, France, Belgium	805	50
12	2008, May	Severstal	Sparrows Point	Iron & steel	USA	770 (originally 818)	100
13	2008, Dec.	LUKOIL	ISAB	Oil refinery	Italy	762 (1 st payment) The whole sum of 1,811 was paid in 2009	49
14	2007, Oct.	RENOVA	Sulzer	Machinery	Switzerland	720	31,2
15	2007, March	RENOVA	Energetic Source	Electricity	Italy	700	80
16	2008, March	LUKOIL	SNG Holdings	Gas production	Uzbekistan	578	100
17	2006, Nov. & 2007, Apr.	Vimpel-Com	ArmenTel	Telecommunications	Armenia	501	100
18	2008, July	Severstal	WCI Steel	Iron & steel	USA	443	100
19	2007, June	LUKOIL	376 stations of Conoco-Phillips	Petroleum marketing	Seven European countries	442	100
20	2008, Jan.	Evraz	Claymont Steel	Iron & steel	USA	420	100
Total						27,900 (approximate)	

Sources: M&A Journal Database (<http://www.ma-journal.ru>) and information from annual and financial reports of companies.

^a Without acquisitions of 30% Strabag's shares (USD 1 700 million) and 18% Magna's shares (USD 1 500 million) by Basic Element, because in 2007 borrowed means were used and both stakes were sold during the crisis.

Annex table 4. Major recent Russian outward greenfield and brownfield^a investments

Years	Company	Country	Value at the end of 2008, USD million	Project
2007-2015	Sistema	India	367 (including 103 for first 51% of shares) + guarantees (additional 520) <i>(~ 5,500 total planned)^b</i>	Development of mobile communications in India within former Shyam Telelink
2004-2009	INTER RAO UES & Russian Government	Tajikistan	More than 500	Construction of Sangtudin-1 hydroelectric power station
2005-2007	Severstal	USA	462	Construction of steel plant SeverCorr in Columbus
2007-2010	Magnitogorsk Iron & Steel Works	Turkey	More than 200 <i>(~ 550 – 1,100 total planned)^b</i>	Construction of two steel works and infrastructure by joint company MMK Atakaş (first objects were ready in 2008)
Since 2002	Sistema	Belarus	237 (including 161 in 2006-2008)	New mobile company MTS-Belarus, where Sistema has 49% of equity
Since 2004	LUKOIL	Saudi Arabia	227	Exploration of gas fields (control over 80% of LUKSAR). Investments can be significantly increased for gas production
Since 2005	ALROSA	Angola	209	LUO-project for mining of diamonds (ALROSA has 45%)
2005-2011	Gazprom	Austria	More than 100 <i>(~ 350 total planned)^b</i>	Construction of 2 blocs of gas-holder Heidach (first one was ready in 2007)
2006-2010	Metalloinvest	UAE	<i>~ 100^b</i> <i>(160 – 200 total planned)</i>	Construction of steel plant Hamriyah Steel
Since 2002	LUKOIL	Colombia	98	Exploration of Kondor oil fields

Sources: Press releases, and annual and financial reports of companies.

^a The first two projects are cases of a kind of brownfield FDI that is a wide-spread phenomenon in emerging markets, in which a multinational buys a weak local company (or a part of it) to receive an entry ticket to the local market and then begins to build what is in effect a new plant. Thus, in the first project in the table, Sistema took over an Indian company that did not have a mobile network and began to build one. All projects in the table other than the first two are classic greenfield FDI.

^b The symbol ‘~’ indicates that the amount is an estimate by the IMEMO team.

Annex table 5. Destinations of non-financial FDI outflows from Russia (USD million)

Rank	Destination	Jan.– June 2007	July – Dec. 2007	Jan.– June 2008	July – Dec. 2008	2007-2008
1	Cyprus	10,775	3,856	7,836	- 409	22,058
2	Netherlands	9,170	3,332	1,234	1,384	15,120
3	USA	330	644	6,307	1,369	8,650
4	UK	1,100	1,354	4,502	970	7,926
5	Canada	13	168	57	6,667	6,905
6	Bermuda	1,049	1,639	1,927	2,141	6,756
7	Switzerland	404	1,001	1,155	1,305	3,865
8	Luxembourg	516	- 19	1,365	1,235	3,097
9	Ukraine	491	1,111	530	234	2,366
10	Germany	253	420	944	457	2,074
11	Gibraltar	309	578	419	538	1,844
12	Belarus	707	58	708	- 37	1,436
13	UAE	44	857	126	114	1,141
14	Uzbekistan	307	47	201	186	741
15	Spain	92	167	202	256	717
16	Cayman Islands	25	28	- 47	647	653
17	Czech Republic	76	172	177	141	566
18	Bulgaria	58	110	164	224	556
19	Armenia	101	168	38	240	547
20	Ireland	147	80	149	143	519
21	Austria	87	143	92	161	483
22	France	115	143	85	132	475
23	Turkey	32	151	147	125	455
24	Hungary	15	- 27	450	12	450
25	India	0	13	443	- 43	413
Top 25		26,216	16,194	29,211	18,192	89,813
Total		27,462	17,749	31,190	19,550	95,951

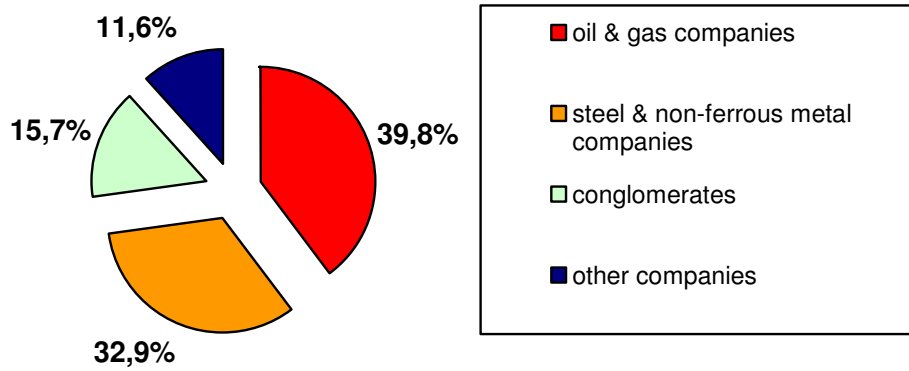
Source: Central Bank of Russia.

Annex table 6. Development of Russian companies' internationalization

Rank	Company	Foreign assets, USD million			Share of foreign assets in total assets, %		
		2006	2007	2008	2006	2007	2008
1	LUKOIL	18,921	20,805	23,577	39.2	34.9	33.0
2	Gazprom	15,452	16,769	21,408	6.8	5.4	7.5
3	Severstal	5,252	6,411	12,198	34.4	36.4	54.3
4	Evrast	2,836	9,824	11,196	33.3	52.7	57.6
5	RENOVA	n.a.	8,700	8,500	n.a.	35.1	n.a.
6	Basic Element	4,600	8,300	6,200	20.0	18.4	n.a.
7	NLMK	909	1,594	4,985	10.4	12.2	35.4
8	Sovcomflot	3,646	4,214	4,642	79.3	79.9	81.1
9	Norilsk Nickel	3,855	12,843	4,600	23.7	36.0	22.1
10	VimpelCom	2,124	3,067	4,386	24.5	28.0	26.2
11	Sistema	2,290	3,572	3,804	11.3	12.6	13.0
12	TMK	490	606	2,361	13.8	13.0	33.4
13	Mechel	116	207	2,315	2.6	2.2	19.3
14	Zarubezhneft	n.a.	1,800	1,900	n.a.	79.1	78.1
15	INTER RAO UES	1,116	1,284	1,374	67.2	40.6	39.6
16	Koks	12	1,013	1,073	0.9	32.6	38.1
17	Eurochem	453	902	1,015	24.5	34.1	24.4
18	ALROSA	879	863	860	10.9	8.8	9.0
19	OMZ	354	554	714	35.2	44.3	56.0
20	FESCO	701	687	707	61.7	33.8	32.7

Source: IMEMO-VCC survey of Russian multinationals.

Annex figure 1. Breakdown of foreign assets of Russian MNEs listed, by main industry, 2008



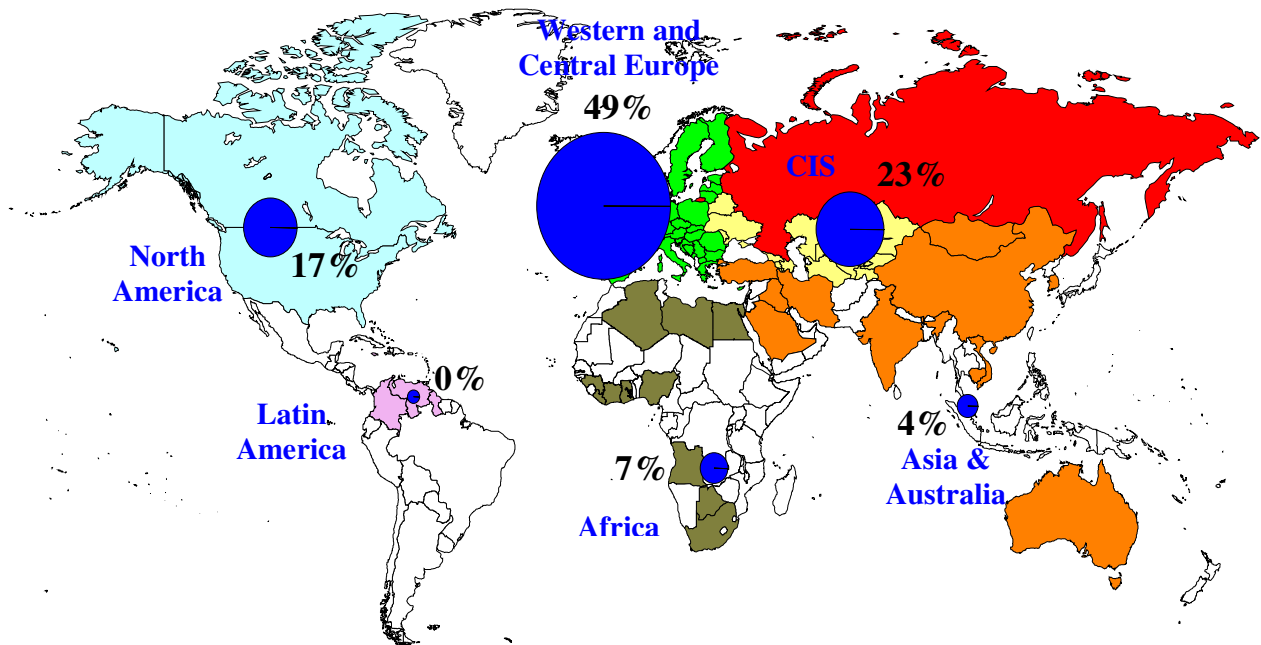
Source: IMEMO-VCC survey of Russian multinationals.

Annex figure 2. Head office locations of Russian MNEs listed, 2008



Source: IMEMO-VCC survey of Russian multinationals.

Annex figure 3. Geographical distribution of foreign assets of Russian MNEs listed, 2008



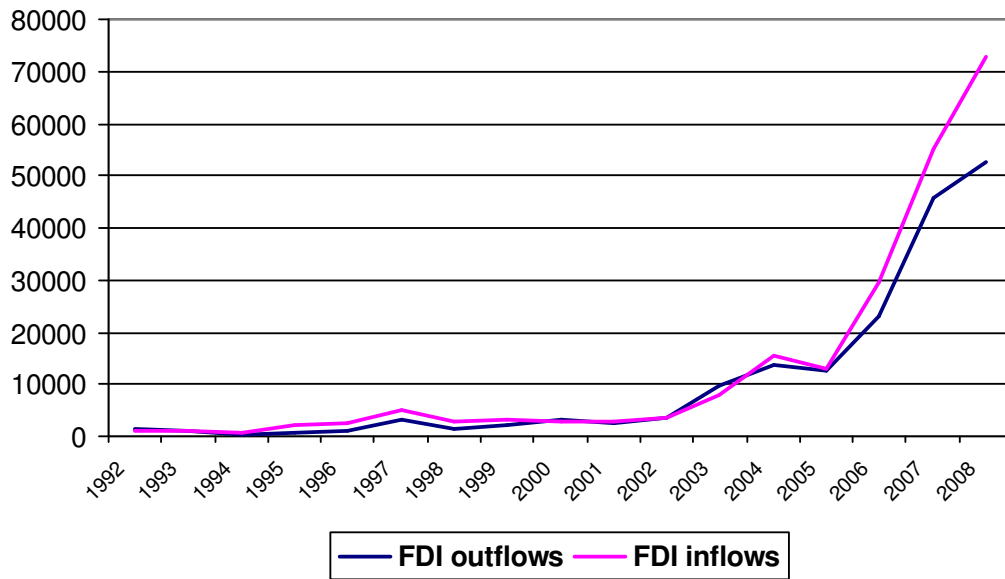
Source: IMEMO-VCC survey of Russian multinationals.

Annex box 1. Acron as the leader of Russian weak expansion in China

Although China is popular among many foreign investors, Russian multinationals are cautious in expanding their business into Russia's largest eastern neighbour. Only a few companies from the top list of Russian MNEs have at least trade subsidiaries in China. There are only two industrial enterprises: Rusal from the Basic Element conglomerate controls Shanxi RUSAL Cathode (since 2006) and FESCO has 49% of the equity in International Paint (East Russia) Limited in Hong Kong. However, the largest Russian plant in China belongs to a company not on the top 20 list. It is Acron from Veliky Novgorod (<http://www.acron.ru/eng>), which specializes in mineral fertilizer production. In 2008, its total foreign assets were USD 332 million, which would give it the 21st or 22nd place among Russian MNEs. Because of its too huge agriculture sector, China became one of the main markets for Acron and received USD 211 million in foreign assets. In 2002, Acron acquired control over the Hogri Acron factory in Shandong province. Today, Acron owns 50.5% of this producer of complex fertilizers and methanol, and has over 3,000 employees. Acron also has trade subsidiaries in China as well as in some other countries. The other assets of Acron are concentrated in Estonian export terminals and a Canadian mining project.

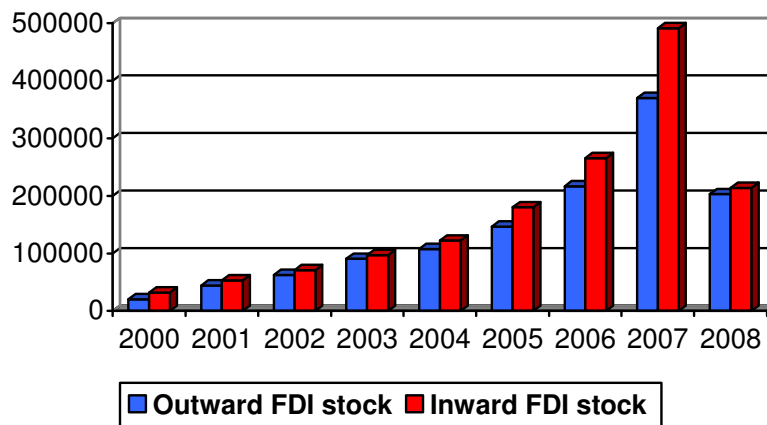
Source: IMEMO-VCC survey of Russian multinationals.

Annex figure 4. Russian FDI inflows and outflows, 1992-2008 (USD millions)



Source: Central Bank of Russia.

Annex figure 5. Russian outward and inward FDI stock, 2000-2008 (USD millions)



Source: Central Bank of Russia.

Annex 2. Corporate profiles of the top 20

No.1 – LUKOIL

<http://www.lukoil.com>

LUKOIL is the largest Russian private oil company. The main activities of the company are the exploration and production of oil & gas, the production of petroleum products and petrochemicals, and the marketing of these outputs. LUKOIL has around 1.1% of global oil reserves and 2.3% of global production. A state-owned oil concern “LangepasUraiKogalymneft” (LUKOIL) was set up by the resolution of the USSR Council of Ministers No.18 of November 25, 1991. After a few years the company was privatized. Its main shareholders are LUKOIL’s President Vagit Alekperov (20.6%) and Vice-President Leonid Fedun (9.25%), and the US multinational company ConocoPhillips (20%). LUKOIL’s shares blue chips stock on the Russian exchanges RTS and MICEX. At the same time LUKOIL’s ADRs and GDRs are also traded in the United States and Europe. Most of the company's exploration and production activity is located in Russia. Its main resource base is in Western Siberia while its largest refineries are situated in Nizhny Novgorod, Perm and Volgograd. However most of LUKOIL’s output is sold on the international market. This fact is behind the company’s rapid internationalization.

LUKOIL began its investment expansion abroad in the middle of the 1990s. LUKOIL has acquired participating interests in the exploration of oil & gas fields or oil production in Azerbaijan (several projects since 1994), Egypt and Kazakhstan (several projects since 1995), Iraq (1997), Colombia (2002), Iran (2003), Saudi Arabia and Uzbekistan (2004), Venezuela (2005), Ivory Coast (2006) and Ghana (2007). In 1998, LUKOIL started its expansion in global refinery business with the acquisition of Petrotel in Romania. Then the company acquired and modernized refineries in Bulgaria and Ukraine (1999). Since 2008, LUKOIL has owned two refineries in Italy. It also has petrochemical plants abroad (in Ukrainian Kalush and Bulgarian Burgas, as well as small plants in Belarus and Finland). Nearly 70% of LUKOIL’s 6,700 petroleum stations are located in 24 foreign countries, mainly in the United States (1,524 at the end of 2008), Turkey (777), Finland (456), Romania (319), Ukraine (285), Bulgaria (209), Serbia (184), Belgium (157), Lithuania (120) and Poland (106).

No.2 – Gazprom

<http://www.gazprom.com>

Gazprom is the largest Russian company and one of the world’s leading energy companies with around 18% of global gas production. The Gazprom Group is also the world’s leader in natural gas reserves. Its major business lines are the exploration, production, transportation, storage, processing and marketing of hydrocarbons as well as the generation and marketing of heat and electric power. The Gazprom State Gas Concern was established in 1989 on the basis of the USSR Gas Industry Ministry. In 1993, the Concern laid the foundation for setting up the Gazprom Russian Joint Stock Company, which was renamed the Gazprom Open Joint Stock Company in 1998. Nowadays Gazprom’s shares are traded on MICEX and other Russian stock exchanges, as well as on the LSE, NYSE and FSE in the form of GDRs and ADRs. The Russian state and state-owned companies control over 50% of Gazprom’s share capital. The geography of the Group’s business is vast. The key resource bases are situated in the Yamal Peninsula and other northern areas but Gazprom has gas production in many other Russian regions. It also holds a leading position in gas distribution all over the country and the gasification of Russia’s regions is a major current target of the Group. Rather recently, Gazprom became a diversified energy company with its own oil production, oil and gas refineries, and electricity companies in many Russian regions. Nevertheless, gas exports remain very important to Gazprom.

Since the technological specifics of natural gas transport and distribution require significant investment in export infrastructure, Gazprom was forced to begin its expansion abroad in the early 1990s. Currently the Group's main foreign assets are concentrated in Germany, Ukraine, Poland, Belarus, the Baltic states and some other European countries. Gazprom has organized several greenfield projects with its European partners, as well as tried to buy companies in highly profitable distribution segments also its state connections have often aroused resistance. In the 2000s, Gazprom started investing abroad in gas exploration and production, beginning with Central Asia and moving on to Vietnam, Latin America and some Arab countries. A significant impulse in this business was an exchange of assets with the German firm BASF (Gazprom received 49% of the famous Wintershall AG). Gazprom also controls an electric power station in Lithuania (since 2003) and has built a new power-generating unit in Armenia.

No.3 – Severstal

<http://www.severstal.com>

Severstal is the largest Russian vertically-integrated steel company and among the top 15 in the world in steel production. In addition to steel and rolled metal, Severstal also produces coal and non-ferrous metal products. The company was founded in 1993 in Cherepovets (Vologda Region), where one of the largest Soviet steel mills began to work in 1955. Alexey Mordashov is its CEO and main owner and he has more than 82% of the equity. Severstal is listed on the Russian RTS, MICEX, as well as on the LSE. Its key enterprises in Russia are located in the northwest of the country, viz. in the Vologda Region, the Murmansk Region, Republic the of Karelia, Komi the Republic and St. Petersburg. This rather narrow Russian geography is supplemented with foreign assets located throughout the world.

Severstal began its investment expansion outside Russia in the early 2000s, starting with the key market of the United States in 2004. Its foreign affiliates produce mostly steel and rolled metal. Severstal has been trying to broaden its activities over the past two years through foreign enterprises in the coal industry and the non-ferrous metal industry. Current production facilities abroad are located in the US, Italy, France, the UK, Poland, Ukraine, Kazakhstan and also Liberia, Burkina Faso and some other countries.

No.4 – Evraz

<http://www.evraz.com>

The Evraz Group is a vertically-integrated company which mainly produces cast iron, steel and rolled metal. The Group's businesses also include the mining of iron ore, coal production and a vanadium unit. The company was founded in 1992 and specialized in metal production trading. Nowadays it is one of the largest steel producers in Russia. More than 70% of the Group's equity is held by Lanebrook Ltd., which is controlled by Roman Abramovich's Millhouse, Evraz CEO Alexander Frolov and Evraz Chairman Alexander Abramov (who founded EvrazMetal, the predecessor of Evraz). Since 2005, Evraz Group has been listed on the LSE. The base of the company's activity consists of three steel plants located in the Kemerovo and Sverdlovsk Regions since the Soviet period. The Group's mining businesses (coal, vanadium) are located in Siberia and Ural.

Active foreign expansion began only four years ago (2005) with the acquisition of two European producers of steel and rolled metal – the Italian Palini and the Czech Vitkovice Steel. The foreign assets of Evraz have been supplemented in recent years not only with enterprises that produce steel and rolled metal but also enterprises that produce vanadium, coke and iron ore. The geography of Evraz's activity abroad includes the US, Canada, EU countries, South Africa and Ukraine.

No.5 – RENOVA

<http://www.renova.ru>

The RENOVA Group is a conglomerate that owns and manages assets in many sectors of the economy, including electric power, housing services, construction, transport, telecommunications, chemicals, non-ferrous metals and machinery. The group was founded in 1990 by Victor Vekselberg who has continued to play a key role in the management and development of the group. RENOVA is a private company and not listed on any stock exchange. Because of the diversity of its interests, the geography of its activities is vast. Its enterprises are located in many Russian regions from Central Russia to the Far East.

The Group's foreign expansion is of very recent origins, having started only in 2005. The largest expansion was in 2006-2007, when assets from Switzerland, Italy, Belarus and some other countries were added to RENOVA's.

No.6 – Basic Element

<http://www.basel.ru/en>

Basic Element is the second conglomerate on the list and includes such big Russian companies as Rusal and the GAZ Group. Basic Element's enterprises are to be found in non-ferrous metals (mainly aluminum and copper), transport machinery & services, coal, petroleum, pulp and paper, construction, power, financial services and other areas. The conglomerate was established in 1997 under the name of Siberian Aluminum Company. One of Basic Element's constituent companies, Rusal, is the largest producer in the world of aluminum (11% of world production) and alumina (13%). The conglomerate is not listed yet either in Russia or in other countries. The unchallenged leader and the owner of the conglomerate is Oleg Deripaska. Basic Element's enterprises in Russia are mainly of Soviet heritage and are to be found in many parts of the country.

The breadth of its businesses is typical of the conglomerate outside of Russia too, not only because of its multi-sectoral structure but also its relatively early foreign expansion (from 2000). A set of foreign metal enterprises was developed in the early 2000s through the acquisition of assets in Armenia, Guinea, Rumania and Ukraine. Later foreign projects included enterprises in transport machinery (the UK and Canada) and construction (Austria and Switzerland). Its expansion of 2006-2007 was interrupted by the world crisis, as a result of which the conglomerate turned down several acquisition prospects. As of now, Basic Element owns enterprises in countries on all five continents, including Australia, Guyana, Mongolia, Nigeria, Sweden, Jamaica, and some other countries.

No.7 – Novolipetsk Steel (NLMK)

<http://www.nlmksteel.com>

Novolipetsk Steel is a producer of cast iron, steel, rolled metal, iron ore and coke. NLMK, which was created in the 1990s, like other Russian metal companies, now has a strong position in Russian as well as world industry. The company produces 15% of all Russian steel. Its share in the world market of slab is more than 11% and in the world market of transformer rolled metal is more than 16%. Fletcher Group Holding Ltd. has more than 77% of share capital and its main beneficiary is the chairman of NLMK's Board Vladimir Lisin. The company has been listed on the LSE since the end of 2005. It is also listed on the Russian RTS and MICEX. The key enterprise of the company is Novolipetsk Iron and Steel Works, located in the Lipetsk Region since 1934. Only a few assets of Novolipetsk Steel are located in Central Russia, Ural and Western Siberia.

NLMK's foreign expansion does not have a wide geography. It began in 2005, when NLMK bought the Danish producer of steel and rolled metal DanSteel A/S. The expansion has since continued with acquisitions of steel companies in the US, Belgium, Italy, France and some other countries.

No.8 – Sovcomflot

<http://www.scf-group.com>

Sovcomflot, which is part of the SCF Group, is the largest Russian shipping company. The SCF Group is a fully integrated shipping company, specializing in the sea transportation of energy. It is the owner of the world's largest ice-fleet and has its headquarters in St. Petersburg. The consolidation of the commercial operations of Sovcomflot and another large shipping company Novoship (from Novorossiysk) has allowed the SCF Group to become a leading provider to the market of tonnage in the Aframax and Suezmax tanker sectors since 2008. The Group's fleet comprises more than 130 vessels of an aggregate 9.4 million tonnes dwt. The average age of the tanker fleet is 6 years – one of the youngest in world shipping. The provision of port-related services, including the operation of oil terminals and tugs, have also recently become an important part of the Group's activities. The SCF Group became the technical operator of new terminals near and in the Sakhalin Region. Sovcomflot was established as a commercial enterprise in 1988 on the basis of the USSR Ministry of Merchant Marine and transformed into a joint stock company in 1993. It remains fully state-owned.

The foreign investments of Sovcomflot are mainly of the pseudo-FDI type with fleet registrations under the flags of Cyprus and other countries with lax shipping regulations. However, in 2006, Sovcomflot and Novoship bought a middle-sized shipping company, Marpetrol, in Spain.

No.9 – Norilsk Nickel

<http://www.nornik.ru/en>

Norilsk Nickel is a company in the non-ferrous metal industry, specializing in the production of platinum, palladium, nickel, copper, gold and other non-ferrous metals. It is the largest world producer of nickel (21.4% of world production) and palladium (44.8%), one of the top five producers of platinum (10.7%), and a significant producer of copper (2.7%). The company was founded in the mid-1990s by Vladimir Potanin who still owns 25% of the share capital. Rusal from the conglomerate of Oleg Deripaska owns another 25%. Norilsk Nickel is represented widely on the world's stock exchanges, including the LSE, the Russian RTS and MICEX, and the Berlin-Bremen Stock Exchanges. The activities of the company in Russia are concentrated in two key regions – in Krasnoyarsk Krai, where its basic industrial complex and its source of raw materials are located (since the 1930s), and in the Murmansk Region.

Norilsk Nickel's foreign expansion has been geographically limited. A limited number of deals have been made, beginning in 2003, when the company bought a US producer of platinum and palladium, Stillwater Mining. Norilsk Nickel's foreign affiliates are located now in Australia, Botswana, the US, Finland and South Africa. It also has trade subsidiaries in the UK, China and Switzerland.

No.10 – VimpelCom

<http://www.vimpelcom.com>

VimpelCom (Vimpel-Communications) is one of the leading Russian companies in the field of mobile communications, with over a quarter of the national market. The VimpelCom Group provides voice and data services through a range of mobile, fixed and broadband technologies under the "Beeline" brand. The company was founded in 1992 by engineer Prof. Dmitriy Zimin and was

the first Russian company to list its shares on the NYSE (November 1996, using ADR). It is also listed on the Russian RTS. A new stage of the company's development began with the acquisition of large stakes by Norwegian Telenor (in 1998) and Russian Alfa-Group in 2001. Currently, they have 29.9% and 44% of shares respectively.

Companies of the VimpelCom Group are now operation in Kazakhstan (since 2004, with 43% of the national market), Ukraine and Tajikistan (since 2005), Uzbekistan, Georgia and Armenia (since 2006), and Vietnam and Cambodia (since 2008).

No.11 – Sistema

<http://www.sistema.com>

Sistema (Joint-Stock Financial Corporation Sistema) is a conglomerate with assets in telecommunications, the media, oil production and refining, the high-tech sector, and the business unit “consumer assets” (tourism, retail, insurance, etc.). Sistema's ownership structure was generally formed in 1993-1996. The largest company of the Group is MTS. Sistema owns 54% of the mobile communications producer, which is the main competitor of VimpelCom and accounts for more than 60% of Sistema's turnover. Sistema also controls Comstar-OTS (53%), Shyam (74%) and CMM (100%) in the telecommunications segment. Main companies in the high-tech segment are the telecom equipment producer Sitronics (71% of shares) and the military concern RTI Systems (100% of shares). The most famous company in other business units of the Group is the largest Russian travel agency Intourist (66% of shares). Sistema is the only Russian public conglomerate. Its shares are listed on the Russian RTS and MICEX as well as on the LSE (since 2005). However, the founder and chairman of the board Vladimir Evtushenkov owns 62.1% of Sistema's share capital.

The company began its foreign expansion in 2002 when MTS established a subsidiary in Belarus and Sitronics took over STROM telecom in the Czech Republic. Nowadays MTS has subsidiaries in five CIS countries – in Belarus, Ukraine (since 2003), Uzbekistan (2004), Turkmenistan (2005) and Armenia (2007). Sitronics then continued its foreign investments and bought 51% of Kvazar-Micro in Ukraine in 2004 and 51% of Intracom Telecom in Greece in 2006. In 2007, Sistema started its mobile telephone business in India, where it took over Shyam Telelink. The main company in the traditional telephone business in Moscow is Comstar-OTS, which has subsidiaries in the Internet segments of Ukraine and Armenia (since 2006). In 2008, RTI Systems and Intourist also made significant acquisitions abroad (in Austria and Turkey respectively).

No.12 – TMK

<http://www.tmk-group.com>

TMK is a steel company that produces pipes. It ranks second in the world market by volumes of steel pipes. Its share of the Russian market is more than 27%. The main owner of TMK, which was founded only in 2001, is Dmitriy Pympanyanskiy, who owns about 75% of share capital. Other shares are listed on the RTS, MICEX and the LSE. The key Russian enterprises of TMK are located in the Sverdlovsk, Volgograd and Rostov Regions and were built in the period of the Russian Empire or the Soviet Union.

TMK is not active in foreign acquisitions, in spite of its first steps in foreign markets at the beginning of the 2000s. Its main enterprises abroad include producers of pipes and sales affiliates. The key acquisition of TMK is a purchase of the US pipe company IPSCO in 2008. Nowadays the enterprises of the company are located in Romania (since 2002), the US and Kazakhstan (2008).

No.13 – Mechel

<http://www.mechel.com>

The main business of Mechel are in iron, steel, rolled metal and hardware. But the company also mines coal and iron ore, produces nickel, and owns power assets. The market share of Mechel in Russian steel production is around 8-10%, in coking coal its share is more than 20%. The company was established at the beginning of 2000 and is under control of Igor Zyuzin (66.76% of share capital). The shares of Mechel are listed on the NYSE, RTS and MICEX. The key company facilities in the Russia are a mill in the Chelyabinsk Region, which began its production in 1943, and coalmining facilities in the Kemerovo Region. However, the geography of its business in general is vast: from the Republic of Sakha (Yakutia) to the Republic of Karelia.

The foreign expansion of Mechel began in 2002 and is still limited to the EU and the CIS. The main foreign enterprises are located in Romania (four steel mills), Lithuania (steel plant since 2003), Bulgaria (49% of power station since 2007) and Kazakhstan (chrome and nickel mines since 2008).

No.14 – Zarubezhneft

<http://www.nestro.ru>

Zarubezhneft is the oldest company in Russia's oil & gas industry, with wide experience of business activities in different parts of the world. It was established in 1967 under the USSR Ministry of Oil Industry. In 2004, Zarubezhneft was transformed into a public joint stock company with 100% shares held in federal ownership. Since it was established, Zarubezhneft has been engaged in preparing and implementing integrated projects for the exploration and development of oilfields abroad, constructing oilfield facilities, carrying out projects for oil recovery enhancement, as well as supplying equipment and materials for oil and gas facilities in the Middle East, South East Asia, Africa and Latin America, particularly in Algeria, Vietnam, India, Iraq, Iran, Yemen, Lybia, Syria and Cuba. Only recently Zarubezhneft has begun to develop its Russian subsidiaries, which participate in the oil business and in scientific research.

Zarubezhneft's most effective project abroad is the joint venture Vietsovpetro, established in 1981 on a 50-50 basis with the Vietnamese Oil and Gas Corporation Petrovietnam under an Intergovernmental agreement. In October of 2007, the stake in Vietsovpetro was finally added to the charter capital of the company. Zarubezhneft also has another subsidiary in Vietnam in partnership with Japanese investors (since 2002) and small projects in Kazakhstan and Turkemistan (since 2001). In 2007, Zarubezhneft took over two refineries and petrol stations in Bosnia and Herzegovina and then began their radical reconstruction.

No.15 – INTER RAO UES

<http://www.interrao.ru/eng>

INTER RAO UES is a fast growing power supplier. It was established as a closed joint-stock company within the RAO UES Group in 1997. In 2001, INTER RAO UES started projects of trading with non-Russian electric power in foreign markets. In 2002, it began exporting of electric power from Russia as well as generating power in Russia. In 2003, 40% of the company's shares were sold to the Rosenergoatom Concern. As a result, INTER RAO UES became a unified export and import operator of two of the largest producers of electric power in the country. During the recent reform of the Russian power industry, INTER RAO UES was merged with the Sochinskaya power station and several other electricity producers in various Russian regions in 2007. Before April 2008, the name of new company was Sochinskaya TES. The new open joint-stock company is listed on the Russian RTS and MICEX but is still under state control because state-owned Rosatom, Energoatom and Gazprom own 66.3% of its share capital.

INTER RAO UES started the active purchase of electric power assets abroad with expansion in Georgia and Armenia in 2003. In 2004, its subsidiary trading company became one of the major business entities in Finland. In 2005, INTER RAO UES acquired control over power stations in Moldova and Kazakhstan began building a power station in Tajikistan and started its business in Turkey. In 2007, the company took over a distributor of electricity in Lithuania.

No.16 – Koks

<http://kokc.kem.ru/eng> and <http://www.metholding.ru/en>

Koks specializes in traditional iron & steel production as well as in coal mining and nickel production. Koks as a core company of Industrial Metallurgical Holding was established in the 2000s but its main plant was built in 1924. The company's shares are listed on RTS and MICEX, although Boris Zubitskiy and his sons own 93.7% of share capital. The key Koks's enterprises in Russia are factories located in the Kemerovo and Tula Regions. Some facilities are located also in the Ural.

Koks began to buy foreign assets only in pre-crisis 2007. Currently, the main foreign assets of the company are plants in Slovenia that produce steel and steel products.

No.17 – Eurochem

<http://www.eurochem.ru>

The EuroChem Mineral and Chemical Company (Eurochem) is the largest manufacturer of mineral fertilizers in Russia. It ranks among the top three European and the top ten world leaders in the sector. Moreover, it is the only chemical company in Russia that incorporates mining and processing enterprises as well as logistics companies and distribution networks in various regions. Its main plants are situated in the Stavropol Krai, Krasnodar Krai, Tula, Murmansk and Leningrad Regions. Several leading producers of nitric and phosphoric fertilizers were consolidated within EuroChem by the MDM Group in 2001. After the break-up of that group, Andrey Melnichenko became the main owner of Eurochem. Currently MCC Holding Ltd. from Cyprus (in which Melnichenko has 95% equity) owns 99.99% of Eurochem's share capital.

The largest foreign subsidiary of Eurochem is Lifosa. The company bought 94.8% of the largest Lithuanian producer of phosphoric fertilizers in 2005. Eurochem also owns several trade and service companies abroad. In 2008, it also acquired 56.3% of a producer in Kazakhstan.

No.18 – ALROSA

<http://eng.alrosa.ru>

ALROSA is the largest Russian company specializing in the mining and processing of diamonds. It mines approximately 95% of Russian diamonds. ALROSA has a 20% share of the global market (or 25% in value terms). The Russian state is the main shareholder of the company: the federal share is more than 50%, while regional and local governments own 41%. ALROSA is not listed on any stock exchange. The company has a very narrow geography of business – the key region is the Republic of Sakha (Yakutia) that contains the main production assets.

By Russian standards, ALROSA has had a presence in foreign markets for a long time – from the mid-1990s. However, its presence abroad is not extensive. The only diamond mining facilities are in Angola and there are some trading subsidiaries in the global centers of the diamond business, especially in Antwerp in Belgium.

No.19 – OMZ

<http://www.omz.ru/eng>

OMZ (the Uralsmash-Izhora Group) is the largest heavy industry company in Russia. It specializes in the engineering, production, sales and maintenance of equipment and machines for the nuclear power, oil and gas, and mining industries, and also in the production of special steels and equipment for other industries. The company was founded in 1996 in Yekaterinburg, where it controls the famous Ural Machine-Building Plants (was built in the 1930s). In 1999, Izhorskie Zavody became part of the company, which was renamed Objedinennye Mashinostroitelnye Zavody (Uralsmash-Izhora Group) (OMZ). OMZ is listed on the Russian RTS and MICEX. Its shares are also traded through depository receipts on the LSE, NYSE and some German stock exchanges. At the end of 2006, OMZ's founder Kakha Bendukidze and his partners sold 42.2% of share capital and nowadays the main shareholder is the closed joint-stock company Forpost-Management (44.4%), but in fact Gazprombank.

The only foreign country with OMZ production facilities is the Czech Republic. The company bought Skoda Steel and Skoda JS in 2004, and CHETENG Engineering joined OMZ in 2008.

No.20 – FESCO

<http://www.fesco.ru/en>

FESCO is the largest private intermodal transportation group in Russia, providing a full range of logistical solutions through a combination of shipping, rail, trucking and port services. The Far East State Shipping Company (FESSCO) was founded in 1935 as a successor to the Volunteer Fleet Agency ("Dobroflot") which was incorporated in Vladivostok in 1880. It was privatized in the 1990s and FESCO became a diversified transport group under the control of Sergey Generalov and others. FESCO has been listed on RTS since 2004 and MICEX since 2008.

The main part of the FESCO fleet is registered in Cyprus, Marshall Islands and some other countries with lax shipping regulations. In 1995, the company set up its first foreign agency in Australia. Then FESCO established subsidiaries in New Zealand and Hong Kong (in 1997), the US (in 1999) and China. It also owns 49% of a producer of paints for vessels in Hong Kong and has significant stakes in transport firms in South Korea and Uzbekistan.