Industrial Sectors in Sverdlovsk Region

Investment opportunities
Sverdlovsk Region
Geographical position and key facts

3rd place
in cargo turnover in Russia after Moscow and Saint-Petersburg

4 times higher
Local Industrial production is 4 times higher than the country average

Leading Region
of the Ural Federal District

Ekaterinburg
the capital and the business center of the Urals and Siberia

14 consulates 12 honorary consulates 20 visa centers
The Factors Influencing the Industrial Development

Suppliers of Raw Materials
Ferrous and non-ferrous metallurgy
Rare earth metals, titanium and sheet steel
Metal billets and pipes
Key chemical plants of the country

Industrial cooperation network

8 000 small and medium manufacturers

High quality of the products manufactured
The Companies Working in the Region
Why do International Business Work Here?

Proximity to the sales markets
Ample database of raw materials, components and business services suppliers

The region is a convenient logistics hub

High qualified personnel and the best education centers

State support for business such as privileges, financing and providing an infrastructure

Ready infrastructure to set up business
Investment Niches

Sverdlovsk Region Industrial Complex
Machine-Building Sector

Industry overview:

15% of products exported
137 thousand people employed
92 countries are importing the machines and equipment

Ural machine-building plants are the leaders in the country:

39% Market share of freight wagons market
42% Of long range electric locomotives
28% Of Oil&Gas equipment

60% Of Electric engines with power of up to 37.5 Wt.
35% Of metallurgical equipment

Sector leading plants:
Machine-Building Sector

Industry overview:

16% is a share in the structure of Sverdlovsk Region manufacturing complex.

$6 billion - is the volume of manufactured products in 2016.

$1 billion - the volume of exported products.
Machine-Building Sector

Investment niches:

- Oil&Gas equipment, 90% procured by the companies located in the Ural Federal Region
- Cargo lifting and moving equipment (gearboxes and hoists)
- Crushing equipment for the mining industry

- 60% imported
- 70% imported
- 95% imported
Chemical Sector

Industry overview:

Top 5 the region is in Top 5 of pharmaceutical producers in Russia

Sverdlovsk manufacturers produce:

- INDUSTRIAL GASES
- SULPHURIC ACID
- MINERAL FERTILIZERS
- SYNTHETIC RESINS AND PLASTICS
- PERFUMERY
- PHARMA
- RUBBER AND PLASTIC PRODUCTS

17.9% of all exported products manufactured in the region
12 thousand people employed

Industry Leaders:
Chemical Sector

Industry overview:

6% of the annual sector growth

2.5% share in overall volume of production in Sverdlovsk Region

$900 million – worth of products manufactured by the chemical sector in 2016

$0.9 billion – worth of the exported products
Chemical Sector

Investment niches:

- **Industrial chemicals** for Oil&Gas and extracting industries: 60% imported
- **Raw material components** for manufacturing of construction mixes (dry mixes): 80% imported
- **Specialized painting and coating materials**: 60% imported
Ferrous and Non-Ferrous Metallurgy

Industry overview:

- 50% of products are exported
- 90 thousand people employed

The enterprises hold significant share of Russian market:

- 10% cast iron
- 40% transformation steel
- 23% pipes
- 11% ferrous metals
- 60% alumina
- 33% copper
- 100% titanium alloys

27% is a share of World titanium market
10% is a share of the transformer steel market
60% is a share of European steel market

Industry leaders:
Ferrous and Non-Ferrous Metallurgy

Industry overview:

48.8% is a share of metallurgical manufacturing in the structure of production in Sverdlovsk Region

$13.2 billion worth of products manufactured by the metallurgical plants in 2016

The mining and metallurgical plants make significant investments into infrastructure development and modernization to continue ore extraction and processing

Collaboration projects including metal processing has probably the biggest potential on the territory of Sverdlovsk Region
Ferrous and Non-Ferrous Metallurgy

Industry overview:

- Pipeline valves, ball valves, slide gate and regulating valves: 95% imported
- Manganese allows production: 80% are currently imported into Russia; demand gap – 57 thousand tons
- Large metal structures galvanization: 70% of market volume
Timber Sector

Industry overview:

23,3 M3 is an annual potential for further development

50% of the products are exported

The products manufactured in the region:

- lumber according to European standards;
- MDF boards;
- plywood;
- cellulose and paper;

Industry leaders:
Timber Sector

Industry overview:

1.8% – is the share in the volume of overall production in Sverdlovsk Region

$255 million – worth of products manufactured by the chemical sector in 2015

93% – the volume of lumber which is not currently utilized
Timber Sector

Investment niches:

- A production of OSB boards: 70% imported; 1.2 million M3 market volume
- A production of white sulphate cellulose: 100% imported
- Filtering paper for military and civil defence industry: 70% imported
The Largest Industrial and Investment Projects

Success stories of the Foreign business in the Urals
Manufacturing Joint Venture with SIEMENS

_Lastochka_ speed train

_Lastochka_ trains are used on the routes in Moscow and Sverdlovsk Region.

In Sverdlovsk Region _Lastochka_ trains are deployed on the routes of Ekaterinburg, Nizhny Tagil and Kamensk-Uralsky.
2011 - the contract has been signed for the manufacturing of 1,200 wagons for Lastochka trains to be procured by Russian Railways.

2016 – Up-scale “Premium” ЭС2ГП Electric train is currently passing the technical tests.
33 Lastochka speed trains have been put into operations on Moscow Central Circle

> 4,6 million people were moved by Lastochka trains on the line Moscow-Zelenograd-Tver

42% of the passenger traffic increase on the routes of operations
Hüttenes-Albertus GmbH

A Joint Venture with the local enterprise “Uralchimplast”

Chemical plant Hüttenes-Albertus GmbH (HA) is a leading producer of chemical products for a foundry on the World market.

Joint Venture “Uralchimplast - Hüttenes-Albertus” (UCP-HA) has been founded on the basis a specialized Industrial Park.

Non-stick coatings manufacturing will be launched in Q3 2016.

Second phase – setting up a manufacturing of foundry resins (2017-2019)
Special Economic Zones and Industrial Parks
Titanium Valley Special Economic Zone

Vekhnyaya Salda

 Preferential economic terms for national and foreign entrepreneurs
Titanium Valley Special Economic Zone

Verkhnyaya Salda

RESOURCES AND THE SPECIAL RATES PROVIDED – connection to the infrastructure is free of charge

Best suited for manufacturing of machines and equipment as well as components for aviation industry and medical hardware utilizing titanium

Class of hazard II – V
Titanium Valley Special Economic Zone

Special tax treatment

<table>
<thead>
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<th>Titanium Valley Special Economic Zone (Verkhnyaya Salda)</th>
<th>Regular rate across Russia, %</th>
<th>Preferential rate, %</th>
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<tbody>
<tr>
<td>Income tax</td>
<td>20%</td>
<td>3%*</td>
</tr>
<tr>
<td>Property tax</td>
<td>2,2%</td>
<td>0%</td>
</tr>
<tr>
<td>Land tax</td>
<td>1,5%</td>
<td>0%</td>
</tr>
<tr>
<td>Transport tax</td>
<td>Х (depending on the engine power)</td>
<td>0%</td>
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<td>Import custom duty</td>
<td>от 5% до 20%</td>
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<td>VAT</td>
<td>от 10% до 18%</td>
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Key requirements:

120 Million RUB – minimum investments by a resident
40 Million RUB – during the first year of a project
Titanium Valley Special Economic Zone

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Import of foreign goods, equipment, components and raw materials without import duties and VAT

= Save 30% on equipment import
Advanced Development Territory

Krasnoturinsk

Manufacturing facilities, business environment and industrial property on preferential rates
Advanced Development Territory

<table>
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<th>Advanced Development Territory (Krasnoturinsk)</th>
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<td>30%</td>
<td>7,6%</td>
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Potential support by the Mono-Towns Development Fund

Key requirements:

5 million RUB – minimum investment by a resident
Minimum 20 new workplaces to be created
## Advanced Development Territory

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Preferential rate for insurance contributions to Payroll Fund = save more than 60%!
Bogoslovsky Industrial Park

Acquiring manufacturing facilities and doing business with tax preferences on the Advanced Social and Economic Development Territory in Krasnoturinsk
Bogoslovsky Industrial Park

FOUNDING STORY

28 of March 2015 Sverdlovsk Region and the Mono-Towns Development Fund [Vnesheconombank subsidiary] have signed an Agreement on joint development of the complex project of Krasnoturinsk mono-town.

26 of June 2015 An Agreement on joint federal and regional co-financing the infrastructure development of the Bogoslovsky Industrial Park have been signed.

Shareholders of the Park Management Company: Government of Sverdlovsk Region represented by the Development Corporation of Middle Ural, RUSAL and “Energia” Group of companies.
Bogoslovsky Industrial Park

Potential residents

Metal-intensive, chemical, construction materials and other products manufacturing of class of hazard I-V

Small and Medium Enterprises ready to either cooperate with larger residents or work independently
Bogoslovsky Industrial Park

Location:

- **390 km** from Ekaterinburg and the International Airport “Koltsovo”
- **700 km** from Khanty-Mansiysk;
- **8 km** from the regional highway Serov-Severouralsk-Ivdel;
- **4 km** from Klimky railroad station.
Bogoslovsky Industrial Park

Area – **86 ha**  Sanitary zone > **1000 meters**
Bogoslovsky Industrial Park

The infrastructure:

Water supply – 500 M3/hour;

Wastewater disposal – 520 M3/hour;

Power supply – 70 MW;

Gas supply – 8340 M3/hour;

Hot water supply – 41,2 Gcal M3/hour;
Bogoslovsky Industrial Park

Options for setting up a manufacturing project:

Construction of a manufacturing facility on a land plot. The land plot could be leased out with a buy-out option after the manufacturing is launched.

Leasing the multi purpose manufacturing facilities ready to move in with an area of up to 1500 sq. m.

Rates:

Land plots leasing rates: 25 000 RUB ha/month,
Buy-out price: 1 million RUB ha

Leasing rates for ready manufacturing facilities: 100 RUB/sq. m./month
Industrial Parks in Sverdlovsk Region

Choose a location for your project
Sverdlovsk Region

Bogoslovsky Industrial Park
Manufacturing, doing business and acquiring industrial property on privileged conditions

Tagil Chemical Industrial Park
Ready platform for chemical manufacturing with available supply of raw materials. There are turnkey environmental services

"Uralsky" Industrial Park
Privately owned Park in Ekaterinburg. It is fully equipped with necessary infrastructure located on Chelyabinsk highway near the Airport

Industrial Pro-Business-Park
Privately owned Industrial Park with completed infrastructure and direct access to EKAD ring road

"Uralmash" Industrial Park
Manufacturing facilities and workshops with all required infrastructure located in the center of Ekaterinburg

Novosverdlovsky Industrial Park
Manufacturing on the Industrial Park platform near Ekaterinburg

Berezovsky Industrial Park
Privately owned Industrial Park with full infrastructure located near the Ring road

Titanium Valley
Special Economic Zone with completed infrastructure connected to plots with a purpose to set up a manufacturing

Chkalovsky Logistics Park
This Park is the largest warehouse complex of A class in Ekaterinburg and Sverdlovsk Region
State Support Measures and Tax Privileges
A Status of “Priority Project”

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- Minimum investments on one citizen-resident at the area of the project should be from 20 to 300 million roubles depending on a particular area
- At least 20 permanent working places should be created as a result of the project
- Average monthly wages of the employees engaged in the project should be at least 150% of the average wages in the particular municipality; 45 thousand roubles on the average
**Special Investment Contract**

**Federal Special Investment Contract:** Investments exceed 750 billion roubles

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+ **Bidding process** for signing a Leasing Agreement for land plots which are in a State or municipal property is waived.
Special Investment Contract

Regional Special Investment Contract: Investments exceed 300 billion roubles

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Special Investment Contract

Investments exceed 3 billion roubles

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+30% of manufactured products will be procured in the framework of the State order
Special Investment Contract

Fulfilled SPICs

• KLAAS llc – Krasnodar Region
• Modernization of the KLAAS Plant for agriculture machines in Krasnodar
• MAZDA-SOLLERS Manufacturing Rus llc – Primorsky Region
  Development of the plant for export-oriented manufacturing of engines for motorized vehicles
• DMG MORI represented by Heidelmaister GmbH – Ulyanovskaya Region, development of the machine-building plant
• AO GMS “Livgidromash” – Orlovskaya Region, development of the pump manufacturing for Oil&Gas industry
Financing is available by the specialized Industrial Development Fund:

- Financing amount – 50 – 500 million RUB;
- Annual Interest rate – 5% ;
- Time period – up to 5 years;

There is an opportunity to obtain financing from the authorized banks ("Sberbank", VTB Bank, etc.) in the framework of a special program. In this case the annual rate will be 11,5%; the project is subject to approval by Ministry of Industry and Trade of Russian Federation.
Legislation to Support an Import Substitution

Services and products sourced from domestic providers have a priority comparing to services and products sourced from abroad.

Stipulation:
Sourcing from the Investor in the framework of SPIC.
Legislation to Support an Import Substitution

If the bidding is in place the buying price for products and services is evaluated on the bases of 15% reduction

The contract with a bidding winner is signed on the price listed in the application form for the bidding
Legislation to Support an Import Substitution

Foreign equipment:

- Bulldozers
- Tractors
- Buses
- Graders
- Etc.

are prohibited for participation in the State and municipal procurement biddings
Development Corporation of Middle Ural
About the Corporation

A specialized subsidiary of the Government of Sverdlovsk Region. DCMU provides assistance to business in development of investment projects.

Equity capital: 7 Billion RUB

Overall Value of Projects: 20 Billion RUB
Managed Assets:

10 Industrial Parks
1 Special Economic Zone
1 Advanced Development Territory

>1,000,000 sq. m. warehouse property

>200 objects in the database (land plots, workshops, warehouses)
What we do

1. Assistance in selecting a land plot in an Industrial Park or an industrial facility, launching manufacturing

2. Assistance in receiving available privileges and subsidies for a business project

3. Providing clients with local business contacts, assisting in search for partners as well as in communications with the Regional Authorities
1. To evaluate how the economic potential of Sverdlovsk Region could benefit your particular business

2. To choose the right industrial facility

3. To apply for privileges and other State support measures

4. To organize and launch manufacturing (assistance with receiving required licenses and certifications)
Examples of Cooperation With the Clients

Looking to set up a manufacturing in Sverdlovsk Region
The Example of Cooperation
With the Company N1

Large International Company supplying lumber products to Nestle, Stickhouse, Henkel, Qlico, Nutresa, Appolo, Wall’s and a single supplier to Unilever in Asia has contacted DCMU
Inquiries:

- Inquiries on the volume of available raw materials and possible providers;
- Manufacturing facility with required communication infrastructure according to certain specifications;
- Available measures of the State support applicable to the project

DCMU actions:

- The information on the raw material stock in Sverdlovsk Region has been provided to the client, the meetings with top managers of 6 companies—potential suppliers have been organized;
- 5 possible options to set up a manufacturing have been selected and the site visits were organized as well as face-to-face negotiations with the owners;
- The economic calculations showing cost-cutting of setting up a manufacturing in ADT;
The Company has taken a decision to set up manufacturing in Sverdlovsk Region!
The Example of Cooperation
With the Company N2

Large International company consulted DCMU
The Example of Cooperation With the Company N2

Inquiries:

Availability of labour resources in the region of project localization;

Express analysis of the project design and logistics in connection to the place of the project localization;

Information on obtaining all required permissions and visa support for the top management of the Project Management Company.

DCMU actions:

The research on availability of labour resources had been carried out; the meeting with the Head of Municipality has been organized as well as with a representative of the regional employment center;

The required information has been provided to the client; the meetings have also been organized with representatives of the Project development companies;

Individual consultations with the representatives of the Supervisory Authorities have been arranged.
Currently the Company is elaborating the Contract for the Project design work
Contacts

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http://investural.com