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 5th largest economy in the world.
GDP purchasing power parity, $ trillion

<table>
<thead>
<tr>
<th>Country</th>
<th>GDP (trillion)</th>
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<tbody>
<tr>
<td>CHINA</td>
<td>18.09</td>
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<tr>
<td>USA</td>
<td>17.35</td>
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<tr>
<td>INDIA</td>
<td>7.41</td>
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<tr>
<td>JAPAN</td>
<td>4.77</td>
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<tr>
<td>GERMANY</td>
<td>3.75</td>
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<tr>
<td>RUSSIA</td>
<td>3.58</td>
</tr>
<tr>
<td>BRAZIL</td>
<td>3.3</td>
</tr>
</tbody>
</table>

The Russian economy is expected to grow to almost $4 trillion in 2020

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 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* 

A COUNTRY FOR INNOVATIONS

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
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 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.

• rates 5th among Russian
airports
• services over 110
internationals 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

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

VERKHNYAYA SALDA
Production of titanium

Krasnoturyinsk
Production of aluminium oxide and aluminium

Kachkanar
Production of iron ore raw materials

Serov
Steel and cast iron production and rolling

Yekaterinburg, the administrative centre of the Region.
Manufacture of equipment for metals; mining; oil production; power generation; chemical, wood and wood processing industries; manufacture of compressor and cryogenic equipment, current transformers, cable and general rubber goods

Pervouralsk
Manufacture of steel pipe and metalworking

Polevskoy
Manufacture of steel pipes

Nizhny Tagil
Steel and cast iron production; manufacture of military machinery and road construction machinery, special-purpose railway cars and tank cars

Kamensk-Uralsky
Manufacture of cast iron and steel pipes, hi-tech metal products; production of aluminium oxide and aluminium; non-ferrous metal machining

Revda
Non-ferrous metal machining; manufacture of hi-tech metal products

SHARE OF THE SVERDLOVSK OBLAST IN THE TOTAL RUSSIAN PRODUCTION OUTPUT

- 98% Titanium
- 37% Copper
- 35% Rolling equipment
- 35% Cargo railway cars
- 24% Steel pipes
- 22% Iron-based alloys

INDUSTRY STRUCTURE IN THE SVERDLOVSK OBLAST IN 2015

- 55.5% Metallurgy
- 15.4% Machine-building
- 12.9% Power industry
- 4.6% Food industry
- 4.8% Mineral and non-metal products manufacturing
- 6.7% Other industries

* Data for 2015
FOREIGN ECONOMIC ACTIVITIES IN THE SVERDLOVSK REGION

EXPORTS, 7667,9 MILLION USD

IMPORTS, 3063,3 MILLION USD

COMPANIES WITH FOREIGN PARTICIPATION*

311
NUMBER OF COMPANIES WITH FOREIGN CAPITAL PARTICIPATION (AS OF THE END OF THE YEAR)

143 800
AVERAGE OF STAFF PAST-TIMES (NOT COUNTING ANY EXTERNAL)

832,5
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)

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)

INVESTMENT BY INDUSTRIES

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</tr>
</thead>
<tbody>
<tr>
<td>Production and electric power distribution</td>
<td>200.4</td>
<td>264.5</td>
<td>333.5</td>
<td>351.6</td>
<td>352.9</td>
<td>370.4</td>
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<tr>
<td>Manufacturing</td>
<td></td>
<td></td>
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<tr>
<td>Transport, communications</td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>Real estate transactions and services</td>
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</tr>
</tbody>
</table>

FORMS OF STATE SUPPORT IN THE SVERDLOVSK OBLAST

→ Land and facilities
→ Investment consulting
→ Financial resources
  Direct resources
  Indirect resources
  • Insurance
  • Tax benefits
IMPORT – EXPORT STRUCTURE OF REGIONAL ECONOMY

STRUCTURE OF EXPORT, %

1. Food commodities: 56%
2. Metals and metal products: 3%
3. Timber: 14%
4. Chemical industry’s products, rubber: 18%
5. Machinery, equipment and vehicles: 5%
6. Other commodities: 3%

STRUCTURE OF IMPORT, %

1. Raw materials for leather industry production: 55%
2. Machinery, equipment and vehicles: 14%
3. Mineral products: 14%
4. Chemical industry’s products, rubber: 6%
5. Textiles: 5%
6. Metals and metal products: 3%
7. Other commodities: 2%
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.

*According to RBC ratings for 2012
SPECIAL ECONOMIC ZONE TITANIUM VALLEY

SEZ’S LAND AREA - 721.4\textsuperscript{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?

30%
Investors costs reduced on

- 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.

<table>
<thead>
<tr>
<th>TAX</th>
<th>CORPORATE PROFIT</th>
<th>PROPERTY</th>
<th>LAND</th>
<th>TRANSPORTATION</th>
<th>IMPORT DUTIES</th>
<th>VAT</th>
</tr>
</thead>
<tbody>
<tr>
<td>![Russia Icon]</td>
<td>20%</td>
<td>2.2%</td>
<td>1.5%</td>
<td>X% (depends on engine horsepower)</td>
<td>5%</td>
<td>10%</td>
</tr>
<tr>
<td>![Titanium Valley Icon]</td>
<td>2%*</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
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</tbody>
</table>

* 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

IF LEASED

- Gas supply network
- Communications network
- Water supply network
- Power supply network
- Internal roads network
- Railroad transportation network

IF PURCHASED

- Gas supply network
- Communications network
- Water supply network
- Power supply network
- Internal roads network
- Railroad transportation network

IF LEASED

- From 17,928.00 rubles per ha
- To 35,856.00 rubles per ha

IF PURCHASED

- 125,496.00 rubles per ha (7% below the property's real estate value)

The exact lease price depends on the invested amount.
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

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

Signing an agreement on conducting industrial and production activities at the SEZ territory  
10 days
SECOND STAGE OF THE TITANIUM VALLEY SEZ

PRODUCTION ZONE WITHIN YEKATERINBURG CITY LIMITS 95.7 hectares

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)

KOLTSOVO INTERNATIONAL AIRPORT is within 18 km from SEZ

READY-TO-USE PRODUCTION FACILITIES of various areas 18 km
CURRENT RESIDENTS OF THE TITANIUM VALLEY SEZ

- **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

- **URAL'S 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

- **VSMPD-NEW TECHNOLOGIES, LLC**
  Setting up of production and machining of forged titanium-alloy products for aviation

- **ZIBUS**
  Manufacturing of medical instruments and implants for neurosurgery, including titanium alloy articles

- **TITANIUM ELECTRICAL SUBSTATION**
  110/10 kV Upgradeable to 40 MW

- **TOOL PRODUCTION, LLC**
  Organization of production of cutting tools Minicut

- **JSC AS PROM**
  Setting up of production of concrete products manufactured under a resource-conscious technology

- **CJSC MICROMET**
  The organization of manufacture of products from metal powder by the method of additive technologies
  *Adjacent territory* 
  **Business and hospitality infrastructure**
  **Residential and social infrastructure**

- **SEZ ADMINISTRATION AND OFFICES BUILDING, CUSTOMS, BOILER ROOM**

- **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