

THE PROCESS OF SETTING UP A PRODUCTION FACILITY IN RUSSIA

In order to come to a successful implementation of a production project, usually the following steps need to be taken:

- A. Definition of goal
- B. Investigation (including short-listing of sites)
- C. Scenarios and strategy for implementation
- D. Planning of actions & budgets (including in-depth screening of short-listed sites)
- E. Preparation
- F. Execution
- G. Organisation of other services during and after start up of day-to-day operations

In the following table it is shown how Lighthouse can assist you during each phase of implementing your production project:

Abbreviations used:

CL = Client

LH = Lighthouse

EBC = Engineer & Building Contractor

RELA = Real Estate and Land Acquisition Companies

AF = Accounting Firm

LF = Law Firm (including internat. tax lawyers)

A. Definition of goal			
Includes among others:	By whom:	Support by	Timing in weeks¹
1. Project drivers / project rationale	CL	LH	1
2. Requirements	CL	LH	1
3. Assumptions	CL	LH	1

B. Investigation			
Includes among others:	By whom:	Support by:	Timing in weeks
1. Market			
1.1. Market size & Customer base	LH	CL	2-5
1.2. Competition	LH	CL	2-5
1.3. Segmentation of the market			
1.3.1. Regional segmentation	LH	CL	2-5
1.3.2. Sectorised segmentation	LH	CL	2-5
1.3.3. Volume segmentation	LH	CL	2-5
2. Location			
2.1. Required infrastructure	CL		2
2.2. Criteria and search strategy	CL/LH		2
2.3. General screening of alternative sites			
2.3.1. Undeveloped land	LH	EBC/RELA	3-12
2.3.2. Developed but not built upon land	LH	EBC/RE LA	3-12
2.3.3. Land with suitable buildings	LH	EBC/RELA	3-12
2.4. Transport and labour costs	LH		3-4
2.5. Licenses	LH		3-12
2.6. Market proximity	LH		3-5

¹ Where timing depends of factors that are not yet known or where timing is less relevant, we have indicated "n/a".

Includes among others:	By whom:	Support by	Timing in weeks
3. Management			
3.1 Criteria	CL	LH	2
3.2 Executive search strategy	CL/LH		2-3
3.3 Costs	LH		4
4 Staffing			
4.1 Criteria	CL	LH	2
4.2 Recruitment strategy	LH	CL	2-3
4.3 Costs	LH		4
5 Production capacity / facilities	CL	LH/EBC	3
6 Materials sourcing			
6.1 Alternative sources of materials	LH	CL	3-10
6.2 Pricing of materials	LH	CL	3-10
6.3 Geographical location of materials	LH	CL	3-10
6.4 Supply conditions	LH	CL	3-10
6.5 Costs	LH	CL	3-10
7 Distribution and after sales			
7.1 Actual transport to customers	LH	CL	3-12
7.2 Enabling activities (service, account management)	LH/CL		3-12
7.3 Costs	LH	CL	3-12
8 Management Information Systems			
8.1 Reporting requirements Russian Federation	LH		5
8.2 CL corporate reporting requirements	CL		5
8.3 Costs	LH/CL		6
9 Taxation			
9.1 Applicable rates	LH		7
9.2 Cross border issues			
9.2.1 Capital transfers	LH		7-9
9.2.2 Repatriation of funds, profits, dividends	LH		7-9
9.2.3 Inter-company financing	LH	LF	7-9
9.3. Organisation internal compliance	LH	LF	7-9
9.4. Organisation external compliance	LH	LF	7-9
9.5. Pitfalls	LH		7-9
9.6. Benefits	LH		7-9

Includes among others:	By whom:	Support by	Timing in weeks
10. Legal issues			
10.6. Legal form of enterprise			
10.6.1. Registration time & costs	LH		9-10
10.6.2. Control	LH		9-10
10.6.3. Liability	LH	LF	9-10
10.7. Ecological issues	LH	LF	10-11
10.8. Applicable legislation			
10.8.1. Certification of equipment and products.	LH		7-12
10.8.2. Licensing	LH	LF	7-12
10.8.3. Customs duties	LH		7-12
10.8.4. Costs	LH		7-12
10.9. Labour relations			
10.9.1. Contracts	LH		9-11
10.9.2. Work permits for foreign managers	LH		9-11
10.10. Legal barriers	LH	LF	9-11
11. Federal and regional political issues & lobbying	LH		3-12
12. Finance			
12.6. Costs	LH/CL		11-12
12.7. Turnover forecast	CL	LH	11-12
12.8. P&L	CL	LH	11-12
12.9. Cash flow	CL	LH	11-12
12.10. Balance sheet	CL	LH	11-12
12.11. Conclusion	CL	LH	11-12
13. Risks and opportunities	LH		11-12

C. Scenarios and strategy for implementation

Includes among others:	By whom:	Support by	Timing in weeks
1. Building different scenarios based upon concrete input data from investigation	LH	CL	12-14

D. Planning of actions & budgets

Includes among others:	By whom:	Support by	Timing in weeks
Creation of action plan	LH	CL	1-2
Drawing up of budget	LH	CL	1-2
In-depth screening of short-listed sites and possible partners	LH	LF	1-8

E. Preparation

Includes among others:	By whom:	Support by	Timing in weeks
Site selection	LH	CL	9-12
Establishing relations with local government bodies.	LH	CL	7-12
Development of design and construction concept	EBC	LH/ CL	n/a
Identifying climatic, logistical and economic	EBC	LH/ CL	n/a

conditions of construction			
Defining engineering "milestones" for future design approval by State Supervisory bodies.	EBC	LH/ CL	n/a
Plan for connection to utilities	EBC	LH/ CL	n/a
Estimating construction and development budgets.	EBC	LH/ CL	n/a

F. Execution			
Includes among others:	By whom:	Support by	Timing in weeks
Preparatory and earth works	EBC		n/a
Connecting to utilities	EBC		n/a
Foundations installations	EBC		n/a
Installation of bearing concrete and r/c structures	EBC		n/a
Installation of prefabricated and r/c structures	EBC		n/a
Cladding	EBC		n/a
Roof covering	EBC		n/a
Finishing works	EBC		n/a
Floor installation	EBC		n/a
Site works	EBC		n/a
Installation of electrical, HVAC, water supply and sewage systems	EBC		n/a
Installation, adjustment and start up of production equipment.	EBC		n/a

G. Provision of other services during and after start up of operations			
Includes among others:	By whom:	Support by	Timing in weeks
Security	LH		n/a
Licensing, authorization and certification	LH		n/a
Contacts with local and regional authorities (such as city administration, police, fire brigade, inspectors)	LH		n/a
Bookkeeping and administration	LH		n/a
Human resources and recruitment	LH		n/a
Customs clearance	LH		n/a
Freight forwarding and transport	LH		n/a
Legal assistance	LH		n/a
Relocation and outfitting of offices	LH		n/a

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