

TITANIUM VALLEY



TITANIUM VALLEY

Special Economic Zone



RUSSIAN FEDERATION

Russia is a receptive internal market, an economy with diverse industries, high-tech production, modern infrastructure, abundant natural resources, and a variety of business incentives provided by the state.

Population — **146,544,710**

Area — **17,125,191 km²**

In The Russian Federation comprises **85 subjects**

It ranks **first in the world** by area and the ninth — in terms of population

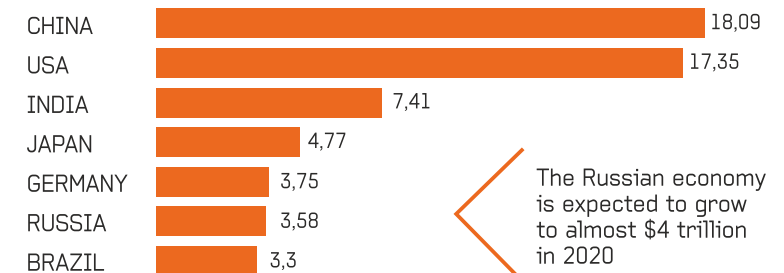
Capital — **Moscow**

Federal semi-presidential (constitutional) republic

President — **Vladimir Putin**

RUSSIAN ECONOMY

Russia is the 6th largest economy in the world.
GDP purchasing power parity, \$ trillion



Sources: IMF, Central Bank of Russia, Russian Federal Treasury, Rosstat, Moscow Exchange, UNCTAD, World Economic Forum Global Competitiveness Report





WHY RUSSIA?

A COUNTRY FOR BUSINESS

For several years Russia has improved their positions in the Doing Business ranking by 5 times up to 51. But in certain categories Russia is in the top-10. This means that starting launching a business, getting a credit, paying taxes, and essentially doing business in Russia gets easier every year.

A COUNTRY FOR INNOVATIONS

No 1

Russia has the world's highest share of employees with higher education



Russia ranked 14th in Bloomberg's 2015 index of the world's 50 most innovative countries, ahead of Switzerland, Austria, China, and the Netherlands. The government channels vast investments into science. Companies deploy an ever increasing amount of latest high-tech equipment units, and by the number of employees in science-driven industries Russia makes it to the world's top-20

*Data Insight, 2015



A COUNTRY FOR TRADE

There are 17.7 mln m² of shopping centers in Russia – more than in any other European country. Russia's e-commerce market is also the biggest in Europe. It is currently dominated by Chinese companies.

Number of Internet users in Russia:

80 mln

E-commerce market size:

\$ 9,8 bn

Average market growth rate:

30% PA*

SPECIAL ECONOMIC ZONE

SEZs in Russia are a large-scale project aimed at developing regions by attracting direct Russian and foreign investment in high-tech industries and import-substituting manufacturing.

PROTECTING INVESTORS' RIGHTS

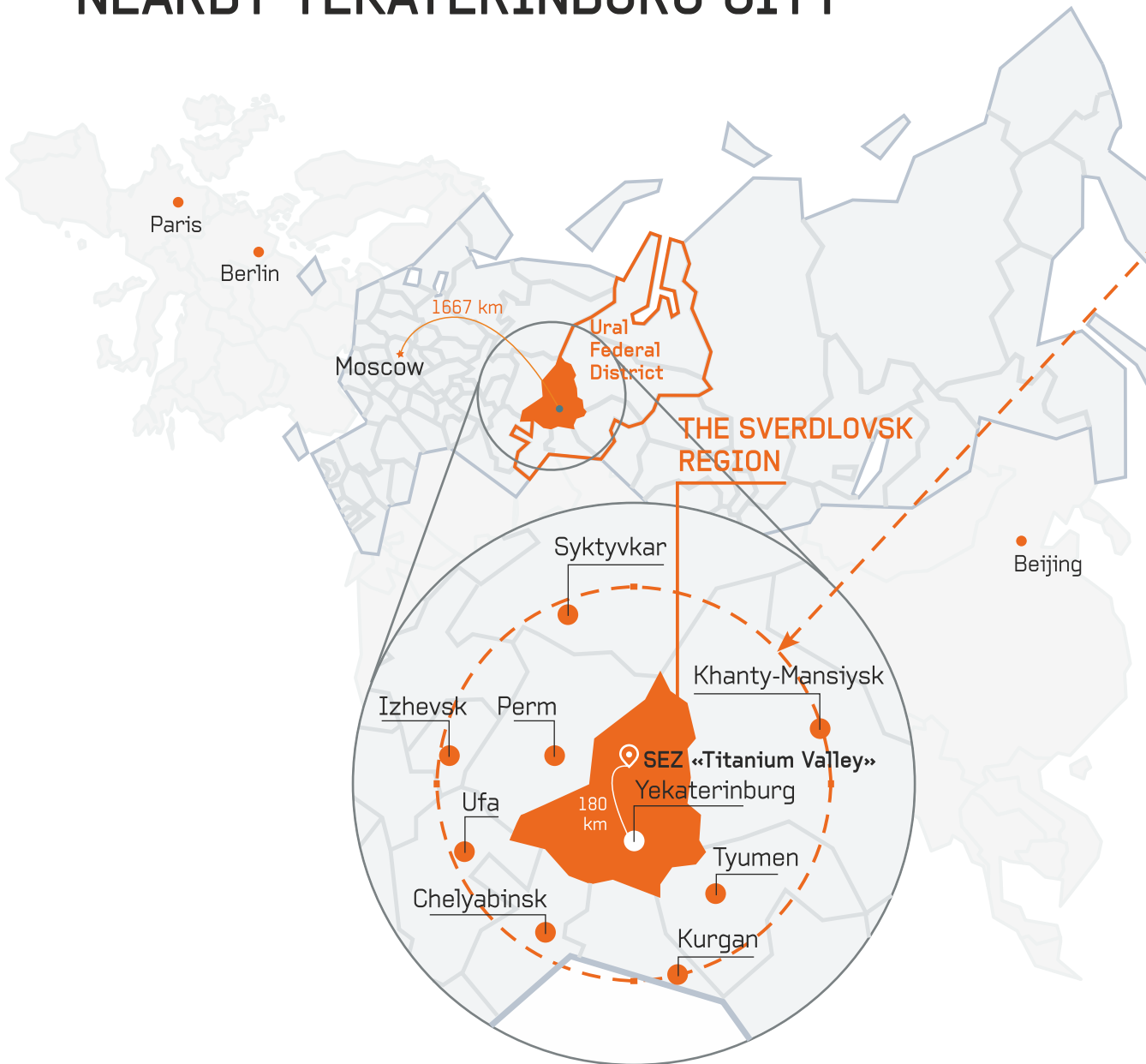
SEZ resident companies are guaranteed protection from unfavorable changes of the Russian Federation tax and duties legislation throughout the lifetime of the Special Economic Zone (49 years)
Reducing bureaucratic barriers – Single-window system – a simplified administration system

The government grants special legal status to every Special Economic Zone, providing a series of **TAX BENEFITS AND CUSTOMS PREFERENCES** to SEZ investors, and also guarantees access to engineering, transport and business **INFRASTRUCTURE**.

Special Economic Zone in Russia



SPECIAL ECONOMIC ZONE TITANIUM VALLEY IS LOCATED IN THE SVERDLOVSK REGION, NEARBY YEKATERINBURG CITY



R 500 km

60%

of resources
of the countries' mineral
and raw materials potential

Total area of the
Sverdlovsk Oblast is

194,300 m²

SVERDLOVSK REGION

Population
4 327 000 persons

Region`s administrative city
Yekaterinburg

6 federal highways
7 major railroads

there is a network of logistics facilities and terminals for managing through transit, cargo storage and cargo processing.

Yekaterinburg - Chelyabinsk - 206 km

Yekaterinburg - Tumen' - 328 km

Yekaterinburg - Perm' - 358 km

Yekaterinburg - Khanty-Mansiysk - 1011 km

Yekaterinburg - Salekhard - 2839 km

● Chelyabinsk

Nizhny Tagil
(pop. - 360 000)

Verkhnyaya Salda
(pop. - 46 900)

Yekaterinburg
(pop. - 1,5 mln)

Uktus platform

Salda platform

Uktus platform



Koltsovo airport (SVX) – a hub for international connections
- 15 minutes

20 minutes to the center of Yekaterinburg



there are 30 941 km of motor roads, region`s road density amounts to 59.6 km per 1000 km² which is 1.9 times higher than the country`s average



- rated 3rd among Russian regional railroads
- operational length – 7.1 thousand km,
- services 400 km of spur tracks,
- over 12 000 industrial companies use regional railroad services

INDUSTRIAL POTENTIAL AND INDUSTRY SPECIALIZATION

SVERDLOVSK REGION IS THE KEY INDUSTRIAL REGION OF RUSSIA



of the country's
industrial output

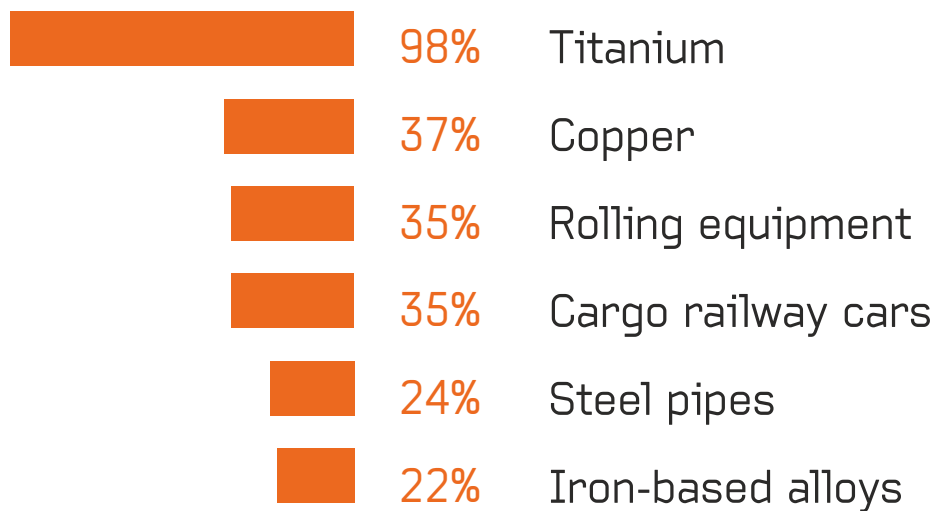
Unique opportunities for industrial cooperation – the region hosts:

- the world's largest titanium manufacturer – VSMPO-AVISMA Corporation (border to border with SEZ);
- the largest Russian manufacturing of railway cars and tanks (Uralvagonzavod Research and Production Corporation);
- three out of seven largest pipe manufacturers (two of these are part of the Pipe Metallurgical Company (TMK) and the other one is part of ChelPipe Group);
- one of the largest Russian manufacturers of refined copper – UMMC Holding;
- one of the leading Russian copper manufacturers – Uralgidromed (part of Russian Copper Company);
- two out of eight largest manufacturers of primary aluminum (part of United Company RUSAL);
- one out of eight full-cycle steel-making combined plants – Nizhny Tagil Iron and Steel Works, part of EVRAZ Group;
- the largest Russian asbestos manufacturer – Uralasbest;
- country's and world's largest uranium enrichment facility – Ural Electrochemical Integrated Plant (Rosatom Group).

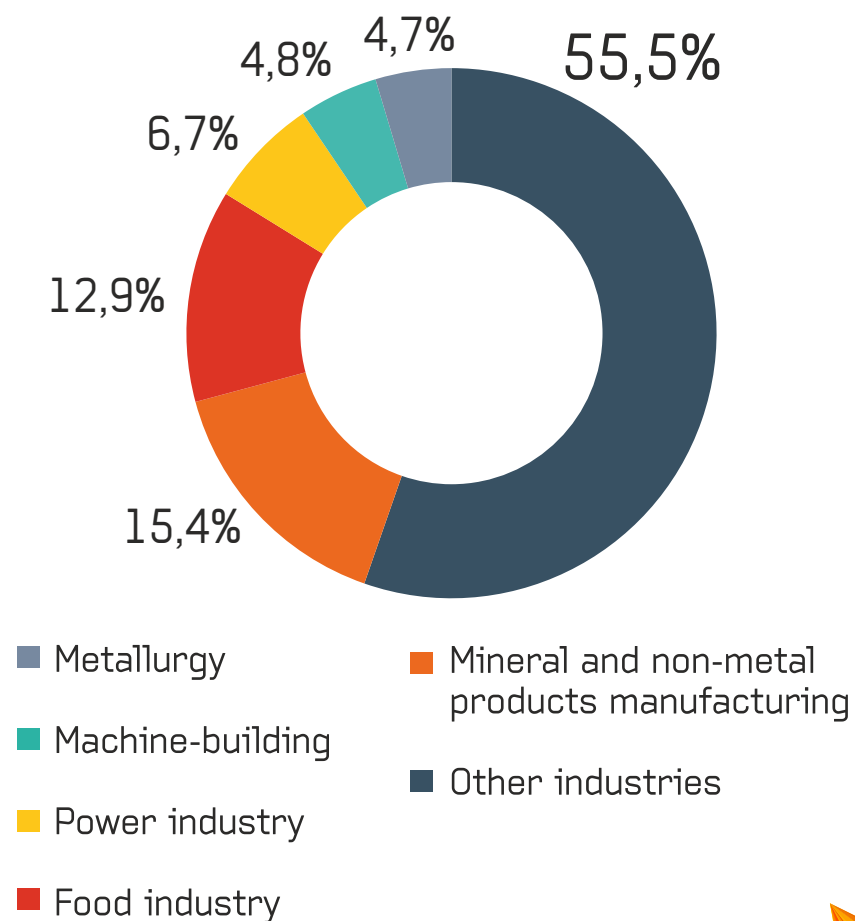


INDUSTRIES DEVELOPMENT OF THE SVERDLOVSK REGION

SHARE OF THE SVERDLOVSK OBLAST IN THE TOTAL RUSSIAN PRODUCTION OUTPUT



INDUSTRY STRUCTURE IN THE SVERDLOVSK OBLAST IN 2015



INDUSTRIES DEVELOPMENT OF THE SVERDLOVSK REGION

NUMBER OF COMPANIES WITH FOREIGN CAPITAL PARTICIPATION (AS OF THE END OF THE YEAR)*



311

AVERAGE OF STAFF PAST-TIMES (NOT COUNTING ANY EXTERNAL)



143 800

COMPANIES' TURNOVER, BIN RUBLES



832,5

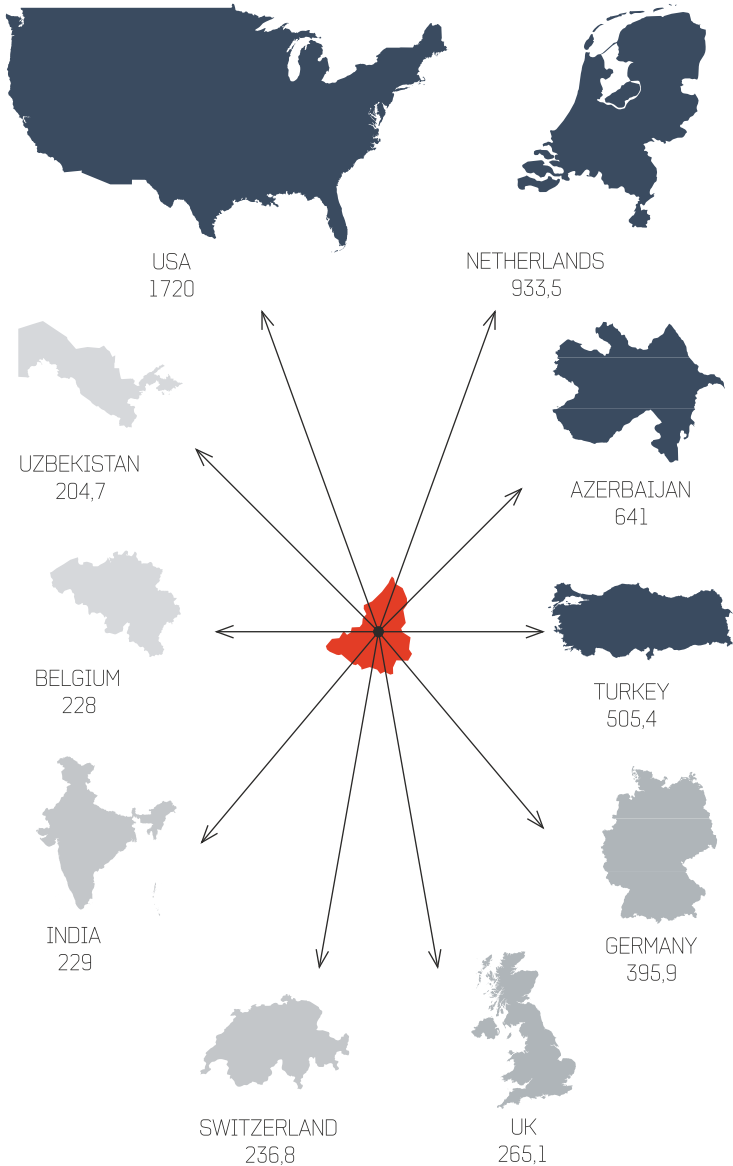
INDUSTRIAL GIANTS OPERATING IN THE REGION



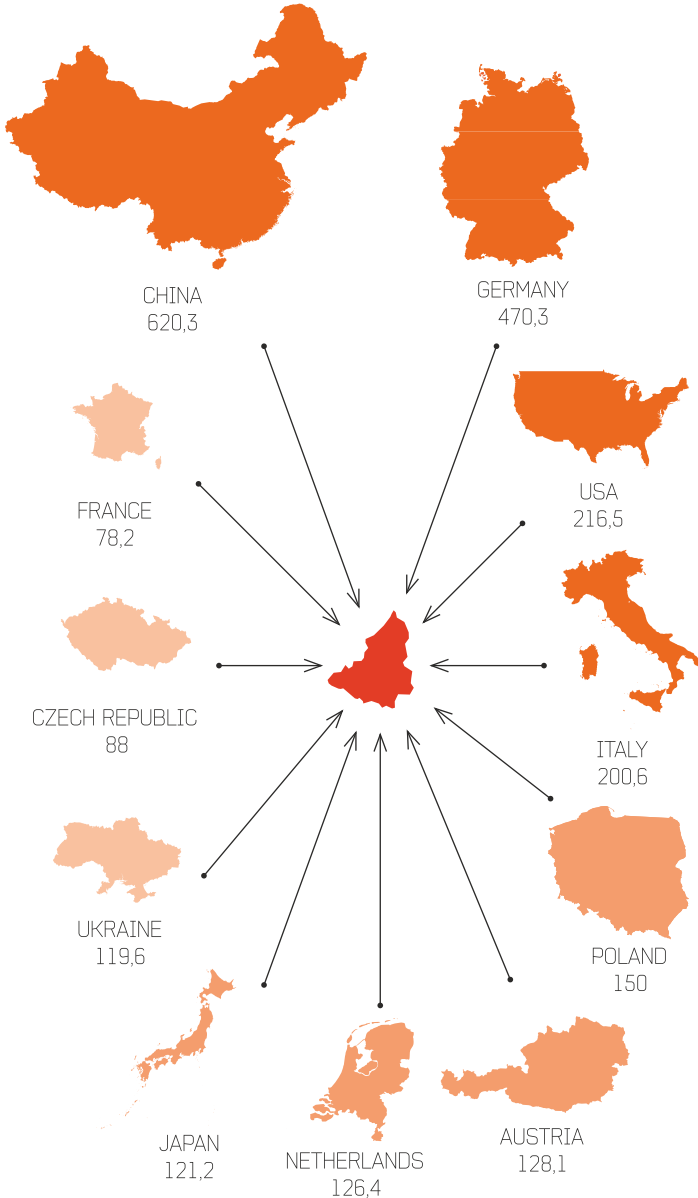
* Information for 2015

FOREIGN ECONOMIC ACTIVITIES IN THE SVERDLOVSK REGION*

EXPORTS, 7667,9 MILLION USD



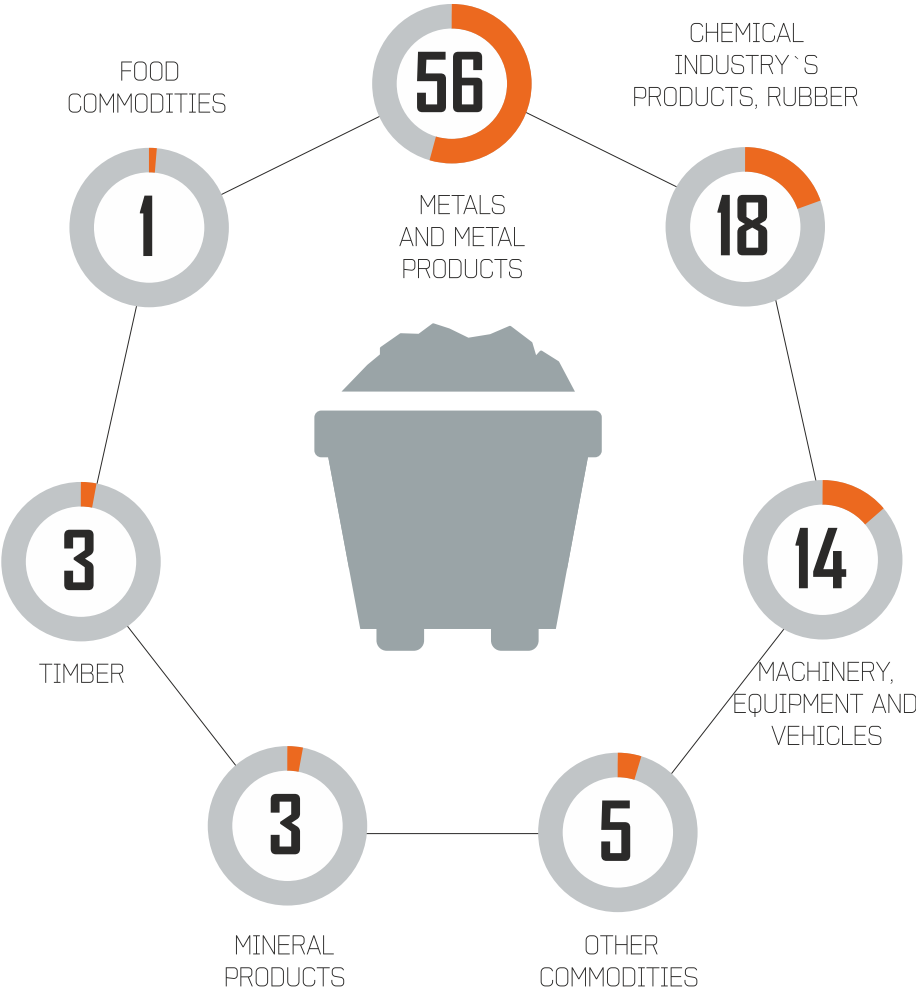
IMPORTS, 3063,3 MILLION USD



* Information for 2015

IMPORT – EXPORT STRUCTURE OF REGIONAL ECONOMY*

STRUCTURE OF EXPORT, %



STRUCTURE OF IMPORT, %



* Information for 2015

INVESTMENT CLIMATE OF THE SVERDLOVSK REGION

FAVORABLE BUSINESS ENVIRONMENT

BB+

Satisfactory solvency level

BB+ credit rating.
Outlook for rating change is Stable
(by Fitch Ratings agency)

INVESTMENT OF

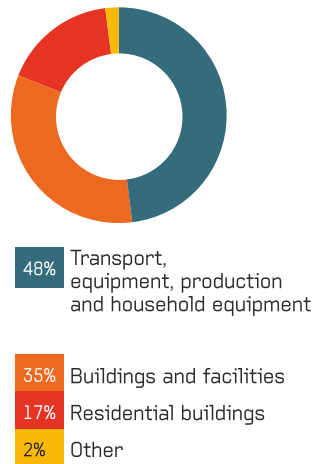
4,25 billion \$

Fixed capital investment volume of the Sverdlovsk Oblast is 4,25 billion \$, which constitutes 1,7% of the total fixed capital investment volume of Russia (according to 2015 data)

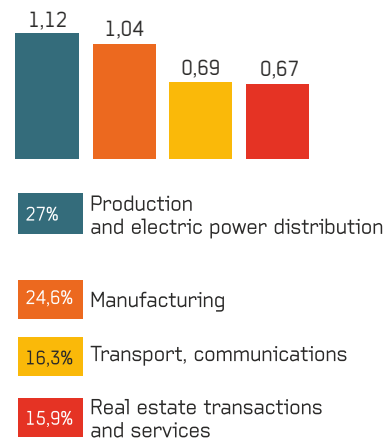
1B

Potential-to-risk ratio close to that of the seven largest regions of the Russian Federation – the best group of **1B** – "high potential and moderate risk"
(by Expert Rating Agency)

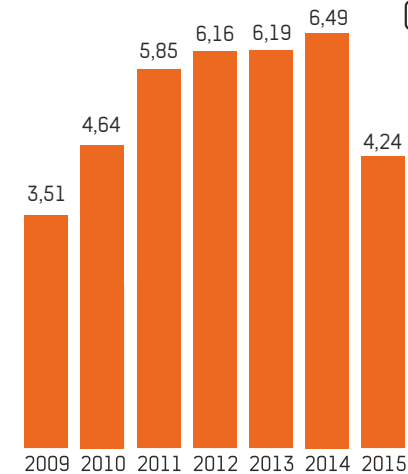
Fixed capital investment structure by type, %



Investment by industries, billion \$



Investment dynamics, billion \$



2nd in the Forbes' The Best Regions for Your Investment rating – 2011

5th by the Investment Potential criterion

YEKATERINBURG — №1 CITY FOR BUSINESS IN RUSSIA

500 Euro

Average salary

1,461,000

people

Population

40

High schools
and Universities



FIFA WORLD CUP
RUSSIA 2018

in 2018

Yekaterinburg
will take the FIFA World Cup



Ural Federal University

Ural Federal University named after the first President of Russia B.N. Yeltsin is one of the top 650 world's universities according to QS World University Rankings



UMMC Technical University

UMMC Technical University trains highly qualified engineers and workers for domestic industry



INNOPROM

Major international and Russia industrial trade fairs

Koltsovo

Russia's
largest regional airport

SOCIAL
INFRASTRUCTURE



A new residential area



Europe and Asia
border

SPECIAL ECONOMIC ZONE TITANIUM VALLEY

SALDA PLATFORM

SEZ'S LAND AREA - **290** HA

YEAR OF CREATION - **2010**

PLANNED LIFESPAN - **49** YEARS

PRIORITY SECTORS:

- titanium products manufacturing and mechaning
- equipment and instrument for metallurgical, medical and oil-and-gas industries
- construction materials production
- wood working industry

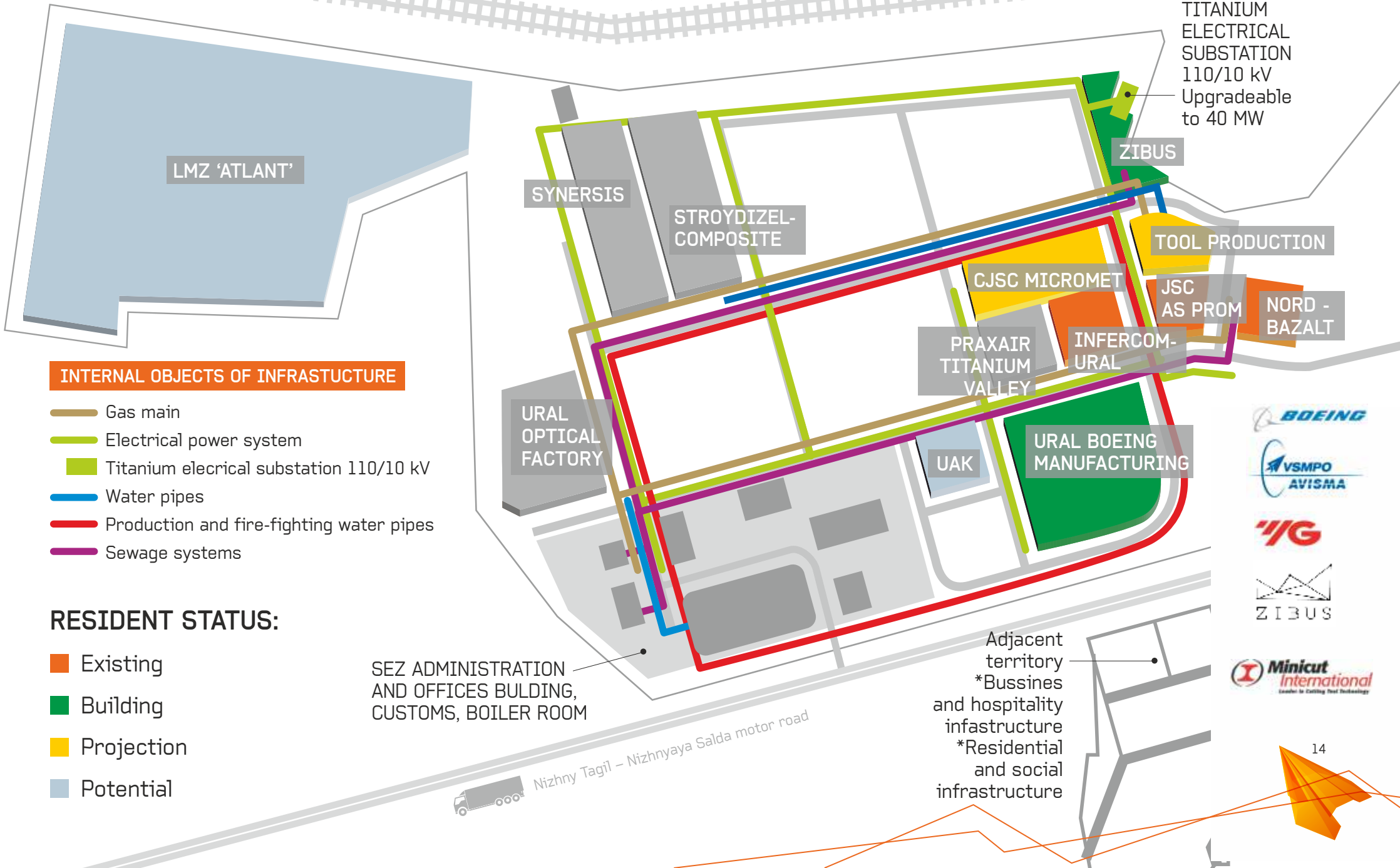
ANCHOR RESIDENT – URAL BOEING MANUFACTURING

The territory of the SEZ is located to the “VSMPO-Avisma” Corp., the world's largest titanium producer and supplier for Boeing, Airbus, Rolls Royce, Goodrich, Embraer, GE. Besides, there is the Ural Boeing Manufacturing Plant (joint venture of the Boeing Corporation and the “VSMPO-Avisma” Corp., producing mechanical processing of aviation titanium parts) on the territory of the “VSMPO-Avisma” Corp.

Ural Boeing
MANUFACTURING



CURRENT RESIDENTS OF THE TITANIUM VALLEY SEZ



TITANIUM ELECTRICAL SUBSTATION 110/10 kV Upgradeable to 40 MW

LMZ 'ATLANT'

SYNERGIS

STROYDIZEL-COMPOSITE

ZIBUS

TOOL PRODUCTION

CJSC MICROMET

JSC AS PROM

NORD - BAZALT

PRAXAIR TITANIUM VALLEY

INFERCOM-URAL

URAL OPTICAL FACTORY

UAK

URAL BOEING MANUFACTURING

INTERNAL OBJECTS OF INFRASTRUCTURE

- Gas main
- Electrical power system
- Titanium electrical substation 110/10 kV
- Water pipes
- Production and fire-fighting water pipes
- Sewage systems

RESIDENT STATUS:

- Existing
- Building
- Projection
- Potential

SEZ ADMINISTRATION AND OFFICES BUILDING, CUSTOMS, BOILER ROOM

Adjacent territory
*Business and hospitality infrastructure
*Residential and social infrastructure



CURRENT RESIDENTS

VSMPO-NEW TECHNOLOGIES, LLC

Setting up of production and machining of forged titanium-alloy products for aviation

ZIBUS, LLC

Organization of production of medical instruments and implants for neurosurgery, including titanium alloy products

TOOL PRODUCTION LLC

Organization of production of cutting tools Minicut.

CJSC MICROMET

The organization of manufacture of products from metal powder by the method of additive technologies

NORDBASALT, LLC

Construction of the plant basalt composites capacity and an engineering center for the development of basalt technologies

PRAXAIR TITANIUM VALLEY, LLC

Construction of a high-tech filling station for refilling pressure vessels with natural or special gas

INFERCOM-URAL, LLC

Setting up of production of manganese alloys

JSC AS PROM

Setting up of production of concrete products manufactured under a resource-conscious technology

TOOL PRODUCTION LLC

Organization of production of cutting tools Minicut.

STROYDIZEL-COMPOSITE, LLC

Setting up of production of nanostructured glass-reinforced plastic pipes

SYNERSYS, LLC

Setting up of production of power-saving high-voltage equipment

URALS OPTICAL FACTORY, LLC

Setting up of manufacturing of fiber-optic cables, to subsequently produce primary materials for optical fiber within the scope of imports substitution

SPECIAL ECONOMIC ZONE TITANIUM VALLEY

UKTUS PLATFORM

SEZ'S LAND AREA - **95,7** HA

YEAR OF CREATION - **2017**

PLANNED LIFESPAN - **49** YEARS

PRIORITY SECTORS:

- aviation electronics manufacturing
- composite materials production
- aviation components subassembling
- structural elements mechanizing

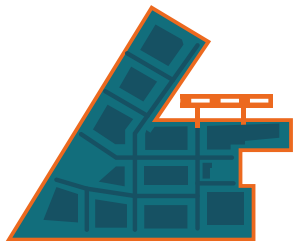
ANCHOR RESIDENT – URAL CIVIL AVIATION WORKS

Ural Civil Aviation Works project is aimed at creating an aviation cluster of a new type on the territory of the Russian Federation including development and localization of aircraft manufacturing - L-410 and Diamond DA42T Training Unit airplanes; Bell and Airbus Helicopters.

Ural Works of Civil Aviation



UNIQUE ADVANTAGES



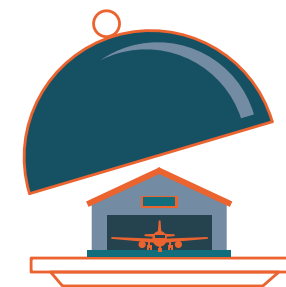
RUNWAY

on the border of SEZ
(Uktus airport's infrastructure)

18 km

KOLTSOVO INTERNATIONAL AIRPORT

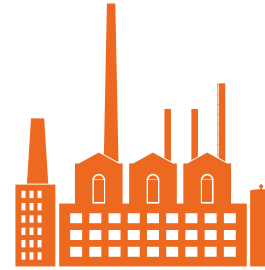
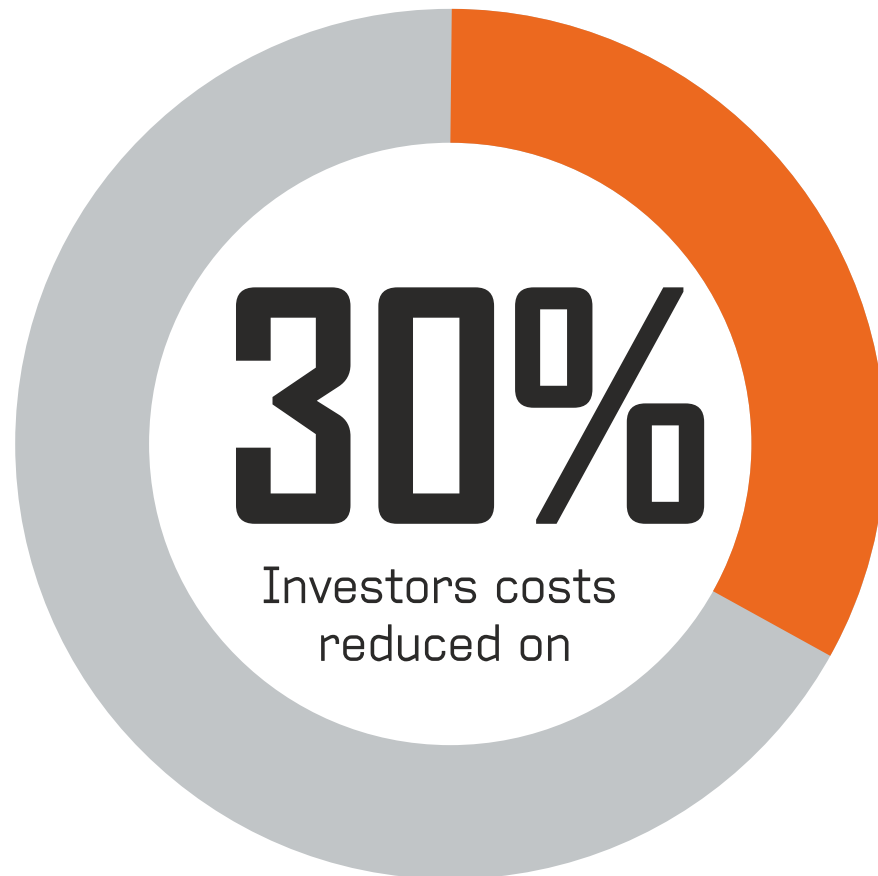
is within 18 km
from SEZ



READY-TO-USE PRODUCTION FACILITIES

of various areas

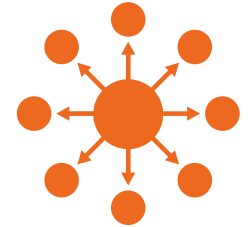
WHY DO INVESTORS CHOOSE THE TITANIUM VALLEY SEZ?



PROXIMITY TO MARKETS



REDUCED RATES ON ALL INFRASTRUCTURE



FREE CONNECTION TO UTILITIES



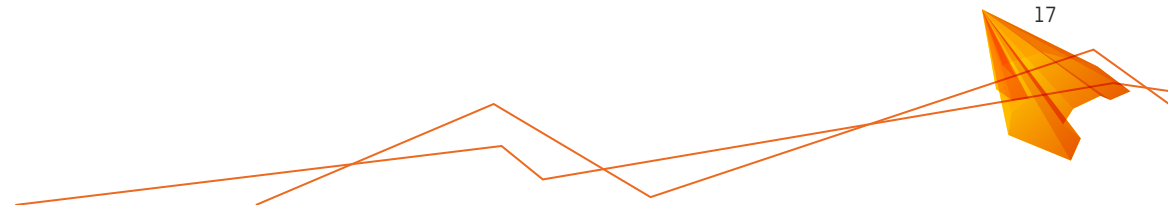
TAXATION INCENTIVES



FREE PORT-LIKE CUSTOMS REGULATIONS












NO ADMINISTRATIVE BARRIERS, THE ONE STOP SHOP SYSTEM



INCENTIVES FOR INVESTORS

PREFERENTIAL CUSTOMS AND TAX TREATMENT

Titanium valley special economic zone - a site with a distinct legal status providing special customs/tax treatment for resident businesses as well as fully-functional industrial, commercial and social infrastructure

TAX 	CORPORATE PROFIT 	PROPERTY 	LAND 	TRANSPORTATION 	IMPORT DUTIES 	VAT 
 RUSSIA	20%	2,2%	1,5%	X% depends on engine horsepower	5% TO 20%	10% TO 18%
 TITANIUM VALLEY SEZ	2%*	0%	0%	0%	0%	0%

* 2% - during the 10 years from receipt of profit
 7% - from the 11th to 15th year from receipt of profit
 15,5% - from the 16th year from receipt of profit

BUSINESS-READY INDUSTRIAL INFRASTRUCTURE

SALDA PLATFORM

AVAILABILITY OF RESOURCES



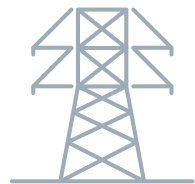
Water supplies domestic and drinking water
262,8 thousand m³/year



industrial and fire-fighting water
383,25 thousand m³/year



Gas supplies
175,2 million m³/ year



Power supplies
76 MW

RATES FOR UTILITIES



domestic and drinking water
0,35 dollars per³ m



industrial and fire-fighting water
0,15 dollars per³m

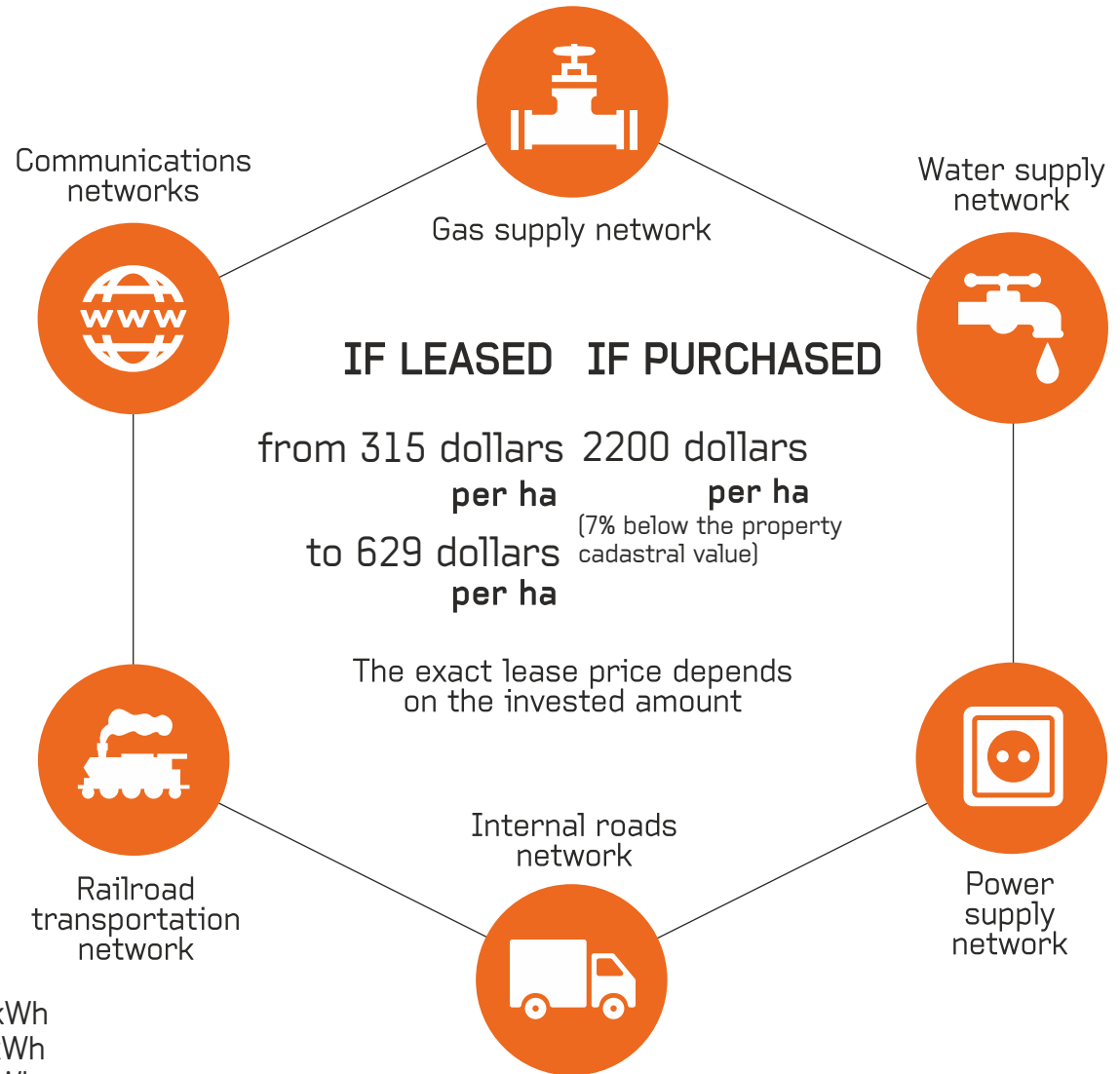


Natural gas
64 dollars per 1000 m³



Electricity
MV 0,07 dollars per kWh
HV 0,04 dollars per kWh
LV 0,07 dollars per kWh

A PLOT WITH ALL THE NECESSARY UTILITIES NETWORKS IN PLACE



BUSINESS-READY INDUSTRIAL INFRASTRUCTURE

UKTUS PLATFORM

AVAILABILITY OF RESOURCES



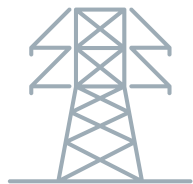
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RATES FOR UTILITIES



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industrial and fire-fighting water
0,15 dollars per m³



Heating
from 32 dollars/Gkal to 34 dollars/Gkal

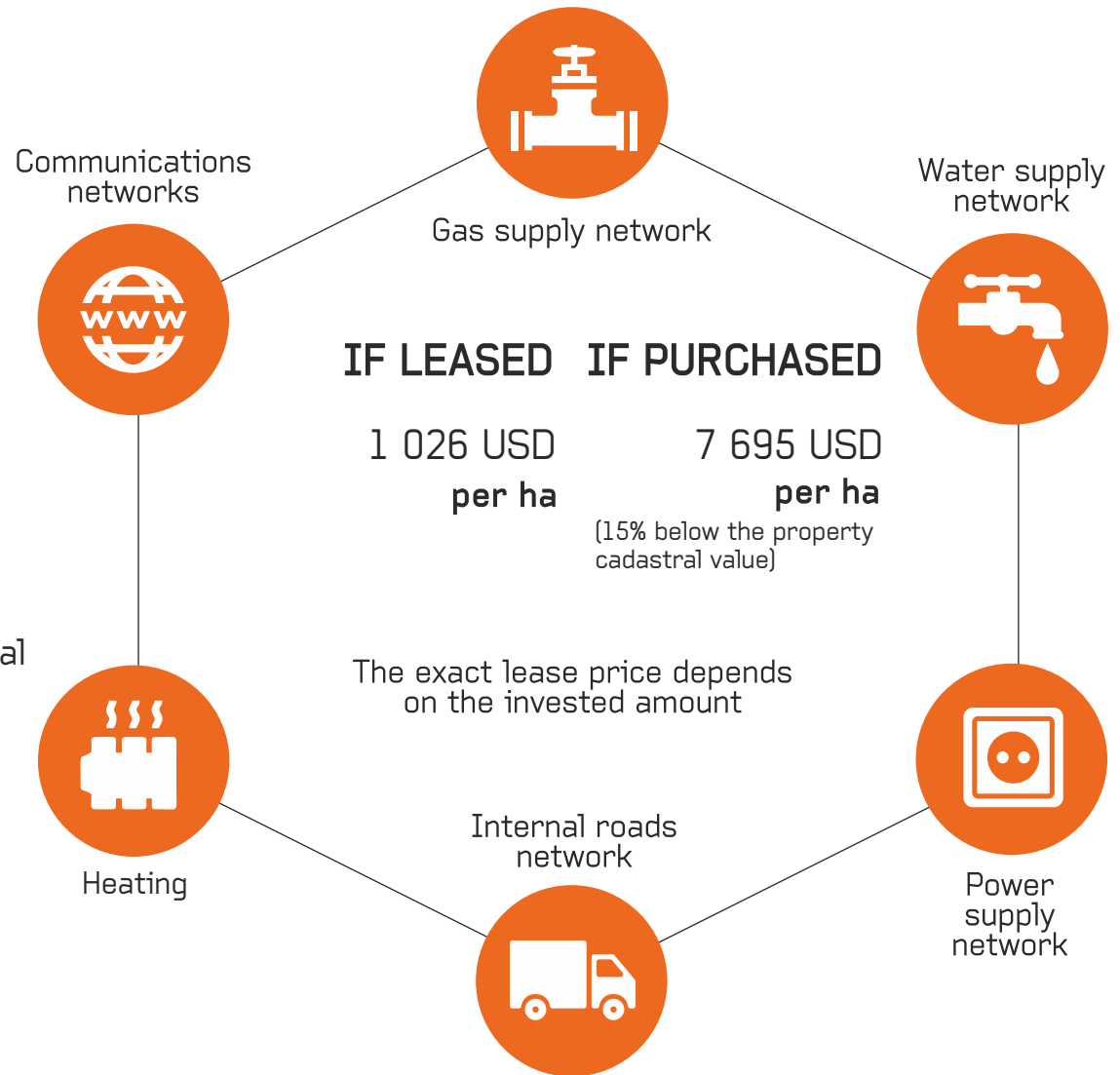


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A PLOT WITH ALL THE NECESSARY UTILITIES NETWORKS IN PLACE



THE RESIDENT STATUS GRANTED WITHIN THREE MONTHS

Draft business plan meeting the criteria of the Ministry of Economic Development of the Russian Federation

21 days

Supervisory Board (of advisory nature)

21 days

Submitting an application with a full set of project documentation

10 days

Signing an agreement on conducting industrial and production activities at the SEZ territory

10 days

Agreement of intent between SEZ and the company, with project charter attached

7 days

Registering a corporate entity within the Verkhnyaya Salda urban district

10 days

Positive decision of the expert board

30 days



OPTIONS OF PRODUCTION ORGANIZATION

Titanium Valley SEZ offers two options of building production facilities for residents within the special economic zone

1

CONSTRUCTION BY THE MANAGEMENT COMPANY WITH SUBSEQUENT PURCHASING, RENTING OR LEASING OPPORTUNITY

2

CONSTRUCTION BY THE RESIDENT

The opportunity of subsequently purchasing the production building allows the resident to save initial investment at the production launch stage. Renting ready-to-use production facilities simplifies the procedure of project implementation in terms of obtaining permits and interacting with construction contractors.



www.titanium-valley.com

Russian Federation,

Yekaterinburg

51 Malysheva Street,

Suite #2102

Phones: +7 (343) 378 45 83

E-mail:

sez@titanium-valley.com

