

A Russian Region on the Fast Lane

Landesbank Berlin AG in the region of Krasnodar

For many years already the Southern Russian region of Krasnodar, an area counting more than five million inhabitants, has been evolving into an important investment location. The Krasnodar region is mainly characterized by a well-developed and intensive agriculture gaining crop yield above the Russian average. With its ports by the Black Sea - the most important one of them is Novorossisk - it is one of the most important hubs of Russia. But also industrial development plays an increasingly important role.



For the time being the project of EMF Lebensmitteltechnik-Anlagenbau GmbH exists only on paper, however, funding is secured.

Graphic: EMF Lebensmitteltechnik Anlagenbau GmbH

Owing to the awarding of the Winter Olympics of 2014 to the city of Sochi the region of Krasnodar has become even more attractive for investors all over the world. Not only German companies, but also many Western European firms as well as concerns from the Far East, from America, Canada and Turkey are highly interested in placing contracts, as ultimately multi-billion-business is concerned. The projects will be financed out of the federal and the local budget and at a rate of 40 % by private sources.

Landesbank Berlin AG is playing an active part in the planning of the Games by organizing or getting involved in various forums, discussions, presentations, but also by having one-on-one dialogues with the responsible persons of the region's administration, and has manifested its willingness to support financing projects.

Our bank will closely cooperate with the German-Russian energy agency RuDEA which was founded end of April 2009 in Moscow. One of the most important projects of RuDEA concerns power supply for the Winter Olympics of 2014 in Sochi on the basis of renewable energy sources. Ultimately, these Games are intended to be a "green" model also in this field. Some German companies have pretty good chances to cooperate in these energy projects.

Landesbank Berlin AG discovered Krasnodar not only lately. Ongoing business has been performed since mid of the nineties. Cooperation started in 1997 by the financing of agricultural machines and equipment being imported to Russia. In all these years the region of Krasnodar has always been a strong and reliable commercial partner, also during the crisis of 1998. Meanwhile also German companies, for example the companies Knauf and Claas, have found their way to Krasnodar to make investment. Claas has established its own production plant for harvester-

threshers and tractors and is already planning to extend investment. Landesbank Berlin AG provides a considerable part of the necessary medium-term funding for the correspondent banks of the Russian customers.

In 2007 our bank signed a skeleton agreement with the governor of the region of Krasnodar regarding cooperation for the financing of important projects, particular in the sectors of public health, industry and agriculture. Important steps have already been taken to implement this agreement.

In the very same year a meeting of members of the regional administration of Krasnodar and PwC EULER Hermes was held in Hamburg, after we had prepared the first steps. Krasnodar was one of the first Russian regions to be accepted by PwC EULER Hermes as a warrantor. Funding is possible both directly with subjects of the regional administration on the basis of their guarantees and with the regionally operating Krayinvestbank, a bank owned by the administration.

Krayinvestbank is strongly supported by the administration, received a considerable increase in capital stock in 2008, and further capital increase for 2009 has already been decided.

In the recent years Landesbank Berlin AG, cooperating with Krayinvestbank, has funded several small projects. In spite of the global financial crisis a new loan agreement for the financing of a new slaughterhouse including facilities to produce meat and sausage products was concluded lately. This plant is a 11 million Euro project that will be delivered by EMF Lebensmitteltechnik-Anlagenbau GmbH.

We forecast a growing potential for the financial cooperation with this region, although the banking crisis will have a negative effect on the speed of development. Already now some loss of income has to be recorded, as far as the budget income is concerned. Nevertheless, the economic indicators for the first quarter of 2009 are much better than those applicable for national average. Industrial production decreased at a much lower rate, the turnover of retail sale increased slightly, and the income of the population even rised by 3.8 %. It is obvious that this development is rewarded by the rating agencies who left the BB rating of the region of Krasnodar unchanged and predicted a stable development in spite of the crisis.

Surely it is also in Krasnodar necessary to abbreviate decision making processes and to jump some administrative hurdles sooner, but the preconditions for continuation and development of sustainable economical and financial relations still persist, not least due to the fact that Krasnodar has a stable and reliable government and responsible decision makers. Landesbank Berlin AG will keep on focusing on the region of Krasnodar and funding important projects provided the necessary preconditions exist.

Friedhold Hermann, Director of the Representation Office in Moscow

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