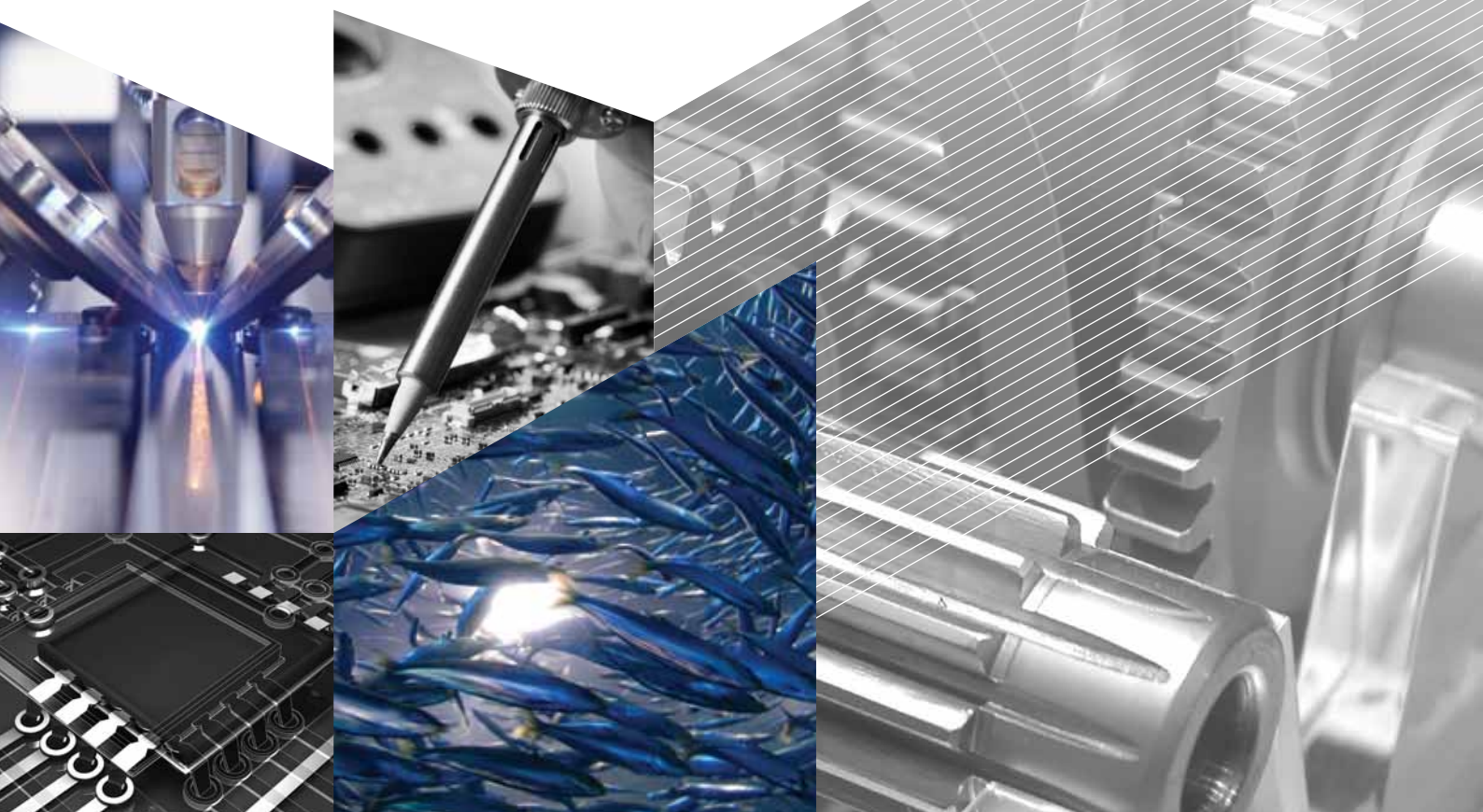




AGENCY  
FOR STRATEGIC  
INITIATIVES

# Doing business in Russia:

MAP OF OPPORTUNITIES #3



ECONOMIC REPORT ON PROMISING  
INVESTMENT NICHES IN RUSSIAN REGIONS



# CONTENTS

---

INTRODUCTION .....	03
THOUGHTS OF AN ECONOMIST: CRISIS... WHICH CRISIS .....	04
INVESTMENT OPPORTUNITIES IN KALUGA REGION .....	10
INVESTMENT OPPORTUNITIES IN MOSCOW .....	14
INVESTMENT OPPORTUNITIES IN ROSTOV REGION .....	18
INVESTMENT OPPORTUNITIES IN SAMARA REGION .....	22
INVESTMENT OPPORTUNITIES IN ST. PETERSBURG .....	26
NEWS FROM THE PROMISING INDUSTRIES .....	30
ACKNOWLEDGEMENTS .....	34
MACROECONOMIC INDICATORS .....	36
WARNING AND DISCLAIMER .....	37

# MAP OF OPPORTUNITIES



# INTRODUCTION

---

## HONOURABLE COLLEAGUES, DEAR FRIENDS!

Let us bring to your attention the third edition of the insight report by Strategic Initiative Agency “Business in Russia. The Geography of Opportunities”, where we have described some attractive niches for investment in Kaluga region, the city of Moscow, Rostov and Samara regions and the city of Saint Petersburg.

The current economic situation prescribes that the import substitution vector followed by both major corporations and small and medium-sized businesses should be strengthened. So, our selection of niches for this review, based on the industries that have historically had a high share of import, looks quite natural against such a background.

The pharmaceutical industry still provides broad prospects for investors and entrepreneurs: the major Western companies that set up factories in Russian regions are mainly engaged in the packaging of finished products.

Restoration of the machine tool industry is one of the priorities of the state industrial policy. And given the fact that the share of imports in the chosen niche is more than 90%, we expect a gradual restoration of relevant Russian enterprises.

Also, there are new opportunities opening up in the aquaculture industry due to the legal developments long expected by market participants.

Among other things, the demand for Russian-made electronic components seems to increase as a result of a significant reduction in supplies from abroad caused by economic sanctions.

As in previous reviews, here we publish a commentary on Russian macroeconomics prepared by analysts from VTB Capital.

We hope sincerely that this material will be useful for the development of your business and may help in making investment decisions.

*Agency for Strategic Initiatives*

# THOUGHTS OF AN ECONOMIST: CRISIS... WHICH CRISIS



The year started with the economy dipping into recession. However, the picture is not homogenous, revealing the contrast between the tradable and non-tradable sectors. The exchange rate adjustment enforces natural rebalancing of the economy and this sectorial dichotomy is set to persist. Given the historical dominance of non-tradable sectors, limited spare capacity across tradable industries and deleveraging pressure, the weaker exchange rate alone can hardly steer the economy from a relatively sharp recession this year. Nevertheless, cost debasement and the related rise in return on capital provide the foundation for economic restructuring and a potentially sustainable recovery in the years to come. The policy mix needs to shift to a more investment-friendly stance in order to underpin this foundation and foster quick rebalancing to a new growth model.

## **Peculiar recession, or tradable vs. non-tradable conundrum**

The Russian economy started the year on a softer footing, with GDP dipping into negative territory. Domestic demand nose-dived as the 'flight-from-RUB-fuelled' rush that supported consumer spending late last year started to reverse, while financial conditions and policy uncertainty continued to weigh on capex outlays. And yet the picture is not homogenous across different sectors. The collapse in domestic demand has been in contrast to the relatively benign picture on the supply side.

Nevertheless, there are also signs of a potentially more sustained resilience in some industrial sectors — for instance, across metals & mining and food processing — the main beneficiaries of RUB depreciation and trade restrictions.

This resilience is also evident across a range of other supply-side indicators. For instance, as opposed to the collapse during the last crisis in 2008, electricity consumption has so far remained relatively unaffected, basically continuing on its already multiyear flat-lining trend. The same is true for rail cargo handling, which is running at around 0% growth, as the solid pickup in the transportation of export-oriented goods (coal, metals, etc.) is compensating for the decline in domestically-oriented cargo transportation. Even airlines — one of the most severely affected industries — saw a peculiar divergence in their operating metrics, with the solid pick-up in domestic travel offering a contrast to the breath-taking plunge in international traffic.

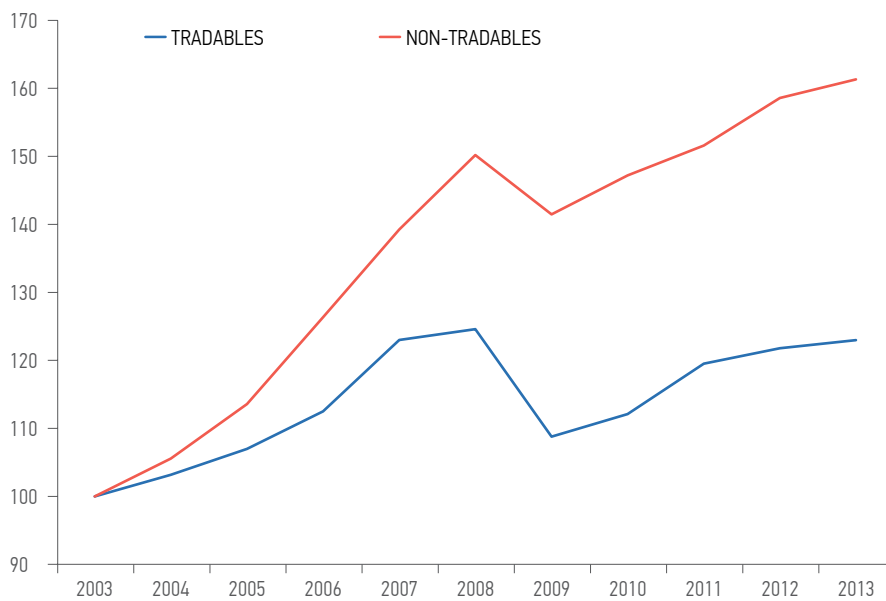
## **What is the crisis like: 2008 or 1998?**

In more generalised terms, what we seem to observe is an accelerated economic rebalancing between the tradable and non-tradable sectors, naturally enforced by the exchange rate depreciation. The boost to cost competitiveness following RUB's depreciation helps the local tradable sectors to win a larger market share, both on the global markets and domestically, while non-tradable sectors have to downsize following the decline in consumer purchasing power.

Over the years, the main engine of the Russian economy has been consumer spending. It was essentially fuelled by the persistent positive terms of trade shock being passed

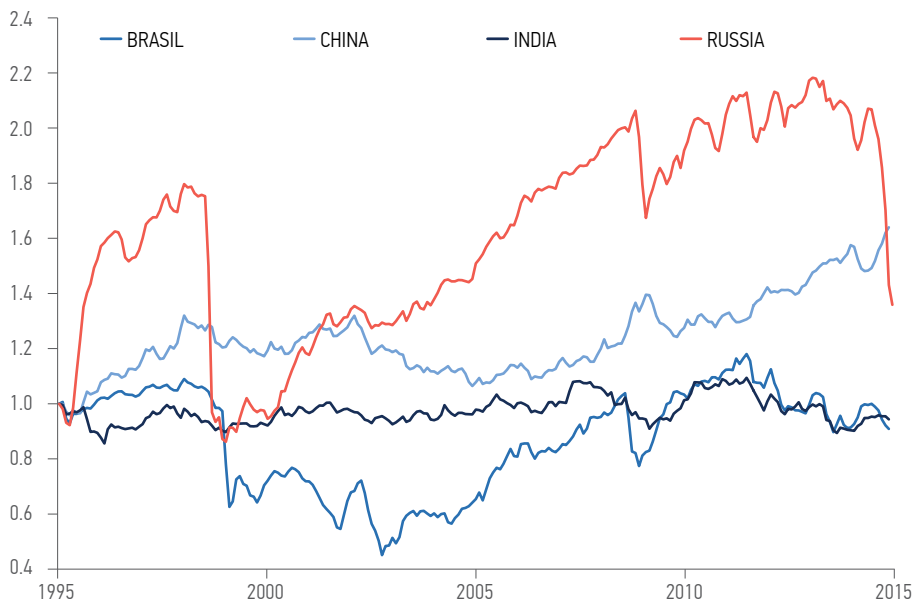


FIGURE 1: OVERRELIANCE ON WINDFALL RENTS PROPAGATED DUTCH DISEASE



Source: Rosstat, VTB Capital Research

FIGURE 2: RUB DEVALUATION ENFORCES REVERSAL



Source: CBR, FRED, OECD, CEIC, IMF, VTB Capital Research

onto consumers, either directly (wage/employment increases in the related sectors) and/or indirectly via rising budget allocations to the public sector employees and social entitlements. Rising consumer demand benefited mainly non-tradable sectors as constant REER appreciation, surging unit labour costs and soaring regulated tariffs have persistently eroded the tradable sector's cost competitiveness.

The erosion of the tradable sector's cost competitiveness has been moderating since 2012, when RUB peaked in REER terms, wages growth in the private sector started to converge with productivity growth and the government began containing tariff indexation for natural monopolies. However, the reversal was too slow and somewhat uneven in light of the policies to increase wages in the public sector and the related increase in corporate taxation (insurance duties).

The recent depreciation has essentially set in motion a more radical reversal of fortunes for the tradable and non-tradable sectors. As opposed to the 2008 crisis, policy makers allowed for a much larger exchange rate adjustment. In both nominal and real effective terms, RUB has depreciated more than twice as much as during the heat of the last crisis and there is only a moderate expectation of a rebound. Hence, unit labour costs have debased quite significantly vs. EM peers with wages in dollar terms, for instance, dropping below those in China. From this standpoint, it is more akin to the 1998 crisis, when cost debasement quickly turned the economy around and brought about a robust recovery within a matter of just a couple of quarters following default and depreciation.

### **Could it be a 1998 moment?**

The first leg of the recovery back in 1998-99 was almost purely based on the rapid rebound in net exports. All of a sudden, a large part of the economy became internationally competitive and, given the low utilisation of production factors (both labour and capital), local manufacturers could quickly ramp up domestic production in order to increase exports. Today, capacity constraints across tradable industries are rather binding: unemployment is at historical lows while most export-oriented sectors are running close to full capacity. This limits potential output gains in the short term.

Moreover, the non-tradable sectors now account for a much larger share of the economy (more than 55% of value-added in 2013) and, hence, the short-term pain of economic rebalancing is to be more visible at the aggregate level. We, therefore, continue to expect a relatively sharp recession this year (-4.5% drop in GDP) as the negative impact from the nose-dive in domestic demand can hardly be offset by the pickup in exports and import substitution.

Given capacity constraints nowadays, reaping the benefits of cost debasement requires investments to pick up. The investment cycle was indeed the main driver of the second leg of the post-1998-crisis recovery. The pickup in return on capital made investments viable across numerous tradable sectors, but this alone was not sufficient to ignite the investment cycle back then. Larger profits only started to crystallise into investments on a greater scale in 2H99, when the cost of capital started to decline and rising visibility on political leadership, as well as property rights, brought the private sector's confidence back.

Given the magnitude of the exchange rate adjustment and larger than 'normal' FX pass-through into final prices, this year is likely to see a significant redistribution of national income to the corporate sector — similar to the 1998-99 episode. Hence, any return on capital is likely to increase visibly across tradable sectors, which could encourage investments.

However, the other two ingredients — the availability of capital (at a competitive cost) and confidence — are not present at the moment. In an environment when external funding is shut off and local interest rates are prohibitive, the corporate sector is more likely to channel rising profits to deleveraging. In the meantime, elevated geopolitical uncertainty and poor visibility on domestic policies also erodes the willingness to invest.

### **A more investment-friendly policy stance might unlock potential**

While any pickup in investments looks challenging in the current environment, a friendlier policy mix could help to ensure it in the medium term. First, economic policy must avoid conserving the old economic structure and instead foster a rebalancing. Hard budget constraints and the willingness to tolerate 'creative destruction' are key in this light.



FIGURE 3: COST DEBASEMENT HELPS TO HEAL COMPETIVENESS ISSUES...

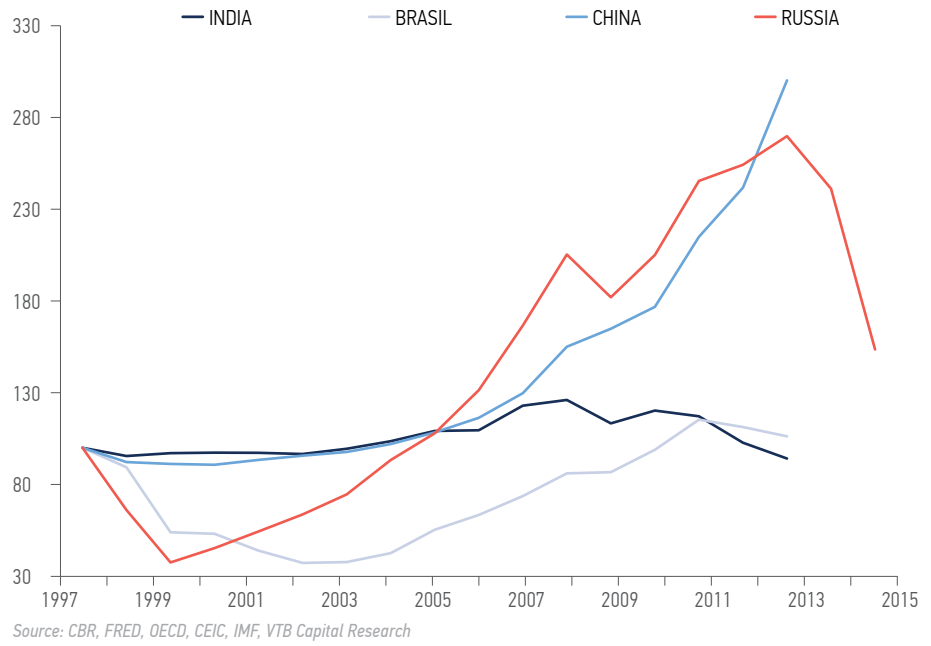
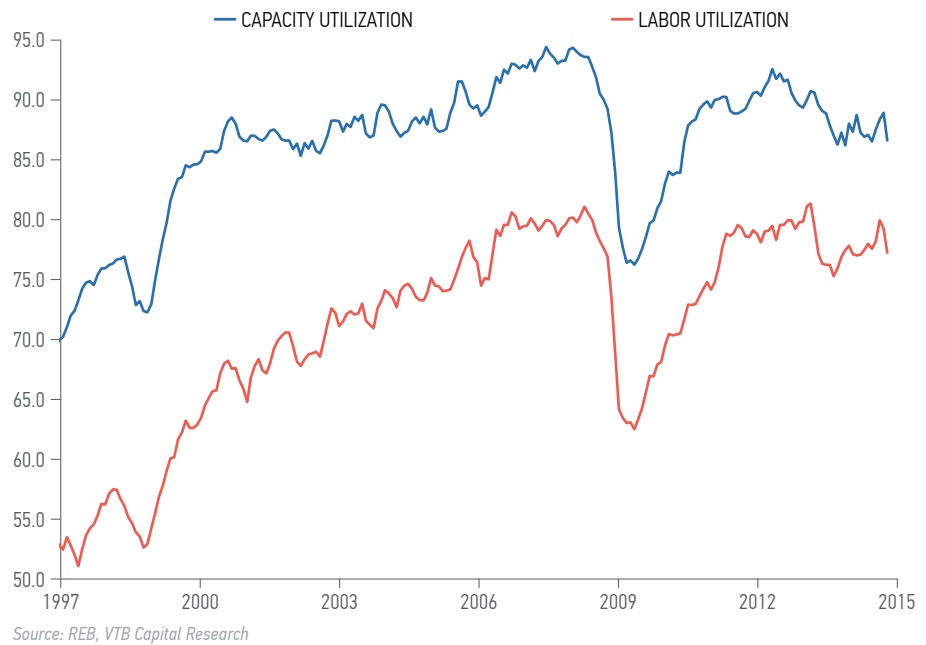


FIGURE 4: ... BUT CAPACITY CONSTRAINTS LIMIT POSITIVE IMPULSE IN THE SHORT TERM



The former must enforce 'real' import substitution and prevent a further deterioration in resource allocation by not-indexing spending commitments on exchange rates (or on a devaluation-fuelled spike in CPI, for that matter). The proposed amendments to the 2015 budget are a step in the right direction: the government is considering freezing wages for public sector employees and offering only a shallow (5.5%) indexation of social benefits. Pension entitlements, nevertheless, have been 'ring-fenced' from the 2015 fiscal consolidation package and indexed on actual CPI reported at the end of last year (11.4%).

And while admittedly painful in the short term, 'creative destruction' is of the utmost importance for economic restructuring, particularly in Russia's case, given the constraints related to limited labour resources and the scarcity of capital. It is encouraging that the government has so far been reluctant to increase subsidising enterprises in trouble. That said, the lack of a working reorganisation procedure under Russian bankruptcy law is a major challenge that might prevent proper business restructuring and, hence, lock up the inefficient allocation of precious financial and human capital.

Second, a more investment-friendly policy mix with tighter fiscal policy and looser monetary stance could help to lift both of the constraints (cost of capital and confidence) to investment. First of all, lower fiscal spending automatically expands the pool of savings available for the private sector (crowding in effect). And second, lower fiscal spending also helps to bring confidence to the private sector that the government will not resort to tax hikes (and effectively nationalise corporate profits) in order to balance the budget.

The magnitude of the fiscal consolidation back in the 1998 crisis was a stunning 10pp of GDP, as spending at the general government level dropped from 36% of GDP in 1997 to 26% in 1999. The reduced share of the government and, more generally, role of the state in the economy helped to 'crowd in' the private sector, which became the main engine of a robust and sustained economic recovery already at the start of 1999.

Given the target to reach a balanced budget at USD 70/bbl of Urals by 2017, MinFin seems to be taking its cue from the 1998 episode. In mid-March, the ministry submitted amendments to the 2015 budget plan which, among other initiatives, envisage a wage freeze in the public sector and substantial budget-funded capex outlays. This consolidation effort — worth RUB 0.8-0.9bn, on our estimates — was, nevertheless, somewhat diluted as MinFin had to increase: i) the transfer to the Pension Fund to compensate for higher CPI and a shortfall of insurance duties; ii) FX-denominated expenses (interest payments on Eurobonds, contributions to different international organizations, etc.); iii) 'interest-rate-sensitive' expenses (for instance, interest rate subsidies); and iv) anti-crisis provisions (i.e. for unemployment benefits).

Moreover, the single largest spending line — national defence and, specifically, allocations for the re-armament programme — was left untouched, up RUB 0.7-0.8tn from 2014 and offering a sizable 0.8pp-of-GDP worth of fiscal stimulus. On the aggregate basis, the fiscal impulse in 2015 is likely to be slightly contractionary as spending growth at the federal level (defence and pensions) along with NWF-funded outlays are to be offset with restraint at the regional level and rising taxation (insurance duties).

Nevertheless, the composition of the proposed fiscal consolidation package for 2015 clearly underscores the fact that room for cuts across 'unprotected' spending lines has been almost entirely exhausted. In the meantime, the target of complying with the 'balanced budget by 2017' requires an additional 1.5-2.0pp of GDP in fiscal consolidation over 2016-17. Consolidation of such magnitude could be difficult to achieve without politically more challenging cutbacks on defence as well as a comprehensive overhaul of the pension system. Increasing the tax burden — as has effectively been the case in recent years — is another alternative, but for obvious reasons this could hardly be growth-friendly.

Overall, we believe that the chances for a credible growth-friendly fiscal consolidation package are not negligible, although this is not our baseline scenario. This, complemented with an accelerated implementation of roadmaps to improve the business climate, could push the medium-term growth potential higher than the 2% that we currently assume.

FIGURE 5: FISCAL CONSOLIDATION IS NEEDED...

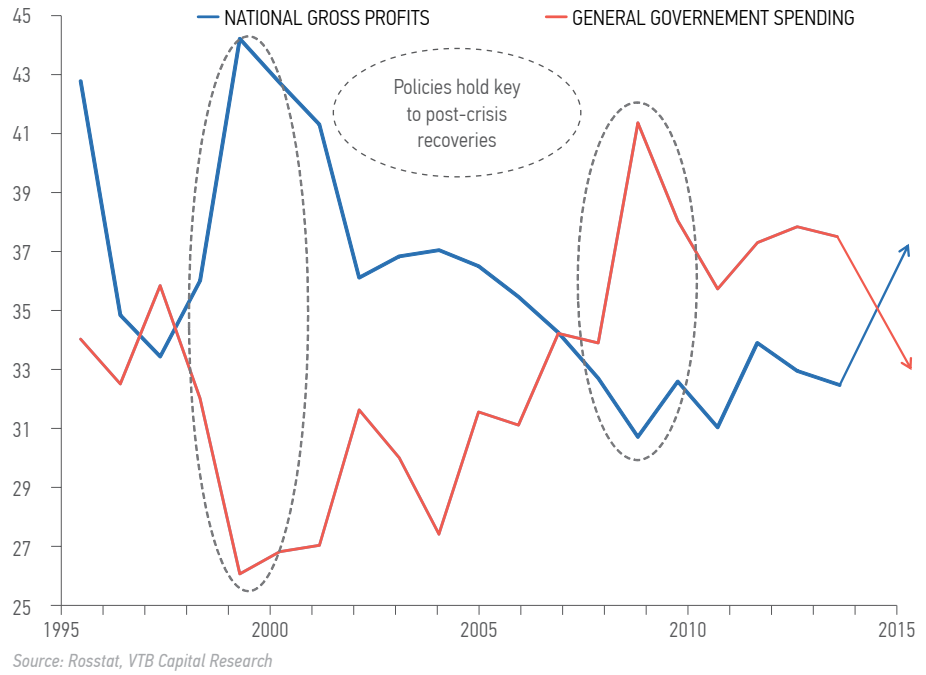
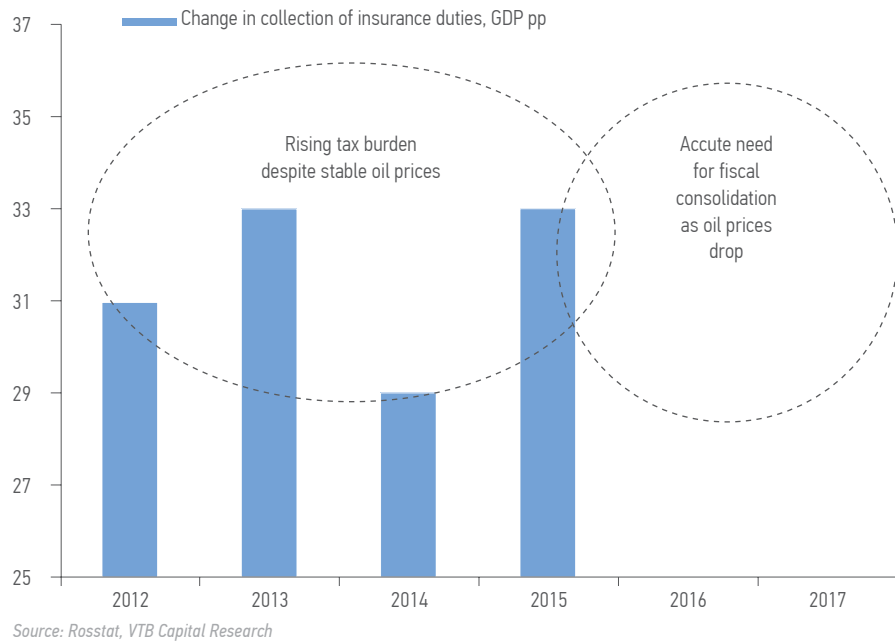
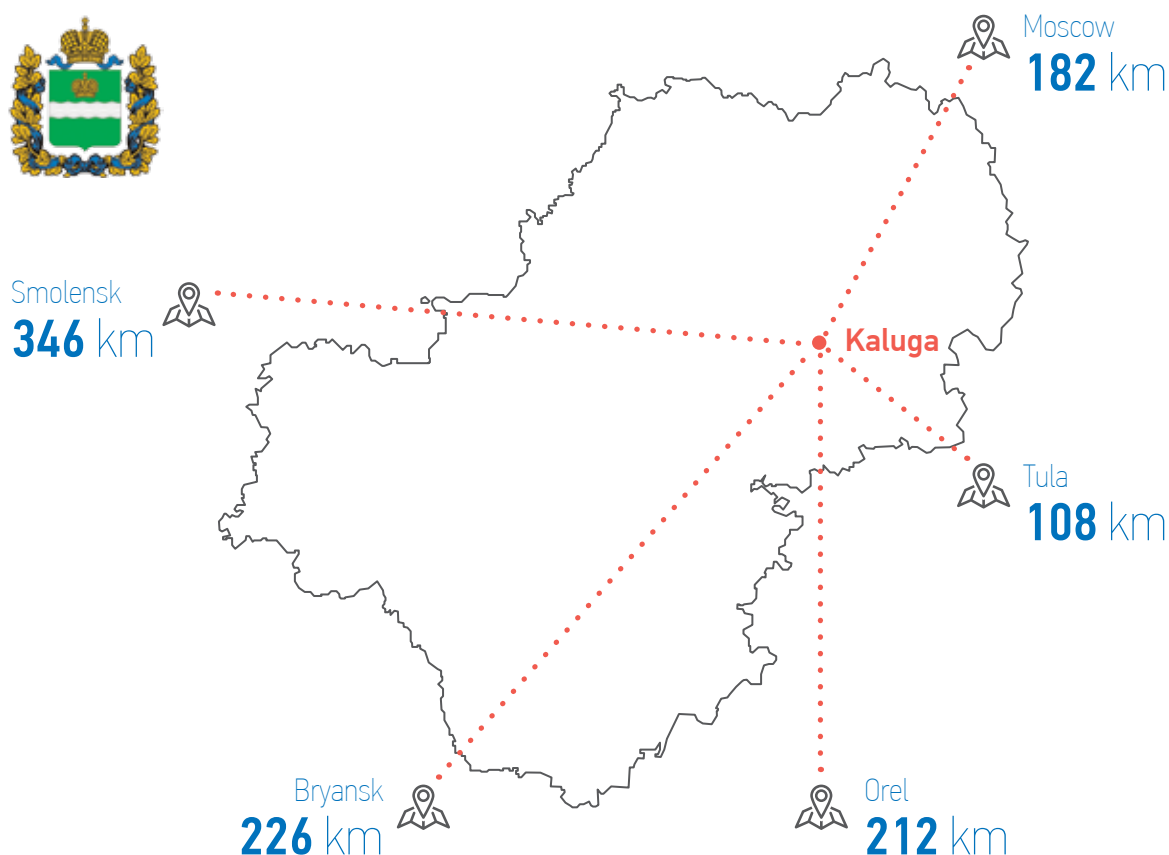


FIGURE 6: ... TO BRING BACK PRIVATE SECTOR CONFIDENCE





# INVESTMENT OPPORTUNITIES KALUGA REGION



## 01

### DETAILS:

For details on key economic and social indicators, please kindly see <http://investinregions.ru/regions/kaluga/>  
<http://kalugastat.gks.ru/>  
 Investment web-portal of the region: <http://investkaluga.com/>

### REGION'S PROFILE

Regional Population	1 010 486 people
Adjacent regions' population <sup>1</sup>	23 905 196 people
Average lease rate for class A office premises	RUB 8 000/m <sup>2</sup> p.a.
Average lease rate for class A production and storage premises	RUB 4 800/m <sup>2</sup> p.a.
Average sale price of industrial land lots	RUB 7 500 000/ha
Average monthly pay	RUB 27 980

<sup>1</sup> Including the City of Moscow.

# 02

## GENERAL MACROECONOMIC SITUATION

### CONTACT INFORMATION:

*Aleksey Laptev,*  
first deputy governor  
of the Kaluga region.  
[laptev@adm.kaluga.ru](mailto:laptev@adm.kaluga.ru)  
+7 (910) 911-43-63

### GROSS REGIONAL PRODUCT (GRP):



293,4 | 327,0  
bn RUB | bn RUB  
in 2013 | in 2014

**+0%**

### PLACE OF THE REGION IN TERMS OF GRP:



**9 | 44**

in Federal District | Among all regions of the Russian Federation

\* according to 2013 data

### TOTAL EQUITY INVESTMENTS:



98,1 | 99,8  
bn RUB | bn RUB  
in 2013 | in 2014

**+0%**

### UNEMPLOYMENT LEVEL:



**4,5% | 4,2%**  
in 2013 | in 2014

### THE HEADLINE INFLATION:



**7,6% | 13,2%**  
in 2013 | in 2014

### MANUFACTURING INFLATION:



**3,3% | 9,3%**  
in 2013 | in 2014

# 03

## KEY COMPETITIVE ADVANTAGES OF THE REGION

- Advantageous economic and geographical position due to its proximity to the city of Moscow — the largest consumer market in the Russian Federation.
- Developed investment infrastructure: a large number of sites ready for production location.
- High-quality logistic infrastructure.
- Effective system of development institutions.

# 04

## MAIN MEASURES OF SUPPORT FROM THE GOVERNMENT OF THE REGION

- Reduction of income tax rate from 18% to 13.5% for 1–4 consecutive tax periods.
- Exemption from property tax for 1–3 consecutive tax periods.
- Special tax regime for investors with volume of capital investments over 3 billion Rubles.
- Special conditions of business environment for residents of Special Economic Zone Lyudinovo<sup>2</sup>.
- Creation of consolidated project teams with the investor during the startup phase of the project.
- System of sectoral benefits and subsidies.

01 INVESTMENT  
NICHEPRODUCTION  
OF MEDICAL EQUIPMENT

## 01

## NICHE'S PROFILE

Compliance with priorities of the region development	Conforms with the investment strategy of the Kaluga region until 2020 <sup>3</sup>
The consumption volume of goods of the medical industry in the Russian Federation for 2014 <sup>4</sup>	198 billion Rubles
The import share of medical equipment in the Russian Federation in 2014 <sup>5</sup>	84,2%
The share of "domestic" producers in the total volume of sales within the niche	less than 1%

## 02

## COMPETITIVE ENVIRONMENT

In the territory of Kaluga Region there are several large and a number of small enterprises in operation, which produce goods from this niche. "Kalugapribor" and "Sosensky priborostroitelnyj zavod" plants are prepared for the serial production of new kinds of medical equipment to fit out Russian health care centres. In the city of Obninsk there are multipurpose scientific institutions, doing complex research in the sphere of medical equipment: Medical Radiological Research Centre named after A.F.Tsyb, Branch of "Scientific and Research Institute of Physical Chemistry named after L.Ya. Karpov", "State Scientific Centre of the Russian Federation — Institute for Physics and Power Engineering named after A. I. Leypunsky"

## 03

## WHY THE KALUGA REGION

- Transport-logistics infrastructure of high quality.
- Preferential tax and custom conditions of special economic zone.
- Existence of multifunctional center of application education for pharmaceutical cluster.
- The possibility to cooperate with established enterprises of Kaluga pharmaceutical cluster.

## 04

## POSSIBLE LOCATION

Name	Special economic zone of industrial type "Lyudinovo", Borovsk area
Total area	432 ha
Electricity, gas water supply, sewage	In the project documentation development stage
Railway line   Motorway	-   +

<sup>3</sup> <http://investkaluga.com/podderzhka/investitsionnaya-strategiya/investitsionnaya-strategiya/>

<sup>4</sup> According to the Ministry of industry and trade of Russian Federation.

<sup>5</sup> According to the Ministry of industry and trade of Russian Federation.



02 INVESTMENT  
NICHEPRODUCTION  
OF HOUSEHOLD APPLIANCES

## 01

## NICHE'S PROFILE

Compliance with priorities of the region development	Conforms with the investment strategy of the Kaluga region until 2020 <sup>7</sup>
Volume of sales of household appliances in the Russian Federation in 2014 <sup>8</sup>	151,2 billion Rubles
Share of imports of household appliances across the Russian Federation in 2014 <sup>9</sup>	80%
Potential capacity of market per year (for import substitution) <sup>10</sup>	120,9 billion Rubles

## 02

## COMPETITIVE ENVIRONMENT

The only large manufacturer of household appliances in the Kaluga region is Samsung Electronics Rus Kaluga, LLC: the plant collects 100% of all sold in Russia Samsung TVs and monitors; since September 2012 on the enterprise was launched production line of washing machines. At the same time, the company's share accounts for about 20% of market of the Kaluga region in terms of value. However, significant competition in this niche will present products of Chinese manufacturers.

## 03

## WHY THE KALUGA REGION

- Effective system of search and training of personnel.
- Territorial proximity to Moscow — largest consumer market in the Russian Federation.
- Developed logistic infrastructure.

## 04

## POSSIBLE LOCATION

Name	Vorsino industrial park
Total area	2 023 ha
Electricity	200 MW
Gas	156 (24) mcm/year (thousand m <sup>3</sup> /hour)
Water supply   Sewage	+   +
Railway line   Motorway	+   +

## DETAILS:

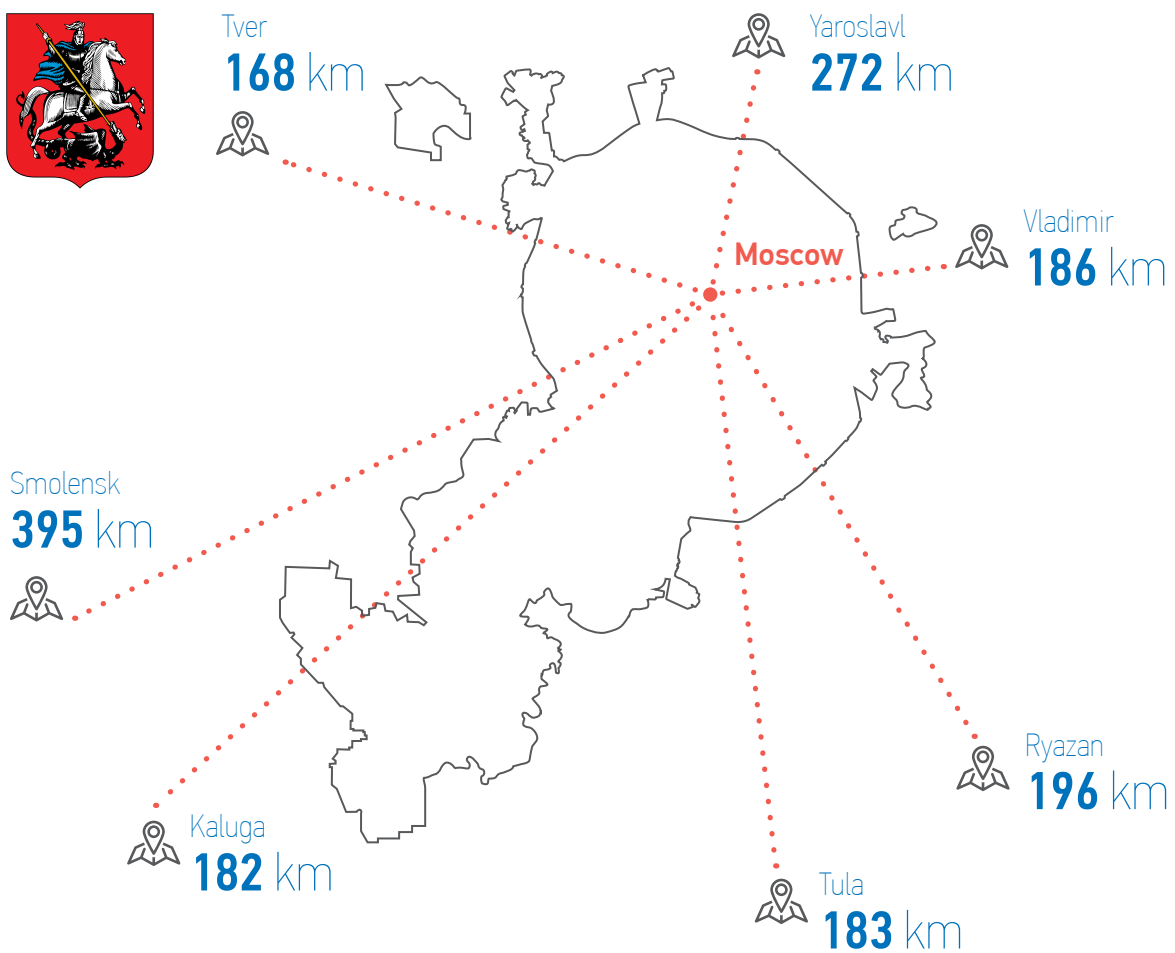
<http://indpark.vorsino.com/>

<sup>7</sup> <http://investkaluga.com/podderzhka/investitsionnaya-strategiya/investitsionnaya--strategiya/>; regarding the objectives on modernization and reorientation of existing businesses.

<sup>8</sup> According to the analytical report of the M. Video company [http://www.mvideo.ru/media/News/Catalogue\\_2014-15.pdf](http://www.mvideo.ru/media/News/Catalogue_2014-15.pdf).

<sup>9</sup> According to the data of the Federal State Statistics Service (Rosstat) and calculations of the Agency for Social Information (ASI)

<sup>10</sup> According to the calculations of the Agency for Social Information (ASI), total across the Russian Federation.



## INVESTMENT OPPORTUNITIES MOSCOW



### DETAILS:

For details on key economic and social indicators, please kindly see <http://investinregions.ru/regions/moskva/>  
<http://moscow.gks.ru>  
 Investment web-portal of the city <http://investmoscow.ru>

### CITY PROFILE

Regional Population	12 197 596 people
Adjacent regions' population <sup>1</sup>	15 847 666 people
Average lease rate for class A office premises	RUB 27 093/m <sup>2</sup> p.a
Average lease rate for class A production and storage premises	RUB 4 500/m <sup>2</sup> p.a
Average sale price of industrial land lots	RUB 45 000 000/ha
Average monthly pay	RUB 58 781

<sup>1</sup> Including the Moscow region and neighboring regions.

# 02

## GENERAL MACROECONOMIC SITUATION

### GROSS REGIONAL PRODUCT (GRP):



11 632,5 | 11 881  
bn RUB | bn RUB  
in 2013 | in 2014

**+0,1%**

### PLACE OF THE REGION IN TERMS OF GRP:



**1 | 1**

in Federal District | Among all regions of the Russian Federation

\* according to 2013 data

### CONTACT INFORMATION:

*Leonid Kostroma,*  
director of Moscow city  
Investment Agency  
[KostromaLV@gaii.mos.ru](mailto:KostromaLV@gaii.mos.ru)  
+7 (985) 447-84-16

### TOTAL EQUITY INVESTMENTS:



1 413,1 | 1 477,4  
bn RUB | bn RUB  
in 2013 | in 2014

**+0,1%**

### UNEMPLOYMENT LEVEL:



**1,7% | 1,5%**  
in 2013 | in 2014

### THE HEADLINE INFLATION:



**6,2% | 11,7%**  
in 2013 | in 2014

### MANUFACTURING INFLATION:



**4,1% | 4,3%**  
in 2013 | in 2014

# 03

## KEY COMPETITIVE ADVANTAGES OF THE CITY

- Moscow is the largest consumer market of the Russian Federation.
- High level of income of the population — 1.9 times higher than the national average..
- High availability of qualified personnel.
- Developed infrastructure of support of investment and entrepreneurial activity..

# 04

## MAIN MEASURES OF SUPPORT FROM THE GOVERNMENT OF THE CITY

- Preferential income tax rate of 13.5% and exemption from property tax for management companies and residents of technopolis, technological or industrial parks, Special Economic Zone Zelenograd, automobile manufacturers.
- Exemption from vehicle tax and land tax for residents of Special Economic Zone Zelenograd.
- System of subsidies to small and medium businesses, enterprises in the manufacturing sector and high technology companies..
- Preferential rental rates for non-residential premises and land plots owned by the city of Moscow.

01 INVESTMENT  
NICHE

PRODUCTION  
OF ELECTRONIC  
COMPONENTS



01

NICHE'S PROFILE

Compliance with priorities of the city development	Conforms with the investment strategy of the city of Moscow until 2025 <sup>2</sup>
Volume of the market of electronic components in the Russian Federation in 2014 <sup>3</sup>	97,07 billion Rubles
Import share across the Russian Federation in 2013 <sup>4</sup>	73%
Potential capacity of sales market per year (for import substitution) <sup>5</sup>	70,1 billion Rubles

02

COMPETITIVE ENVIRONMENT

There are several large enterprises producing electronic components in Moscow: NPP Pulsar, JSC; Optron, OJSC, Angstrom, JSC. About 20 large manufacturers operate throughout the Russian Federation. However, considering a high share of imports caused by the technological backwardness of the Russian microelectronics industry, as well as imposed economic sanctions in this niche perspective opportunities appear when working within defense industry projects, the share of which in the total market volume is estimated at 35%–40%.

03

WHY MOSCOW

- High availability of qualified personnel.
- Availability of the well-functioning system of financial and non-financial support of innovative industries.
- Territorial proximity to potential customers.

04

POSSIBLE LOCATION

Name	Technopolis Moscow
Total area	30,5 ha
Electricity	60 MW
Gas	—
Water supply   Sewage	+   +
Railway line   Motorway	+   +

DETAILS:

<http://www.technomoscow.ru/>

<sup>2</sup> <http://investmoscow.ru/investment/investment-strategy-main/>

<sup>3</sup> According to the data of Frost&Sullivan and ASI calculations.

<sup>4</sup> According to the data of Frost & Sullivan.

<sup>5</sup> According to the data of Frost&Sullivan and ASI calculations.

02 INVESTMENT  
NICHEPRODUCTION  
OF MEDICATIONS

## 01

## NICHE'S PROFILE

Compliance with priorities of the city development	Conforms with the investment strategy of the city of Moscow until 2025 <sup>6</sup>
Volume of the market of pharmaceutical products across Moscow in 2014 <sup>7</sup>	121 billion Rubles
Import share across the city of Moscow in 2014 <sup>8</sup>	78%
Potential capacity of sales market per year (for import substitution) <sup>9</sup>	71,7 billion Rubles

## 02

## COMPETITIVE ENVIRONMENT

Several large enterprises produce medications (except for production of highly specialized products and dietary supplements) on the territory of the city, among them are N.A. Semashko Moskhimfarmpreparaty, JSC; Federal State Unitary Enterprise Moscow Endocrine Plant. It should be also noted that a number of foreign companies, which have opened their production in the neighboring with the region<sup>10</sup> areas conduct only packaging of finished medications.

## 03

## WHY MOSCOW

- Moscow is the largest consumer market of the Russian Federation.
- Availability of well-developed infrastructure of support of pharmaceutical industries.
- Possibility of participation in the government orders of the city of Moscow by means of offset transactions.

## 04

## POSSIBLE LOCATION

Name	SEZ Zelenograd
Total area	145,8 ha
Electricity	60 MW
Gas	—
Water supply   Sewage	+   +
Railway line   Motorway	+   +

## DETAILS:

<http://www.russez.ru/oez/innovation/moscow/zelenograd>

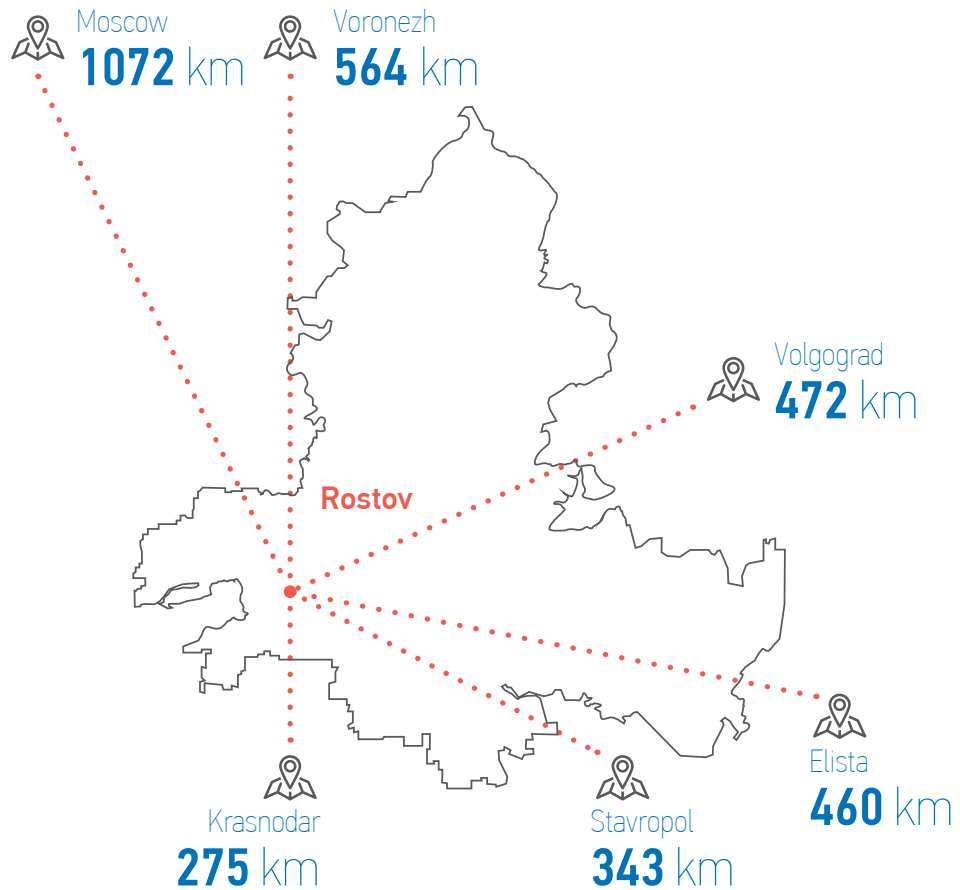
<sup>6</sup> <http://investmoscow.ru/investment/investment-strategy-main/>

<sup>7</sup> According to the data of the Department of Economic Policy and Development of the City of Moscow.

<sup>8</sup> According to the data of the Department of Economic Policy and Development of the City of Moscow, valuation.

<sup>9</sup> According to the data of the Department of Economic Policy and Development of the City of Moscow and ASI calculations.

<sup>10</sup> Under the region in this sentence is meant Moscow and Moscow region.



## INVESTMENT OPPORTUNITIES ROSTOV REGION



# 01

### DETAILS:

For details on key economic and social indicators, please kindly see <http://investinregions.ru/regions/rostov/>  
<http://rostov.gks.ru>  
 Investment web-portal of the region: <http://invest-don.com>

### REGION'S PROFILE

Regional Population	4 242 080 people
Adjacent regions' population	13 421 910 people
Average lease rate for class A office premises	RUB 11 460/m <sup>2</sup> p.a
Average lease rate for class A production and storage premises	RUB 4 800/m <sup>2</sup> p.a
Average sale price of industrial land lots	RUB 13 507 385/ha
Average monthly pay	RUB 23 816



# 02

## GENERAL MACROECONOMIC SITUATION

### GROSS REGIONAL PRODUCT (GRP):



923,5 | 988,8  
bn RUB | bn RUB  
in 2013 | in 2014

**+3%**

### PLACE OF THE REGION IN TERMS OF GRP:



**2 | 13**

in Federal District | Among all regions of the Russian Federation

\* according to 2013 data

### CONTACT INFORMATION:

*Aleksandr Levchenko,*  
minister of Economic Development  
of the Rostov region  
[minecon\\_ro@donland.ru](mailto:minecon_ro@donland.ru)  
+7 (928) 270-22-47

### TOTAL EQUITY INVESTMENTS:



253,6 | 262,5  
bn RUB | bn RUB  
in 2013 | in 2014

**+1,5%**

### UNEMPLOYMENT LEVEL:



**6% | 6%**

in 2013 | in 2014

### THE HEADLINE INFLATION:



**7% | 8,2%**

in 2013 | in 2014

### MANUFACTURING INFLATION:



**4,7% | 3,3%**

in 2013 | in 2014

# 03

## KEY COMPETITIVE ADVANTAGES OF THE REGION

- Favourable climate conditions.
- Developed transport infrastructure of the region is integrated into the leading Euro-Asian International North-South Transport Corridor; electrified railway line provides access to the North Caucasus and the countries of the South Caucasus.
- Energy excess of the Rostov region in the conditions of deficiency of the energy system of the southern regions of the Russian Federation.
- One of the most favorable conditions to pass licensing procedures in land relations and building, including the connection of communal and engineering infrastructure to objects.

# 04

## MAIN MEASURES OF SUPPORT FROM THE GOVERNMENT OF THE REGION

- Reduction of income tax rate from 18% to 13.5% for investment contract validity period.
- Reduced rate for property tax: 1.1% — in relation to the assets which were newly created (acquired) in the framework of the investment project; 0% — for investors, which implement projects with a volume of capital investments of 300 million rubles and more.
- Reimbursement (on competitive basis) of 50% of the cost of technological connection of capital construction objects to electricity and gas networks; from 50% to 70% to connect to water supply and sewerage.
- A wide range of subsidies for AIC.

01 INVESTMENT NICHE

# STURGEON FISH BREEDING AND PRODUCTION OF BLACK CAVIAR



01

### NICHE'S PROFILE

Compliance with priorities of the region development	Conforms with the strategy of social and economic development of the Rostov region until 2020 <sup>1</sup>
Volume of sales of production of black caviar in the Russian Federation in 2014 <sup>2</sup>	<b>30,46</b> tonnes
Volume of import of black caviar across the Russian Federation in 2014 <sup>3</sup>	<b>8,663</b> tonnes
Market capacity of the Russian Federation, per year <sup>4</sup>	<b>190-200</b> tonnes

02

### COMPETITIVE ENVIRONMENT<sup>5</sup>

The key players in the Russian market of legal black caviar are group of companies Russian Caviar House (Vologda region, about one third of total Russian caviar production) and fish farms of the Astrakhan region (more than 10% of the market). US, Germany and Saudi Arabia are the main importers of caviar to Russia.

03

### WHY THE ROSTOV REGION

- At present the amount of sturgeon caviar produced in the region produces is too small: production volume in 2014 doesn't exceed 0.09 tonnes.
- An extensive list of measures of the state support for the industry.
- Qualified personnel in the field of commercial sturgeon breeding.
- Significant potential of the regional consumer market.

04

### POSSIBLE LOCATION

Name	<b>Novocherkassky industrial park</b>
Total area	<b>219</b> ha
Electricity	<b>60</b> MW
Gas	<b>100</b> thousand m <sup>3</sup> /hour
Water supply   Sewage	<b>+   +</b>
Railway line   Motorway	<b>+   +</b>

<sup>1</sup> [http://www.donland.ru/Data/Sites/1/media/administration/word/2012/strtegia\\_2020/strateg\\_2020\\_red1752\\_111124.doc](http://www.donland.ru/Data/Sites/1/media/administration/word/2012/strtegia_2020/strateg_2020_red1752_111124.doc).

<sup>2</sup> According to the Russian Federal Agency for Fishery, excluding illegal catches.

<sup>3</sup> According to the Russian Federal Agency for Fishery.

<sup>4</sup> According to the research company Agriconsult

<sup>5</sup> Market — the Russian Federation as a whole, due to the specifics of the product

02 INVESTMENT  
NICHEPRODUCTION  
OF COMPOUND FEED

## 01

## NICHE'S PROFILE

Compliance with priorities of the region development	Conforms with the strategy of social and economic development of the Rostov region until 2020 <sup>6</sup>
Volume of production of compound feed in the Russian Federation in 2014 <sup>7</sup>	23,01 mln tonnes
Volume of production of compound feed in the Rostov region in 2014 <sup>8</sup>	439,01 thousand tonnes
Capacity of market, per year <sup>9</sup>	4,32 billion Rubles

## 02

## COMPETITIVE ENVIRONMENT

Over 12 large and middle sized enterprises work in this niche on the territory of the region, main ones are Evrodon, LLC, Russkaya Svinina, CJSC, Provimi Azov, CJSC, Liman, LLC. However, the expected increase in the number of projects in the livestock sector (including the projects on implementation of the import substitution policy) will be able to provide potential market growth.

## 03

## WHY THE ROSTOV REGION

- AIC is one of the key priorities of economic development of the region; the aim of the region is to become the largest supplier of agricultural products in the domestic market.
- Territorial proximity to potential consumers of the production.
- Rich supply of raw materials.

## 04

## POSSIBLE LOCATION

Name	Novoaleksandrovskaya production site
Total area	161 ha
Electricity	47,17 MW
Gas	11,59 thousand m <sup>3</sup> /hour
Water supply   Sewage	+   +
Railway line   Motorway	+   +

<sup>6</sup> [http://www.donland.ru/Data/Sites/1/media/administration/word/2012/strtegia\\_2020/strateg\\_2020\\_red1752\\_111124.doc](http://www.donland.ru/Data/Sites/1/media/administration/word/2012/strtegia_2020/strateg_2020_red1752_111124.doc)

<sup>7</sup> According to the ASI calculations and sectoral research data.

<sup>8</sup> According to the data of the Ministry of Agriculture and Food of the Rostov region, Federal State Statistics Service excluding in-house production of agricultural holdings.

<sup>9</sup> According to the ASI calculations for the Rostov region.



Moscow  
**1054 km**

Ulyanovsk  
**252 km**

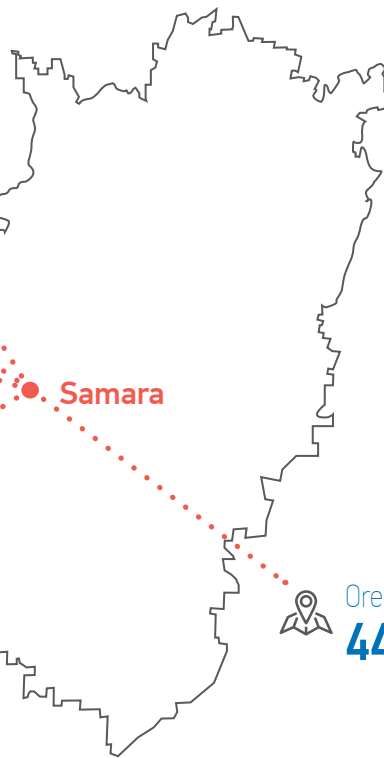
Kazan  
**375 km**



Saratov  
**476 km**



Orenburg  
**440 km**



## INVESTMENT OPPORTUNITIES SAMARA REGION



# 01

### DETAILS:

For details on key economic and social indicators, please kindly see  
<http://investinregions.ru/regions/samara/>  
<http://samarastat.gks.ru/>  
 Investment web-portal of the region:  
<http://investinsamara.ru/>

### REGION'S PROFILE

Regional Population	<b>3 211 578</b> people
Adjacent regions' population	<b>9 611 720</b> people
Average lease rate for class A office premises	RUB <b>13 392</b> /m <sup>2</sup> p.a
Average lease rate for class A production and storage premises	RUB <b>3 600</b> /m <sup>2</sup> p.a
Average sale price of industrial land lots	RUB <b>6 000 000</b> /ha
Average monthly pay	RUB <b>25 930</b>

# 02

## GENERAL MACROECONOMIC SITUATION

### GROSS REGIONAL PRODUCT (GRP):



1040,7 | 1123,9  
bn RUB | bn RUB  
in 2013 | in 2014

**+1,4%**

### PLACE OF THE REGION IN TERMS OF GRP:



**3 | 10\***

\* exclusive of autonomous district

in Federal District | Among all regions of the Russian Federation

\* according to 2013 data

### CONTACT INFORMATION:

*Aleksandr Kobenko,*  
vice-governor —

minister of Economic Development,  
Investments and Trade  
of the Samara region.

[A.Kobenko@economy.samregion.ru](mailto:A.Kobenko@economy.samregion.ru)  
+7 (937) 989-18-06

### TOTAL EQUITY INVESTMENTS:



269,7 | 300,3  
bn RUB | bn RUB  
in 2013 | in 2014

**+6,8%**

### UNEMPLOYMENT LEVEL:



**3,2% | 3%**

in 2013 | in 2014

### THE HEADLINE INFLATION:



**6,12% | 7,74%**

in 2013 | in 2014

### MANUFACTURING INFLATION:



**4,2% | 6,4%**

in 2013 | in 2014

# 03

## KEY COMPETITIVE ADVANTAGES OF THE REGION

- High availability of qualified engineering personnel.
- Proximity to the border with Kazakhstan (communication on the federal highway M-32); High transport capacity (Trans-Siberian railway, a major river port).
- High urbanization of the region, presence of the Samara-Togliatti agglomeration.

# 04

## MAIN MEASURES OF SUPPORT FROM THE GOVERNMENT OF THE REGION

- Reduction of income tax rate from 18% to 13.5% if the value of the investment project is 100 million Rubles or more for up to five tax periods.
- Exemption from property tax for enterprises implementing investment projects for a period of 2 to 5 tax periods.
- Special conditions of business environment for residents of Special Economic Zone Tolyatti.
- Provision of subsidies from the regional budget for execution of works, related to technological connection to electric networks

01 INVESTMENT  
NICHE

PRODUCTION  
OF METAL-CUTTING  
EQUIPMENT



01

NICHE'S PROFILE

Compliance with priorities of the region development	Conforms with the main directions of the investment strategy of the Samara region until 2030 <sup>1</sup>
Volume of production of metal-cutting equipment in the Russian Federation in 2014 <sup>2</sup>	2 739 pcs
Import share across the Russian Federation in 2014 <sup>3</sup>	92%
Potential capacity of sales market per year (for import substitution) <sup>4</sup>	29 billion Rubles

02

COMPETITIVE ENVIRONMENT

The largest enterprises in this niche in the Samara region are Volzhsky Machine Building Plant, LLC, 100% of which since November 2014 is owned by AVTOVAZ, JSC; and Reforming-center, LLC. At the same time, the share of these companies in the total supply does not exceed 20% of total sales, and Volzhsky Machine Building Plant is likely to be reoriented to the orders of the majority shareholder.

03

WHY THE SAMARA REGION

- Confirmed at the state level need for development of the sector for import substitution.
- Availability of specialized scientific research base.
- Territorial proximity to the major machine-building enterprises — potential customers.
- Well-developed cluster approach to the regulation of the economy at the level of the Regional Government.

04

POSSIBLE LOCATION

Name	AVIAPORTAL, CENTRE FOR INDUSTRY AND LOGISTICS, LLC
Total area	20,1 ha
Electricity	7 MW
Gas	—
Water supply   Sewage	+   +
Railway line   Motorway	+   +

<sup>1</sup> [http://www.investinsamara.ru/external/new/files/c\\_1986/Investitsionnaya\\_strategiya-2030.2.pdf](http://www.investinsamara.ru/external/new/files/c_1986/Investitsionnaya_strategiya-2030.2.pdf)

<sup>2</sup> According to the data of the Ministry of Industry and Trade of the Russian Federation.

<sup>3</sup> Given the metalworking and forging and pressing equipment.

<sup>4</sup> According to the ASI calculations and data on production for 2013, total across the Russian Federation.



02 INVESTMENT  
NICHE

# PRODUCTION OF MEDICAL DIAGNOSTIC AND THERAPEUTIC EQUIPMENT



## 01

### NICHE'S PROFILE

Compliance with priorities of the region development	Conforms with the main directions of the investment strategy of the Samara region until 2030 <sup>5</sup>
The consumption volume of goods of the medical industry in the Russian Federation for 2014 <sup>6</sup>	198 billion Rubles
The import share of medical equipment in the Russian Federation in 2014 <sup>7</sup>	84,2%
Potential capacity of market per year for the import substitution across the Russian Federation <sup>8</sup>	101 billion Rubles
Potential capacity of market per year for the import substitution across the Samara region <sup>9</sup>	424,4 million Rubles

## 02

### COMPETITIVE ENVIRONMENT

A number of large enterprises works in this niche on the territory of the Samara region, such as Federal State Unitary Enterprise Samarskoye Prosthetic and Orthopedic Enterprise of the Ministry of Healthcare and Social Development of Russia and Medtekhnika, OJSC, Samara Electromechanical Plant, OJSC. However, the share of these companies in the total supply does not exceed 18% of total sales. And taking into account the fact that medical equipment which has no Russian analogues makes slightly less than a third of the market of medical devices (about 40bln rubles), this niche offers excellent opportunities, including the establishment of joint ventures with foreign manufacturers.

## 03

### WHY THE SAMARA REGION

- The formation of pharmaceutical cluster, launched in the region, will contribute to the increased attention of the Government of the region to its industry.
- High availability of qualified personnel.

## 04

### POSSIBLE LOCATION

Name	Preobrazhenka industrial park
Total area	170 ha
Electricity	50 MW
Gas	8,5 thousand m <sup>3</sup> /hour
Water supply   Sewage	+   +
Railway line   Motorway	-   +

#### DETAILS:

<http://industrial63.ru/>

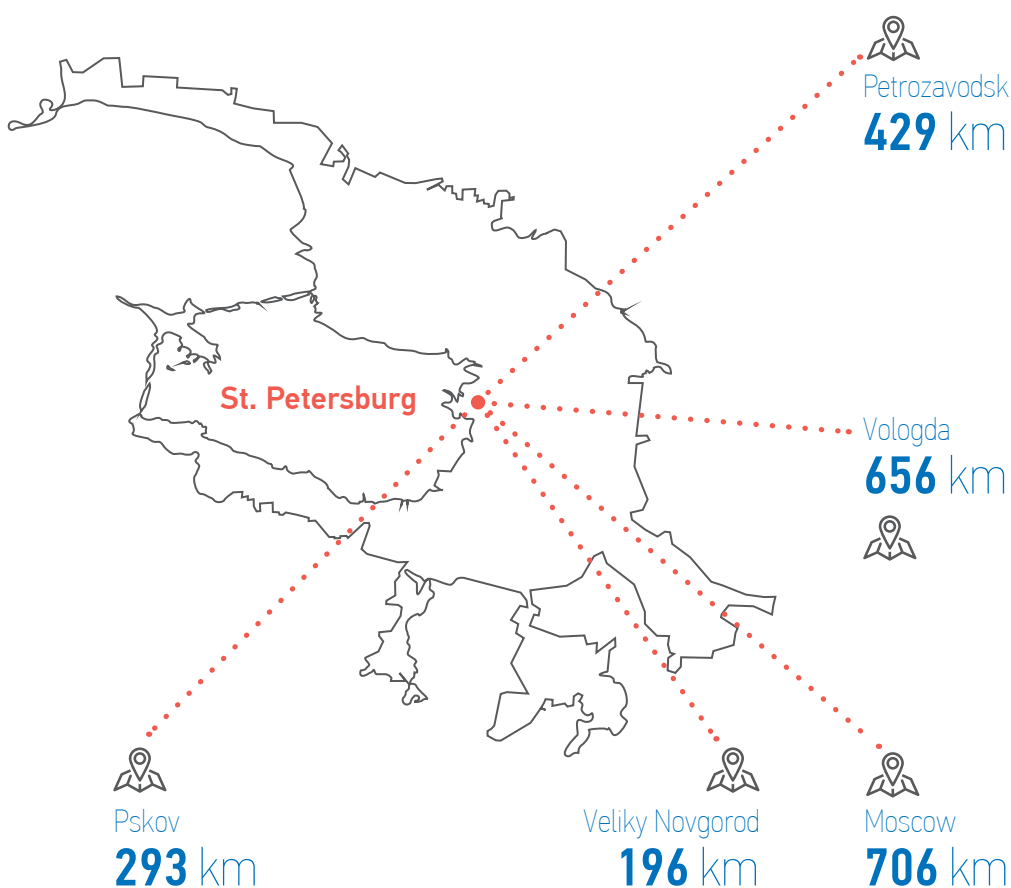
<sup>5</sup> [http://www.investinsamara.ru/external/new/files/c\\_1986/Investitsionnaya\\_strategiya-2030.2.pdf](http://www.investinsamara.ru/external/new/files/c_1986/Investitsionnaya_strategiya-2030.2.pdf)

<sup>6</sup> According to the Ministry of Industry and Trade, 45% to 50% was purchased under the programs of healthcare modernization.

<sup>7</sup> According to the Ministry of Industry and Trade and industrial surveys of Russian Venture Company, OJSC.

<sup>8</sup> According to ASI calculations.

<sup>9</sup> According to ASI calculations.



# INVESTMENT OPPORTUNITIES ST. PETERSBURG



## 01

### DETAILS:

For details on key economic and social indicators, please kindly see <http://investinregions.ru/regions/peterburg/>  
<http://petrostat.gks.ru>  
 Investment web-portal of the region <http://www.spbinvestment.ru>

### CITY PROFILE

Regional Population	5 191 690 people
Adjacent regions' population <sup>1</sup>	4 868 894 people
Average lease rate for class A office premises	RUB 7 200/m <sup>2</sup> p.a
Average lease rate for class A production and storage premises	RUB 6 500/m <sup>2</sup> p.a
Average sale price of industrial land lots	RUB 20 000 000/ha
Average monthly pay	RUB 36 848

# 02

## GENERAL MACROECONOMIC SITUATION

### GROSS REGIONAL PRODUCT (GRP):



2496,5 | 2750,9  
bn RUB | bn RUB  
in 2013 | in 2014

**+2,1%**

### PLACE OF THE REGION IN TERMS OF GRP:



**1 | 4**

in Federal District | Among all regions of the Russian Federation

\* according to 2013 data

### CONTACT INFORMATION:

*Svetlana Kogan,*  
first deputy chairman  
of the Investment Committee  
of St. Petersburg  
[kogan@cisp.gov.spb.ru](mailto:kogan@cisp.gov.spb.ru)  
+7 (931) 326-09-74

### TOTAL EQUITY INVESTMENTS:



475,1 | 502,6  
bn RUB | bn RUB  
in 2013 | in 2014

**+1,8%**

### UNEMPLOYMENT LEVEL:



**1,5% | 1,4%**  
in 2013 | in 2014

### THE HEADLINE INFLATION:



**6,7% | 13,3%**  
in 2013 | in 2014

### MANUFACTURING INFLATION:



**4,4% | 9,9%**  
in 2013 | in 2014

# 03

## KEY COMPETITIVE ADVANTAGES OF THE CITY

- Developed infrastructure and advantageous transport and geographical position; access to the Baltic Sea, presence of large cargo and passenger ports, the international airport.
- Status of one of the European tourist centers provides an attractive sales market.
- Successful experience in implementing large-scale PPP projects.
- Availability of advanced scientific and educational base.
- High availability of qualified personnel; city is a center of attraction of qualified specialists.

# 04

## MAIN MEASURES OF SUPPORT FROM THE GOVERNMENT OF THE CITY

- Reduction of income tax rate from 18% to 13.5% for 1–7 tax periods.
- Exemption from property tax for up to 5 tax periods.
- Exemption from land tax for up to 2 tax periods.
- Earmarked allocation of the land plots for the strategic investment projects.
- System of sectoral benefits, grants and subsidies (RIA registration, R & D carried out by research organizations and higher educational institutions of the city, personnel training and retraining, certification of management systems).

01 INVESTMENT  
NICHE

PRODUCTION  
OF MEDICATIONS



01

NICHE'S PROFILE

Compliance with priorities of the city development	Conforms with the investment strategy of St. Petersburg until 2030 <sup>1</sup>
Market volume of medicines in St. Petersburg in 2014 <sup>2</sup>	<b>35,9</b> billion Rubles
Share of local companies in total sales volume in the niche in 2014 <sup>3</sup>	<b>35%</b>
Potential sales market capacity per year (for import substitution) <sup>4</sup>	<b>16,4</b> billion Rubles

02

COMPETITIVE ENVIRONMENT

More than 10 large enterprises are engaged in production of medicines on the territory of the city. Pharmacor Production, LLC, NTFF Polysan, LLC, Vertex, CJSC, Farmproekt, CJSC, Pharmaceutical Factory of Saint Petersburg, OJSC, are among them and they produce the widest product range. It should be also noted that the Russian products share in the St. Petersburg market in-kind is at least 50%.

03

WHY ST. PETERSBURG

- Availability of the research base and qualified personnel.
- Wide sales market, in particular taking into account seasonal fluctuations in population.
- The concept of creating the cluster of pharmaceutical and medical products is being implemented<sup>5</sup>.

04

POSSIBLE LOCATION

Name	<b>Pushkinskaya (Vostochnaya) industrial park</b>
Total area	<b>190</b> ha
Electricity	<b>13,3</b> MW
Gas	<b>3 432</b> thousand m <sup>3</sup> /hour
Water supply   Sewage	<b>+   +</b>
Railway line   Motorway	<b>+   +</b>

<sup>1</sup> <http://www.spbinvestment.ru/upload/Инвестиционная%20стратегия.pdf>

<sup>2</sup> According to the Petrostat.

<sup>3</sup> According to the Petrostat, cost estimate.

<sup>4</sup> According to the Petrostat and ASI calculations.

<sup>5</sup> Approved by Resolution of the Government of St. Petersburg No. 419 dated 22.04.2010.

02 INVESTMENT  
NICHE

# DEVELOPMENT OF PRIVATE INVESTMENT INFRASTRUCTURE FACILITIES



## 01

### NICHE'S PROFILE

Compliance with priorities of the city development	Conforms with the investment strategy of St. Petersburg until 2030 <sup>6</sup>
Popular facilities of investment infrastructure	Technology park Industrial park <sup>7</sup>
Subsidy size of the Ministry of Economic Development of the Russian Federation <sup>8</sup>	no more than <b>200</b> million Rubles
Potential demand of city for industrial lands of high-class) <sup>9</sup>	at least <b>300</b> ha

## 02

### COMPETITIVE ENVIRONMENT

Industrial sites and technology parks of the Leningrad region, such as industrial parks Fyodorovskoye, Utkina Zavod, Prinevskiy, M-10, Doni-Verevo, Marienburg, mainly compete with private infrastructure investment facilities. In the future some more facilities will be introduced. In addition, the city has the Maryino industrial park, the first plot (68 ha) of which is filled to 81%. As far as the Special Economic Zone of Technology-Implementation Type St.Petersburg is concerned, at the moment there are only 2 free plots with the total area of no more than 3 hectares.

## 03

### WHY ST. PETERSBURG

- Objective necessity in creating investment infrastructure facilities; one of the primary priorities stated in the investment strategy.
- Comfortable conditions when connecting to the engineering network.
- Opportunities for co-financing from the city budget , assistance of the city Government in participating in the federal support programs.
- Effective system of search and training of personnel.
- Territorial proximity to Moscow — largest consumer market in the Russian Federation.
- Developed logistic infrastructure.

## 04

### POSSIBLE LOCATION

Information on the available land plots for allocation of infrastructure investment facilities can be found at <http://www.rgis.spb.ru>

<sup>6</sup> <http://www.spbinvestment.ru/upload/Инвестиционная%20стратегия.pdf>

<sup>7</sup> Including possible common project with the City Government on the renovation of industrial zones.

<sup>8</sup> For the development of the industrial park, taking into account restrictions of the Ministry of Economic Development of the Russian Federation, subject to support from the regional budget.

<sup>9</sup> According to ASI calculations, for St.Petersburg.





NEWS FROM  
THE PROMISING  
INDUSTRIES



01

APRIL 21  
2015

## PHARMACY

### A NEW PHARMACEUTICAL PRODUCTION WAS LAUNCHED IN LENINGRAD REGION

OOO "Academician B.P. Filatov factory" occupies the 4 ha area in Gatchina region of Leningrad region, with 3.3 ha of constructions. Pharmaceutical company OOO "RIA "Panda" acts as the constructions investor. Investments into the production are about 2 billion Rubles. The factory is expected to provide 250 new workplaces.

The project intends two factory lines. The first line is a solid-form (pills, pellets) production section with a capacity rate of 960 million pieces. At the first stage, the factory is going to produce generics of anti-histaminic and cardiovascular medications. 18 medications are currently being licensed; the preparations are going to be available in the pharmacy chains as soon as in the fall 2015. The company plans to start up the second line of the factory — that is, the ointment-form (creams, gels, medical unguents) production section.

The president of the pharmaceutical company "RIA "Panda" Dmitry Dergachov elucidated that the factory will specialize particularly in medications. "However, if the manufacturing processes are correctly validated in compliance with GMP standards, then we can also produce dietary supplements, especially since such examples already exist in Russia, such as Moscow endocrine factory", — says Mr. Dergachov.

02

MARCH 25  
2015

## MACHINE-TOOL MANUFACTURE

### "URAL-INSTRUMENT-PUMORI" STARTED MANUFACTURING RUSSIAN-INDIAN METAL-PROCESSING MACHINES

"Ural-instrument-Pumori" company has manufactured the first Russian-Indian processing center "Center UiP VF400".

Assembly of the machine has marked the new stage of the company's cooperation with Indian equipment manufacturer Ace Manufacturing Systems (AMS).

AMS is a part of ACE Micromatic Group and India-largest manufacturer of horizontal and vertical CNC processing machines. The company continuously amplifies the supplied equipment range, thus expanding its deliveries to both home and export markets. Brazil, Egypt, Germany, Spain, Great Britain, Japan and USA are the major export countries where over 200 CNC machines have already been supplied.

Cooperation of UiP and AMS started back in 2007 with a delivery of CNC processing machines to Russia. In December 2013, an agreement was concluded regarding assembling machines within Perm Kray. According to this agreement, AMS supplied the machine body and all requisite blocks were manufactured in Perm Kray. Stiff quality requirements led to the necessity to approach the selection of manufacturer and suppliers scrupulously.

Not only properly executed configuration in strict compliance with the drawings, but also the looks are important. A machine that was produced by OOO "Ural-instrument-Pumori" has passed all requisite tests and now consequently meets all requirements specified for the equipment manufactured within the Russian Federation, this fact being verified by the compliance certificate.

Manufacturing machines in Russia using Russian-made components enabled reduction of the machine's prime cost, thus posing a competition to the imported equipment, which is quite important in the context of the current situation.

The plans for 2015 include manufacture of the CNC processing center "Center UiP VF-450/1000" and other models aggregately amounting to at least 20 items. The prospect holds foundation of an assembly center in Perm. Execution of this project is possible only on condition of the production localization entailing creation of new workplaces in Perm Kray and placement of component orders with the local manufacturers.

03

MARCH 30  
2015

## QUATIC CULTURE

### FISH-FARMERS IN GRAIVORONSKIY REGION OF BELGOROD REGION HAVE DELIVERED THE FIRST BATCH OF STURGEON CAVIAR

---

As of March 27, "Belosetr" company has produced 6 kilos of the precious product that is presently undergoing the veterinary testing.

The project capacity of the enterprise implies production of 500 kilos of surgeon caviar a year. At the same time, reaching the enterprise's project capacity for the caviar production is planned in as far as year 2024.

# 04

MARCH 2  
2015

## MANUFACTURE OF ELECTRONIC COMPONENTS

### RSS AND MCST AGREED ON JOINT MANUFACTURE OF MICROELECTRONIC ITEMS DESIGNED FOR SPACE APPLICATION

---

Open joint-stock company "Russian Space Systems" and developer of multi-purpose Russian microprocessors and computing systems closed joint-stock company "MCST" have signed an agreement on joint execution of projects on development and supplies of modern domestically produced computing systems and software products as well as Russian-made microelectronic components for the space instrument engineering and on creation of ground-based IT infrastructure.

The document stipulates development of scientific and production cooperation and speedy implementation of scientific achievements and state-of-the-art Russian technologies in engineering and manufacture of e-components and electronic computing machines for the rocket-and-space equipment, ground-based controlling and processing computing systems, and information infrastructure elements. The companies shall give special priority to the joint creation of hardware and software solutions and efforts to optimize and improve characteristics of the software systems developed by the specialists of "Russian Space Systems" and functioning on the "Elbrus" platform.

"Cooperation with such partner as "MCST" is fundamentally important for the Russian space engineering", — pointed out Andrey Tyulin, the director general of "Russian Space Systems". — The signed agreement aims to develop Russian microelectronics in the space category and highlights the necessity to expedite the imports phase-out for e-components with modern Russian analogs to be implemented in the ground-based systems and spaceships".



# ACKNOWLEDGEMENTS

Agency for Strategic Initiatives would like to thank all who have participated in collection, analysis and preparation of the information on investment potentialities and market niches in the territories of the Russian Federation and on the Russian macroeconomics situation. If it were not for your involvement, commitment, professional comments and feedback as well as the continuous expert support, this survey would not have been published.

**Bagdasaryan Asmik,**

chief expert, project department  
“Promotion of investment potentialities”,  
Moscow city Investment Agency

**Belousov Vladimir,**

head of aquatic culture, reproduction  
and protection of water bio-resources  
department of the fishing industry directorate  
of the ministry of natural resources  
and environment of Rostov region

**Buchkovskiy Ilya,**

managing director, VTB-Capital

**Veselov Ilya,**

director general, state autonomous  
institution of Kaluga region  
“Agency for regional development  
of Kaluga region”

**Grishin Pyotr,**

head of macroeconomic analysis directorate,  
VTB-Capital

**Davydov Nikita,**

4th year student of the department  
of the State and municipal directorate  
of the National research university  
“Higher School of Economics”

**Druzhinina Alexandra,**

head of the project office «Social infrastructure  
projects», Moscow city Investment Agency

**Evseev Oleg,**

chief specialist of the regional investment  
policy and marketing directorate of the ministry  
of economic development, investments  
and commerce of Samara region

**Erokhin Konstantin,**

4th year student of the department  
of the State and municipal directorate  
of the National research university  
“Higher School of Economics”

**Isakov Alexander,**

economist specializing in Russia, VTB-Capital

**Kaminskaya Anna,**

deputy director general, head of the investor  
services directorate, special economic zone  
of the industrial and production type “Lyudinovo”

**Kobenko Aleksandr,**

vice-governor —minister of Economic  
Development, Investments  
and Trade of the Samara region

**Kogan Svetlana,**

first deputy chairman of the Investment  
Committee of St.Petersburg

**Korolyova Anna,**

head of the macroeconomic forecasting  
and regulatory impact assessment directorate  
of the ministry of economic development  
of Kaluga region

**Kostroma Leonid,**

director, Moscow city Investment Agency

**Laptev Aleksey,**

first deputy governor of the Kaluga region

**Levchenko Aleksandr,**

minister of Economic Development  
of the Rostov region

**Morzhakov Anton,**

4th year student of the department  
of the State and municipal directorate  
of the National research university  
“Higher School of Economics”

**Podlesniy Maxim,**

leading specialist of the investment  
development department of the investments  
committee of St.Petersburg

**Popov Vladimir,**

minister of economic development  
of Kaluga region

**Roukhlina Anastasia,**

leading specialist of the investors services sector  
of the directorate for development of promising  
projects of St.Petersburg state-financed  
institution “Agency for strategic investments”

**Sokolova Svetlana,**

director of investments and entrepreneurship  
directorates of Rostov region

**Talnishnikh Sergey,**

deputy chair of the industrial policy  
and innovations committee of St.Petersburg

**Timofeeva Elena,**

head of the regional investment policy  
and marketing directorate of the ministry  
of economic development, investments  
and commerce of Samara region

**Titova Elena,**

head of the economic analysis and forecasting  
directorates of the ministry of economic  
development of Rostov region

**Udalova Elena,**

consultant of the regional investment policy  
and marketing directorate of the ministry  
of economic development, investments  
and commerce of Samara region

**Fomchenko Denis,**

deputy head of the project office, project  
department “Strategy and analysis of investment  
activities”, Moscow city Investment Agency

**Shablitskaya Alyona,**

chief specialist of the investment  
policy department of the investments  
and entrepreneurship directorate  
of Rostov region

**Shmelyov Alexey,**

director of the investment projects support  
directorates, joint-stock company  
“Development corporation of Kaluga region”

# MACROECONOMIC INDICATORS

REGION OF THE RUSSIAN FEDERATION	GROSS REGIONAL PRODUCT <i>mln rubles</i>			GROSS REGIONAL PRODUCT PER CAPITA <i>rubles</i>			DIRECT FOREIGN INVESTMENT <i>(thousands US dollars)</i>		
	2005	2010	2012	2005	2010	2012	2005	2010	2013
Kaluga region	70 953	188 601	288 475	69 192	186 347	286 496	10 078	1 055 445	671 013
Moscow	4 135 154	8 375 863	10 577 810	381 997	730 774	887 545	2 060 419	3 793 553	10 348 888
Rostov region	263 051	659 667	840 280	60 575	154 127	197 358	60 185	43 721	145 996
Samara region	401 812	695 651	941 611	124 575	216 167	293 001	38 336	70 744	724 452
St. Petersburg	666 392	1 699 486	2 291 992	141 795	349 253	459 261	249 439	538 128	1 383 894

REGION OF THE RUSSIAN FEDERATION	POPULATION <i>thousand people</i>			AVERAGE ANNUAL NUMBER OF PEOPLE, EMPLOYED IN ECONOMICS <i>thousand people</i>			AVERAGE CASH INCOME <i>(per month), rubles</i>		
	2005	2010	2013	2005	2010	2013	2005	2010	2013
Kaluga region	1 023	1 009	1 005	478	480	490	5 343	15 477	23 182
Moscow	10 924	11 541	12 108	6 156	6 386	6 652	24 014	44 051	54 869
Rostov region	4 332	4 275	4 246	1 898	1 895	1 913	6 360	14 647	20 995
Samara region	3 226	3 215	3 211	1 579	1 509	1 502	9 264	20 223	26 865
St. Petersburg	4 713	4 899	5 132	2 427	2 466	2 565	12 264	24 824	31 407

REGION OF THE RUSSIAN FEDERATION	INVESTMENTS IN FIXED CAPITAL, <i>mln rubles</i>			CAPITAL ASSETS IN ECONOMICS (AT FULL ACCOUNTING VALUE; AT THE YEAR-END), <i>mln rubles</i>			SHARE OF PROFITABLE LARGE AND MEDIUM-SIZED ENTERPRISES AND ORGANIZATIONS <i>percents</i>		
	2005	2010	2013	2005	2010	2013	2005	2010	2013
Kaluga region	13 624	74 489	98 100	202 519	449 711	665 178	60	66	65
Moscow	456 025	732 761	1 413 100	5 346 984	17 905 142	26 546 945	75	72	74
Rostov region	60 145	159 038	253 600	746 866	1 514 042	2 003 572	66	67	71
Samara region	67 206	154 423	269 700	1 056 262	1 775 376	2 342 741	62	63	72
St. Petersburg	156 854	401 537	475 100	1 111 989	2 635 927	4 349 428	76	73	76

## WARNING AND DISCLAIMER

---

The “Agency for Strategic Initiatives” is an independent non-profit organization (hereinafter — the Agency). It is business organization and seeks to establish similar relations with the administrative authorities of the Russian Federation, information about which is available in this research report. Therefore, potential investors and entrepreneurs, both Russian and foreign, should be aware of the possibility of a conflict of interest which might affect the objectivity of this report. When deciding to make any investment decision, potential investors and entrepreneurs, both Russian and foreign, must be guided by a range of factors, not only this report.

This publication is solely for informational purposes and should not be construed as a proposal to invest in a particular market segment or in a particular region. Neither the information contained in this research report, nor any other information relating to the topic of this report, which may be disseminated in the future, may be used as the basis for any contract. Information contained within this report and the conclusions based thereon have been obtained from public sources considered reliable by the Agency. Furthermore, data provided by the Federal State Statistics Service, as well as other sources, including data provided by employees of the executive bodies of the state authorities, has not always met the requirements for completeness and consistency. Notwithstanding the due care taken in preparation of this report, no warranties or representations, express or implied, are given by any employee of the Agency and no responsibility as to the reliability, accuracy or completeness of the information contained in this analytical report is assumed by them. We expressly deny responsibility and liability in connection with any information contained herein. Any information contained herein is subject to change at any time without notice. No employee of the Agency assumes the obligation to update, modify or amend this research report or notify readership in any form in the event that any of the facts mentioned in the report, opinions, projections, forecast or estimates change or subsequently become inaccurate, or if research on the subject company is withdrawn. In addition, it should be borne in mind that past performance is not indicative of future results. Investments in the economy of the regions of the Russian Federation are accompanied by a high level of risk. Potential investors and entrepreneurs, both Russian and foreign, should conduct their own due diligence before making any investment decisions. The views expressed in this research report accurately reflect the personal views of the authors for their respective niche markets and investment opportunities, but do not necessarily reflect the position of any employee of the Agency. No part of the remuneration paid to the authors of this report was not, is not and will not be directly or indirectly related to the specific recommendations or views set out in this research report.













**AGENCY  
FOR STRATEGIC  
INITIATIVES**

36/9 Novy Arbat Street,  
Moscow, Russia, 121099  
+7 (495) 690-91-29

[int@asi.ru](mailto:int@asi.ru)  
[asi.ru/en](http://asi.ru/en)



**INVEST IN RUSSIAN REGIONS**  
[investinregions.com](http://investinregions.com)

