INTRODUCTION
Russia’s economic evolution has, in the 21st century, led to a transformation that has seen the world’s largest country become one of the world’s fastest growing economies.

Having existed for a thousand years as a feudal state, followed by 70 years as a command driven economy, the emergent Russian Federation’s demand economy in a politically stable environment, has achieved much in less than twenty years to reach its current position.

Largely based on exploiting and developing the country’s wealth of natural resources in oil, gas and minerals, almost every sector of Russia’s economy has benefited from and seen continued growth. This includes the construction, ICT, retail, financial services, engineering, automotive, aerospace and life science sectors. This ongoing market expansion offers opportunities for Enterprise Ireland clients.

As with all growing markets, Russia has its own set of business challenges. However, its government has in recent years been working to reform many areas such as bureaucracy, taxation and product and technology registration, and it plans to continue to improve the business environment. There are many Irish companies doing business in Russia, when asked they state “that having a well thought through plan, finding the right partner or advisor and perseverance are the keys to success”.

This guide is designed to give you a short overview of Russia; its business environment and opportunities. Although this publication only touches on many issues, the appendices provide suggestions and contact points where you can find more in-depth information.

Finding out whether or not there is a market for your product or service in Russia is the first step. Enterprise Ireland can help you achieve that, systematically and quickly. What happens next will largely depend on the results of your initial research. Whether it is competitor identification, distributor searches or meeting with potential buyers, Enterprise Ireland can help you every step of the way. I encourage you to contact Mike Hogan and his team in Moscow or one of our Dublin based High Growth Market Specialists, Garry Forde or Michelle Dervan.

Giles O’ Neill,
DIRECTOR - GERMANY, CENTRAL & EASTERN EUROPE, RUSSIA & CIS.
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Geography & Climate

With an area of 17.075 million square kilometres (6.6 million square miles), Russia is the largest country in the world. It stretches across the continents of Europe and Asia and, as well as bordering the Baltic countries, it has borders with 11 other countries. Its coastline meets two oceans – the Arctic and the Pacific – and several seas.

Russia has a diverse climate, ranging from arctic and subarctic in the north to subtropical areas in the south. However, most of the country, including the capital Moscow, has a continental climate. This typically brings exceedingly cold, long winters and hot summers. In July and August temperatures are pleasantly warm, with occasionally hot spells, and humidity tends to be high. Winters have only about six hours of daylight in the middle of the season and temperatures falling way below freezing point. Winter snows start in October and the snow blanket persists well into spring. Moscow has little rainfall as most of its precipitation falls as snow. Temperatures can range from -12°C in Jan to +24°C in July.

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Principal Commercial Centres and Towns

Moscow is the largest city in Europe and has a population of over 10 million. It is the capital city and seat of government. Its main industries include the power sector, machine building, food and chemicals. The city is also a centre of distribution for goods destined for the rest of Russia.

St Peters burg is the main business city in north-west Russia. It has a population of 4.5 million and is one of the country’s main ports. Its key industries are machine building, food, power and light manufacturing. St Petersburg is the fourth largest city in Europe and the second largest consumer market in Russia.

Yekaterinburg is the capital of the Sverdlovsk Region and the centre of the Greater Urals Economic Region, which is known for the manufacture of equipment for metallurgical, chemical, oil and gas extraction and electrical engineering industries. The city has a population of 1.4 million.

Nizhny Novgorod was once the centre of Russia’s defence industry but this city now has a range of industries from machine building, power, food, automotives and chemicals to IT and software development. Its population is 1.3 million.

Samara with a population of 1.1 million is located in the Volga region. It is strong in the machine building, power, chemicals, petroleum and food sectors.

Vladivostok is one of Russia’s smaller commercial centres, located on its eastern shore. A port with a population of 619,000, its main industries are oil and gas, diamonds, power, food, and non-ferrous metals.

Russia has 14 cities that each have a population of over 1 million. There are also smaller regional centres where business has seen rapid development over the past few years.

Population

Russia’s population is approximately 142.8 million, of which 64% are of working age, 16% are below it, and 20% are above it. Statistics show that the population is steadily declining, but the government is trying to solve this problem through immigration policies and federal programmes to stimulate birth rates and reduce mortality. Russia is home to 160 ethnic groups.

There has been a significant increase in the number of students in higher education over the last 10 to 15 years, from a figure of 2.6 million in the early 1990s to 7.3 million in the academic year 2006/07. Naturally this has meant many more educational establishments specialising in higher education but demand for commercially-oriented qualifications still outstrips supply of places in state higher education. As a result there has been a substantial growth in the number of private schools offering courses in economics, business, accountancy and law. Private schools account for some 40% or more of all higher education establishments and cater for over 1 million students.

Language

Russian is the only official language in Russia. It is a co-official language in many former Soviet republics, and is the most widely spoken Slavic language in Eurasia. English and German are the most commonly studied foreign languages in Russia and in many schools English is compulsory.

Exchange Rates in April 2008 (www.xe.com)

The currency of the Russian Federation is the Russian rouble, which is subdivided into 100 kopecks. The ISO 4217 code is RUB. The exchange rates as at September 2008:

1 USD = 25.30RUB
1 EUR = 36.29 RUB.

The Russian government introduced full rouble convertibility from 1 July 2006, abolishing all previous restrictions on currency inflows and outflows. Cash, credit cards and traveller’s cheques are all accepted in Russia, but cash remains the preferred method of payment.
Transport and Infrastructure

Airports

Moscow

Moscow has three international airports: Sheremetyevo International Airport in the north of the city which is the operation base for Skyteam alliance members; Domodedovo Airport in the south where most Oneworld and Star Alliance flights terminate; and Vnukovo Airport in the south-west which is developing as Russia’s low cost airline hub.

All three airports are connected to the city via hourly express trains called the Aeroexpress. The train from Sheremetyevo Airport currently runs to Savelovsky train station in the north of Moscow city, but will be extended to the larger Belorusskaya train station in the first half of 2009. The Domodedovo Aeroexpress runs to Paveletsy train station, and the Vnukovo Aeroexpress to Kievsky railway station. All three train stations connect to the Moscow Metro.

Full details of Aeroexpress timetables and prices can be found at www.aero-express.ru/en/index.php

As an alternative to the train links, official taxis are available from taxi desks inside all the airports. Fares should be agreed before exiting the terminal building. More information is available on the airport websites:

www.sheremetyevo-airport.ru/?act=part pid=2
www.vnukovo.ru/eng/for-passengers/service/taxi/

St Petersburg

International flights to St Petersburg arrive at the city’s Pulkovo Airport’s Terminal 2, which is 17 kilometres south of the city. Onward journeys can be completed by official taxis or the bus service (Route N13) that takes passengers from Terminal 2 to Moscovskaya Metro station.

Many airlines fly from Dublin, Cork and Belfast to Moscow and St Petersburg connecting via London, Amsterdam, Prague, Budapest and Zurich. Russia’s S7 Airlines also flies directly to Moscow from Dublin several times a week.

Roads

Russia has over 870,000 kilometres of roads and, thanks to significant investment in recent years the road infrastructure has greatly improved. Current projects include a new road link between Moscow and St Petersburg, and the construction of a ring road around Moscow.

Railways

Russian Railways (RZhD) is also currently undergoing a substantial upgrade. It consists of 87,000 kilometres of track, much of it in need of modernisation. The government’s restructuring programme aims to partly privatisate the railway system by 2010.

Sea Ports

The Russian Federation has 43 sea ports. The main ones are St Petersburg and Kaliningrad on the Baltic Sea, Novorossisk and Sochi on the Black Sea, and Vladivostok, Nakhodka, Magadan and Petropavlovsk on the Pacific Ocean.

Developing the ports is important for Russia’s oil industry, which needs to increase export capacity.

Transneft, the state-controlled oil pipeline monopoly, is carrying out several projects to increase export capacity. Key among them are the expansion of the Baltic pipeline system capacity from 12 million tonnes/year (240,000 barrels/day) to 29 million tonnes/year by 2010, and the continued upgrading of the oil terminal at Novorossisk on the Black Sea.
Visas and Legal Documentation

EU citizens require a tourist or a business visa to visit the Russian Federation. It is easier to get a tourist visa, as you can get these from the hotel in which you plan to stay or through reputable tourist agencies. To get a business visa you need a business invitation from the Russian Ministry of Foreign Affairs. You can also get an invitation through Russian business partners or industry groups, provided they are properly accredited for this purpose.

If your Russian contact cannot help you with a visa invitation, please contact Enterprise Ireland.

Irish citizens must process their visa application at the Embassy of the Russian Federation in Ireland, or, if officially resident in another country, at the Embassy of the Russian Federation in that country. Further information is available on the website of the Embassy of the Russian Federation in Ireland: www.ireland.mid.ru/

Business visas can cover a period of 30 days to one year but business travellers can spend no more than 90 days in Russia in any 180 day period. For longer stays you need to apply for a more permanent form of residency.

Migration Cards

Normally when flying to Russia you will be given a migration card to complete before landing. Should the airline not provide these, you can get one in the airport before going through Passport Control. A migration card is an important document and you should carry it and your passport with you at all times during your visit to Russia. You will have to surrender the migration card at Passport Control when leaving the country.

As an EU citizen you will need to notify the Russian authorities of your presence in Russia within three working days of arrival. If you visit a city other than the one in which you arrived, for more than three days, you must also tell the authorities. However, registration is normally taken care of automatically by the hotel at check-in.

By law you must carry legal identification with you at all times. You will often be asked to show your passport before being allowed to enter business centres and government buildings.

You must ensure that your passport is valid for at least six months after the date you plan to return from Russia.

Government Structure

Russia is a democratic federal state officially called the Russian Federation. The Federation is made up of 83 independent regions known as federal subjects, which are grouped into seven federal districts. These are administrated by envoys of the president.

Russia’s head of state is the president. He is elected for a four-year term and has sweeping executive powers, heading the armed forces and Security Council. He appoints the prime minister who in turn appoints the government. State power in Russia is divided among the executive, legislative and judicial branches.

The Russian parliament is called the Duma. It is elected by direct popular vote for four-year terms. The prime minister and government ministers report to the president and to the Duma but cannot be members of the Duma. The Duma drafts legislation and can amend the constitution and file an impeachment against the president.
**Legal System**

Unlike Ireland, Russia is a civil law jurisdiction rather than a common law one and the legal system is very much statute based. The main legal acts in the Russian Federation are the constitution, federal constitutional laws, federal laws, presidential edicts, governmental regulations and laws of regional constituents of the Russian Federation. The constitution recognises norms of international law and international treaties and agreements of the Russian Federation as part of Russia’s domestic legal system. If an international treaty or agreement of the Russian Federation establishes rules other than those envisaged by domestic law, the rules of the international agreement apply.

**Property Rights**

Russian law upholds and protects the right to own private property including land, buildings, premises and other types of real estate.

In 2001 the Land Code of the Russian Federation was introduced. This is considered to be a major improvement in the legal regulation of the Russian property market and marks significant progress in market reform. Currently most land (unlike buildings and premises) is not privately owned, but held by federal, regional and local authorities. Owners of property built on land in state hands may purchase the land from the state, but many property owners prefer to lease land from the state instead.

Most land outside cities and populated areas is still categorised as agricultural. This means it cannot be used for development or industrial purposes. To use such lands for a purpose other than agricultural production, the owner must first have the land reclassified.

**Economy**

Russia’s economic policy aims to create social, political and economic stability, develop the institutional structure of the market and diversify the economy. In 1998 the country suffered an economic crisis but over the following decade it recovered well with annual GDP growth at around 7% from 1999 to 2006.

By 2007 the country’s GDP reached US$1,289.6 billion and it had a positive trade balance of US$139,234 billion. Imports of goods and services to Russia in this year amounted to US$284 billion and included US$65 billion of machinery and equipment.

The factors driving economic growth were the rising prices of Russia’s main exports (oil, petroleum products, gas, metals), the import substitution effect caused by the rouble devaluation in 1998, tax reform, a tightening of fiscal policy, and greater social and political stability. Large industrial enterprises are responsible for most of the output and the share of small and medium business in the total GDP is very small.

The government continues to introduce change and new ways of developing the economy. Recent moves include creating concessions agreements, special economic zones, a sovereign investment fund, a development bank, a venture fund and a federal mortgage agency. It is increasing its role in the economy, but predominantly in major sectors such as oil and gas, defence and aircraft sectors.
Stabilisation Fund
In January 2004 the Russian government set up a Stabilisation Fund as part of the federal budget to provide budget deficit financing when required. The fund accumulates revenues from oil exports and, as of July 2007, its aggregate amount exceeds US$120 billion. The fund’s assets are invested in US dollars (45%), euros (45%) and pounds sterling (10%).

In February 2008, the Stabilisation Fund was divided into the Reserve Fund and National Wealth Fund. The former will be maintained at a level not less than 10% of GDP to cushion the economy during any economic downturn. The latter will be composed of excess revenues from oil exports.

Key Industry Sectors
Oil, Gas, Coal
Oil and gas account for approximately 22% of Russia’s GDP. It is the second largest oil exporter in the world and has the world’s largest gas reserves. These fuels and derivative products account for approximately 62% of the country’s exports.

The country’s coal reserves are ranked fifth largest in the world.

Metals
Russia is a major producer of nickel, aluminium and steel. In recent years this industry sector has been stimulated not just by growing world demand but by demand within Russia from the machine building and construction sectors.

Construction
There is an increasing demand for new infrastructure, housing and industry across Russia to meet the growing demands of its burgeoning economy. Over the next 12 to 15 years it is estimated that US$1 trillion will need to be invested on roads and motorways, rail lines, runways, ports and power. The sector has been growing at approximately 15% per annum and this is expected to continue for the foreseeable future.

Retail and Consumer
In keeping with the growth of its economy and a growing middle class with increasing levels of disposable income, Russia’s retail sector has been reaching annual growth rates of greater than 20% per annum. This has positioned Russia at an estimated ranking of seventh largest retail market in the world. In 2010, Russia will become Europe’s largest consumer market.

Communications and IT
Over recent years the Russian communications and IT sectors have been expanding and increasing in terms of sophistication. A notable characteristic of this sector is that mobile telephone penetration is put at greater than 100%. The mobile sector is dominated by private sector companies whereas landline is dominated by state controlled entities.

Automotive
As with the retail sector, one of the greatest side effects of Russia’s booming economy has been the continuing growth of the automotive market which has seen year on year growth of greater than 20%. Some two million new cars are sold each year, making Russia the largest car market in Europe.
Agriculture
Livestock production is carried out in north Russia whereas grain and other crops are grown in southern and western Russia. Approximately 45% of the total land in Russia is forested giving rise to timber being an important industry.

Financial Services
In the period 2000 to 2007, Russian banks increased their assets to US$730 billion. This reflected the fact that the population had increasing levels of disposable income and greater financial awareness as well as a growing confidence in the banks. There are approximately 1,200 registered banks in Russia but only a small number of these are similar to western banks. The top 20 banks control 65% of the assets. The banking sector is dominated by the state bank Sperbank which holds 53% of deposits and is responsible for 35% of retail lending and 32% of commercial lending.

Overall corporate and personal loans increased in 2007 by 50% and 62% respectively.

Inflation
Russia is striving for prudent management of its economy but one of the continuing challenges facing the country is inflation. Historically it has been in double digits; in 2006 it was held at 9% but rose again to 11.9% in 2007.

Business Environment
In general the business environment in Russia is steadily improving since the transition from a centrally controlled planned economy to a free market. Economic growth is one of the fastest in the world, many reforms have been implemented, the tax system is becoming fairer and more transparent and Russia is increasingly integrated with global markets.

The country’s main trading partners include Germany, USA, China, Ukraine, Netherlands and Italy.

In terms of doing business, there are bureaucratic requirements that need to be adhered to and any company entering the Russian market would be well advised to obtain professional assistance to manage this requirement. Other perceived negatives in this market are similar to the challenges faced in any developing market.

Russia has membership of international structures and organisations such as the UN, G8 and the International Monetary Fund. Currently, the country is negotiating continuation of the Partnership and Co-operation Agreement with the EU and is also negotiating membership of the World Trade Organization.

Investment climate
Russia is increasingly considered a country with a stable investment climate. It has witnessed a big increase in foreign direct investment (FDI) inflows over the last couple of years. A large and rapidly growing domestic market, rich human capital, natural resources and political stability are the key drivers of FDI growth. Reflecting the very strong market opportunities in Russia, the 2007 Russian Central Bank estimates for FDI are 4.5% of GDP or US$55 billion. This slow, steady positive performance reflects an improving business and regulatory environment.
Methods of Operating and Selling in Russia
Before choosing a method of exporting to Russia, companies should contact Enterprise Ireland's office in Moscow or in Dublin. These offices provide market knowledge and services to Irish businesses entering and establishing a presence in Russia.

If an exporter is not familiar with the Russian market, it is important to establish a relationship with a Russian partner who is familiar with local law, regulations and the market environment.

Agents and Distributors
In most cases the best way of doing business is through an agent, who acts like a salesperson on behalf of the Irish company, or a distributor, who buys the product from the exporter, stocks it and then supplies and invoices the customer. Picking the right sales agent, distributor or other business partner is key.

Larger agencies and distributors often represent a number of different products from foreign suppliers. The result is that they tend to give more attention to the more saleable products and less to those that require greater effort to sell. Choosing the right partner and managing the relationship with them closely is important, as this will ensure that your product remains a priority for them.

It is important to remember that Russia is the largest country in the world, covers 11 time zones and is a federation of regions, autonomous regions and republics. To enhance the sales effectiveness of your business partners, you should break the country down into key representative regions to optimise sales coverage. It is usually best to avoid giving agents and distributors countrywide exclusivity and preferable to appoint several agents in key regional centres.

Business Entities
Generally speaking most Irish companies can deliver their goods and services to Russia without setting up a Russian legal presence. However, there is an increasing trend for Irish companies to formalise their business in Russia by setting up a local presence there. The Russian legal code offers a number of different ways of establishing a subsidiary operation in Russia and much will depend on the type of business that the Irish company ultimately wishes to conduct in Russia. Irish companies are advised to seek qualified professional assistance to help them establish their business entity. Enterprise Ireland can recommend legal services and company foundation service providers to companies requiring them.

Establishing a Russian legal entity or wholly owned subsidiary may be the best option for some Irish companies, as this structure affords the maximum economic freedom to conduct business in Russia. This is especially important in terms of property and land ownership rights. The Civil Code of the Russian Federation provides for different types of legal entities among which the most common commercial organisations are a Limited Liability Company (LLC) and a Joint Stock Company (JSC)

Limited Liability Company
An LLC (or OOO in Russian) remains the entity of choice as a way of creating a wholly owned subsidiary, because it is not subject to the same regulatory requirements as a closed JSC (see below). The minimum capital requirement for the establishment of an LLC is currently 10,000 Russian roubles (about €280). An LLC has participatory rights rather than shares, although with the exception of certain state duties, the differences for practical purposes are limited. The number of ‘participants’ in an LLC cannot exceed 50. An LLC cannot be established and/or owned by a single participant if the latter, in turn, has only one shareholder/participant.
Joint Stock Company
JSCs fall into two categories: ‘closed’ (ZAOs in Russian) and ‘open’ (OAOs in Russian). The fundamental difference between an open JSC and a closed JSC is that in an open JSC, shares may be freely sold to third parties, while in a closed JSC, share transfers are subject to the pre-emptive rights of other shareholders. An unusual feature of Russian law is that a shareholder may not waive their pre-emptive right but, at the appropriate time, either elects to exercise it or not. Open JSCs have to comply with a number of requirements of the Russian securities authorities and, for this reason, closed JSCs are generally preferred.

The minimum capital requirement for incorporation of a closed JSC is currently 10,000 Russian roubles (about €280) and is 100,000 Russian roubles (about €2,800) for an open JSC. The maximum number of shareholders is 50 for a closed JSC and is unlimited for an open JSC. In a JSC with fewer than 50 shareholders, a board of directors is not required. However, a general director is required to run the day-to-day business of a JSC, and this can be mandated in tandem with a managing board.

As well as allowing the set-up of a Russian subsidiary company, the Russian Civil Code allows for a number of additional legal forms which Irish companies can use to do business in Russia.

Branch Office
A Russian branch of an Irish legal entity is a separate subdivision of the legal entity whose headquarters are in Ireland. A branch may perform all the functions of the legal entity and should have a manager or head of branch, who acts on the basis of a power of attorney from an officer of its legal entity in Ireland. As the branch has no separate legal existence, it is unsuitable for certain activities such as those that require licences that are only issued to Russian legal entities.

A branch of an Irish company must be accredited and registered with the State Registration Chamber and the accreditation must be renewed every five years. The branch must also be registered with the tax authorities, social funds, and other state bodies. The nature of the activity performed will determine whether the activities are subject to Russian taxation. Tax filings must still be made, even if no income is generated or activities performed.
Representative Office
Irish companies may also operate in Russia without creating a new entity, by establishing a representative office. The advantages of operating through a representative office, compared to a JSC or LLC, are that a representative office:

- has a lesser burden of administrative, tax and accounting obligations;
- is considered to be a non-resident entity for the purposes of currency control; and
- will be better able to benefit from the Irish Russian Double Taxation Agreement.

Representative offices officially are not allowed to undertake commercial activity under the Russian Civil Code. Their main purpose is generally to promote commercial relations between their head office (in this case in Ireland) and Russian enterprises, and to gather information about the Russian market. However, in practice, many representative offices in Russia do engage in commercial activity, but increasingly the branch office structure (see above) is preferred for this purpose. The 1999 foreign investment law, for example, mentions representative offices only in passing, but specifically refers to accredited branches.

A representative office should be accredited with the State Registration Chamber or with the Chamber of Commerce and Industry and in some cases with an individual Russian ministry.

Registration Process
Whatever legal form is selected to conduct business in Russia, the entire registration process can be very time consuming. As a preliminary step, significant time will be required to gather company documentation and approvals in Ireland and all such documents will be required to be notarised in Ireland and have an apostil applied by the Irish Department of Foreign Affairs in Dublin. Once the documents have been delivered to Russia for official translation and Russian notarisation, the average registration period for a Russian legal entity is from four to six weeks from the date of filing, but it can take longer. Five weeks is the average registration time for branch or representative offices. However, backlogs do occur and periods of up to three months are not unheard of.
Taxation

Customs Duties
Import duties are levied according to the type of goods imported and their origin. Duties are normally expressed as a percentage of the value of the goods imported. However, they may also be expressed as a set amount of euro per unit or per kilogramme or as a combination, whichever is greater.

Since 1 January 2001 a new system of duties has been in place, under which there are five rates: 5%, 10%, 15%, 20% and 25%.

A customs processing fee of 0.15% of the cost is also levied. Customs duties are payable in roubles at the current exchange rate.

According to customs regulations, processing should take no longer than three days. If goods are refused entry by Russian Customs, regulations call for their return to the country of origin.

Import VAT
For most goods, the import VAT rate is 18% of the customs value, inclusive of customs duty and excise (if any). Food, a certain range of children’s goods and a limited range of other goods may be subject to 10% or 0% VAT.

Excise Taxes
The excise tax applies to a number of luxury imported goods (alcohol, tobacco, oil, gas, petrol, jewellery and vehicles).

Double Taxation Prevention Treaty
Russia and Ireland are both signatories to a Treaty for the Prevention of Double Taxation. Double Taxation Treaties are conventions between two countries that aim to eliminate the double taxation of income or gains arising in one territory and paid to residents of another territory. Please visit the Revenue Commissioner’s website for tax and customs for further details: www.revenue.ie.

Customs
In recent years, the customs system in Russia has undergone a number of reforms including simplification of the clearance process and lowering of duties on imports of technical equipment. In addition, where a foreign company and a Russian company have a working import/export relationship, it is generally the Russian partner that takes responsibility for handling inbound customs procedures.

It is worth noting that Russia has established six Special Economic Zones (SEZs) that offer customs-free areas for manufacturing and R&D. Imports to SEZs are free of duty and VAT. Foreign goods can be delivered to, and used within, the SEZ free of import customs duty and VAT. If the foreign goods, or products of their processing, are at any stage released to the rest of Russia, import customs duty and VAT are payable.

Certain imports to Russia require permission and certificates, licences and other approvals that should be submitted to the customs authorities for clearance. Some imports of capital equipment can be exempt from VAT if the equipment is considered to be part of a foreign company’s contribution to the foundation capital of a Russian subsidiary or joint venture.
Labelling and Packaging

According to the Russian Law ‘About Consumer Rights Protection’ dated from 7 February 1992, all consumer goods, both food and non-food, exported to and distributed in Russia require Russian language labelling. The sale of imported products without consumer information in Russian is illegal. Russian labelling has to cover the following items:

- name of product
- country of origin
- name and address of manufacturer or any other contact information for consumers
- how and where the product is to be used
- the main characteristics and description of the product
- safety requirements
- conformity certification and licensing information (Mark of Conformity in case of certification)
- expiration date, if applicable.

This information can be on the box, label, or in any other appropriate material concerning the product such as technical brochures or manuals.

Product Certification

Many imported products destined for sale or use in the Russian market must have a Certificate of Conformity issued by the Russian State Standards Committee (Gosstandart). The most common type of certification is the GOST R Certificate of Conformity and this confirms that your product meets Russian standards of product quality and safety.

The time that it takes to receive product certification can vary depending on the type and number of certificates that your product requires, necessary testing, and time for translation of documents.

The certification process is a complex one and it is advisable to employ the services of a person or agency that has experience of getting products certified. Enterprise Ireland can provide names of agencies that are authorised to process certification for Irish companies.

Often the Russian distributor will carry out certification services for the importer’s product. It is a good idea, when negotiating sales contracts with Russian partners, to raise issues relating to certification expenses, namely which party bears the costs, procedures and responsibilities.

Also it is important to note that in cases where the certificate is issued under the name of the distributor, the latter will become the exclusive distributor in the Russian market during the whole validity term of the certificate (up to three years). Therefore, exporters wishing to keep control over their Russian marketing strategy and avoid reliance on one distributor should take care of their products’ certification themselves or by using an agency.

Payment

An advantage of doing business in Russia is that payment is frequently paid either partially or wholly in advance. Currently in Russia contracts are often negotiated in Euro.
Labour Market
Employee rights are very well protected under Russian legislation. The law provides employees with minimum guarantees which cannot be affected by any employment contract. The standard working week in Russia is 40 hours over five or six days. Salaries have to be paid twice per month in Russian roubles and may not be less than the legal minimum monthly wage. Currently, the minimum monthly salary (including foreign nationals) is RUB 2,300 per month (approximately US$90, €62). However, this is regularly updated and changed. Salaries in Moscow and St Petersburg are usually substantially higher than in regional cities and towns, and in some professions Moscow salary levels approach those found in Western Europe.

Income Tax
The tax system in Russia underwent reform in 2001. This reform was designed to ease the tax burden on individuals. There is now a uniform rate of tax on the income of individuals which is not charged progressively.

As of 2008, Russian personal income tax is payable at a flat rate of 13% regardless of the level of income. This rate is only applicable to Russian residents and a foreigner moving to Russia to work will have income levied at a higher rate of 30% until such time as they establish residency (usually after 183 days). Russian residents pay 9% on dividend income. Non-residents pay 15% on dividend income.

Recruitment in Russia
Graduate recruitment has become very popular amongst Russian and multinational companies in Russia, who are now closely co-operating with universities in their bid to attract enough young professionals to meet rapidly growing requirements. Young Russians are generally educated to a very high standard, although frequently the courses are not directly related to the practicalities of industry and business. Third level courses focusing on business disciplines are becoming more widespread across Russia.

Recruitment for specialist and management level candidates is proving more difficult in the current Russian labour market with demand by far outstripping supply. Moscow and St Petersburg have numerous local and international recruitment firms working with companies to identify candidates and many of these are now setting up offices in regional commercial centres also.

Employing Foreign Nationals in Russia
Russia’s emigration bodies operate a general quota system that limits the number of foreign employees that can be employed in Russia. These quotas are set at regional level, so that as well as a federal quota, there are specific quotas for cities such as Moscow, St Petersburg and so on. In addition to the general quota system, there are specific quotas (usually up to five foreign employees) that may be employed in representative offices and branches of foreign companies. Expatriate employees, once they have acquired their work permits, will thereafter need to acquire a residence permit to allow long-term stay in Russia. Throughout 2007 and 2008, the work and resident permit system for foreigners in Russia underwent wholesale change, and companies planning to employ foreign workers in Russia should educate themselves about recent changes to the regime in advance of the workers placement.
Since mid-2008, Russia has reintroduced the requirement that foreigners seeking work permits must undergo mandatory health screening in Russia for HIV, tuberculosis, leprosy (Hansen illness), syphilis and Chlamydia. Several clinics in Moscow, including international medical clinics, are currently registered to administer the tests.

**Intellectual Property Rights**

Russia is a party to all major international agreements and conventions on intellectual property (IP), including the Paris Convention, and it is also a member of the World Intellectual Property Organization.

Since 1 January 2008, Chapter IV of the Civil Code of The Russian Federation has been in force and covers patents, trademarks, and copyright issues, substituting all the previous legislation on these areas. Exporters to Russia can register patents with patent attorneys, patent bureaux and so forth. It should be noted that there have been issues with the erroneous claiming of patent rights in Russia by unconnected third parties, and companies are advised to ensure that their patent rights have the required Russian protection before commencing operations in Russia. Trademarks are also protected upon registration. Copyright is generally granted to the author(s) of works of science, literature and art. Software is also subject to copyright.

In the past, enforcement of the IP rights of companies has not been carried out and rates of software piracy in particular are very high. Companies most affected by counterfeiting have generally been in the areas of fast-moving consumer goods, tobacco, alcohol, personal health care, aerospace and the automotive industry.

However, in its current bid to gain accession to the World Trade Organization, Russia is placing a greater focus on imposing higher standards of IP protection.

Foreign manufacturers are advised to register their trademark at the earliest possible opportunity to avoid it being registered by a local manufacturer first. Grievances on the infringement of intellectual property should be taken to lawyers in Russia.

Irish companies using their Russian agent or distributor to register IP rights associated with their goods or services in Russia, should ensure that in all cases IP ownership rights are not vested in the agent or distributor following registration, and that they at all times maintain beneficial ownership of the IP.
CULTURAL ASPECTS OF BUSINESS IN RUSSIA
While Russia may have some cultural similarities with Western Europe, the Russian market has its own peculiarities and understanding these is key to successfully conducting business there.

**Language**

It is a good idea to have a basic knowledge of the Cyrillic alphabet if you are visiting Russia, in order to read street signs and other public information. Although many young Russian people have an excellent level of spoken and written English, Russian is still predominantly the main language for conducting business.

When attending a trade show or exhibition in Russia, it is very important to have any promotional material such as brochures and presentations translated into Russian. If you do not speak Russian, you should assume that you will need an interpreter at your business meetings, unless otherwise informed.

**Greetings**

The handshake is the most common greeting in Russia between men. It is slightly less common between men and women or between two women. It is considered polite for men to wait until a woman extends her hand before reaching to shake it.

You can find some useful phrases for typical Russian language greetings in Appendix 4.

**Introductions and Networking**

Generally speaking, Russians are most comfortable with third-party introductions. If possible, it is best to have a mutual contact introduce you to a new group of people.

It is also important to have business cards translated into Russian. Russians usually include their qualifications under their names on their business cards.

**Modes of Address**

People who are already well acquainted refer to one another by first name. As a visitor, it may be more appropriate to refer to a senior Russian colleague by either ‘gospodin’ (a courtesy title similar to ‘Mr’) or ‘gaspazhah’ (similar to ‘Mrs’ or ‘Miss’) plus his or her surname.

Russians generally have three names; first name, patronymic and surname. The patronymic is a version of the father’s first name; for a man, it ends with the suffixes ‘vich’ or ‘ovich’ meaning ‘son of’. For a woman, the patronymic is also the father’s first name but with suffixes ‘а’ or ‘ovna’ added, which means ‘daughter of’.

When you become well acquainted with a person, you may be invited to refer to him or her by the first name and patronymic. While Russians may act formally at first, they like to do business with friends and a warm relaxed tone is very important in building good relations.

**Business Dress**

Russian business people take pride in how they are dressed. For men, a suit and tie for all meetings is appropriate. For women, a suit or formal business attire is also appropriate.

**Places of Business**

Most business is, of course, done in the office but it is customary to conduct some business in a social atmosphere late in the day or outside working hours. This might be in a restaurant or club.

**Presentations and Sales Pitches**

Russians are accustomed to an authoritative but friendly approach to presentations. It is imperative to establish the credibility of the presenter from the outset, in terms of experience, qualifications and knowledge.

Russians enjoy new ideas and appreciate a moderate ‘sell’ but like presentations to be serious and to include facts and technical detail. That being said, Moscow, like many capital cities, has a more robust business environment than elsewhere in Russia, and in many cases a hard sell will be required.

**Decision Makers**

Russians are hierarchical and the most senior person generally makes all the decisions, so it is important to make sure that you are negotiating with the decision maker. Also ensure that the working process is highly organised and that everyone knows who is responsible for what.

**Negotiations**

Good personal relationships are key to success in business in Russia, so frequent personal contact is highly important. The Russian negotiation style can vary, requiring you to be either strongly confrontational or extremely patient as appropriate. The main thing is not to get upset or frustrated but to remain patient and calm. In high level deals, it is not unusual for Russians to choreograph meeting and negotiation tactics.

It is advisable to have a number of available concessions at your disposal for use in the negotiation process. Show you understand their position and make recommendations rather than give direct orders or regulations. It is important to build up trust through clarity of action.
Enterprise Ireland has highlighted several sectors as being of particular interest to Irish companies exporting to Russia.

**Wireless and Fixed Line Telecom**
Russia is currently the world’s fourth largest wireless market by subscriber numbers. In 2008, Russian mobile phone penetration was officially 119%, and while this number represents SIM card numbers rather than active subscribers, Russia’s period of subscriber acquisition is over and the battle has moved onto subscriber revenue generation.

Shrinking Average Revenue per User (ARPU) is driving Russia’s mobile operators to focus on expanding and diversifying their value added and content services.

3G licences were issued in 2007, with licences granted to Russia’s ‘big three’ operators: MTS; Vimpelcom/Beeline; and Megafon.

WiFi zones are ubiquitous throughout major cities, with WiMax networks under construction. Moscow has a higher broadband penetration rate than Dublin, with several operators already offering triple play.

Key target areas for Irish companies include billing, content management and payment technologies. EI Moscow maintains good working relationships with Russia’s big three mobile operators as well as a number of Russian regional operators, who have subscriber numbers of over 3.5 million.

In the fixed space, continuing market liberalisation has created new opportunities for Tier 2 operators. Irish companies with Voice over Internet Protocol (VoIP) technologies can expect to do well and EI Moscow has already made inroads in this sector.

**Construction and Construction Services**
In tandem with Russia’s spectacular economic growth, its construction sector has undergone a massive build-out in all sub-categories including residential, office, retail, warehousing, leisure and most recently infrastructural developments.

Whereas previously private companies were shy of involvement in state infrastructure projects, increased government spending, the advent of Public Private Partnership (PPP) projects together with a clear state strategy for infrastructural development have changed the situation. With an expected public sector construction spend of US$1 trillion between 2007 and 2020, Russia is clearly a country deserving of investigation by Irish construction and construction materials firms.

The forecast value of the construction and engineering industry is set to reach US$64.8 billion by 2011. However, the story of Russia’s construction boom is not just a Moscow phenomenon, and the ripple effect has now found its way to Russia’s 14 other cities with populations over 1 million.

Sochi in southern Russia was selected in 2007 to host the 2014 Winter Olympics. Russia is now set to deliver the world’s most expensive Winter Olympics in terms of capital spend, with nearly US$20 billion to be spent on infrastructure projects.
There is significant scope for Irish involvement in the Russian market, particularly in specialist and niche construction services. This would encompass services as diverse as heating, ventilation and air-conditioning (HVAC), smart building technologies, architecture and design and fit-out. Construction companies with experience of delivering major infrastructure such as roads, airports, ports or logistical infrastructure would be especially welcomed. As the majority of construction materials continue to be imported, there are market opportunities for Irish producers in Russia and there have already been successful examples of exports of raised flooring, wooden flooring, tiles, insulation and partition walling to Russia by Irish companies.

Healthcare and Pharmaceuticals
Russia is currently in the process of reforming its entire healthcare sector and, with an ageing population of 142.8 million people, Russia is a huge potential market for Irish pharmaceutical and healthcare companies. There are currently over 19,000 retail pharmacies in Russia, most of which are privatised and quickly developing into western style retail pharmacies selling cosmetics and wellness products aside from medicines.

Retail and Consumer Goods
Russian consumers have a high propensity to spend and proportionately spend more of their income than Western Europeans. Along with the ready availability of consumer finance and a general jump in living standards, Russia’s burgeoning middle class of 20 million has generated huge demand for high-quality consumer products. Russia has experienced a massive retail boom in the past five years and major local and international commercial chains, such as Marks and Spencer, Auchan, IKEA, METRO, Debenhams and OBI are expanding out of Moscow and St Petersburg, and are setting up in the regions. Two of Europe’s five largest shopping malls are now located in Moscow.

Enterprise Ireland client companies providing products such as domestic heating appliances, household products and luxury goods have found a ready market for their goods.

Education and Training
Significant numbers of Russian students come to study in Ireland every year both at third level and for short and long-term English language programmes. Irish organisations that offer English language combined with a cultural or tourism programme could do very well in the market.

Substantial opportunities also exist for Irish educational organisations to form alliances with Russian institutions, both in acquiring students and in the creation of joint educational programmes. Specialised English programmes for professionals remain popular. However, to compete successfully, Ireland’s educational sector will need to do more in-country and not see Russia solely as a pool of potential Ireland-bound students. With a Russian speaking population of nearly 50,000 people, Ireland’s profile is increasing in Russian education sectors.

International Consulting Services
Russia offers major opportunities for Irish consulting companies in both the public and private sectors. Ongoing opportunities exist with respect to World Bank and European Bank for Reconstruction and Development (EBRD) programmes, as well as emerging work in Public Private Partnerships, mortgages and banking, insurance, e-government and utility infrastructure and regulation.

Financial Services Sector
Russia is currently experiencing a consumer finance boom, and there remains plenty of longer term upside potential. The country’s GDP grew 8.3% year-on-year in the first four months of 2008, according to preliminary data from the Ministry of Finance and it is predicted that GDP should grow by 6.5–7.0% between 2009 and 2010. Given the high percentage of home ownership in Russia, much Russian individual equity remains locked into their property. Parallel to this, the number of debit and credit cards has surged in Russia and is now estimated at about 50 million units and is continuing to grow.
The financial services and banking sector represents a major opportunity for providers of core banking processing systems, customer relationship management and payment card management/processing software. EI Moscow works with a variety of banking consultancy and software/systems providers, to help them break into this lucrative sector of the market.

Automotive
Car sales in Russia are growing aggressively and in 2008 Russia became Europe’s largest car market ahead of Germany.

Russian manufacturers still produce around 1 million units a year and are investing heavily to upgrade the production technologies and end products. Foreign producers such as Ford, Nissan, VW, Toyota, General Motors, Renault, Suzuki and Volvo already have facilities in Russia, or are in the process of building new facilities, and other manufacturers are scheduled to announce plants in 2009.

Since 2005, Russia has removed duties on imports of foreign automotive components destined for car assembly in Russia. In 2007 foreign imports accounted for around 44% of cars sold; domestically assembled foreign cars accounted for 16% of the market and used foreign cars account for an additional 14%.

Agriculture and Food Processing
While Russia is self-sufficient in pork production, it continues to be a major buyer of Irish meat and food preparations. There is a growing market for Irish food products in Russia on the back of the expansion of Russian and foreign supermarket and hypermarket chains.

Irish fish exports also show significant potential. Russian domestic food production is expanding rapidly especially in the prepared foods and dairy-related production, and opportunities exist for the sale of Irish production technology and knowledge and selective investment or acquisitions by Irish food majors.

Technology and ICT
Russia is a vibrant market for the sale of Irish data processing equipment and it is set to grow. Russia is increasingly spending more state and private sector funding on IT and nanotechnology R&D, and many institutions and enterprises are seeking to collaborate with foreign counterparts. A number of Irish universities have started the process of joint R&D within the Russian educational sector. Similarly, many Russian IT firms have an interest in co-operating with Irish firms as they internationalise their portfolio and seek localisation solutions. Clearly the dialogue with the Russian IT sector is two-way.

Aerospace and Aviation
Re-emerging phoenix-like from the morass of the 1990s, Russia’s aviation sector has consolidated new single state-owned manufacturing units for civilian aircraft, engines and helicopters. Russia’s United Aircraft Corporation has ambitious plans to produce almost 1,200 new airliners between 2008 and 2018. Russian companies are also risk-sharing partners for the Boeing 787 and the Airbus 350.

Russian airlines have begun to consolidate around a number of large airlines such as Aeroflot, S7, Utair, Transaero and AirUnion. Passenger growth has been increasing at 8.5% year-on-year and fleets are being aggressively upgraded with Western equipment, much of it leased via Ireland. It is estimated that there are over 40 civilian passenger planes on the Irish airplane registry based in Russia, and this number will likely increase as shortages of second hand Boeing and Airbus narrow bodies remain a key issue.

The Russian state continues to invest heavily in infrastructure with many of Russia’s airports being upgraded on foot of an increase in international flights into Russia’s regions. All three of Moscow’s airports are undergoing upgrade and terminal expansion, and heavy investment is planned for Sochi airport for the Winter Olympics in 2014.
HOW ENTERPRISE IRELAND HELPS EXPORTERS
Once you have decided that you want to export to Russia, there are a number of Enterprise Ireland supports available to you from both the overseas office in Moscow and from our team of Market Advisors in Ireland. You will find contact details in Appendix 2.

These supports cater to companies entering the Russian market for the first time, those reactivating lapsed interest and those already active in the market wishing to expand exports there. (Fees may apply to these supports)

Research and Market Analysis
• Researching markets in line with specific client requirements
• Preparing export capability/opportunity audits

Market Development Strategy
• Advising clients on establishing an overseas market presence
• Supporting companies in developing overseas sales development plans
• Assisting client companies to identify and develop the right kind of partnerships and strategic alliances, product development, technology transfer, prospecting and other services

Opportunity Identification and Networking
• Proactive working with clients to identify opportunities through diversification into new markets and/or market niches
• Facilitating key buyer introductions and presentations
• Helping to source alternative suppliers and production

Practical Support on the Ground
• Providing a range of marketplace services including market intelligence, market testing, competitor evaluation, sales itineraries, temporary office facilities, translation and interpreting services
• Advising clients on cost-effective PR activity
• Helping companies to recruit in-market personnel and working with them on business development
• Advising on specialist services: legal, financial, advertising and PR consultants, sales agents and distributors

Other Services
• Providing marketing consultancy, and undertaking specialist marketing assignments.
Appendix 1

ENTERPRISE IRELAND KEY CONTACTS

Moscow Office
C/O Embassy of Ireland
Grokholski Pereulok 5
129010 Moscow
Russia

Mike Hogan, Market Manager – Russia
Tel: +7 495 680 6500
+7 495 937 5943
Email: mike.hogan@enterprise-ireland.com

Dublin Office
High Growth Markets Department
The Plaza
Eastpoint Business Park
Dublin 3
Ireland

Garry Forde, Senior Market Advisor – Russia
Tel: +353 1 727 2279
Email: garry.forde@enterprise-ireland.com

Michelle Dervan, Senior Market Advisor – Russia
Tel: +353 1 727 2859
Email: michelle.dervan@enterprise-ireland.com

Client Knowledge Services
Enterprise Ireland’s Client Knowledge Services (CKS) team can help our clients identify and access business opportunities worldwide, with the most relevant, current and authoritative research available. Through the information centre, based in Eastpoint Business Park, staff can help clients of Enterprise Ireland find information on markets, products, companies, trade regulations, technical standards and management.

Contact the Information Desk
Tel: +353 1 727 2324
Email: Client.service@enterprise-ireland.com
IRISH BUSINESS LINKS

Embassy of Ireland, Russia
H.E. Justin Harman - Ambassador
Grokholski Pereulok 5
Moscow
Russia
129010

Tel: +7 959 375 911
Fax: +7 959 752 066
Email: ireland@co.ru

RUSSIAN LINKS

Embassy of Russia in Ireland
H.E. Mr. Mikhail Evgenyevich Timoshkin - Ambassador
184-186 Orwell Road, Rathgar,
Dublin 14
Ireland

Tel: +353 1 492 2048
Fax: +353 1 492 3525
Email: russiane@indigo.ie

Russia Government Links
www.kremlin.ru/
– Official presidential site
www.cbr.ru
– Central Bank of Russia
www.economy.gov.ru/wps/portal/english
– Ministry of Economic Development and Trade
www.rost.ru/
– National Priority Projects

Associations and Business Groups
www.amcham.ru
– The American Chamber of Commerce in Russia
www.rbcc.com
– The Russo-British Chamber of Commerce
www.aebrus.ru/
– The Association of European Businesses
www.rspp.ru/
– The Russian Union of Industrialists and Entrepreneurs
http://eng.tpprf.ru/
– The Russian Chamber of Commerce and Industry
Appendix 3

MAIN RUSSIAN NEWSPAPERS

English language

*The Moscow Times*
www.moscowtimes.ru/index.htm

*The St Petersburg Times*
www.times.spb.ru/

Russian language

*Nezavisimaya Gazeta*
www.ng.ru/

*Komsomolskaya Pravda*
www.kp.ru/

*Izvestiya*
www.izvestia.ru/
### USEFUL RUSSIAN PHRASES

<table>
<thead>
<tr>
<th>English</th>
<th>Русский (Russian)</th>
<th>English</th>
<th>Русский (Russian)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hello</td>
<td>Здравствуйте (Zdravstvujte) - formal, Привет (Privet) - informal</td>
<td>Cheers/Good health!</td>
<td>Будем здоровы! (Budem zdorovy) - Let’s stay healthy</td>
</tr>
<tr>
<td></td>
<td>Ало (Alló) - on phone</td>
<td>Bon appetit</td>
<td>Приятного аппетита! (Prijatnogo appetita)</td>
</tr>
<tr>
<td>How are you?</td>
<td>Как дела? (Kak dela) - informal</td>
<td>I don’t understand</td>
<td>Я не понимаю (Ya ne ponimaju)</td>
</tr>
<tr>
<td></td>
<td>Как живете (Kak pozyvajete) - formal</td>
<td>Please speak more slowly</td>
<td>Помедленнее пожалуйста? (Pomedennee pozhalujsta)</td>
</tr>
<tr>
<td>I’m fine, thanks. And you?</td>
<td>Спасибо, хорошо. А у вас? (Spasiba, horoso. A u vas?)</td>
<td>Do you speak Russian?</td>
<td>Вы говорите по-русски? (Vy govorite po-russki) - formal</td>
</tr>
<tr>
<td>What’s your name?</td>
<td>Как вас зовут? (Kak Vas zovut)</td>
<td>Yes, a little</td>
<td>Да, немного (Da, nemnogo)</td>
</tr>
<tr>
<td>My name is ...</td>
<td>Меня зовут... (Men’ya zovut...)</td>
<td>Excuse me</td>
<td>Извините! (Izvinite)</td>
</tr>
<tr>
<td>Pleased to meet you</td>
<td>Очень приятно (Ocen’ priyatno)</td>
<td>How much is this?</td>
<td>Сколько это стоит? (Skol’ko eto stoit?)</td>
</tr>
<tr>
<td></td>
<td>Приятно познакомится (Priyatno poznamitsa)</td>
<td>Sorry</td>
<td>Простите! (Prastite)</td>
</tr>
<tr>
<td>Good morning</td>
<td>Доброе утро (Dobroe utro)</td>
<td>Thank you</td>
<td>Спасибо (Spasibo)</td>
</tr>
<tr>
<td>Good afternoon</td>
<td>Добрый день (Dobryj den’)</td>
<td></td>
<td>Огромное спасибо (Ogromnoe spasibo)</td>
</tr>
<tr>
<td>Good evening</td>
<td>Добрый вечер (Dobryj vecer)</td>
<td></td>
<td>Большое спасибо (Boľšoe spasibo)</td>
</tr>
<tr>
<td>Goodbye</td>
<td>До свидания (Do svidaniya)</td>
<td>Response</td>
<td>Не за что (Ne za cto)</td>
</tr>
<tr>
<td>Good luck</td>
<td>Удачи! (Udaci)</td>
<td>Where’s the toilet?</td>
<td>Где туалет? (Gde tualet?)</td>
</tr>
</tbody>
</table>

**APPENDICES_29**