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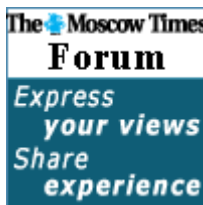
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Thursday, March 16, 2006. Issue 3372. Page 6.

McDonald's to Invest \$50 Million

By [Maria Levitov](#)
Staff Writer

Fast-food giant McDonald's plans to invest more than \$50 million in expanding and upgrading its operations in Russia this year, Khamzat Khasbulatov, the corporation's president in Russia and Eastern Europe, said Wednesday.

The funds will go towards remodeling existing outlets and opening 25 new McDonald's eateries and up to 15 McCafe coffee shops, Khasbulatov said at a press briefing. Last year, 18 McDonald's eateries opened in Russia, bringing the total number of outlets to 147 in 37 cities across the country.

"The Russian market is one of the most attractive for the McDonald's corporation, in terms of its rate of development," Khasbulatov said. It is growing more than 20 percent per year, which is comparable to China, he said.

The company's turnover in Russia grew 26 percent last year and is expected to grow between 20 and 30 percent this year, Khasbulatov said.

Despite its expansion plans, however, the McDonald's corporation is not ready to let franchises operate under the golden arches brand in Russia.

More than 85 percent of McDonald's eateries operate as franchises, Khasbulatov said, but the company intends to wait before rolling out franchises in Russia because of holes in existing legislation.

The law on commercial concession governs franchising in Russia, but franchisers often complain about its lack of clarity. Some franchisers also say that banks and tax officials are not familiar enough with the concept of franchising, which complicates operating this sort of business model. Nevertheless, many of the country's businesses, including some Rostik's-KFC fried chicken eateries, operate as franchises.

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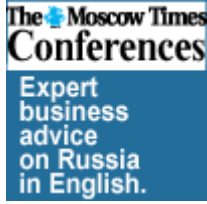


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