

TITANIUM VALLEY



TITANIUM VALLEY

Special Economic Zone



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Yekaterinburg

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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

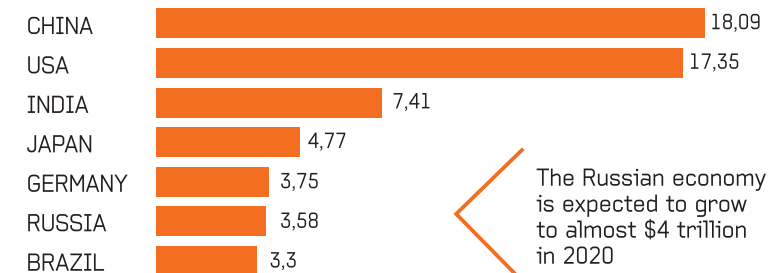
Capital — **Moscow**

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:

RUB 560 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

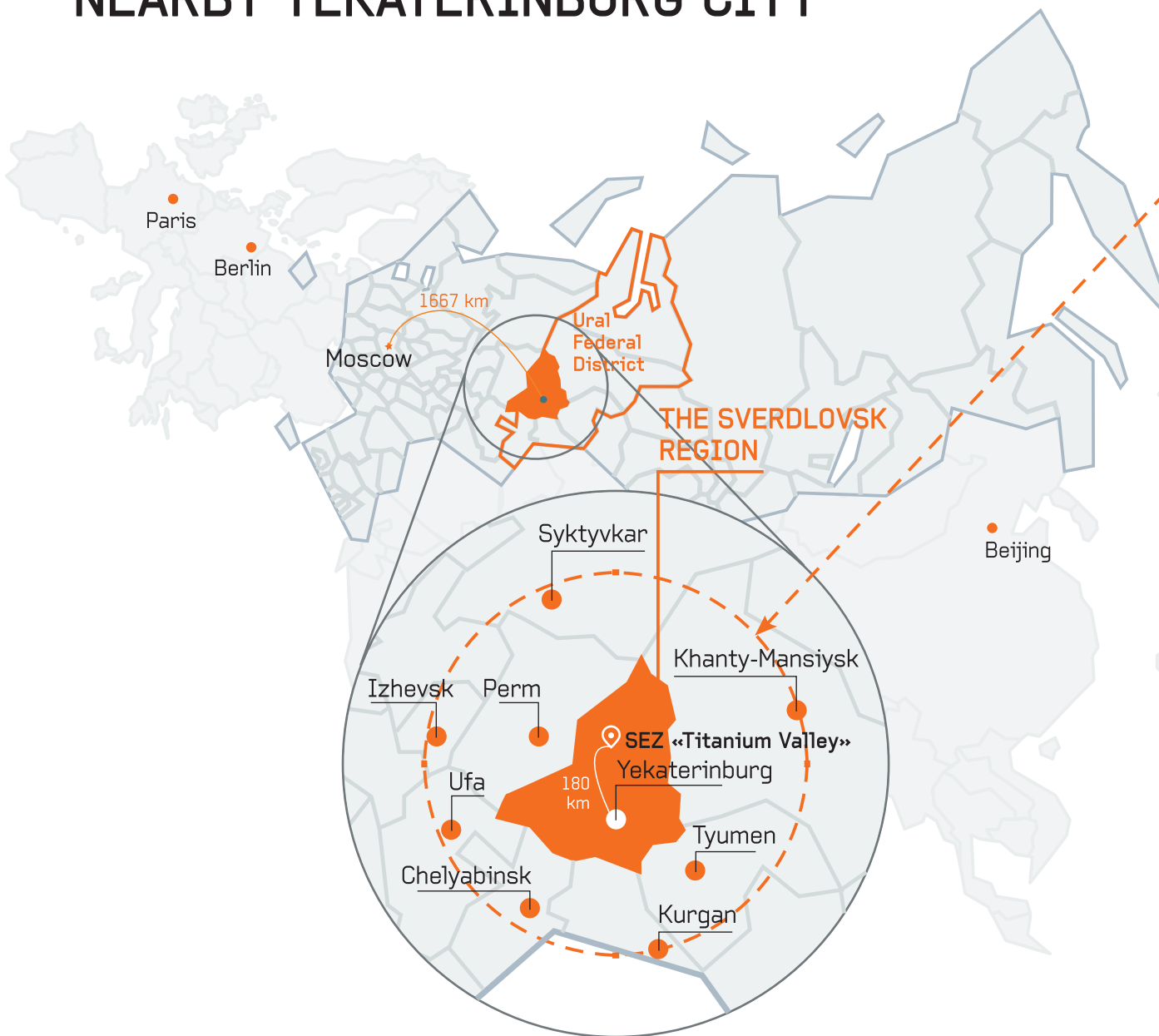
SEZ resident companies are guaranteed protection from unfavorable changes of the Russian Federation tax and duties legislation throughout the lifetime of the Special Economic Zone (49 years)
Reducing bureaucratic barriers – Single-window system – a simplified administration system

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

is Russia's 3rd largest transport hub

Land plots area
194 300 SQ. KM

Population
4 327 000 persons
rated 5th among the Russian federal units

Region's administrative city
Yekaterinburg

6 federal highways

7 major railroads

Koltsovo airport (SVX) – a hub
for international connections

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

Nizhny Tagil
(pop. – 360 000)

**Verkhnyaya
Salda**
(pop. – 46 900)

Yekaterinburg (pop. – 1,5 mln)

Chelyabinsk



- rates 5th among Russian airports
- services over 110 international flight destinations
- more than 40 airlines land at Koltsovo



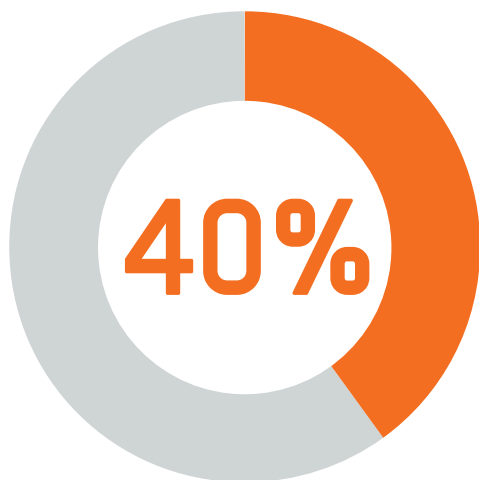
there are 30 941 km of motor roads, region's road density amounts to 59.6 km per 1000 km² which is 1.9 times higher than the country's average



- 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



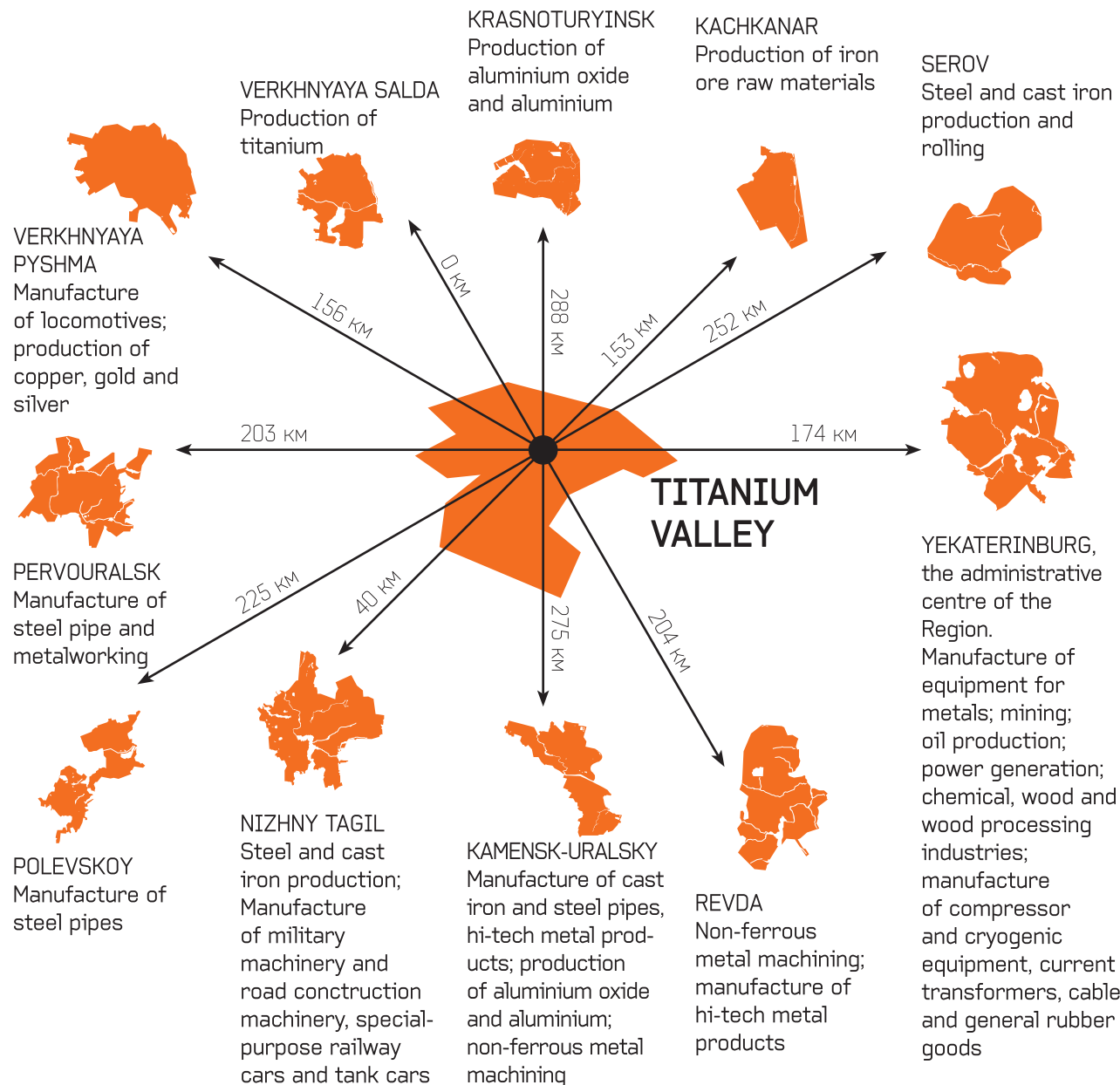
of the country's
industrial output

Unique opportunities for industrial cooperation – the region hosts:

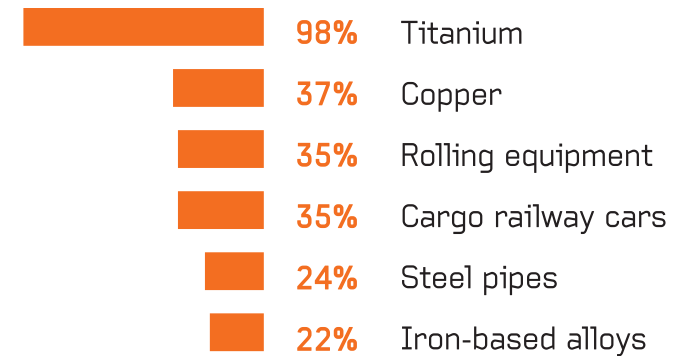
- the world's largest titanium manufacturer – VSMPO-AVISMA Corporation (border to border with SEZ);
- the largest Russian manufacturing of railway cars and tanks (Uralvagonzavod Research and Production Corporation);
- three out of seven largest pipe manufacturers (two of these are part of the Pipe Metallurgical 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).



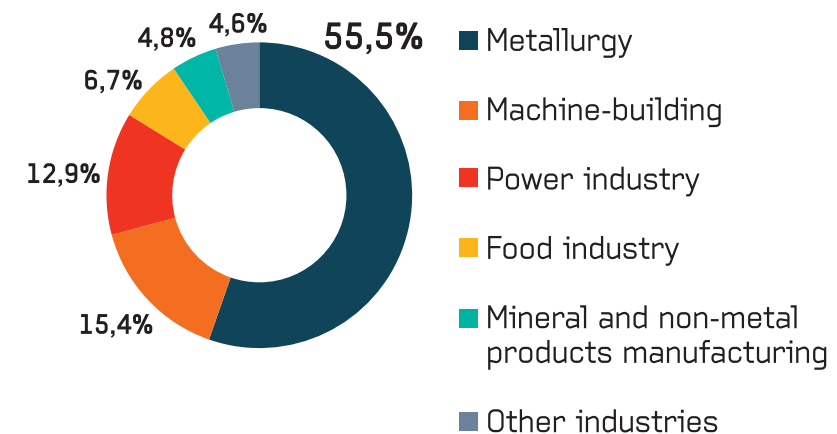
INDUSTRIES DEVELOPMENT OF THE SVERDLOVSK REGION



SHARE OF THE SVERDLOVSK OBLAST IN THE TOTAL RUSSIAN PRODUCTION OUTPUT

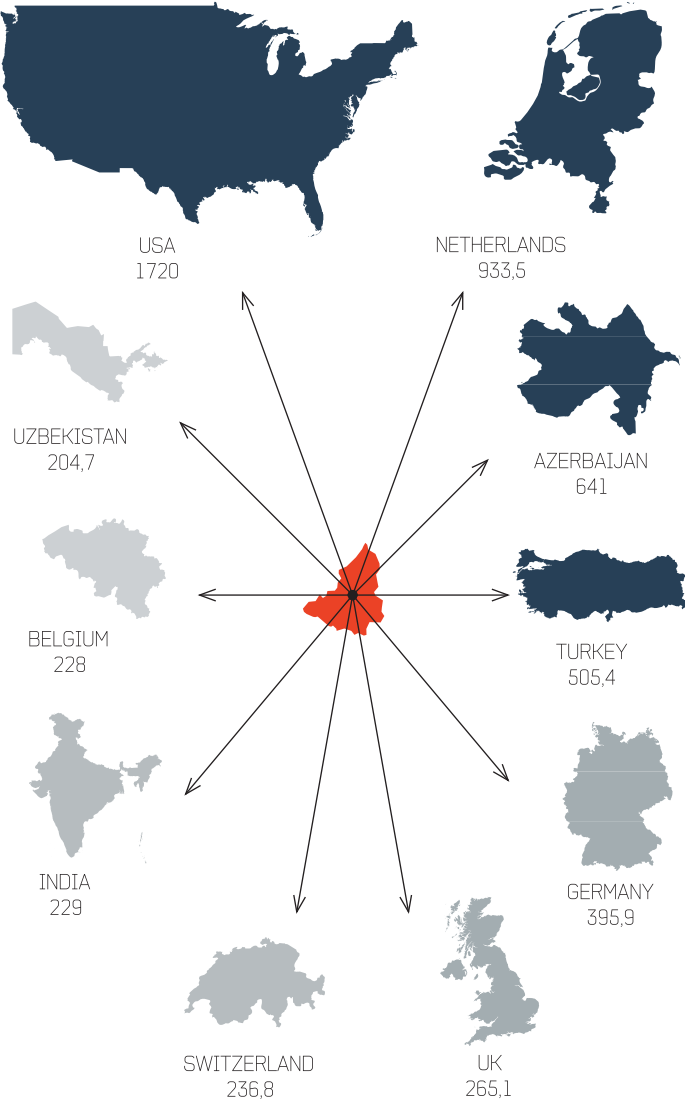


INDUSTRY STRUCTURE IN THE SVERDLOVSK OBLAST IN 2015

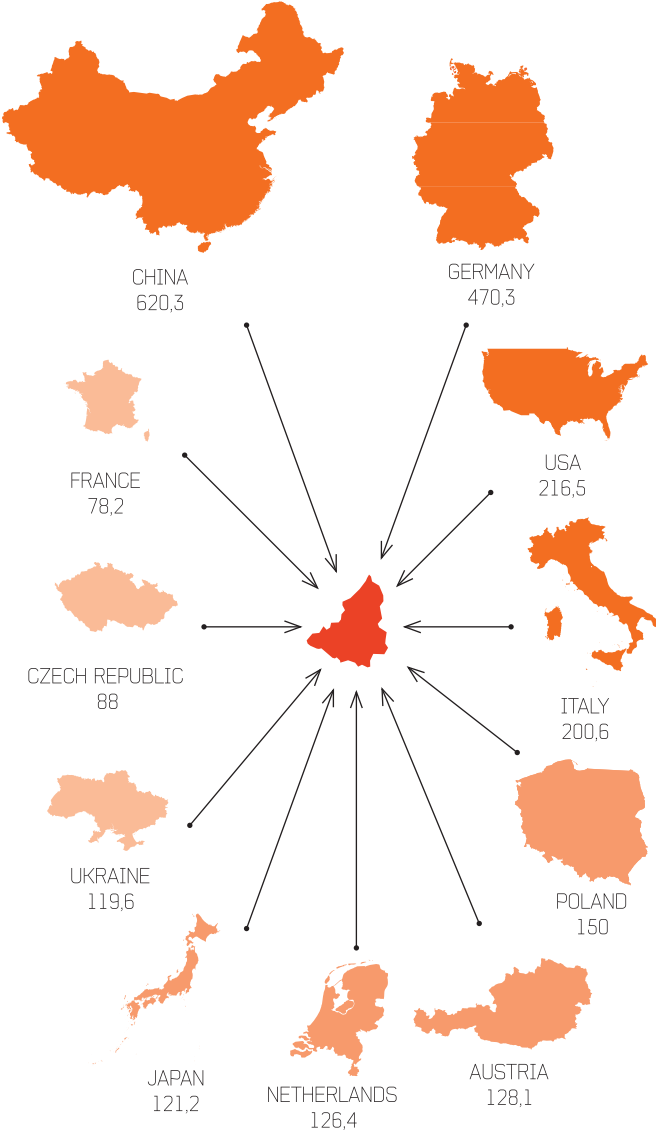


FOREIGN ECONOMIC ACTIVITIES IN THE SVERDLOVSK REGION*

EXPORTS, 7667,9 MILLION USD



IMPORTS, 3063,3 MILLION USD



COMPANIES WITH FOREIGN PARTICIPATION*



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



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



COMPANIES` TURNOVER, BIN RUBLES

* Information for 2015

INVESTMENT CLIMATE OF THE SVERDLOVSK REGION

FAVORABLE BUSINESS ENVIRONMENT

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

5th by the Investment Potential criterion (according to PwC)

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

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)

FORMS OF STATE SUPPORT IN THE SVERDLOVSK OBLAST

- Land and facilities
- Investment consulting
- Financial resources
 - Direct resources
 - Indirect resources
 - Insurance
 - Tax benefits

BB+

Satisfactory solvency level

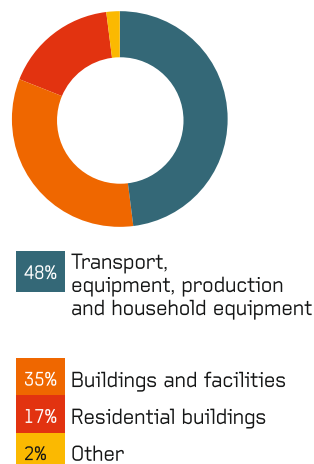
INVESTMENT OF

241.7 billion rubles

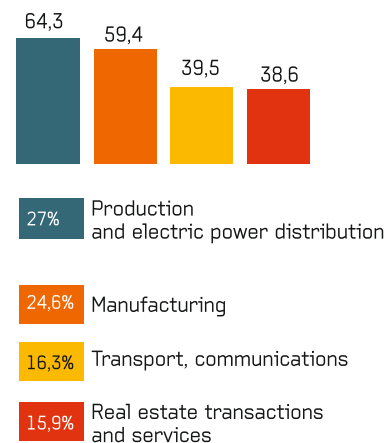
Fixed capital investment volume of the Sverdlovsk Oblast is 241.7 billion rubles, which constitutes 1.7% of the total fixed capital investment volume of Russia (according to 2015 data)

1B

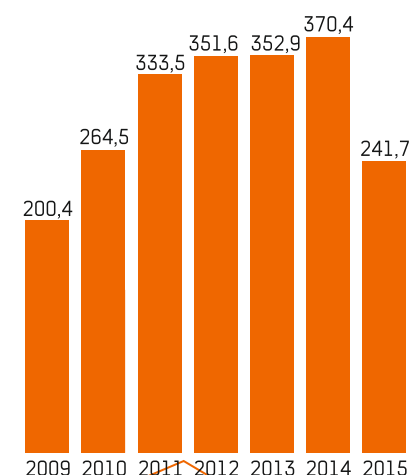
Fixed capital investment structure by type, %



Investment by industries, billion rubles

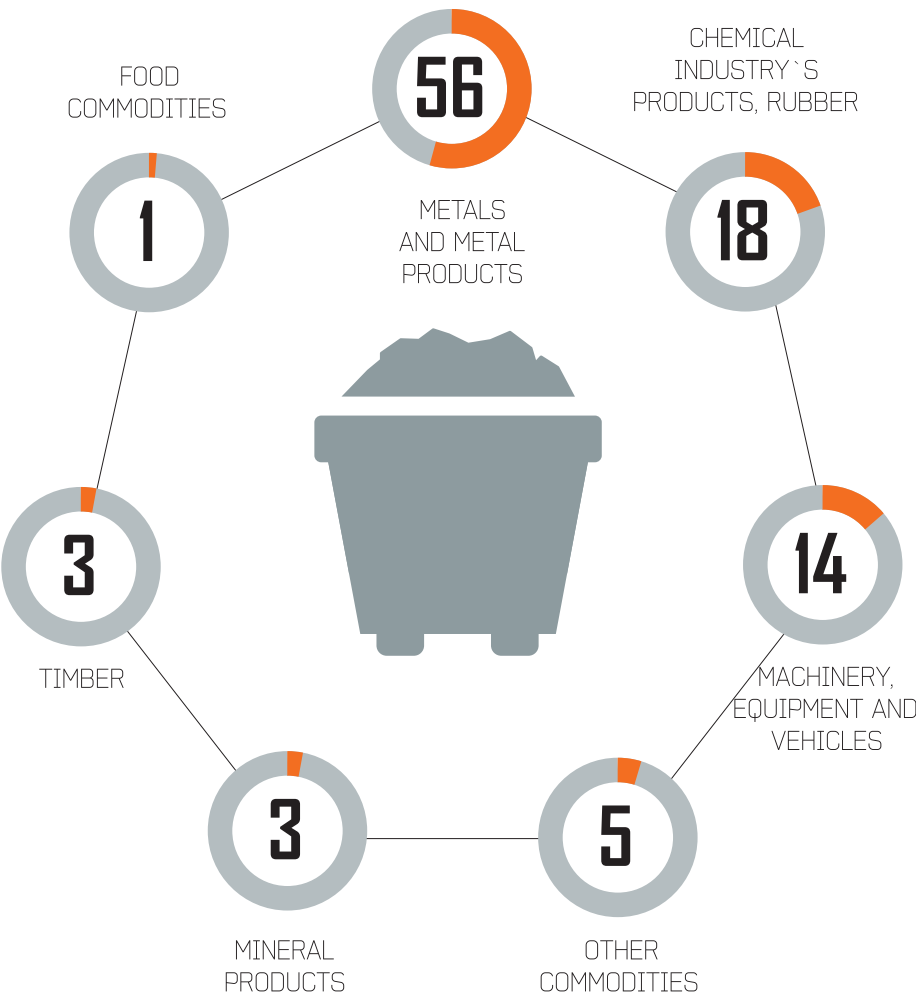


Investment dynamics, billion rubles



IMPORT – EXPORT STRUCTURE OF REGIONAL ECONOMY*

STRUCTURE OF EXPORT, %



STRUCTURE OF IMPORT, %



* Information for 2015

YEKATERINBURG — №1 CITY FOR BUSINESS IN RUSSIA*

Yekaterinburg is one of the largest cities in Russia.

Its population is 1,461,000 people.

The total increase from 2011 to 2015 amounted to 5%.

There are 40 HEI, including Ural Federal University, named after 1st president of Russia, which enters in the top 650 best universities in the world according to the QS World University Rankings rating.

In 2018 Yekaterinburg will take the FIFA World Cup.

FIFA was decided to hold the final matches in the capital of the Urals.

It hosts major international and Russian industrial trade fairs, including INNOPROM.



SOCIAL
INFRASTRUCTURE



A new residential area –



*According to RBC ratings for 2012

SPECIAL ECONOMIC ZONE TITANIUM VALLEY

SEZ'S LAND AREA - **721.4^{*}** HA

YEAR OF CREATION - **2010**

PLANNED LIFESPAN - **49 YEARS**

PRIORITY SECTORS:

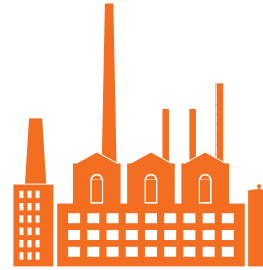
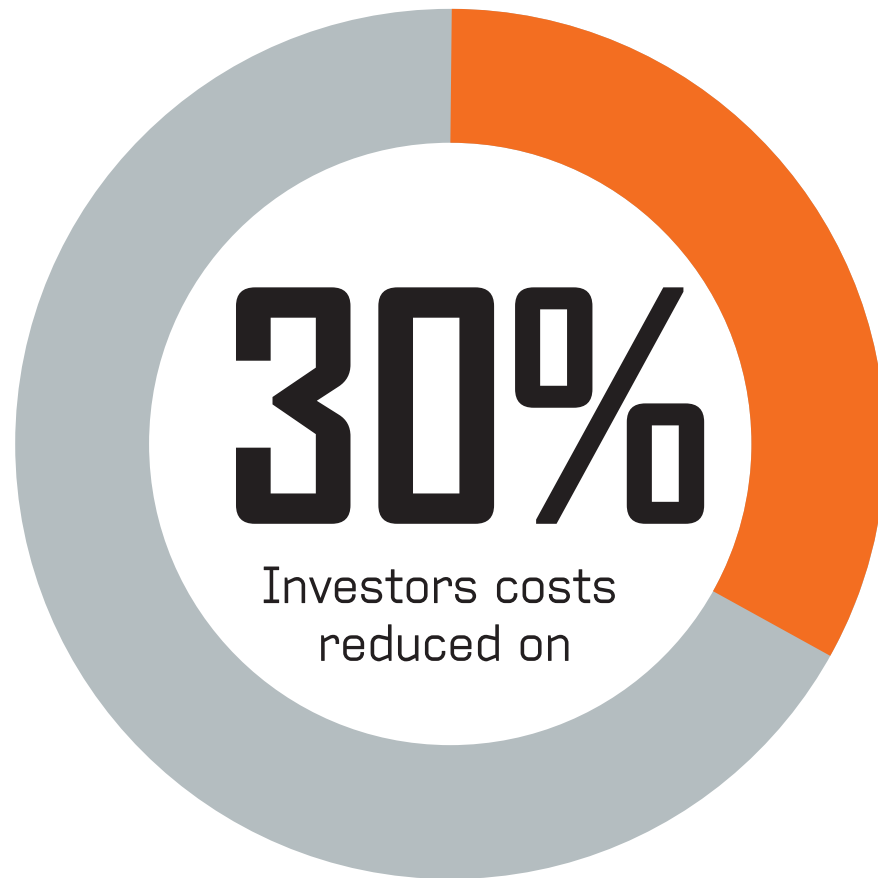
- manufacturing of titanium products
- production of components and equipment for metallurgy and machinery, oil and gas machinery, medical products with the use of titanium or without it
- production of construction materials

The territory of the SEZ is located close 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.



*Total area of 1 and 3 stage Titanium Valley SEZ

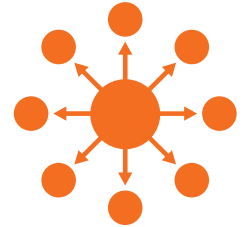
WHY DO INVESTORS CHOOSE THE TITANIUM VALLEY SEZ?



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

AVAILABILITY OF RESOURCES



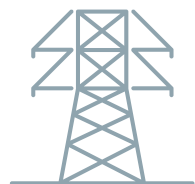
Water supplies
domestic and
drinking water
262,8 thousand
m³/year



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
33 rubles per m³



industrial and
fire-fighting water
9 rubles per m³

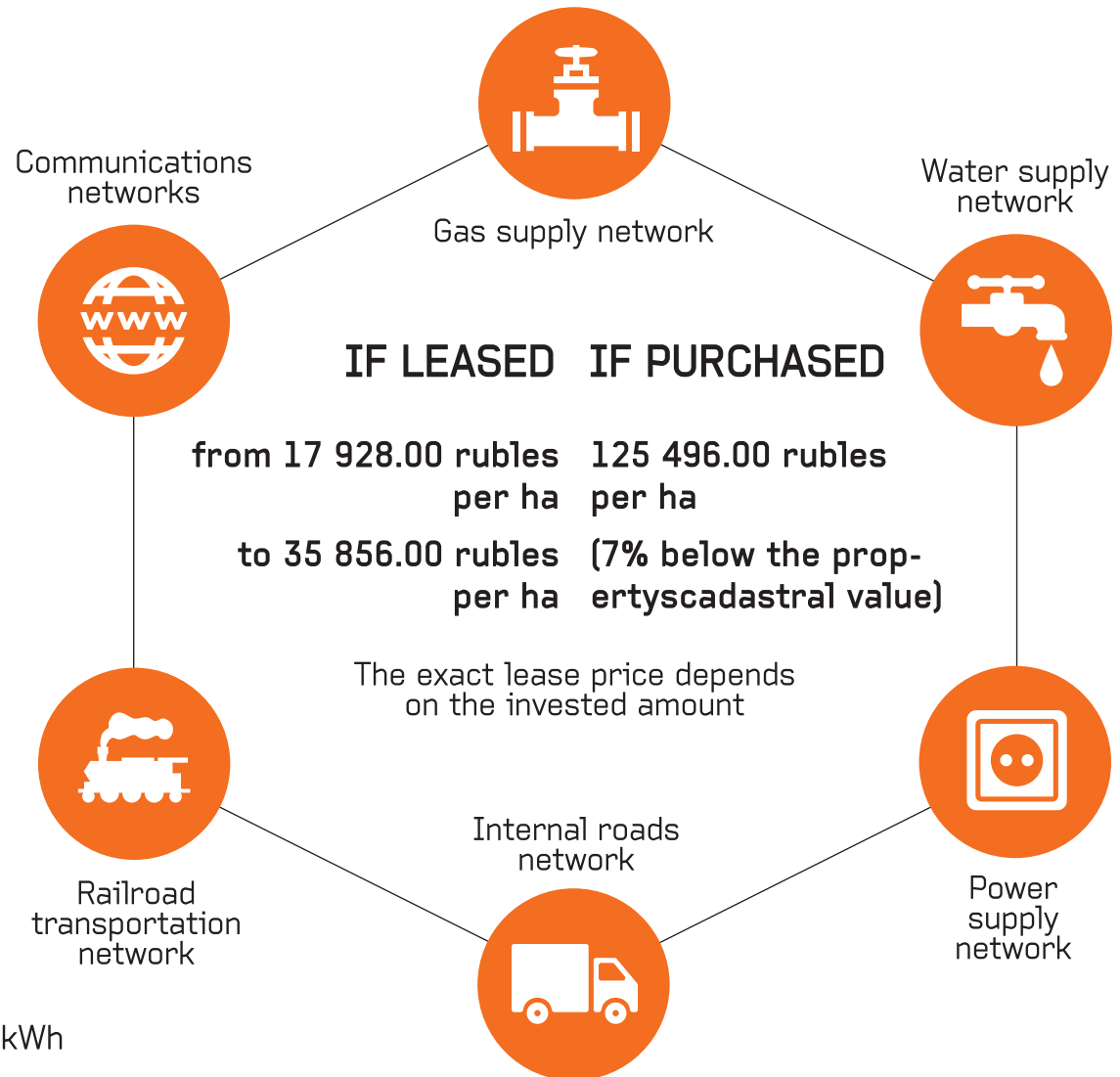


Natural gas
3646 rubles per
1000 m³



Electricity
MV 4,0 rubles per kWh
HV 2,3 rubles per kWh
LV 4,5 rubles per kWh

A PLOT WITH ALL THE NECESSARY UTILITIES NETWORKS IN PLACE



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.



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

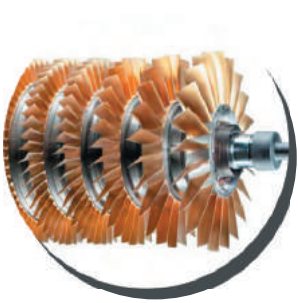


Prospect

SECOND STAGE OF THE TITANIUM VALLEY SEZ

PRODUCTION ZONE WITHIN
YEKATERINBURG CITY LIMITS

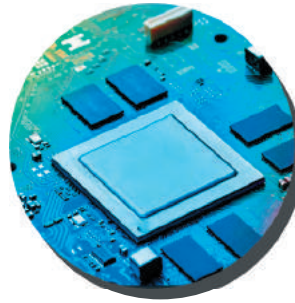
95.7 hectares



Manufacturing
of structural elements
for aircraft building



Subassemblies
for airplane building



High-tech industry

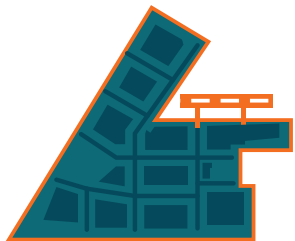


ANCHOR RESIDENT – URAL CIVIL AVIATION WORKS

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.



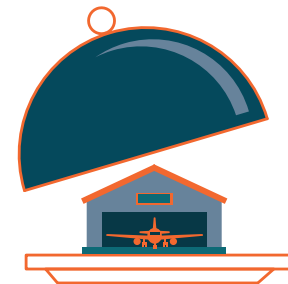
UNIQUE ADVANTAGES



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

18

CURRENT RESIDENTS OF THE TITANIUM VALLEY SEZ

