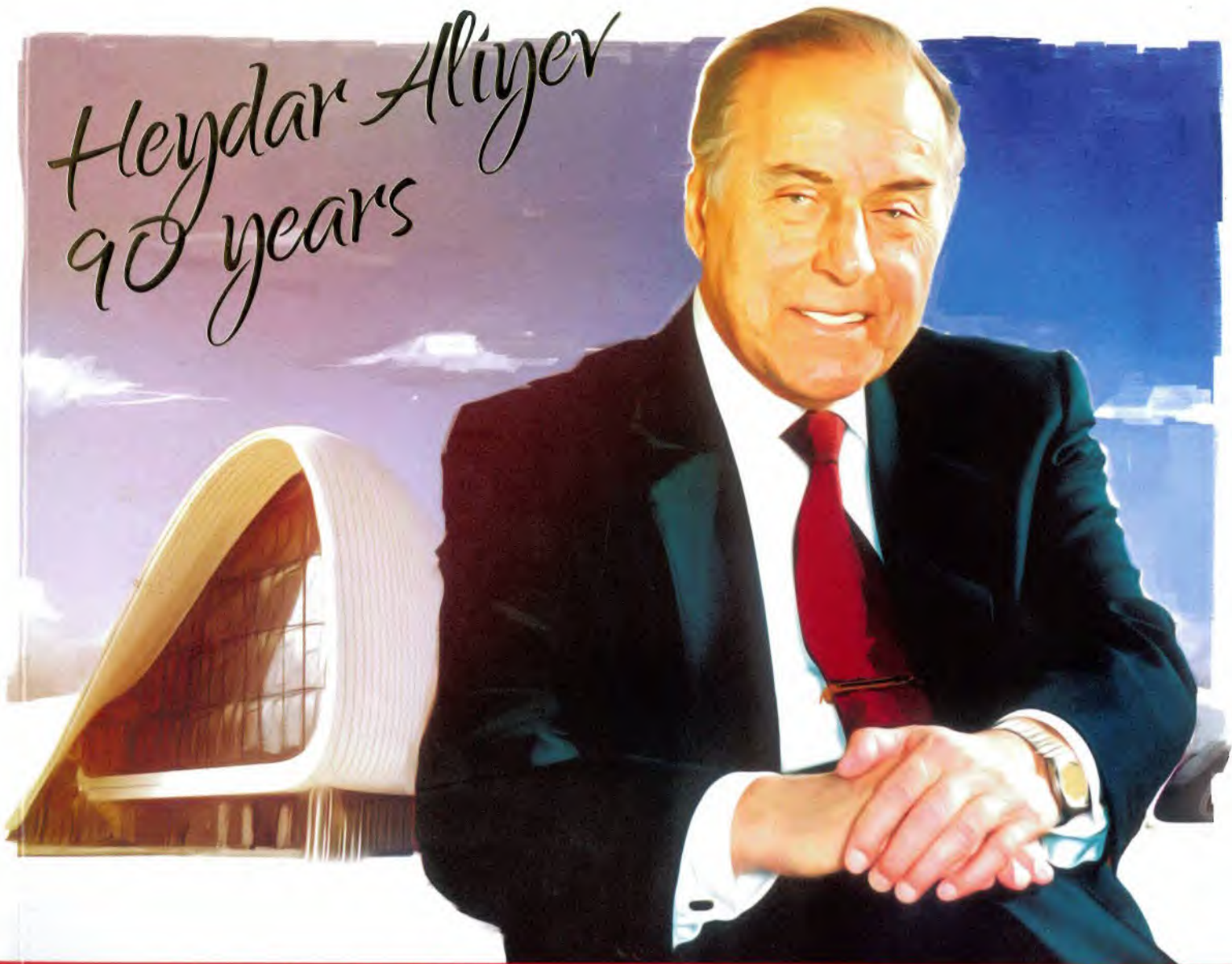


the business year

*Heydar Aliyev
90 years*



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Azerbaijan 2013

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FORUM: Investment Outlook

Why Azerbaijan?



GORDON BIRRELL
BP Regional President for
Azerbaijan, Georgia & Turkey



LISANI ATASAYAN
General Manager of Coca-Cola
Azerbaijan



WILL GRACE
General Manager at
Schlumberger for Azerbaijan

A look at varying perspectives on why different companies have decided to invest in Azerbaijan and the region.

I think a comparison of the 2013 state budget with that of 10 years ago describes the changes in Azerbaijan's economic development over the past decade more impressively than anything else. The government has approved a record high-state budget—almost \$25 billion for 2013. This is huge for a nation with a population of just over 9 million. Economically, Azerbaijan has been developing at an amazingly fast pace. I am aware that according to the assessment of the Davos World Economic Forum, Azerbaijan now ranks 46th globally and is at the top of the CIS countries for the competitiveness of its economy. Also, it is very encouraging to see that the 2012 GDP increase was also sourced from non-oil sector growth, which means that the country is skillfully shifting its growth leverages to the non-oil sector. As Azerbaijan's long-term oil and gas development partner, we are pleased to observe that the country is gaining increased recognition as a major contributor to European cultural and sports events. With the success of hosting the Eurovision Song Contest 2012, Azerbaijan has now been elected as the host country for the first European Olympic Games scheduled for 2015.

Coca-Cola entered Azerbaijan in 1994, right after the separation of Azerbaijan from the former Soviet Union, as a sales and distribution company. We started production in Baku two years later in 1996. Coca-Cola is one of the first and largest foreign investments in the non-oil sector. Azerbaijan is a dynamic, young, developing, and prosperous country and—as in rest of the world—Coca-Cola is part of everyday life, and Azerbaijan is no exception to that. The Azerbaijani government is promoting new investments in the country by passing new laws and legislation to help increase FDI. Furthermore, these revisions and updates are introduced by the parliament to help existing businesses in Azerbaijan be an integral part of the world economy. Not only is the Azerbaijan private sector, but government agencies and organizations are also becoming an integral part of their counterparts with the rest of the world. Azerbaijan is developing very rapidly, and it is doing it in an organized and systematic way. The development is happening in all regions of Azerbaijan, as well as in the public and private sectors, law and legislation, infrastructure, economy, and government spending abroad.

Schlumberger actually first worked in Azerbaijan back in the 1930s. With the signing of the "Contract of Century" it was clear there would be a significant opportunity for the company's technology and expertise to develop the Azeri-Chirag-Guneshli (ACG) oilfield, and so the company was delighted to restart continuous operations in Baku. The most important investment Schlumberger has made in Azerbaijan has been in hiring and training engineers from Azerbaijan to perform services onshore and offshore. Today, Schlumberger employees from Azerbaijan can be found not only working at Azerbaijani oil and gas fields, but also in major oilfields around the world. I've been fortunate to work in some very interesting places in my career from the Empty Quarter in Saudi Arabia, to the North Sea, to the foothills of the Rocky Mountains in Canada. My latest assignment in Azerbaijan is no exception. From a technical perspective, the work can be very challenging with deeply buried, high-pressure reservoirs and challenging formations to drill through. The history of the country, and the oil fields here in particular, also make it a very rich and stimulating environment in which to work.



CHRISTIAN GIUDICELLI
General Manager
Total E&P Azerbaijan

On a regional scale, Azerbaijan could be a route for the export of gas from Turkmenistan once that comes online. In my opinion, Azerbaijan is less of a hub and more of a source for the EU, albeit not a major one. Once Shah Deniz II comes on stream, Azerbaijan will export 10 bcm to the EU. As a matter of comparison, France alone consumes about 40 bcm. The energy potential in Azerbaijan represents around 10% of the total consumption of the EU. It will play a role in providing competition and an alternative, but it will not be a dominant provider. However, this doesn't prevent Azerbaijan from being a major provider to some countries, which would be absorbing some of its production. New exploration technology might provide Azerbaijan with the capability to produce five times as much as it exports currently, but even that will not make it the EU's sole provider.



JAK LAEBENS
Regional Manager at Schneider
Electric

I have been here since 2010, and it has been a very satisfactory time for us. We have seen very positive government action on many fronts. In business operations, many things have become easier, such as the tax issue. There has been major progress, and due to this, business opportunities will increase. However, there are still issues, the biggest of which is the lack of transparency. For an international company to thrive in this environment is not simple. We hope and believe this will improve. We see signs and action, but it will take a long time. For people thinking of investing here, I would advise getting an agent and starting the business slowly to see how things go. The selection of a partner is obviously the key factor for sustainable development. Schneider Electric in Azerbaijan owes its success not only to the quality of its solutions and reputation, but, to a great extent, on the right choice of strategic partners. Our business partners manufacture under our technology license, distribute our products, and integrate our products into theirs. Such cooperation makes our business in Azerbaijan very sustainable.



ALLEN GORDON
General Manager of AIMROC

Individual companies such as AIMROC need to have secure sources of capital, and a clear and consistent regulatory framework and well-defined risks to justify the size of investment needed in this business. The investment climate in Azerbaijan is good for AIMROC as a company, and I believe that the future will see more investment. The people here at AIMROC are looking forward with great anticipation to future projects. We are establishing ourselves as an aggressive, results-oriented group, driven by the knowledge that we can succeed in Azerbaijan. It is unique for me as a professional to be employed in a situation where an idea or mining opportunity is presented that may have done very little mine development work previously. In AIMROC's development pipeline, we are working in many new areas without any significant development work or previous operations. We as a company get strong encouragement from all levels of the government and the local communities where we operate to advance our projects quickly. AIMROC is secure in the knowledge that we can realize our opportunities with hard work and a diligent, professional approach to building mines.



RAOUL WALDBURGER
CEO of Holcim Azerbaijan

Holcim operates in more than 70 countries and employs more than 80,000 employees. The company is a leading supplier of cement, aggregates (crushed stone, gravel, and sand), and ready-mix concrete and asphalt. Since 1999, Holcim has been a member of the World Business Council for Sustainable Development (WBCSD), which shares a commitment for economic growth, ecological balance, and social progress. Moreover, Holcim launched the Cement Sustainability Initiative (CSI) in 2000 in order to help the cement industry address the challenges of sustainable development. Holcim Azerbaijan maintains its position as a provider for the foundation of society's future and a company seeking to be customer focused and cost efficient with strong standards regarding safety, human development, and social dialogue. Our achievements will continue with our increasing production level and product portfolio, using alternative fuel resource technology to recycle oil sludge and old tires, enhancing the skills of our employees, and contributing to social welfare of the local community.

INTERVIEW

Raoul Waldburger

Solid Base

TBY talks to *Raoul Waldburger*, CEO of *Holcim Azerbaijan*, on the rebranding of the company, its target markets and customers, and sustainable development.

TBY What is the history of Holcim Azerbaijan?

RAOUL WALDBURGER The Garadagh Cement Plant was established according to a decree by the USSR Council of Ministers in 1949. It was the largest enterprise in the Caucasus countries in terms of cement production capacity. Starting with two wet kiln lines, it increased to four lines very quickly. In 1999, Holcim entered Azerbaijan through the privatization of Garadagh Cement shares. New management and technology-enhanced plant performance meant that production volumes reached 900,000 tons in 2003 and 1.3 million tons in 2005. Holcim Azerbaijan received a privatization certificate based on the government's requirements in 2007. Today, Holcim is the majority shareholder with a 70% stake. Azerbaijan Investment Company (AIC) and EBRD hold 10% each and the other minority shareholders comprise the remaining 10%. In 2008, Holcim's Board of Directors approved a modernization project for the plant in Azerbaijan. Even though it was during a period of global financial crisis, Holcim successfully invested €330 million. Holcim replaced the old wet kiln with a single, new, state-of-the-art dry kiln line. At the time, it was the largest investment in the non-oil sector of Azerbaijan. The implementation of advanced technology increases cement production capacity, lowers the impact on the environment, decreases gas and dust emissions, and creates an opportunity to use alternative fuel resources for a sustainable production cycle. In April 2009, we organized a groundbreaking ceremony for the new dry kiln line, which was opened in July 2012.

What strategies led to the decision for Garadagh Cement to be rebranded as Holcim Azerbaijan?

We had long considered Holcim the main shareholder of Garadagh Cement. The decision to rebrand was made for various

reasons. In 2012, Holcim completed the reconstruction of a new plant with the capacity to produce 1.7 million tons of cement. The modernized state-of-the-art kiln raised standards and quality. We became part of the Holcim Group and fully responded to international standards by establishing quality and sustainable development principles. The name of Garadagh is a geographic location, and this name is still used in product brands of Holcim Azerbaijan, such as Garadagh Optimal, Garadagh Special, Garadagh Expert, Garadagh Spring, and Garadagh Solid. Currently, in Azerbaijan, the Holcim brand effectively contributes to the high-quality, sustainable development of the local construction industry.

As the largest cement manufacturer in Azerbaijan, who are your main clients and what market are you targeting?

Holcim Azerbaijan is the leading company with high-quality products in the local cement market and technical solution support. Holcim Azerbaijan is the preferred cement supplier for professional customers involved in construction projects initiated and supported by the government as well as by private investors. Holcim is stimulating and strengthening the interest of its customers through high-quality products and compliance mechanisms, testing and certification programs carried out at local and international laboratories, and on-time logistics services. We are a partner of our customers throughout entire construction projects, from tendering and engineering to building and post-construction. We work together with our customers to devise mixed designs and generate optimum value and performance. Each customer plays a significant role and contributes to the Holcim Azerbaijan business model.

What are some of the activities of the Holcim Foundation with regard to sustainable development?

We have 100 years of experience in this region, and we were the first company to introduce modern technology and high-performance standards toward sustainable development and sustainable construction. We always go beyond our core business. The Holcim Foundation works closely with diverse stakeholders, including academics and experts, to continuously create innovative approaches for sustainable de-



velopment. Sustainable construction aims to meet present-day needs for housing, working environments, and infrastructure, without compromising the ability of future generations to meet their own needs. It incorporates elements of economic efficiency, environmental performance, and social responsibility, and contributes to the greatest extent when architectural quality, technical innovation, and transferability are included. We select and support initiatives that combine sustainable construction solutions with architectural excellence and an enhanced quality of life, beyond simple technical solutions. An emphasis is put on progress, people, the planet, prosperity, and proficiency. ●



BIOGRAPHY

Raoul Waldburger joined Holcim in 1999. He started out as a Senior Consultant for HGRS before becoming General Manager of the Holcim Aggregates business in Bulgaria and Country Manager of Holcim Kosovo. He holds an Executive MBA from the University of St. Gallen and a PhD in Process Engineering from the Swiss Institute of Technology in Zurich.

† Raoul Waldburger, CEO of Holcim Azerbaijan