



AGENCY
FOR STRATEGIC
INITIATIVES

Doing Business in Russia

MAP OF OPPORTUNITIES

Economic report on promising
investment niches in Russian regions

Contents

Map of opportunities	2
Straight talk: Russian economy	4
Investment opportunities. Voronezh region	8
Storage, distribution and processing of agricultural products	10
Production of starch syrup	11
Investment opportunities. Orenburg region	12
Beef cattle industry	14
Production of components and service for agricultural equipment	15
Investment opportunities. Primorsky Territory	16
Production of autocomponents	18
Procession and conserving of fish and seafood	19
Investment opportunities. Saratov region	20
Pharmaceutical products manufacturing	22
Storage, distribution and processing of agricultural products	23
Investment opportunities. Republic of Khakassia	24
Distribution centre for agricultural production with vegetable storage	26
Lumber production enterprises	27
Promising industries news	28
Acknowledgements	30
Macroeconomic indicators of 5 Russian regions	31



Map of opportunities

DEAR COLLEAGUES!

This report contains a series of documents devoted to investment opportunities in various regions of the Russian Federation. When selecting these opportunities – potential market niches – we focused on investment strategies, socio-economic development strategies and we analysed the primary sectors in the regions.

Henceforth every three months, we will be offering 2 promising market niches in 5 regions for your attention.

Furthermore, within each review we will be publishing information about the current macro-economic situation in Russia with commentaries by a team of analysts from one of the leading investments banks in the country.

With regard to the first review: we examined the potential investment opportunities in the Voronezh, Orenburg and Saratov regions, as well as the Primorsky Territory and the Republic of Khakassia.

A few interesting conclusions:

- industrial sanctions have revealed additional opportunities for Russian agricultural producers: both in terms of the sales market and in terms of future development. In the aims of development, the regional administrations have launched a number of diverse and broad packages to support entrepreneurs in the agricultural sector.

- in these regions, and in many other regions, of Russia, there is a lack of high-class storage and office premises despite the sufficiently high demand.
- the Primorsky Territory deserves special mention: the huge potential sales markets in the countries of the Asia and Pacific Region, together with the unprecedented state support measures (tax regime for new produce – one of the most favourable in the entire Russian Federation) present an excellent opportunity for both business creation and the development of existing business, for foreign investors as well.

We hope you find this material interesting and, perhaps, helpful in taking investment decisions.



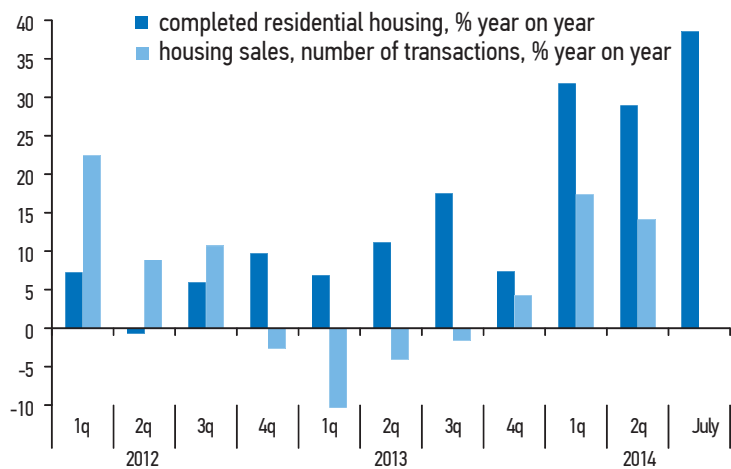
Straight talk Russian economy

ECONOMIC GROWTH

Annual GDP growth in the second quarter of 2014 exceeded expectations and amounted to 0.8%.

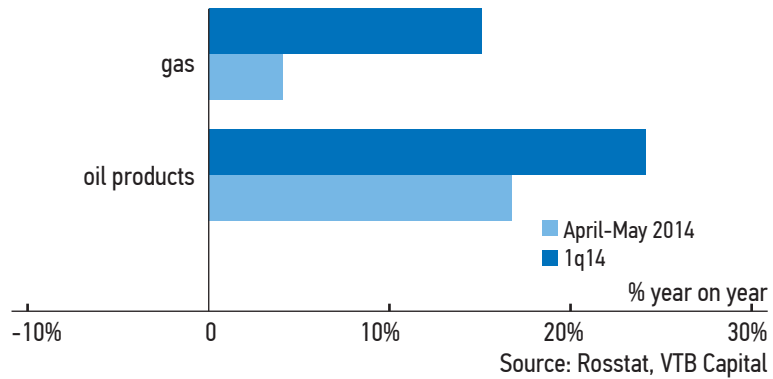
Key factors which supported this trend were the growth in housing construction and state investments (see fig. 1); increase in net export of gas to Europe and Ukraine (see fig. 2); and also the growth in goods and material reserves in a number of industrial sectors.

Fig. 1. Property market dynamics



Source: Rosstat, VTB Capital

Fig. 2. Gas and oil products export dynamics



At the beginning of the third quarter of 2014, the picture was similar: Industrial output partially made up for the downturn (see fig. 3).

Fig. 3. Industrial output and cargo turnover (rail) dynamics

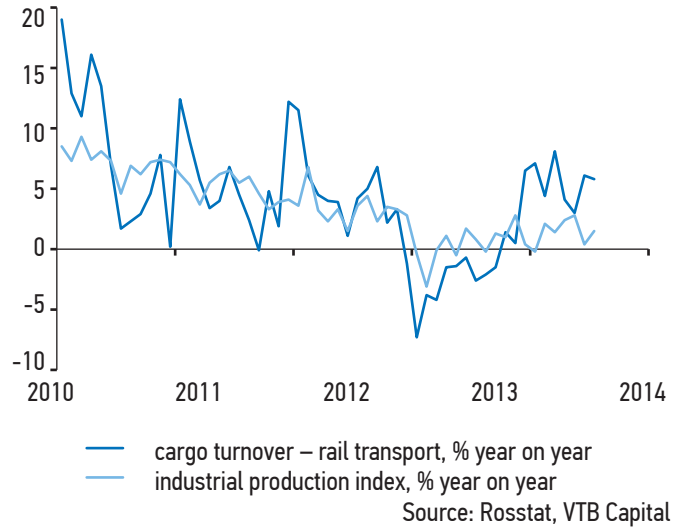
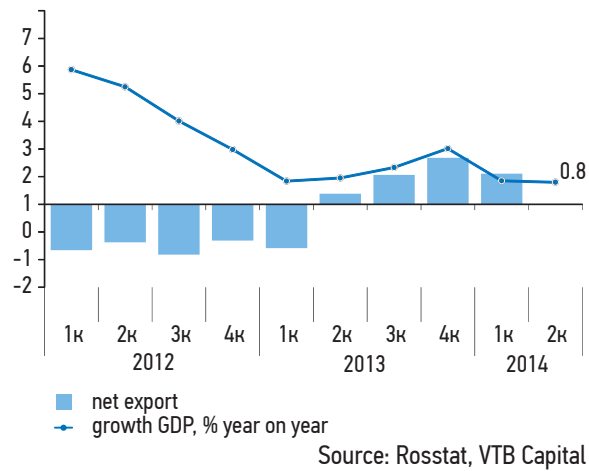


Fig. 4. Net export and GDP dynamics

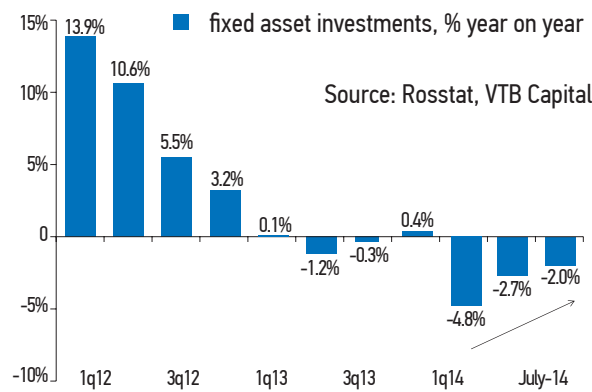


In accordance with forecasts, the rates of economic development in 2015 will be about 1.5%, and due to the effect of increased state investments, economic growth will enter into a more intensive phase of acceleration.

BUSINESS DEVELOPMENT

In June-July 2014, the reduction of fixed asset investments slowed down to 0.3% in year on year comparison, as opposed to 3.6% based on the results of the first five months (see fig. 1).

Fig. 1. Fixed asset investment dynamics



A dominant positive factor for business was the active growth in residential construction. In the first quarter there was a lead in the demand for housing (see fig. 2).

Fig. 2. Housing construction dynamics



With the exception of the construction industry, the private sector has been reserved in terms of capital expenditure growth. One of the main reasons for this is a deterioration in funding conditions.

Due to certain well-known events, access to international capital markets has remained restricted, and furthermore the attraction of

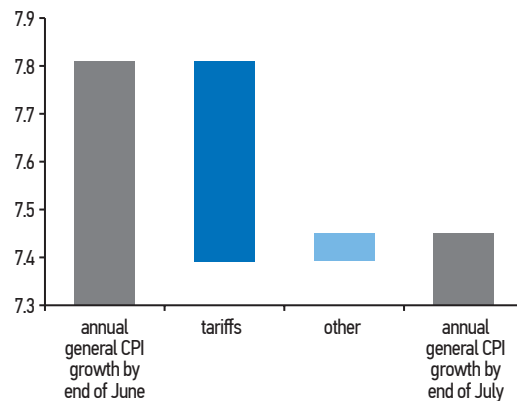
borrowings on the local market is becoming more difficult due to growing interest rates.

INFLATION

As of the middle of August, the annual rate of consumer inflation have fallen to 7.4%, against a maximum this year of 7.8%, at the end of June.

The main reason for the reduction was lower tariff indexation (see fig. 1).

Fig. 1. Inflation and tariff indexation dynamics

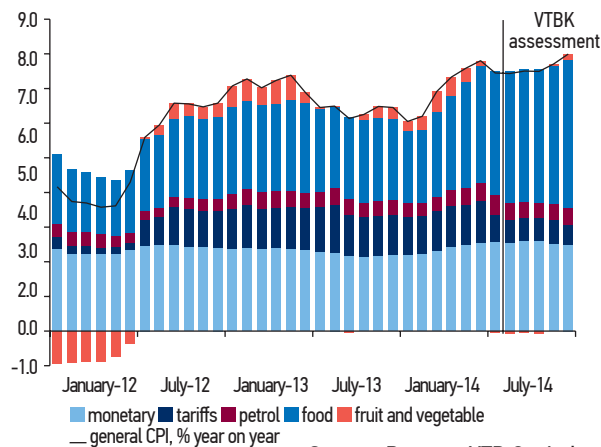


Source: Rosstat, Central Bank of the Russian Federation, VTB Capital

As a result of this factor alone, the general Consumer Price Index was 50 points lower than it would have been otherwise.

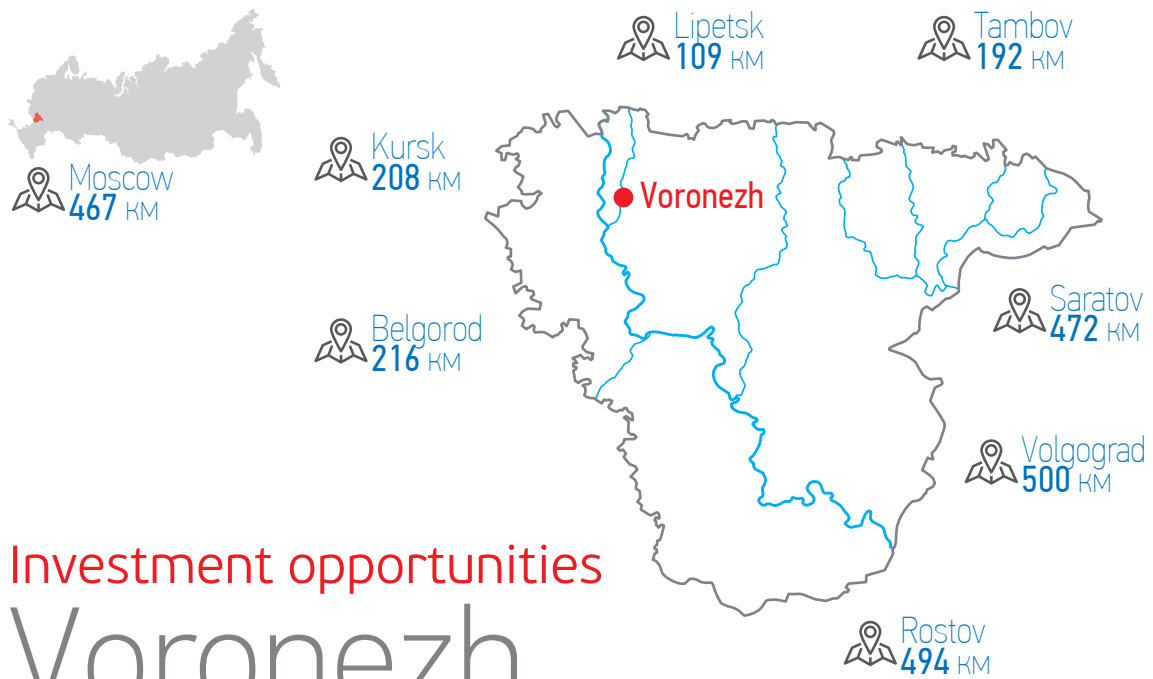
Based on forecasts, at the end of 2014 the general CPI will be about 8% (see fig. 2).

Fig. 2. Slowdown in CPI growth expected in 2015



Source: Rosstat, VTB Capital

Furthermore, in 2015, when the consequences of trade restrictions are a matter of the past – the strong deflationary trend will be completely restored. By the end of 2015, the general CPI will slow down probably to 5%.



Investment opportunities Voronezh region

1. ■

DETAILS

Key economic and social indicators:
investinregions.ru/regions/voronezh
voronezhstat.gks.ru
 The investment passport of the region:
invest-in-voronezh.ru

1. ■

KEY FEATURES OF THE VORONEZH REGION

Population	2 328 959 PPL
Population of the neighbouring regions	14 203 033 PPL
Average rental price for class "A" office premises	RUB 9 000 /sq.m/year
Average rental price for class "A" industrial and warehouse premises	RUB 36 000 /sq.m/year
Average sale price of industrial land	RUB 1 600 000 /ha
Average salary	RUB 21 825

2. ■

KEY COMPETITIVE ADVANTAGES OF THE REGION

- the region is situated at the intersection of the "North-South" and "West-East" transport corridors;
- large potential market capacity: 50 million people live within a radius of 500 km;
- the region is a focal point for Higher Education in the Central Black Earth Region, and historically has high scientific potential.

3. GENERAL FEATURES OF THE MACROECONOMIC SITUATION



RUB 474,97 Bln | RUB 568,02 Bln | est.

+11.4% | +9.3% | +3.5%
2011 | 2012 | 2013



Amongst the regions of the Central Federal District | Amongst the Russian regions
*according to 2012 data

3 | 24



+10.8%¹
01-06.14 to 01.06.13

In total, fixed capital investments for 2013 have also demonstrated growth.



4.7%
in 2013

In 2014 the trend toward a reduction in unemployment is observed.



5.4% | 7.1%
01-06.14 | in 2013



4.5%
in 2013

In the current year, in the conditions of a slowdown in Russia's economic growth, the economy of the Voronezh region continues demonstrating positive dynamics, as it has been doing before. Growth rates of basic indicators are ahead of the average level for Russia.

4. BUSINESS INCENTIVES PROVIDED BY THE REGIONAL GOVERNMENT:

- reduction in profit tax from 18% to 13.5%, from 3 to 5 tax periods;
- reduction in property tax to a maximum level of 0.2% for 3 tax periods;
- 100% reimbursement of service payments for technological connection to the electricity network – no more than 10% of the sum of capital investments
- 100% reimbursement of payments for the construction of engineering and transport infrastructure facilities (based on construction documentation) – no more than 10% of the sum of capital investments.
- subsidised credit interest rate: subsidies from the regional budget are given to the investors at 2/3 of the Central Bank of the Russian Federation base rate.

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¹ In the current year, the positive dynamics of investments into primary capital in Voronezh region have continued due to a number of large scale investment projects. These include projects in the energy sector (construction of the NovoVoronezh APS-2), the agricultural sector (projects to develop dairy and meat herds), in transport (construction of a class "A" industrial and logistic hub, reconstruction of the M-4 "Don" highway), and in the field of health care and education.



Storage, distribution and processing of agricultural products

1. KEY FEATURES OF THE INVESTMENT OPTION¹

Compliance with regional development priorities	Yes²
Yields of agricultural crops in 2013	11 538 thousand tonnes
Required storage capacity ³	920 thousand sq.m.
Potential annual market capacity	RUB 11 billion

2. COMPETITIVE ENVIRONMENT:

At present, there is a minimum of 2 high-class 3PL level logistic centres operating in the region. The total floor area is 64.1 thousand sq.m. Individual complexes have been constructed for X5 Retail Group and “Magnit”. A small part of their floor space will be available for rent. There is also a large volume of warehouse premises with medium and small floor area, with a total available floor area of 100 thousand sq.m. However, potential demand clearly outstrips the current availability.

WHY THE VORONEZH REGION:

- geographic situation – the region has “transit” status;
- potentially large amount of b2b clients: farms (which may also require “collective” high-tech processing capacities) and agro-industrial holding companies;
- potentially high demand in the b2c segment, should the wholesale market model be applied to the project.

3. PROPOSED PRODUCTION SITES:

Industrial park	Liskinskii	Bobrovskii	Donskoi (planned)
Total floor area	266.98 hectares	464.3 hectares	282 hectares
Energy supply	40 MW	110 MW	up to 30 MW
Gas supply	8.6 mln cubic m/year	40 cubic m/hour	+
Water supply/removal	+	+	+
Railway Highway	+ +	+ +	N/A +

¹ According to data provided by the Voronezh regional government and according to ASI calculations, not taking into account animal production.

² Complies with the investment strategy of the Voronezh Region (approved by the Regional Plan of the Voronezh region of the 01.08.2013, No. 605 – P) http://invest-in-voronezh.ru/images/stories/normativ/instrategy/Invest_strategy_VO.doc

³ Based on a warehouse outsourcing standard of 10%, not taking into account fruit and vegetables imported into the region.



Production of starch syrup

1. KEY FEATURES OF THE INVESTMENT OPTION¹

Compliance with regional development priorities	Yes²
Yields of basic raw material crops in 2013	3 651 thousand tonnes
Product demand ³	31.8 thousand tonnes
Potential annual market capacity ⁴	RUB 477.28 million

2. COMPETITIVE ENVIRONMENT:

At present the general amount of starch syrup is imported into Voronezh region from neighbouring regions (from the Tula region in particular). There are no major manufacturers in the region.

WHY VORONEZH REGION:

- annual growth in harvest rates of raw material crops;
- forecast growth in consumption of Russian manufactured products containing syrup (bread, confectionary products, beer), also due to the sanctions;
- interest of the regional government to support a new area of manufacturing activity.

3. PROPOSED PRODUCTION SITES:

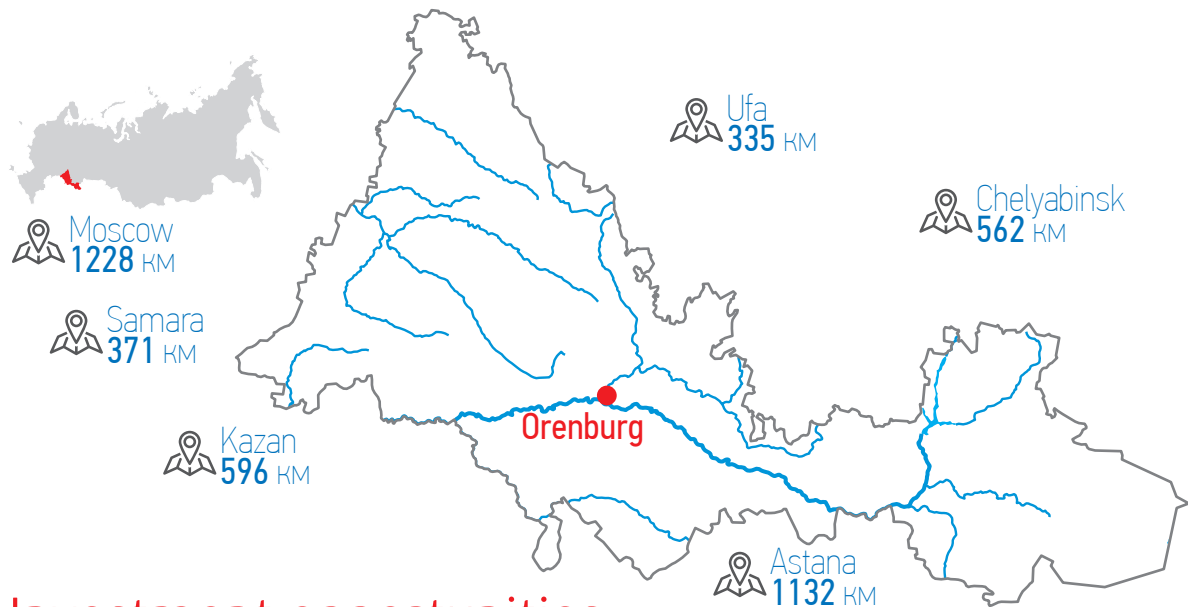
Industrial park	Liskinskii	Perspektiva	Bobrovskii	Donskoi (planned)
Total floor area	266.98 hectares	146 hectares	464.3 hectares	282 hectares
Energy supply	40 MW	+	110 MW	up to 30 MW
Gas supply	8.6 mln cubic m/ year	+	40 cubic m/hour	+
Water supply/ removal	+	+	+	+
Railway Highway	+ +	N/A +	+ +	N/A +

¹ According to data provided by the Voronezh regional government and according to ASI calculations, not taking into account animal production.

² Complies with the investment strategy of the Voronezh Region (approved by the Regional Plan of the Voronezh region of the 01.08.2013, No. 605 – P) http://invest-in-voronezh.ru/images/stories/normativ/instrategy/Invest_strategy_VO.doc

³ Based on an assessment of the level of manufacture of syrup-based food products (including beer) for 2013.

⁴ Not taking into account export beyond the region due to the lack of such production in the region.



Investment opportunities

Orenburg region

DETAILS

Key economic and social indicators:
investinregions.ru/regions/orenburg
orenstat.gks.ru
 The investment passport of the region:
orbinvest.ru/InvestPassport2013.pdf

1. KEY FEATURES OF THE ORENBURG REGION

Population	2 008 566 PPL
Population of the neighbouring regions ¹	19 396 593 PPL
Average rental price for class "A" office premises	RUB 7 265 sq.m/year
Average rental price for class "A" industrial and warehouse premises	RUB 2 500 psq.m/year
Average sale price of industrial land	RUB 4 870 000 /HA
Average salary	RUB 21 598

2. KEY COMPETITIVE ADVANTAGES OF THE REGION:

- high level of gas availability in the region;
- significant amount of agricultural land (more than 6 million hectares);
- important hub in the construction of the "Western Europe – Western China" transport corridor.

¹ Including Kazakhstan border regions.

3. GENERAL FEATURES OF THE MACROECONOMIC SITUATION



RUB 553,3 Bln | RUB 629,4 Bln

+5.1% | +2.5% | +0.1%
2011 | 2012 | 2013



6 | 21

Amongst the regions of the Volga Federal District | Amongst the Russian regions
*according to 2012 data



+2.5% | -3.4%
01-09.14 to 01-09.13 | 2013

A decrease in industrial production volume has been observed in 2013



7.5% | 7.3%
01-09.14 | in 2013

In 2014 in general, an increase in inflation rates is expected.



5.5% | 6%
01-09.14 | in 2013



3.8% | 4.9%
01.14 – 08.14 | in 2013

4. BUSINESS INCENTIVES PROVIDED BY THE REGIONAL GOVERNMENT:

- reduction of profit tax from 18% to 13.5%, for a period of 3 calendar years;
- exemption from tax on newly created property for a period of no more than 5 years;
- introduction of a beneficial rental rate (50%) for property belonging to Orenburg region (with the exclusion of land plots);
- collateral for the investors' obligations in the form of property belonging to Orenburg region.

CONTACT PERSON

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¹20% of the GDP of the region is formed on the basis of foreign trade activities (Kazakhstan)



Beef cattle industry

1. KEY FEATURES OF THE INVESTMENT OPTION¹

Compliance with regional development priorities	Yes ²
Sales within the region in 2013	RUB 6.02 billion
Potential annual market capacity ³	RUB 13.3 billion

2. COMPETITIVE ENVIRONMENT

According to data provided by the Ministry of Agriculture of the Orenburg region, Beef cattle production is carried out by approximately 200 medium and small enterprises (including Rural Farm Collectives). Breeding stock for specialised meat breeds in Orenburg Region is provided by four livestock farms and 25 breed stock reproducers.

WHY THE ORENBURG REGION:

- high level of feed resources in the region;
- additional measures envisaged to support agricultural producers on the part of the regional government, in particular guarantees and subsidies;
- “Orenburg Beef Cattle” agro-industrial cluster is being established at a regional level. One of the goals is to achieve a three-fold increase in the numbers of beef cattle brood herds. The regional government intends to support the development of the sector (as one of the most developed, including throughout the other regions of the Russian Federation), in order to support the food security of the country.

3. PROPOSED PRODUCTION SITES:

List of accessible investment sites in the Orenburg region is shown here: orbinvest.ru/investment/map/

¹ According to data provided by the Orenburg regional government and ASI calculations.

² Complies with the strategy for investment development of the Orenburg Region (approved in Government Decree of Orenburg Region of the 14.02.2014 №95-P) files.orenburg-gov.ru/NPA/09/02_09_2.53.5_95-%D0%BF_14.02.2014_1.pdf

³ Taking into account export beyond the Orenburg Region by means of road transport at a distance of no more than 400 km, not taking into account export support programmes within the developing cluster.



Production of components and service for agricultural equipment

1. KEY FEATURES OF THE INVESTMENT OPTION¹

Compliance with regional development priorities	Yes ²
Sales within the region in 2013	RUB 1.2 billion
Share of domestic manufacturers in total sales	48%

2. COMPETITIVE ENVIRONMENT

- One of the main competitors is the American company, John Deere, which opened a factory in Orenburg in 2005. All other companies represented in the region are sub-dealers of Russian and foreign manufacturers.

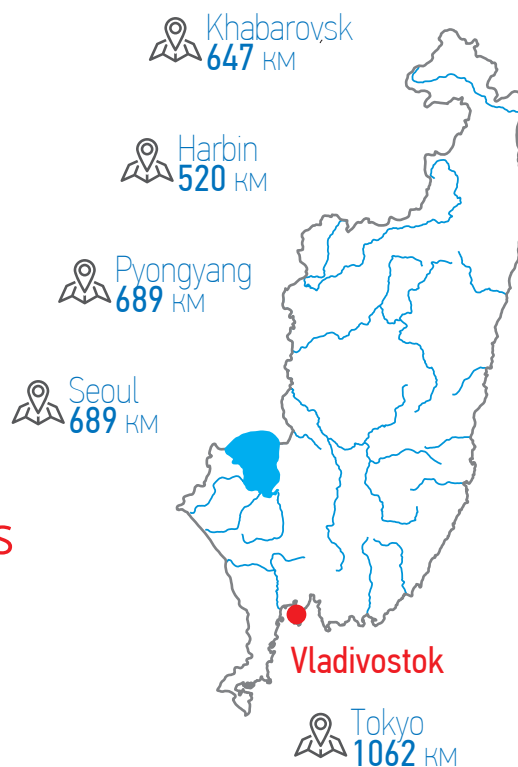
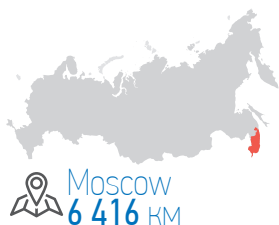
WHY THE ORENBURG REGION:

- the regional government is interested in localising the production of components for agricultural equipment in order to reduce the growing costs of agricultural producers due to maintenance and basic repair.
- proximity of the Kazakh market.

3. PROPOSED PRODUCTION SITES:

- List of accessible investment sites in the Orenburg region is shown here: orbinvest.ru/investment/map

¹ According to data provided by the Orenburg regional government and the Territorial Institute of the Federal Statistics Service for the Orenburg region.
² Complies with the strategy for investment development of the Orenburg Region (approved in Government Decree of Orenburg Region of the 14.02.2014 №95-P) files.orenburg-gov.ru/NPA/09/02_09_2.53.5_95-%D0%BF_14.02.2014_1.pdf



Investment opportunities Primorsky Territory

1. ■

DETAILS

Key economic and social indicators:
investinregions.ru/regions/primorsky
primstat.gks.ru
 Investment activities in the Primorsky Territory
invest.primorsky.ru

1. ■

KEY FEATURES OF THE PRIMORSKY TERRITORY

Population	1 938 516 PPL
Population of the neighbouring regions ¹	39 652 246 PPL
Average rental price for class "A" office premises	RUB 7 910 /sq.m/year
Average rental price for class "A" industrial and warehouse premises	RUB 4 205 /sq.m/year
Average sale price of industrial land	RUB 520 000 /HA
Average salary	RUB 31 634

2. ■

KEY COMPETITIVE ADVANTAGES OF THE PRIMORSKY TERRITORY:

- significant export potential;
- beneficial location close to the economic centres of the Asian Pacific Region;
- well-developed infrastructure constructed in preparation for the APEC summit;
- attractive tax regimes, promising growth of territories with advanced development, accompanied by conditions for business and investment activities which are unique in Russia²

¹ Land borders, including the Heilongjiang province, not taking into account the border territories with the DPRK.

² The Federal Law on Territories with Advanced Socio-Economic Development in Russian Federation draft can be found here: static.consultant.ru/obj/file/doc/fz_161014.pdf

3. GENERAL FEATURES OF THE MACROECONOMIC SITUATION



GRP

RUB 603,1 Bln

+2.1%

2013 to 2012



PLACE AMONGST REGIONS (GRP)

2 | 25

Amongst the regions of the Far Eastern Federal District | Amongst the Russian regions

*according to 2012 data



FOREIGN INVESTMENT

\$1,7 Bln

4.2 times growth

2013 to 2012



UNEMPLOYMENT RATE

6.8% | 7.1%

09.14 | in 2013



CONSUMER INFLATION

5.7% | 6.3%

01-09.14 | in 2013



MANUFACTURING INFLATION

1.9% | 5.8%

01-09.14 / in 2013

The Primorsky Territory ranks first in population size, in pace of investment growth and in small enterprises gross revenue within the Far Eastern Federal District

4. BUSINESS INCENTIVES PROVIDED BY THE REGIONAL GOVERNMENT:

- For projects in the manufacturing sphere:
 - Profit tax concessions: 0% for the first 5 years and 10% for the following 5 years;
 - Property tax concessions: 0% for the first 5 years and 0,5% for the following 5 years;
- For projects in the service sphere:
 - Profit tax concessions – 13.5% for 10 years;
 - Property tax concessions: 0% for the first 5 years and 0,5% for the following 5 years;
- Government guarantees in accordance with the legislation of the Primorsky Territory

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Production of autocomponents

1. KEY FEATURES OF THE INVESTMENT OPTION¹

Compliance with regional development priorities	Yes²
Volume of cars and auto components sales within the territory in 2013	\$ 4.82 billion
Amount of cars produced at the Sollers factories in the Far East (including joint ventures) in 2013	95 000 units

2. COMPETITIVE ENVIRONMENT

- There are no autocomponent producers in the Primorsky Territory

WHY THE PRIMORSKY TERRITORY:

- developing automobile cluster;
- large-scale tax concessions and other benefits;
- prospective sales market for automobiles imported from Japan and used within the region;
- opportunities of significant increase in the efficiency of operations for businesses established within the Territory of Advanced Socio-Economic Development.

3. PROPOSED PRODUCTION SITES:

Industrial park	Nadezhdinskii³	SEZ⁴ for Industrial Manufacturing in Vladivostok
Total floor area	782 hectares	49 200 sq.m in building
Energy supply	50 MW	+
Gas supply (2018)	14.2 cubic m/hour	+
Water supply/removal	Up to 160 cubic m/hour	+
Railway Highway	+ +	+ +

¹ According to data provided by the government of the Primorsky Territory and ASI calculations.

² Complies with the investment strategy of the Primorsky Territory (confirmed in Government Act of the Primorsky Region of the 23.12.2013, No.495 – PA) invest.primorsky.ru/images/TextDoc/Invest_Str_Prim.pdf

³ Provision of "Greenfield" land sites for rental with the possibility of subsequent purchase. Planned commencement of operations – 2017.

⁴ In the territory of Vladivostok. Planned commencement of operations – 2017.



Procession and conserving of fish and seafood

1. KEY FEATURES OF THE INVESTMENT OPTION¹

Compliance with regional development priorities	Yes
Fish and seafood export in 2013	\$ 825.2 million
Processed fish and seafood export	\$ 163.4 thousand

2. COMPETITIVE ENVIRONMENT

Within the Primorsky Territory there are 30 small and medium canning factories in operation, the entire production is mainly sold on the internal market. There is a need for a large-scale competitive fish processing plant with the potential for subsequent export.

WHY THE PRIMORSKY TERRITORY:

- considerable resource base ;
- opportunity to supply the Asian Pacific Region markets;
- large-scale tax concessions and other benefits;

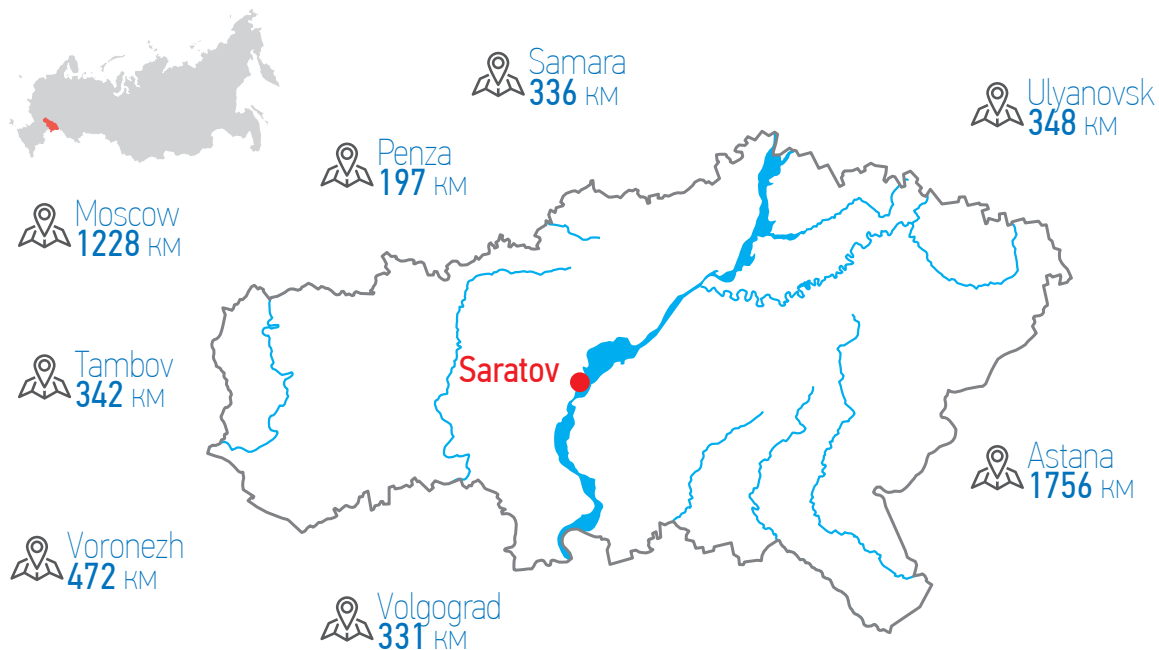
3. PROPOSED PRODUCTION SITES:

Site	Slavyanka urban settlement	Sukhodol³ bay	Pyat Ohotnikov bay
Total floor area	50 hectares	N/A	N/A
Energy supply	N/A	Up to 50 MW	N/A
Gas supply		N/A	
Water supply/ removal	N/A	N/A	4-5 thousand cubic m
Railway Highway		N/A	

¹ According to data provided by the government of the Primorsky Territory and ASI calculations.

² Complies with the investment strategy of the Primorsky Territory (confirmed in Government Act of the Primorsky Region of the 23.12.2013, No.495 – PA) invest.primorsky.ru/images/TextDoc/Invest_Str_Prim.pdf

³ Nearby Sukhodol bay, coastal area in the region of Vinogradnii.



Investment opportunities

Saratov region

1. ■

DETAILS

Key economic and social indicators:
investinregions.ru/regions/saratov
srtv.gks.ru
 The investment passport of the region:
invest.saratov.gov.ru/Docs/Invest_passport_Sarreg_14.pdf

1. ■

KEY FEATURES OF THE SARATOV REGION

Population	2 496 552 PPL
Population of the neighbouring regions	13 814 920 PPL
Average rental price for class "A" office premises	RUB 12 000 sq.m/year
Average rental price for class "A" industrial and warehouse premises	RUB 3 000 sq.m/year
Average sale price of industrial land	RUB 1 500 000 /HA
Average salary	RUB 21 560

2. ■

KEY COMPETITIVE ADVANTAGES OF THE REGION:

- relatively low land price;
- high level of electricity supply in the region;
- complete gas supply to residential areas and businesses.

3. GENERAL FEATURES OF THE MACROECONOMIC SITUATION



RUB 477,35 Bln | RUB 515,6 Bln | RUB 560 Bln

+5.9% | +2.5% | +3%

2012 | 2013 | 2014



7 | 28

Amongst the regions of the Volga Federal District | Amongst the Russian regions

*according to 2012 data



+8.2%

01-10.14 to 01-10.13



3.9% | 5.2%

09.14 | in 2013



5.9% | 6.4%

01-09.14 | in 2013



3.2%

in 2013

4. BUSINESS INCENTIVES PROVIDED BY THE REGIONAL GOVERNMENT:

- For 5 tax periods:
 - Exemption from transport tax;
 - Reduction in profit tax from 18% to 13.5%;
 - Reduction in property tax from 2,2% to 0,1%;
- Rental payment of 1% of the cadastral value of land which is the state property of the Saratov region, as well as land upon which state ownership has not been demarcated, or otherwise has not been established within Federal law, in compliance with the types of permitted use.

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Pharmaceutical products manufacturing



1. KEY FEATURES OF THE INVESTMENT OPTION¹

Compliance with regional development priorities	Yes²
Sales within the region in 2013	RUB 9.23 billion
Potential annual market capacity ³	RUB 22 billion
Share of domestic manufacturers in total sales	8%

2. COMPETITIVE ENVIRONMENT

- Amount of sales is mainly defined by items produced by leading foreign and Russian manufacturers. Domestic manufacturers are represented by a limited selection of medical items (medical items to compensate for potassium and magnesium deficiency in the organism, production of medical immuno-biological items)

WHY THE SARATOV REGION:

- The regional government intends to create modern pharmaceutical production to replace imports and to provide the support for entrepreneurs;
- High potential of the regional market;
- Absence of large-scale manufacturing enterprises in the region.

3. PROPOSED PRODUCTION SITES:

Площадка	Saratov district, 1.3km south east of Dubki settlement.
Общая площадь	26 hectares
Электроэнергия	6 100 kW
Газ	Up to 5.3 mln cubic m/year
Водоснабжение/отведения	140 cubic m/day
Ж/д автодорога	+ +

¹ Based on data provided by the government of the Saratov region and ASI calculations.

² Complies with the strategy for socio-economic development of the Saratov Region (confirmed in Government Decree of the Saratov Region, of the 18.07.2012 No.420 – P) docs.cntd.ru/document/933020044

³ Taking into account export beyond the Saratov region by road transport at a distance of no more than 400km.

Storage, distribution and processing of agricultural products



1. KEY FEATURES OF THE INVESTMENT OPTION¹

Compliance with regional development priorities	Yes²
Gross harvest of agricultural crops in 2013	5.789 million tonnes
Potential need for warehousing ³	926 thousand sq.m.
Potential annual market capacity	RUB 2 780 million

2. COMPETITIVE ENVIRONMENT

- At present there are only two large scale logistics centres operating in the Saratov region: in Saratov and in Engels. The total class “A” warehouse area does not exceed 75 thousand sq.m.

WHY THE SARATOV REGION:

- free market percentage – no less than 80%
- location of the region at an intersection of major transport corridors: Euro-Asiatic “North-South” corridor and Euro-Asiatic “West-East” corridor, and also in direct proximity to the “Western Europe – Western China” corridor which is now under construction.

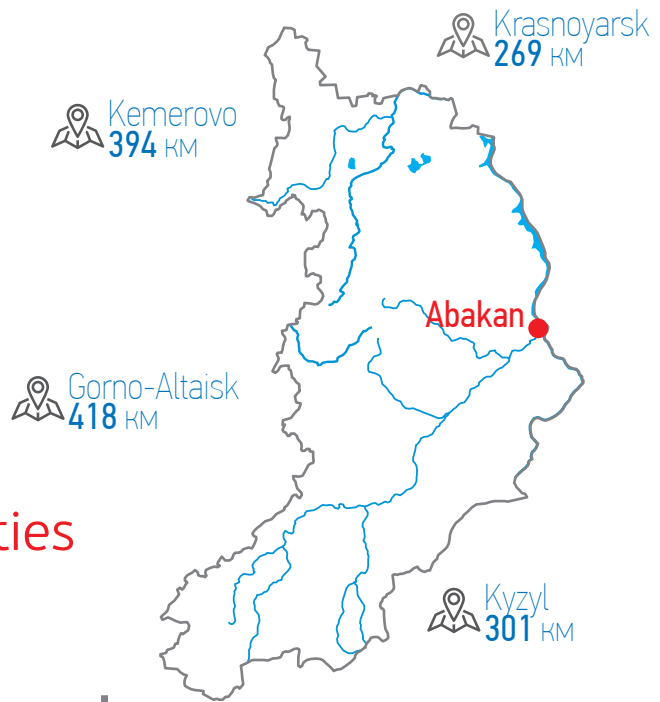
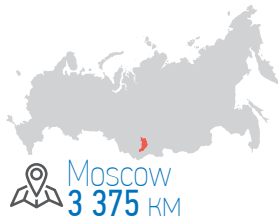
3. PROPOSED PRODUCTION SITES:

- The potential sites in Saratov region can be found here: mininvest.saratov.gov.ru/invest-map2/IPL_region_14-10-14.zip

¹ Based on ASI calculations, not taking into account animal production.

² Complies with the strategy for socio-economic development of the Saratov Region (confirmed in Government Decree of the Saratov Region, of the 18.07.2012 No.420 – P) docs.cntd.ru/document/933020044

³ Based on a warehouse outsourcing standard of 20%, not taking into account fruit and vegetables imported into the region.



Investment opportunities Republic of Khakassia

1. ■ DETAILS

Key economic and social indicators:
investinregions.ru/regions/khakassia
hahasstat.gks.ru
 The investment passport of the region:
invest.r-19.ru/assets/files/sprav-invest.pdf

1. ■ KEY FEATURES OF THE REPUBLIC OF KHAKASSIA

Population	534 079 PPL
Population of the neighbouring regions	6 110 291 PPL
Average rental price for class "A" office premises	RUB 6 000 sq.m/year
Average rental price for class "A" industrial and warehouse premises	RUB 2 280 sq.m/year
Average sale price of industrial land	RUB 2 000 000 /HA
Average salary	RUB 27 865

2. ■ KEY COMPETITIVE ADVANTAGES OF THE REGION:

- high level of energy supply in the region due to relatively low electricity tariffs (in particular, thanks to Sayano-Shushenskaya HEP – the most powerful power station in Russia);
- significant mineral and raw material potential, including high level of timber resources.

3. GENERAL FEATURES OF THE MACROECONOMIC SITUATION



RUB 113,08 Bln | RUB 130,68 Bln

+5.1% | +5.4%

2011 | 2012



10 | 68

Amongst the regions of the Volga Federal District | Amongst the Russian regions

*according to 2012 data



+47.1%

01-09.14 to 01-09.13



6.5% | 6%

c 01.14 to 09.14 | in 2013



6.3% | 5.4%

01-09.14 | in 2013



-2.8%

in 2013

In 2014 a growth in manufacturers prices has been observed.

In total, the results of the first 9 months of 2014 have demonstrated a decrease in manufacturing production, agriculture and the volume of construction work. Growth of investment in 2014 is caused by completion of the new unit of Abakanskaya Thermal Electric Power Station.

4. BUSINESS INCENTIVES PROVIDED BY THE REPUBLICAN GOVERNMENT:

- for 5 tax periods:
 - exemption from transport tax;
 - reduction in profit tax from 18% to 13.5%;
 - reduction in property tax from 2,2% to 1,1%;
- beneficial rates for property owned by the Republic of Khakassia;
- state guarantees:
- tax credits for investors
- public funding
- subsidies and grants

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Distribution centre for agricultural production with vegetable storage



1. KEY FEATURES OF THE INVESTMENT OPTION¹

Compliance with the development priorities of the republic	Yes²
Gross harvest of agricultural crops in 2013	382 thousand tonnes
Potential need for warehousing ³	94.1 thousand sq.m.
Potential annual market capacity	RUB 214.7 million

2. COMPETITIVE ENVIRONMENT

At the present moment there are no high-class logistics and warehousing facilities in the republic. The approximate floor area of the available warehousing (without special equipment and the relevant facilities for storage and partial processing of agricultural produce) is no more than 44 thousand sq.m.

WHY THE REPUBLIC OF KHAKASSIA:

- free market share – no less than 50% (at gross evaluation, up to 90% in expert reviews);
- intensive development of agriculture in the republic – and consumer services sector.
- high demand for republican production in the neighbouring regions.

3. PROPOSED PRODUCTION SITES:

Site	Chernogorskiy⁴ industrial park
Total floor area	40 hectares
Energy supply	+
Gas supply	+
Water supply/removal	+
Highway	+

Additional benefits for residents:

- free connection to the electricity network for the period of construction;
- exemption from rental payment for land during the construction.

¹ Based on data provided by the government of the Republic of Khakassia and ASI calculations, without taking into account animal production
² Complies with the investment strategy of the Republic of Khakassia (confirmed in Governmental Decree of the Republic of Khakassia of the 24.12.2013, No.127-P) invest.r-19.ru/assets/files/docs/prezidium/invest_stratigy_kh_2020.zip

³ Based on a warehouse outsourcing standard of 30%, taking into account fruit and vegetables imported into the territory of the region.

⁴ More details at www.chernogorsk.com/title.php



Lumber production enterprises

1. KEY FEATURES OF THE INVESTMENT OPTION¹

Compliance with the development priorities of the republic	Yes²
Sales in the region in 2013	RUB 24.1 million
Amount of imported produce into the region in 2013	RUB 86.7 million
Potential annual market capacity ³	RUB 135.7 million
Share of domestic manufacturers in total sales	35%

2. COMPETITIVE ENVIRONMENT:

- At the present moment only 5 large scale lumber enterprises are in operation. The major part of the production is imported from neighbouring regions.

WHY THE REPUBLIC OF KHAKASSIA:

- For the first 9 months of 2014, there has been more than twofold increase in housing construction compared to the similar period in 2013.
- The republic has a significant volume of timber resources ready for processing.

3. PROPOSED PRODUCTION SITES:

Site	Chernogorski⁴ industrial park
Total floor area	40 hectares
Energy supply	+
Gas supply	+
Water supply/removal	+
Highway	+

Additional benefits for residents:

- free connection to the electricity network for the period of construction;
- exemption from rental payment for land during the construction.

¹ Based on calculations by the ASI and the Ministry of the Economy of the Republic of Khakassia.

² Complies with the investment strategy of the Republic of Khakassia (confirmed in Governmental Decree of the Republic of Khakassia of the 24.12.2013, No.127-P) invest.r-19.ru/assets/files/docs/prezidium/invest_stratigy_kh_2020.zip

³ Taking into account the rates of housing construction for 2012-2013.

⁴ More details at www.chernogorsk.com/title.php

Promising industries news

1 PRODUCTION OF AUTOCOMPONENTS

- **A new Schaeffler autocomponent plant was opened in Zavolzhye industrial zone of Ulyanovsk Region on 10th October.**

The plant produces LuK clutches and parts for INA gearboxes marked “Made in Russia” using two production lines. By the end of 2014, the production of TAROL bearings is planned to be launched, and in 2017, five types of autocomponents and one type of product for the industry will be produced locally.

“Overall, more than two billion rubles will be allocated to the project. These funds will not only permit the organization of a unique product line, but will also solve the problem of unemployment in Ulyanovsk: over 450 modern

jobs will be generated”, - Sergey Ulyanov, the Governor of Ulyanovsk Region said at the opening ceremony.

The new plant meets the highest safety and environmental standards. The company applied its own developments in production management, transport and logistics when constructing the plant. In addition, Schaeffler pays special attention to training: some employees have already been trained at the company’s enterprises in Germany, France, Hungary, Slovakia, and the UK.

2 PHARMACEUTICS

- **On 1 October, the Russian company R-Pharm closed the deal on the purchase of the Pfizer plant in the German city of Illertissen.**

R-Pharm operates within the entire territory of the Russian Federation, the countries of the former Soviet Union, USA, Japan, and Turkey. The acquisition of businesses in Germany is one stage in the implementation of our strategy to build an international pharmaceutical company”, - Alexey Repik, the Chairman of the Board of Directors

of R-Pharm Group said when commenting on the deal.

Plant employees moved from Pfizer to R-Pharm under the terms of their existing employment contracts. The plant will continue contract production of Pfizer drugs, until the end of 2018. At the same time, they plan to launch their own medicines production.

- **On 21 October, the Teva plant, a new venture of the Yaroslavl pharmaceutical cluster, was opened in the Novoselki industrial park.**

Teva owns 75 plants manufacturing high quality innovation products in different countries. The company has invested \$ 65 million in the construction of the plant in Russia. “This is a new stage in the regional pharmaceutical cluster development into which about \$ 350 million has already been invested. These investments are proof of a favorable investment climate in

our region”, - Sergey Yastrebov, the Governor of Yaroslavl Region said at the opening ceremony.

Initially the plant will be packing products from the company’s European plants. In a year’s time, it will start full-cycle production of solid dosage forms with a potential to double capacity in the short term.

3

LOGISTICS

■ **On 26 September, the first regional logistic agro-centre was opened in the Omsk Region.**

The wholesale and distribution centre based around the Agrokultura plant plans to buy vegetables from local producers. It will process the vegetables, and sell them on directly to retail chains. Over 150 thousand tons of vegetables, fruits and herbs are planned to be sold annually through the agro-centre. The total amount of investment in the facility has amounted to 130 million rubles.

Viktor Nazarov, The Governor of the Omsk Region, when speaking at the grand launch, commented: "Now, Federal retail chains will be provided with Omsk products in contemporary packaging and our vegetable producers' sales will be guaranteed".

Vladimir Sedelnikov, the founder of Agrokultura, said that the wholesale and distribution agro-centre will enable local producers become competitive not only in the region but in the Siberian Federal District as well.

Vitaly Ehrlich, the Head of the regional Ministry of Agriculture and Food has major plans for the development of the agricultural cluster: "We have already approved the concept of agricultural cooperatives which will take into account the interests of manufacturers, retail chains, processors, and customers".

A vegetable store designed for the long-term storage of more than 10 thousand tons of produce will be commissioned in the second quarter of 2015.

4

MEET CATTLE BREEDING

■ **A new large livestock complex was opened on 28 October in Krasnoyarsk Region.**

The complex is located near Krasnoyarsk and is designed for 400 cows and 400 calves. When it reaches full project capacity, the production volume will produce up to 6 tons of milk per day and 800 tons of meat per year. In addition to the two barns interconnected with the milking house, 5 km of road and 10 km of transmission lines have also been laid. Investment in the construction of the complex, together with the infrastructure, has amounted to 139 million rubles.

The livestock complex was built with unique energy-saving technology using biological heat of animals.

"We have combined all the good practices of modern livestock farming in the design of the complex. The technology used allows milk production at the most affordable price", - commented Vladimir Uglov, the head of the company. Through its distribution network development, the company will be able to maintain the retail price of the products below the average level.

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Macroeconomic indicators

5 Russian regions

Region	Gross regional product, million RUB			Gross regional product per capita, RUB			Foreign direct investments (thousand USD)		
	2005	2010	2012	2005	2010	2012	2005	2010	2012
Voronezh region	133 586.6	346 568.2	568 613.0	56 534.5	148 432.6	243 941.3	5 501	30 663	295 284
Primorsky Territory	186 623.3	470 679.2	555 018.2	92 504.2	240 220.7	284 789.3	8 174	51 504	400 819
Orenburg region	213 138.2	458 145.4	629 369.8	101 110.3	224 937.2	311 588.5	10 252	137 932	82 244
Saratov region	170 930.5	376 169.4	477 352.4	65 656.6	148 839.0	190 481.6	2 902	11 336	77 053
Republic of Khakassia	41 727.5	96 039.8	130 685.7	77 864.6	180 352.1	245 382.3	511	58 972	2 079

Region	Population, thousand people			Average annual employment, thousand people			Average cash income per capita (per month), RUB		
	2005	2010	2013	2005	2010	2013	2005	2010	2013
Voronezh region	2 360.9	2 334.8	2 329.0	1 066.5	1 064.9	1 100.0	5 398.0	13 883.3	22 259.7
Primorsky Territory	2 006.5	1 953.5	1 938.5	981.5	980.1	978.5	7 162.9	17 297.9	24 368.8
Orenburg region	2 093.5	2 031.5	2 008.6	950.8	985.8	1 010.9	5 122.3	13 557.1	18 763.3
Saratov region	2 591.2	2 519.3	2 496.6	1 169.5	1 209.3	1 189.2	5 056.0	12 146.6	16 035.2
Republic of Khakassia	533.8	532.3	534.1	250.7	242.3	250.0	5 176.5	12 806.4	17 812.0

Region	Fixed asset investments, million RUB			Fixed assets (gross book value, end of year), million RUB			Share of profitable large and medium sized businesses and organizations, %		
	2005	2010	2012	2005	2010	2012	2005	2010	2013
Voronezh region	28 652.4	125 825.5	182 334.3	428 766	788 059	1 078 383	58.8	67.2	71.2
Primorsky Territory	28 498.6	208 208.6	203 189.2	457 446	912 847	2 676 321	66.8	74.6	75.9
Orenburg region	39 993.1	103 648.2	151 250.2	480 330	1 047 515	1 377 934	60.4	67.4	69.3
Saratov region	40 434.8	80 040.8	117 645.8	556 180	1 108 845	1 319 466	61.8	61.9	67.4
Republic of Khakassia	10 327.7	22 109.1	38 130.6	120 518	246 369	315 069	58.1	64.0	58.3

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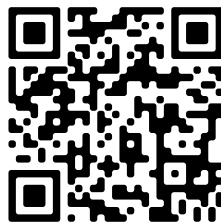
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