

Investment Guide

The Sverdlovsk Region

2015



PwC Russia (www.pwc.ru) provides industry-focused assurance, tax, legal and advisory services. Over 2,600 professionals working in PwC offices in Moscow, St Petersburg, Ekaterinburg, Kazan, Novosibirsk, Krasnodar, Rostov-on-Don, Voronezh, Ufa, Yuzhno-Sakhalinsk and Vladikavkaz share their thinking, experience and solutions to develop fresh perspectives and practical advice for our clients.

“PwC” refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Together, these firms form the PwC network, which includes over 195,000 employees in 157 countries. Please see www.pwc.ru for further details.

The Sverdlovsk Region Investment Guide has been prepared jointly with the Ministry of International and Foreign Economic Relations of the Sverdlovsk Region and is based on information provided by the ministry.

This publication has been prepared for general guidance on matters of interest only, and does not constitute professional advice.

This publication contains information as of May 2015.

Photos used in the guide were provided by the Tourism Development Centre of the Sverdlovsk Region, as well as the region's major enterprises.

Contents

Welcome message by the Governor of the Sverdlovsk Region	2
Introduction by the Managing Partner of PwC Russia	3
General information on the Sverdlovsk Region	4
• Brief overview	4
• The Sverdlovsk region's core competencies	4
• The region's major competitive advantages	4
• The Sverdlovsk Regional Administration	4
• The Sverdlovsk Region's ranking among all Russian regions	5
Economic potential	6
• Gross regional product	6
• Industrial sector	7
<i>Mining</i>	8
<i>Ferrous and non-ferrous metallurgy</i>	10
<i>Engineering industry</i>	12
<i>Chemical industry</i>	14
• Transport infrastructure	16
<i>Air transport</i>	16
<i>Rail transport</i>	17
<i>Road transport</i>	18
<i>Major transport infrastructure development projects</i>	18
• Energy infrastructure	19
• Labour resources and scientific potential	21
• Business infrastructure	23
<i>Financial infrastructure</i>	23
<i>Commercial real estate</i>	23
<i>Hotel infrastructure</i>	24
<i>Exhibition infrastructure</i>	24
• Culture, tourism and sports	26
<i>Historical and cultural heritage</i>	26
<i>Theatre and music</i>	28
<i>Art projects</i>	29
<i>Natural heritage</i>	30
<i>World class sports</i>	32
International and foreign economic activities	33
• International business activity	33
• International exhibitions	35
Investment climate	37
• The Sverdlovsk Region in independent ratings	37
• Investment activity	37
• Governmental support for investment activity	39
<i>«One-stop-shop» for investors</i>	39
<i>Key government support measures for investment activity</i>	40
• Investment infrastructure	41
<i>Titanium Valley Special Economic Zone (SEZ)</i>	41
<i>Bogoslovsky Industrial Park</i>	43
<i>Sinarsky Industrial Park</i>	44
<i>Industrial park «Chemical park Tagil»</i>	44
<i>Biomedical research and implementation technology park Novouralsky</i>	46
<i>Projected industrial and technology parks</i>	47
Contacts	48
• The Sverdlovsk Region	
• PwC Russia	



Welcome message by the Governor of the Sverdlovsk Region

Dear readers and partners,

I am pleased to have the opportunity to present to you in the pages of this informational brochure one of the leading regions of the Russian Federation, “the nation’s cornerstone”, the Sverdlovsk Region.

Throughout its rich history, the Sverdlovsk Region has been one of the country’s major centres of science, industry and infrastructure. And, we are proud to continue this tradition today. Our region is an industrial powerhouse with a unique concentration of manufacturing and production that exceeds national indicators by four times.

The region is home to highly successful engineering, metallurgical, chemical and petrochemical enterprises. At the same time, the scientific potential of the Ural Division of the Russian Academy of Sciences grows exponentially every year and the region’s educational environment is developing apace. Thanks to all of these fundamental factors taken together, products manufactured in our region are well-known even far beyond the borders of Russia.

Blessed by a unique geographical location, the Sverdlovsk Region and its administrative centre, Ekaterinburg, are becoming increasingly open to the global economy with each passing year, while also becoming more attractive to foreign investors. The region’s international business infrastructure is expanding. Over the past 20 years, our region has established mutually profitable economic relations with 149 different countries around the world. In fact, we’re now ranked third in Russia by number of diplomatic and trade missions after only Moscow and St Petersburg. And, that’s why we see it as the essential mission of the Sverdlovsk Region, given its strategic location where Europe and Asia meet, to play a leading role in expanding multilateral ties between East and West.

Many of our partners have already had the opportunity to learn more about the boundless prospects for doing business in the Sverdlovsk Region. Now, you can see for yourself by reading in this Investment Guide about the numerous successful projects that international companies have carried out here. So, we invite you to join forces with us and help create even more success stories!

I believe that this Investment Guide not only accurately presents the great potential of the Sverdlovsk Region and Ekaterinburg, but also serves as an open invitation to all who are interested in mutually rewarding cooperation.

Sincerely yours,

Evgeny Kuivashev
Governor of the Sverdlovsk Region

Introduction by the Managing Partner of PwC Russia

Dear friends,

You're holding in your hands a copy of The Sverdlovsk Region Investment Guide, a comprehensive handbook covering one of Russia's most economically developed and investment-friendly regions.

A leader in industry, the Sverdlovsk Region is located at the crossroads of major transportation arteries connecting Asia and Europe. The region offers a wealth of natural resources, a well-developed, highly diversified industrial base, significant scientific research potential, and a strong pool of talented people.

It also boasts a rich economic and business history, including numerous success stories involving major international investment projects that have been carried out in the region. These have included a joint project between Siemens AG and the Sinara Group for manufacturing electric locomotives, production of titanium aircraft parts by Boeing and VSMPO-AVISMA Corporation, joint manufacturing of electric-welded pipes by Mitsubishi Corporation and Uraltrubprom, production of drilling equipment by NPK Uralvagonzavod and Honghua Group Limited, and many others.

Ekaterinburg, the region's capital, has been actively expanding its role as one of Russia's leading host cities for international conventions, trade shows and exhibitions, as well as a hub of world-class sporting events.

Specifically, the Innoprom International Exhibition in Ekaterinburg ranks as Russia's major international industrial trade fair, while the Russian Arms EXPO held in nearby Nizhny Tagil is a top event for the global defence sector. Turning to sports, in 2015 Ekaterinburg will host the World Youth Handball Cup, the Junior World Hockey Cup and the European table tennis championships. As well, Ekaterinburg will be one of the Russian host cities for the 2018 FIFA World Cup.

In recent years, the Sverdlovsk Region has taken active steps to develop and expand its investment and innovation infrastructure. In particular, the region is creating a special economic zone (SEZ) called Titanium Valley, which represents a network of technology and industrial parks, and business incubators. The regional authorities have also introduced special tax, administrative and economic terms of doing business for any company that plans to carry out innovation-driven investment projects in the region.

This Investment Guide is intended to help potential investors make objective assessments of the myriad investment opportunities and competitive advantages that the Sverdlovsk Region offers, as well as identify the prospects for growing their businesses in the region.

We are confident that this publication will be of invaluable assistance to potential investors in carrying out their investment programmes. In particular, we would like to wish the Sverdlovsk Region Administration further success in their efforts to build an economically dynamic, prosperous region!

Igor Lotakov
Country Managing Partner
PwC Russia



General information on the Sverdlovsk Region

The Sverdlovsk Region is a geographically extensive, economically highly developed constituent region of the Russian Federation. With a very high level of business, cultural and social activity, it is among those Russian regions with the brightest prospects for economic development.

Brief overview

- Total land area – 194,300 sq. km
- Population – over 4.32 million people
- The regional capital is Ekaterinburg (land area: 495 sq. km; population: 1.41 million people; straight line distance to Moscow: 1,667 km)
- Other major cities: Nizhny Tagil (population: 357,300), Kamensk-Uralsky (171,500), and Pervouralsk (125,600)
- Mineral resources – gold, platinum, asbestos, bauxite; mineral raw materials – iron, nickel, chrome, manganese and copper
- The regional economy is based on mining, metals and mechanical engineering
- The Sverdlovsk Region's gross regional product (GRP) accounted for 2.38% of Russia's overall GDP in 2013 (ranking sixth among Russia's 85 constituent regions).

The Sverdlovsk region's core competencies

- Russia's largest centre of industrial production, accounting for fully 40% of the country's total industrial output
- Russia's third-largest transportation hub (Europe and Asia's most important transportation arteries traverse the region, which is also home to one of Russia's busiest air traffic hubs)
- One of Russia's largest centres of education and scientific research
- Leading venue for international conventions, trade fairs and exhibitions, and world-class sporting events

The region's major competitive advantages

- Solid economic growth that is above the Russia-wide average
- Favourable geographical location on the border between Europe and Asia
- Rich in mineral resources and raw materials
- Well-established, highly diversified industrial base
- Proximity to major foreign markets
- High-volume domestic market
- Highly developed transport, energy and business infrastructure
- Advanced forms of industrial manufacturing (major holding structures, industrial clusters)
- Extensive small business sector
- Strong scientific research potential and a highly educated population
- Highly qualified labour resources
- Well-developed infrastructure for international and foreign economic activity
- Clearly articulated regional development strategy
- Strong investment potential and favourable investment climate

The Sverdlovsk Regional Administration

Evgeny Kuivashev, Governor of the Sverdlovsk Region
Denis Pasler, Chairman of the Sverdlovsk Region Government
Alexey Orlov, First Deputy Chairman of the Sverdlovsk Region Government,
Minister of Investment and Development of the Sverdlovsk Region
Andrey Sobolev, Minister of International and Foreign Economic Relations of the Sverdlovsk Region
Dmitry Nozhenko, Minister of Economy of the Sverdlovsk Region

The Sverdlovsk Region's ranking among all Russian regions, based on 2014

Fourth place
in wholesale sales turnover

Fifth place
in retail sales turnover and volume of paid services provided to residents

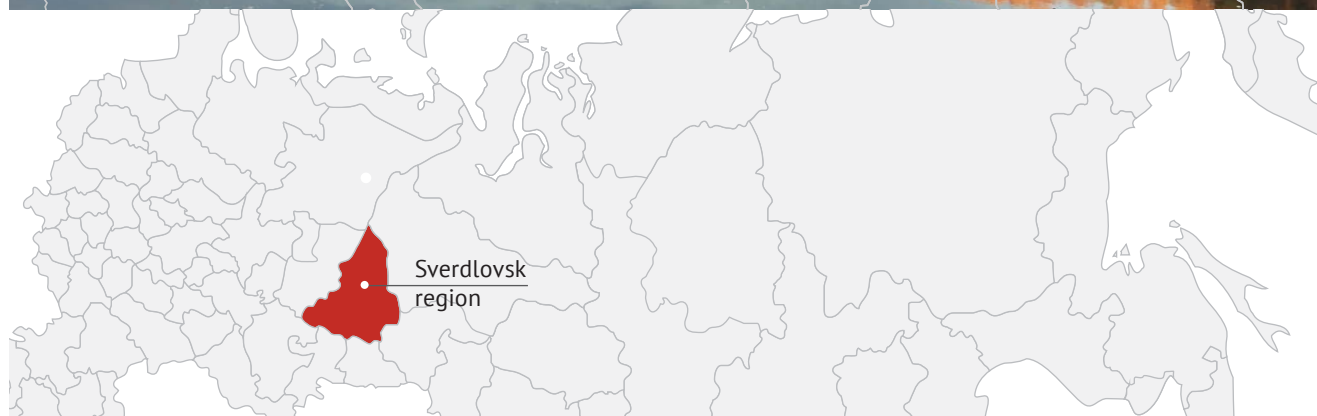
Seventh place
in volume of industrial goods shipped

Seventh place
in volume of capital investment

Seventh place
in number of housing units commissioned

The Sverdlovsk Region is the largest region in the Urals region. It is one of six Russian constituent regions that comprise the Urals Federal District. The region covers the central and northern parts of the Ural Mountains, and the western edge of the West Siberian Plain.

It borders on the Perm Territory to the west, the Komi Republic to the northwest, the Khanty-Mansi Autonomous District (Yugra) to the north, the Tyumen Region to the east, and the Kurgan Region, Chelyabinsk Region and Republic of Bashkortostan to the south



Economic potential

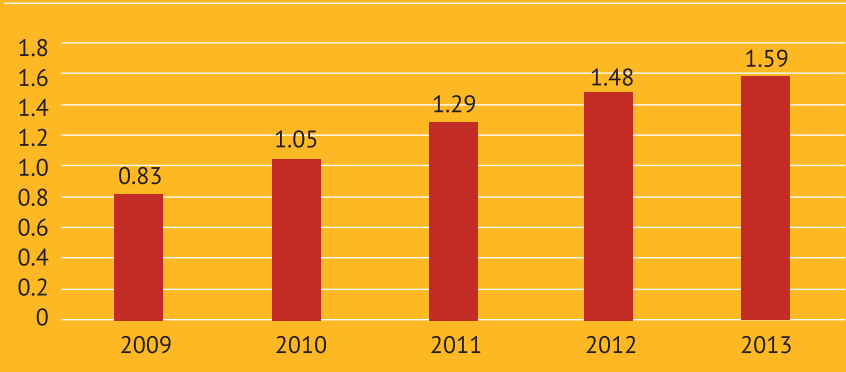
Gross regional product

In 2013, the Sverdlovsk Region's gross regional product (GRP) equalled RUB 1.59 trillion. The region's GRP accounted for 2.38% of Russia's overall GDP (ranking sixth among all Russian constituent regions).

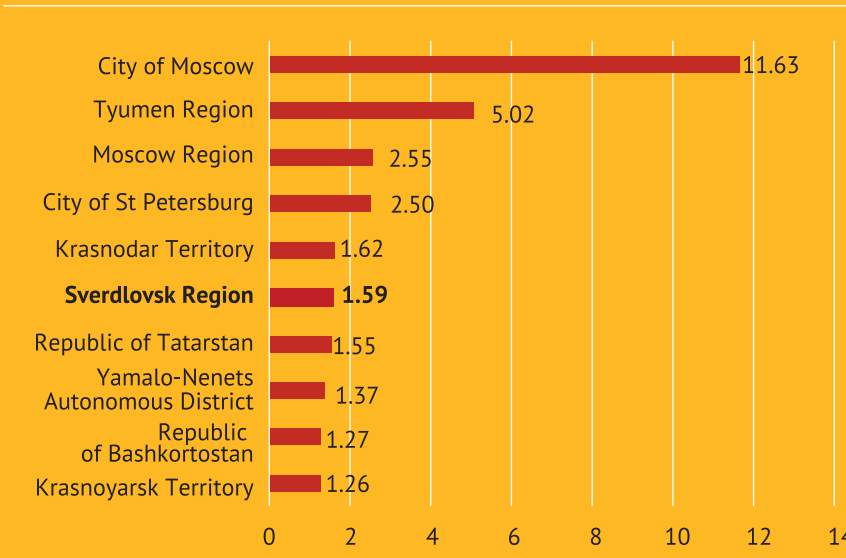
In 2014, the manufacturing sector accounted for 86% of the total volume of locally produced goods shipped, work completed and services rendered, while electricity, gas and water production and distribution represented 11%, and the mining sector accounted for 3%.



Gross regional product (GRP) of the Sverdlovsk Region, RUB trillion



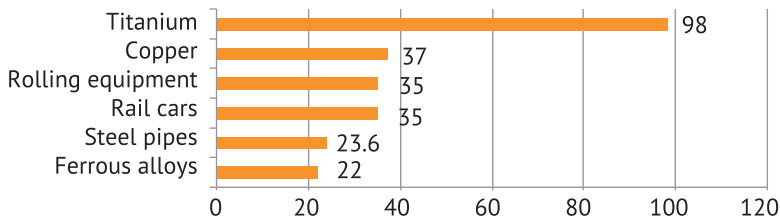
2013 GRP of selected Russian constituent regions, RUB trillion



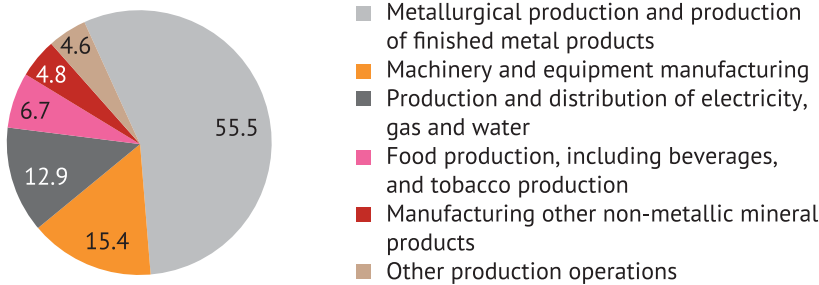
The Sverdlovsk Region is one of Russia's industrial powerhouses. The region accounts for nearly 100% of the country's production of titanium, over one-third of its output of copper, rolling equipment and railroad freight cars, and over 20% of iron-based alloy and steel tube production. A distinctive feature of the Sverdlovsk Region's industrial base is the high percentage of primary industries, including ferrous and non-ferrous metallurgy (55.5%) and mechanical engineering (15.4%).

Industrial sector

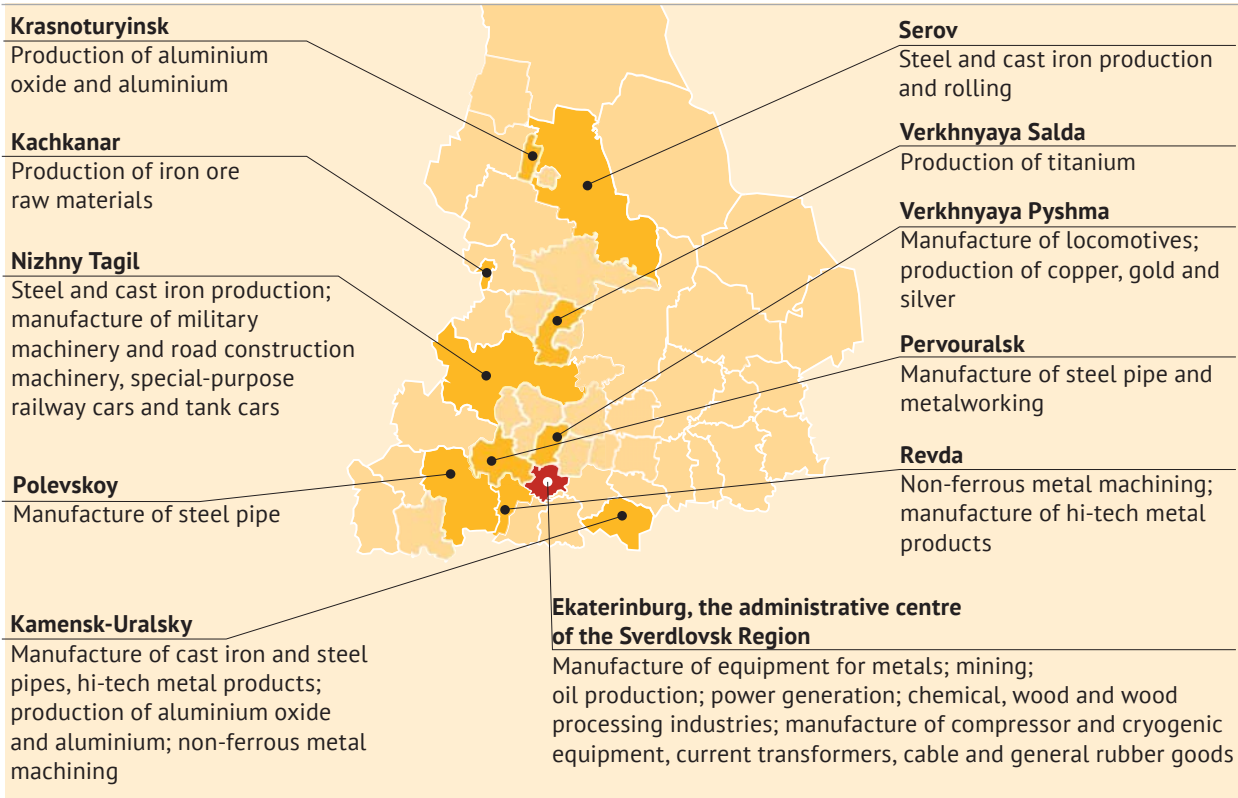
Share of the Sverdlovsk Region in Russia's overall industrial sector, %



Breakdown by segment of the Sverdlovsk Region's industrial sector in 2014, %



Map of manufacturing facilities of the Sverdlovsk Region



Mining



The Sverdlovsk Region is one of Russian leading regions in terms of mineral resources supply and one of the oldest mining centers in the country.

The region extracts over 95% of vanadium, 70% of the bauxites, 70% of asbestos, over 20% of iron ores in Russia's total balance of raw materials.

The variety of mineral resources of the Sverdlovsk region include precious metals, ferrous metal ores (iron, chrome), non-ferrous metal ores (bauxite, copper, nickel and beryllic ores), flux metals, and field spars. Common commercial minerals and raw materials for the construction industry (asbestos, crushed rock, sand, clay and raw materials for cement production) are also mined in the region. Exploration of subsoil concerning oil and gas is under development.

More than 1700 mineral deposits are officially registered in the region and only 200 are being exploited.

Technogenic formations can also be considered as one of primary supplies of mineral resources. There are 188 anthropogenic objects that account for 8.5 billion tonnes of mining wastes that contain almost all elements of Mendeleev's periodical system.

Over 20,000 people are employed in the mining sector at open pit mines, strip mines and underground mines. Most Sverdlovsk Region mining companies are key employers in the towns where they operate.



Major mining sector enterprises in the Sverdlovsk Region

Iron ore mining and dressing:

- OAO EVRAZ Kachkanarsky Ore Mining and Processing Enterprise (one of Russia's top five ore mining and processing enterprises)
- OAO Vysokogorsky Ore Mining and Processing Plant
- OAO Bogoslovskoye Mine Administration

Bauxite mining:

- OAO Sevuralboksitruda

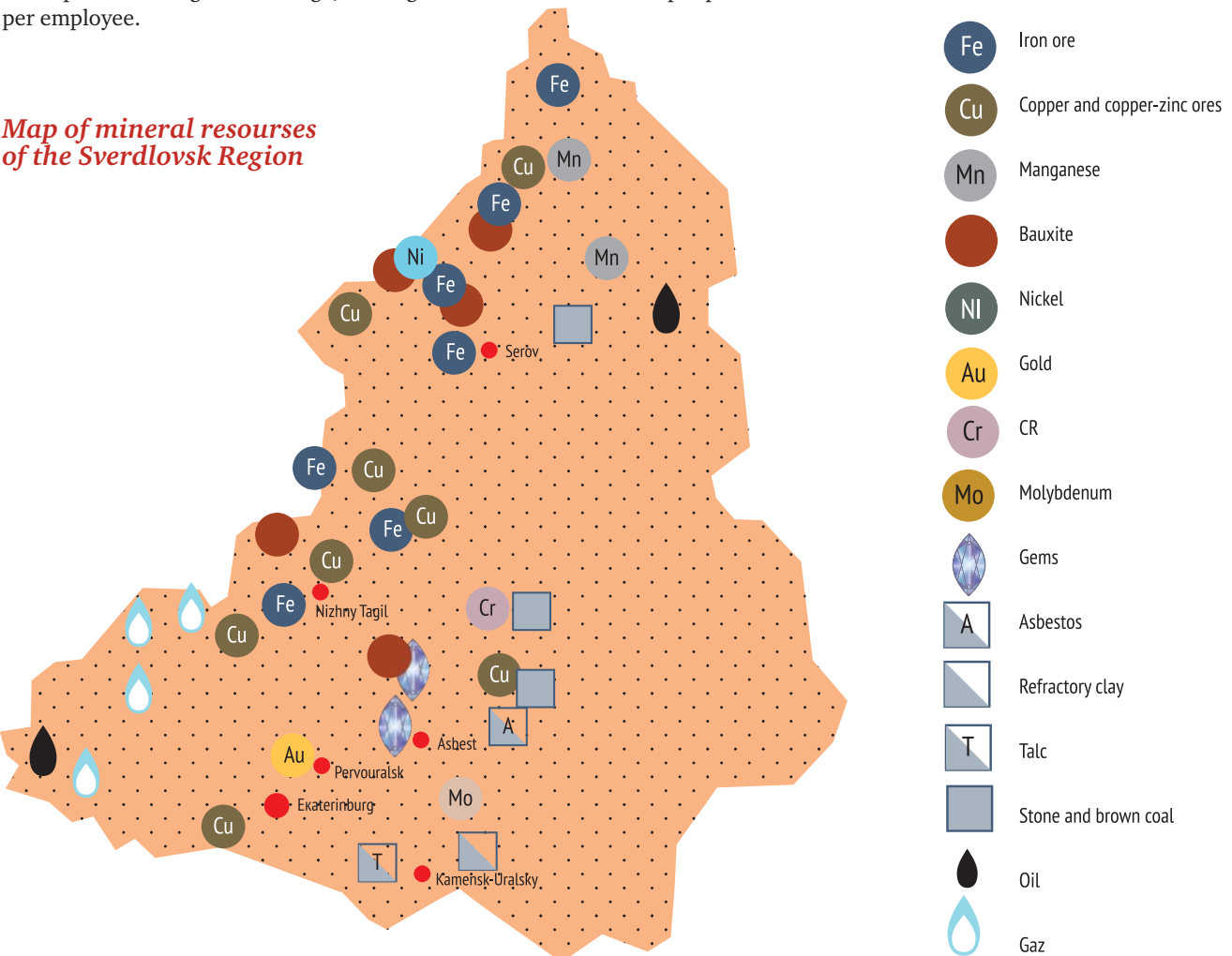
Copper ore mining:

- OAO Safyanovskaya Med
- OAO Uralgidromed
- Volkovsky and Severny Copper and Zinc Mines (OAO Svyatogor)

The majority of ore mining enterprises are part of large metallurgical holding companies, including: OOO EVRAZ Holding, UC RUSAL, OOO UMMC Holding, and ZAO Russian Copper Company.

Taking advantage of the period of stable economic growth that began around 2000, regional ore mining companies initiated technical upgrade programmes to modernise their existing mining operations and create a number of new mining facilities. As a result, the productivity of Sverdlovsk Region mining enterprises corresponds to the global average, coming to RUB 4.4 million of output product per employee.

Map of mineral resources of the Sverdlovsk Region



Major mining sector investment projects

Project	Company	Capacity	Value, RUB billion	Implementation timeline
Development of the Sobstvenno-Kachkanarskoye titanium magnetite deposit	OAO EVRAZ Kachkanarsky Ore Mining and Processing Enterprise (OOO EVRAZ Holding)	up to 63 million tonnes of iron ore per year	15	Start of implementation – 2020
Construction of the Cheremukhovskaya-Glubokaya mine	OAO Sevuralboksitruda (UC RUSAL)	up to 1 million tonnes of bauxite	Over 7	2008 – 2018

Ferrous and non-ferrous metallurgy

Metallurgy is the backbone of the Sverdlovsk Region's economy. Over 90,000 people are employed at iron and steel companies, and the majority of metallurgical plants and iron and steel works are key employers in the towns where they operate.

The region's metals industry is export oriented, with around 50% of local metallurgical output earmarked for export.

The region's iron works specialise primarily in the production of so-called "transport" metals (rails, track structures, rail wheels and binding bands), as well as rolled steel and tube shells.

The production of sections ensures that practically all products from the classical range may be made: from large beams to bar stock, wires and simple profiles, including those made of special steels. The primary consumers of these types of products are heavy engineering companies and the construction industry. A portion of such products is exported, mainly to developing markets.

Manufacturing of flat-rolled products is fragmented. On the one hand, the Sverdlovsk Region produces continuously cast blocks, which are shipped to other Russian iron and steel plants and for export, while, on the other hand, the region is also home to high-tech production of transformer steel made of cold-rolled coil supplied from outside the region. Such transformer steel is primarily exported to EU countries.

The region's pipe manufacturing plants are among the country's largest. They make medium and small diameter pipes, one-piece, hot-rolled and hard-wrought pipes, including those made of corrosion-proof steel, as well as produce welded pipes. Russia's oil and gas, heavy engineering, and power sectors remain key consumers of the region's pipe products. Up to 20% of the pipe produced at the region's plants is exported.

The Sverdlovsk Region's iron and steel plants account for a considerable share of the total volume of metal products manufactured in Russia, as well as the following products in Europe and globally:

- 10.5% of total Russian cast iron production;
- 12.5% of total Russian steel production;
- 11.7% of total Russian rolled ferrous metal products;
- 23.3% of total Russian pipe production;
- 40% of total Russian transformer steel production, representing 60% of European consumption and 10% of total global consumption;
- 60.7% of total Russian aluminium oxide production;
- 33.3% of total Russian blister copper production;

Virtually 100% of Russia's total titanium alloys and allied products, representing 27% of total global consumption.



The largest investment projects in the metals industry:

Project	Company	Capacity	Value, RUB billion	Implementation timeline
Rolling Complex project	OAO Kamensk-Uralsky Metallurgical Works (OOO MC Aluminium Products)	165.900 tonnes of extra wide aluminium plates, sheets and coils	32.4	2012 – 2017 2015 – stage 1 commissioning 2017 – stage 2 commissioning
Project to reconstruct a pipe rolling plant, including installation of a continuous rolling mill system	PAO Seversky Tube Works (OAO Pipe Metallurgical Company)	Increasing output to 600.000 tonnes of steel pipes	17.3	2007 – 2018

Major iron and steel companies in the Sverdlovsk Region

Ferrous metallurgy	
Iron and steel companies	ОАО EVRAZ Nizhny Tagil Iron and Steel Works (NTMK)
	ОАО А.К. Серов Metallurgical Plant
	ООО VIZ-Steel
Pipe manufacturing plants	ОАО Pervouralsk New Pipe Plant
	ОАО Sinarsky Pipe Plant
	РАО Seversky Tube Works
Ferroalloy plants	ОАО Serov Ferroalloy Plant
	ОАО Klyuchevsky Ferroalloy Plant
Non-ferrous metallurgy	
Aluminium industry	Bogoslovsk Aluminium Smelter
	Urals Aluminium Smelter
	ОАО Kamensk-Uralsky Metallurgical Works
	ОАО Uralkhromed
Copper industry	ОАО Sredneuralsky Copper Smelting Plant
	ОАО Svyatogor
Iron and steel companies	ОАО VSMPO-AVISMA Corporation
	ОАО Kirovgrad Hard Alloys Plant
	ОАО Ekaterinburg Non-Ferrous Metals Processing Plant



Engineering industry



The engineering industry has traditionally been one of the Sverdlovsk Region's cornerstone industries. As such, it ranks second only after the metals industry in terms of overall production. The region's engineering industry is made up of over 3,000 businesses of various forms of ownership, which employ around 137,000 people.

The Urals region's heavy machinery makers are leaders in the production of rail cars (39% of total Russian output), main-line electric locomotives (42% of total Russian output), universal motors with a capacity of over 37.5 W (51% of total Russian output), oil-and-gas production equipment (28% of total Russian output), metallurgical equipment (35% of total Russian output) and infant incubators (90% of total Russian output). The region produces 5% of Russia's total volume of engineering products.

As well, the Sverdlovsk Region's defence industry has historically has been one of the largest in Russia. Defence sector companies manufacture weapons and military equipment for all branches of the armed services: from tanks, cannon artillery and munitions to ballistic missile management systems and electro-optical guidance systems. The mid-Urals region is widely known for such flagship Russian engineering enterprises as Research and Production Corporation Uralvagonzavod, OAO Uralmashzavod, ZAO Ural Turbine Works, OAO Production Association Urals Optical and Mechanical Plant, PAO M.I. Kalinin Machine-Building Plant, OAO Academician N.A. Semikhatov Scientific Industrial Automation Union, AO Ural Electrochemical Integrated Plant, ZAO Energomash-Uralelectrotyazhmash, and OAO Uralkhimmash. ZAO URBO is one of Russia's largest producers of drilling rigs.

The engineering sector ranks third among all Sverdlovsk Region industries in terms of export volume (15% of all regional exports). Moreover, the Sverdlovsk Region accounts for 5.2% of all machinery and equipment exported from Russia. Urals region-made machinery and equipment are exported to 92 countries around the world.



Major engineering sector investment projects

Expanding production of modern railway engineering technology at OOO Ural Locomotives

This represents one of the Sverdlovsk Region's largest projects for developing engineering production in recent years. OOO Ural Locomotives was established in 2010 under an agreement with Siemens AG. The enterprise specialises in developing serial production of DC electric freight locomotives with 2ES6 SINARA and 2ES10 GRANITE asynchronous traction drives, as well as ES2G Desiro RUS Lastochka high-speed electric trains. The project also calls for the construction of a new, full-scale, 90,000-square-metre manufacturing facility. The total investment exceeds RUB 10 billion, and the plant's production capacity will reach 160 locomotives per year. Over 100 companies are engaged in cooperative deliveries; 25 Lastochka urban express trains will be produced in 2015. The company is also engaged in the development of AC locomotives with asynchronous traction drives and double-system locomotives.

Creating a state-of-the-art wagon-building plant with a total annual capacity of 22,000 wagons by OAO Research and Production Corporation Uralvagonzavod

In this project, Uralvagonzavod's wheel pair shop was rebuilt. As well, a new modern painting line and railway axle processing line were launched, and new processing centres and welding units were installed at the plant. This has resulted in enhanced performance, cost optimisation and creation of capacities to produce 200,000 railway axles per year, as well as expansion of the company's product range. By the year 2020, total investment in modernisation will exceed RUB 100 billion. Plans call for rebuilding the company's feed and mechanical assembly production, as well as upgrading and automating casting and press forging operations, rebuilding the combined heat and power plant and water-supply system, and creating a modern Centre for Information Technology.

Building an integrated machine-tool plant by OOO KR Prom in cooperation with TOS VARNSDORF (Czech Republic)

The implementation period for this project is 2015-2020. Total investment will exceed RUB 3 billion. The designed basic production capacity is 120 horizontal boring-and-turning mills and milling machine centres per year.



Chemical industry

The Sverdlovsk Region's chemical industry produces: commercial gas, chromic compounds, sulphuric acid, copper sulphate, mineral fertilisers, synthetic resin and plastics, paint-and-lacquer materials, fibreglass and by-products, perfumes and cosmetics, pharmaceutical products, and rubber and plastics articles. The local chemical industry accounts for 3.5% of the Sverdlovsk Region's gross regional product (GRP). Shipped chemical products make up 4.7% of all manufacturing shipments. Altogether, 17,700 people are employed in the region's chemical industry.

Chemical products account for 17.9% of total regional export volumes (chromic compounds, inorganic chemistry products, radioactive elements and isotopes) and 13.9% of total regional import volumes (inorganic chemistry products, inorganic and organic compounds of precious and rare metals, radioactive elements and isotopes, polymer materials, plastics and by-products, rubber resin, rubber and related products).

The leading companies in this sector are: OAO Concern Kalina, OAO Uralchimplast, OAO Ural Plant of Rubber Technical Products, ZAO Uralelastotekhnika, ZAO Uralplastic-N, ZAO Russian Chrome Chemicals 1915, OAO Irbit Pharmaceutical Chemistry Production Plant, and OAO Uralbiopharm. The Sverdlovsk Region is among Russia's top five pharmaceutical manufacturing regions. The annual output of pharmaceuticals in the region accounts for 1% of the total Russian pharmaceuticals market and around 7% of regional chemical production. The region produces over 1,500 titles of finished pharma products and active pharmaceutical ingredients.

One of the key development areas in the Sverdlovsk Region's chemical industry is the industry cluster policy being implemented in the region. To date, two chemical industry clusters have been created in the region:

Tagil Chemical Cluster/Park (primary business: OAO Uralchimplast, Nizhny Tagil, Sverdlovsk Region)

The Chemical Park is an industrial complex consisting of chemical manufacturing, and trading and service companies. The main goal of the project is to develop local businesses by attracting external investment, using technologies developed by park residents, and creating favourable conditions for the development of chemical production within the integrated infrastructure (see p. 44 — 45 for more details).





Ural Biomedical Cluster (primary business: OOO Zavod Medsintez, Novouralsk, Sverdlovsk Region)

In 2010, several Sverdlovsk Region medical and pharmaceutical companies teamed up in the Ural Pharmaceutical Cluster Non-Commercial Partnership (in 2012, it was renamed as the Ural Biomedical Cluster Non-Commercial Partnership). The Ural Biomedical Cluster brought together businesses and organisations engaged in pharmaceutical production, the medical device industry, the healthcare products sector and research. The strategic goal of the partnership is to create a high-tech centre of interrelated production operations and infrastructure facilities for the development, manufacturing and sale of new generation pharmaceutical products, medical devices and healthcare products that meet European standards.

The most important and prominent projects of cluster member enterprises include:

- production of active pharmaceutical ingredients and finished dosage forms of recombinant human insulin Rosinsulin®;
- production of active pharmaceutical ingredients and finished dosage forms of antiviral drugs, e.g. an innovative domestic medication Triazavirin based on a new original molecule;
- modernisation and expansion of production operations for a new hemodialysis system Malakhit, automated water treatment units for hemodialysis, thermal and ozone disinfection modules and bicarbonate cartridges for dialysis;
- modernisation and expansion of production operations for infusion, peritoneal solutions and technologies for hemodialysis.

Key medical cluster projects include a strategic partnership agreement with BayerHealthCare and OOO Zavod Medsintez (Novouralsk, Sverdlovsk Region) to organise drug manufacturing in Russia. The first stage of cooperation was the implementation of a project to organise the complete production cycle for the drug Avelox.

The Novouralsky biomedical research and implementation technology park was registered in Novouralsk as part of efforts to further develop cluster infrastructure (see p. 46 for more details).



Transport infrastructure

The Sverdlovsk Region enjoys a highly favourable geographical location in the heart of Eurasia, making it one of Russia's key transit centres. The city of Ekaterinburg is one of the country's largest transportation hubs.

Moreover, the Sverdlovsk Region has been actively developing its potential as a major international logistics hub. It is home to a territorial management centre that handles international and regional connections and traffic flows, such as the main latitudinal corridor, an extension of International Transport Corridor No. 2, which runs from Berlin, Moscow and Nizhny Novgorod through Ekaterinburg to Beijing.

Sverdlovsk transport and logistics facilities:

Koltsovo International Airport and Hub

Seven main railway lines of the Sverdlovsk Railway for cargo and passenger flows going to both Europe and Asia

Six federal highways, including the "West East" international transportation corridor and a system of federal highways

A network of international and regional level terminal and logistics facilities designed for the transit, storage and processing of European-Asian freight traffic

Air transport

Ekaterinburg is served by Koltsovo International Airport, which belongs to the Airports of Regions Holding Company and is Russia's largest regional air hub in terms of passenger traffic.

In 2013, Koltsovo Airport was named among the world's five best airports with traffic of up to four million passengers by the World Routes Awards. In 2014, the airport was the recipient of several architectural awards, in particular the Best Office Awards in the Common Business-Space in Public Interior category. In 2015, Koltsovo has been the winner in three out of eleven nominations for the prestigious national Air Gateway of Russia award. It won awards for "best international airport serving up to seven million passengers" and "best cargo terminal", and received a special passengers award as Russia's best federal-level international airport.

Koltsovo International Airport — 2014 results:

- 4.5 million passengers served (5.4% above the 2013 figure);
- flights by 61 air carriers on 123 routes;
- 25,500 tonnes of cargo handled;
- 67 new units of special transport and mechanical appliances commissioned: from baggage trolleys to land levellers (the airport currently operates more than 500 units of equipment and mechanical appliances)



The Sverdlovsk Railway is one of Russia's three major trunk railroads. It is a vital component of Russia's economic and transport infrastructure, connecting the country's industrial heartland in the Urals region and the West Siberian oil fields to central, eastern and western Russia as well as foreign countries.

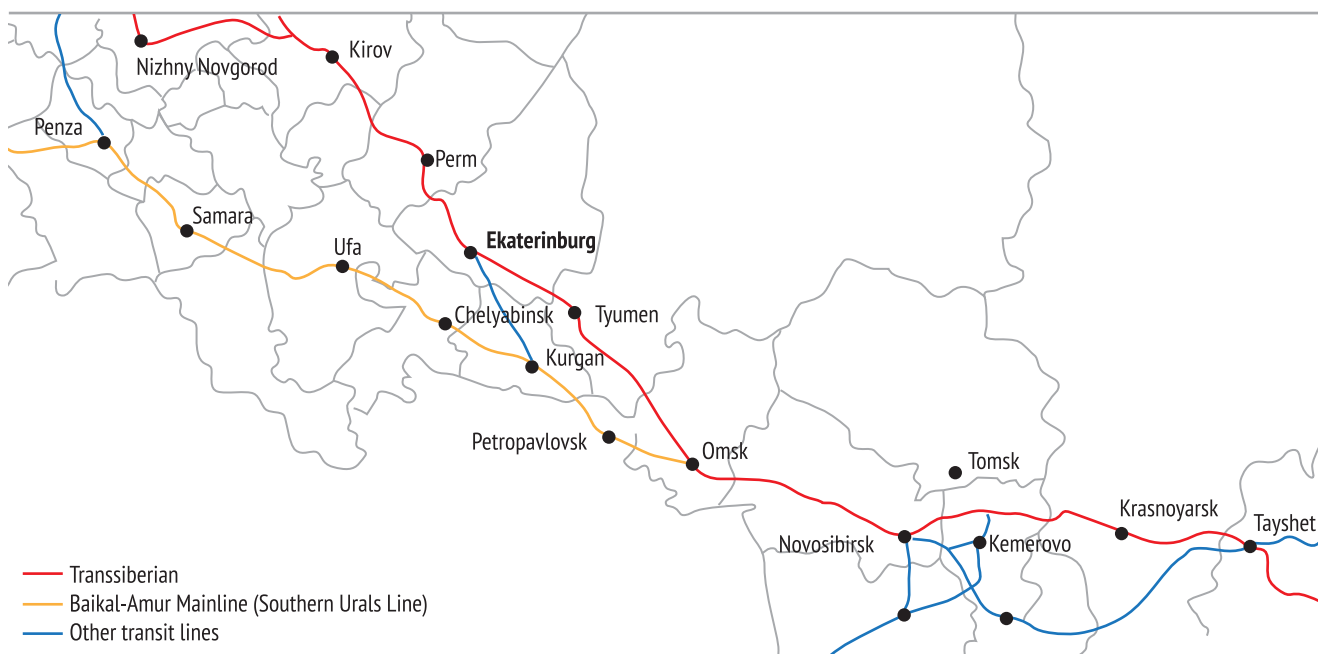
The railway runs for 1,500 km from west to east, with a service region covering 1.8 million sq. km and a population exceeding 10 million people. Its working mileage and total track length are 7,100 km and 9,600 km, respectively. This mainline railway serves almost 400 km of access ways and more than 12,000 industrial plants. The Sverdlovsk Railway handles more than 1,250 freight, 100 passenger and 320 commuter trains every day.

The railway ranks second in Russia for freight handling, accounting for 11% of all volumes shipped by Russia's railways. The daily freight traffic of the Sverdlovsk Railway exceeds 360,000 tonnes, including such critical commodities as oil, fertilisers, metals, and ore, as well as construction materials.

Rail transport

Sverdlovsk Railway — 2014 results:

- 31.82 million passengers carried;
- 133.8 million tonnes of freight loaded (4.6% above the 2013 figure);
- freight turnover equalled 192.56 billion tariff tonne-km (7.2% above the 2013 figure);
- 94.2% rating for cargo delivery and empty cars (22.2% above the 2013 figure).



Road transport

The Sverdlovsk Region is served by 33,800 km of motor roads, including 588 km of federal highways, 11,100 km of regional roads, and 22,200 km of local roads (including urban road networks).

The region is traversed by six federal motor routes that connect the region with other Russian regions:

M5 federal motorway, known as the Ural Highway, runs to Chelyabinsk, Ufa, Samara, Penza, Ryazan, and Moscow;

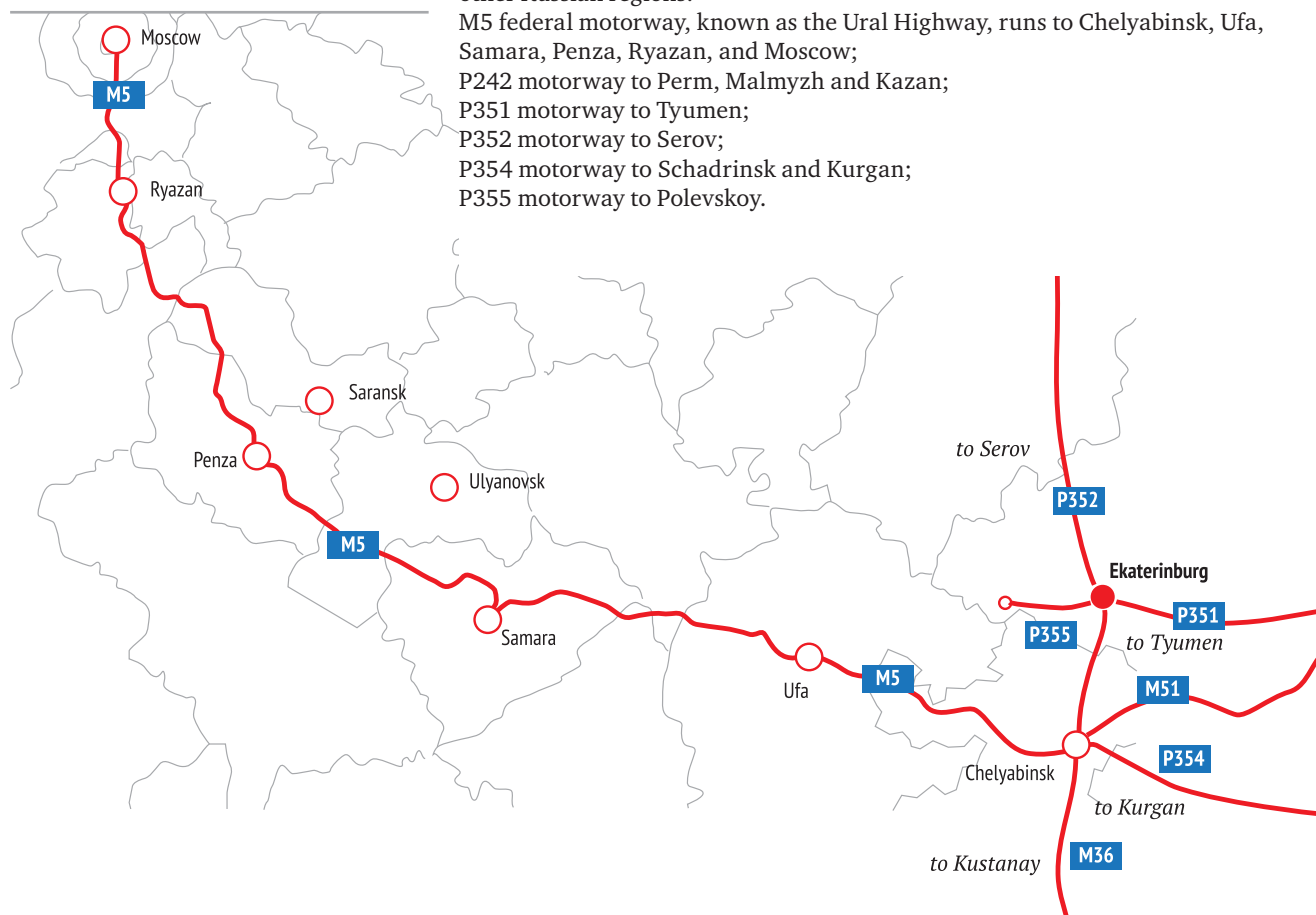
P242 motorway to Perm, Malmyzh and Kazan;

P351 motorway to Tyumen;

P352 motorway to Serov;

P354 motorway to Schadrinsk and Kurgan;

P355 motorway to Polevskoy.



Major transport infrastructure development projects

Construction of the second phase of the VSM-2 Moscow-Nizhny Novgorod-Kazan-Ekaterinburg high-speed railway with branch lines to Chelyabinsk, Perm, Ufa and Nizhny Tagil (the total length is over 1,500 km). The new railway will lead to a multiple increase in interregional mobility for the population of the Urals and Volga regions, thus significantly expanding business opportunities in these regions.

Reconstruction and development of 23 stations within the Ekaterinburg transportation hub, separation of cargo and passenger flows, and relocation of cargo flows from the major gateway. As a result, a terminal and logistics hub is to be developed, boosting Ekaterinburg's role as a federal and international level transport hub.

Reconstruction of the Ekaterinburg-Passazhirsky Railway Station, and development of a transport and interchange hub and the surrounding area. The project will provide more convenient services to Ekaterinburg and Sverdlovsk Region residents as well as visitors to the city and region.

Further construction and upgrade of Koltsovo Airport, including reconstruction of terminals, airfield, runway (extension), aircraft parking area, and other facilities. The objective of this project is to transform the airport into a multi-modal hub that can meet international standards.

Energy infrastructure

The Sverdlovsk Region's energy system, a part of the Urals United Energy Network, is one of the largest and oldest such networks in any Russian constituent region. The region's energy supply system is profitable and regional power plants have a gross installed generating capacity of 9,769 MW (as of 1 January 2014), while the annual maximum consumption in 2013 was 6,733 MW. In 2014, the regional energy production and consumption balance was 46.2 billion kWh vs 43.8 billion kWh, respectively.

More than half (55.8% or 5456.5 MW) of the regional energy system's installed capacity is generated by two power plants, the Reftinsk GRES (3,800 MW) and Sredneuralskaya GRES (1,656.5 MW), both owned by OAO Enel OGK-5. Other large power plants include the Verkhnetagilskaya GRES (1,497 MW), Beloyarskaya APS (600 MW), Novo-Sverdlovskaya HES (557 MW) and Serovskaya GRES (538 MW). The installed capacity of all regional industrial power stations equals approximately 470 MW.

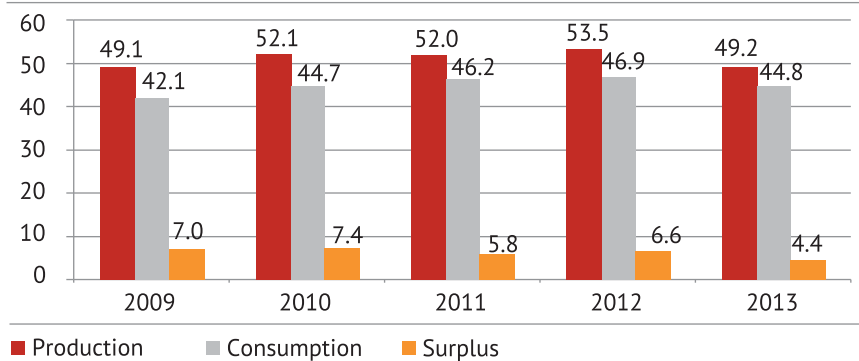
Over 40% of the Sverdlovsk Region's generating capacity was commissioned in the 1970s, while another 20% first came on line before 1960. More than 90% of electric power output is generated from mineral fuel brought in from other regions, including natural gas supplies from Western Siberia and coal from Ekibastuz, Kazakhstan.

The electrical grid segment of the regional energy system is well developed and based on electrical grids with 0.4/10/35/110/220/500 kV of electric potential. As of 1 January 2014, the overall length of HV lines (110/220/500 kV) exceeded 16,000 km.

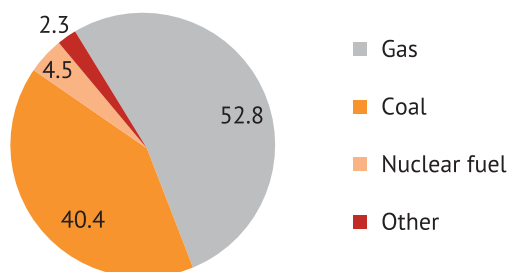


Most of the region's energy facilities belong to major energy companies at either the federal or regional level. The Sverdlovsk Region's largest generating companies are: Enel OGC-5, INTER RAO-Electrogeneratsia, OGC-2, Volzhskaya TKG and Rosenergoatom. Major electrical grid companies include MEC Ural, a branch of FGC UES; SPMEC, a branch of FGC UES; Sverdlovskenergo, a branch of MRSK Ural; and the Ekaterinburg Electric Grid Company. The region's largest utilities companies are Sverdlovsk Energy Supply (Sverdlovskenergosbyt), Ekaterinburgenergosbyt and the Sverdlovsk EnergoGas Company.

Electrical energy balance of the Sverdlovsk Region, in billion kW/h



Fuel mix of electric power facilities in the Sverdlovsk Region, %



Major projects for developing generation sites in the Sverdlovsk Region; implementation is highly probable

Power plant, turbine type	Generating company	Type of fuel	Project type	Expected commission -ing date	2015	2016	2017	2018	2019	Total for 2014 – 2019
Verkhnetagil'skaya GRES	INTER RAO Electrogeneratsia									
PGU-420		natural gas	new construction	31.12.2015	420					420
Serovskaya GRES	OGK-2									
PGU-420		natural gas	new construction	30.11.2015	420					420
PGU-420		natural gas	new construction	01.11.2017			420			420
Nizhneturinskaya GRES	Integrated Energy Systems									
PGU-230		natural gas	new construction	30.12.2016		230				230
PGU-230		natural gas	new construction	30.12.2016		230				230
Akademicheskaya HES	Integrated Energy Systems									
PGU-230		natural gas	new construction	01.07.2016		230				230
Total commissioning					840	690	420	0	0	1950

Source: Structure and programme of electrical energy development in the Sverdlovsk Region for 2015-2019 and up to 2024, approved by Sverdlovsk Regional Administration Resolution No. 438-PP of 21 May 2014

The region is famous for its professional education. Ural Federal University named after the first President of Russia B.N. Yeltsin, Ural State University of Economics, Ural State Mining University, Ural State Law Academy, Ural State Medical Academy, Ural State Academy of Architecture and Arts, Ural State Theatre Institute, and the M.P. Musorgsky Ural State Conservatory are well known both in Russia and internationally.

Ural Federal University named after the first President of Russia B.N. Yeltsin (UrFU) was established in 2010 on the basis of two of Ekaterinburg's oldest universities (Gorky Ural State University and Ural State Technical University). Today, UrFU is one of the largest research centres in Russia and the Urals region's largest university in terms of student population, academic programmes, and research and innovation activities. UrFU is one of the Russian Federation's nine federal universities and is ranked among the top 500 educational institutions by QS World University Rankings.

Currently, UrFU is carrying out a project called **the Ural University Technopolis**, which involves the construction by 2030 of a new UrFU campus, a science park and industrial park, and a technology development and industrial zone in close proximity to each other. The Innovation and Technology Centre of the High-Technology Science Park "Universitetskiy" was opened in 2014. The Science Park's main areas of research include: information and telecommunication technologies and software; instruments and electronics including medical equipment; energy efficiency, energy conservation and alternative energy; flexible technologies and advanced materials.

In addition, the region is successfully implementing various **educational projects under public-private partnership arrangements**. For example, in 2013 OOO UMMC Holding in cooperation with the Sverdlovsk Regional Administration and UrFU created UMMC Technical University on the basis of the Yunost Verhnepyshminsky College of Mechanics and Technology. UMMC Technical University is an educational institution that trains highly skilled engineering professionals and members of the regular workforce to meet the needs of domestic industry.

Labour resources and scientific potential



Population of the Sverdlovsk Region:

Total population:
4.3 million people

Working age population: 2.5 million people

84% of the region's population lives in cities

30-49 years is the average age among the workforce

One-fourth of the workforce is made up of young people in the 15-29 year old age bracket





In 2014, based on Pervouralsk Metallurgical College, the Pervouralsk New Pipe Plant in cooperation with UrFU launched a series of projects to create a continuous educational system for training a skilled workforce for the metals industry. Students are trained in over 20 occupations based on a dual education system: at least 60% of the time, students gain hands-on knowledge in classroom simulators or metallurgical equipment at the college as well as through apprenticeships in the plant's various production shops.

Partnership agreements for dual education systems have also been signed with the Pipe Metallurgical Company, Kamensk-Uralsky Metallurgical Works, and Evraz Nizhny Tagil Iron and Steel Works.

As one of Russia's most science and research-intensive regions, the Sverdlovsk Region is home to internationally acclaimed scientific schools and industry-specific research institutes. The region has extensive scientific, research and technological potential and boasts a deep talent pool. Urals region scientists work in research areas that are in the highest demand, including information and nano-technologies, power engineering and pharmaceutical drug development.



Invention and patent metrics for the Sverdlovsk Region

Ranks sixth among Russian constituent regions in terms of the number of patents issued (924 patents in 2013, including: 34% of all invention patents, 34% of trademark and service mark certificates; 29% of utility model patents and 3% of design patents).

Ranks fourth among Russian constituent regions in terms of the number of advanced manufacturing technologies developed (development of technical documentation, engineering designs, and manufacturing equipment, as well as its testing and acceptance). To date, over 500 such technologies have been developed in the region since 2007, out of which over 300 are new to the Russian market.

Ranks seventh among Russian constituent regions in terms of the number of intellectual property assets used by organisations.

11.5% of organisations in the region are innovation-driven.

12.6% of industrial enterprises in the region have produced technological, organisational and/or marketing innovations.

Around 21,000 people are engaged in research and development activities in the region, which is home to around two-thirds of all R&D organisations in the Urals Federal District, including:

- 21 institutes of the Ural Division of the Russian Academy of Sciences (over 4,400 employees);
- 32 leading universities with over 176,000 students;
- 104 regional vocational educational and training institutions;
- 51 industry-specific research and design institutes (over 11,000 employees).

The scope of R&D conducted by Sverdlovsk Region businesses in 2014 is estimated at RUB 45.6 billion. Total R&D costs came to RUB 31.3 billion.

One indicator of the maturity of the Sverdlovsk Region's business infrastructure is the local presence of such multinational corporations as 3M, ABB, Enel, Auchan, Danfoss, NSHGroup, Bayer, Stockmann, Microsoft, NIPRO, MetroCash&Carry, DuPont, Trumpf, Grundfoss, BASF, IKEA, CitiGroup, GE, Manpower, DHL, Hitachi, Linde, BNP Paribas, Castorama, Enviro-Chemie, OBI, IBM, AIG and many others.

The head offices of the following major Russian companies are located in Ekaterinburg and other cities in the region: Russian Copper Company (Ekaterinburg), UMMC Holding (Verkhnyaya Pyshma), VSMPO-Avisma Corporation (Verkhnyaya Slada), Uralvagonzavod (Nizhny Tagil), SKB-Kontur (Ekaterinburg), etc.

Ekaterinburg is home to the local offices of the world's largest audit and consulting firms, including PwC, E&Y, KPMG and Deloitte. As well, a branch office of the European Bank for Reconstruction and Development (EBRD) has been operating in the region since 1996. The MICEX-Urals regional stock exchange centre also operates in the region.

The Sverdlovsk Region has a competitive **banking sector** with a high share of strong regional banks. As of 1 January 2015, there were 79 credit institutions in the Sverdlovsk Region, including four commercial banks of the region, four branches of banks of the region, and 61 branches of credit institutions of other Russian regions.

Major banks with foreign participation include:

- Raiffeisenbank (a member of Raiffeisen International Bank-Holding AG);
- UniCreditBank (a member of Italian UniCredit Group);
- Intesa Bank (a member of Italian Intesa Sanpaolo Group);
- Rosbank (a member of French Societe Generale Group);
- Home Credit and Finance Bank (a member of Dutch Home Credit Group).

As of 1 January 2015, there were 116 operating **insurance companies** registered in the region. The Sverdlovsk Region places sixth among Russian regions by its regional insurance market share, with insurance premiums of RUB 21.1 billion and insurance claims of RUB 12 billion, respectively.

In 2014, the volume of new business in the **lease service market** in the region totalled RUB 16 billion, including 62% of motor vehicle transactions. The average deal value stands at RUB 3.8 million.

The City of Ekaterinburg is one of the leaders among Russian cities with a million plus population and by the availability level of commercial real estate.

According to the Ural Chamber of Real Estate, the total space of **office premises** in Ekaterinburg in the "high quality" segment (A, B+ and B classes) is 1.25 million sq. m, including 830,000 sq. m of usable space.

There are 15 management companies engaged in the Ekaterinburg office real estate market providing services to 104 business centres in the "high quality" segment. The average vacant area ratio of the total volume of the "high quality" office premises market is 15%.

Business infrastructure

Financial infrastructure

Three major Urals regional banks are among TOP-200 Russian banks: the Ural Bank for Reconstruction and Development, SKB-Bank and Koltso Urala

Commercial real estate

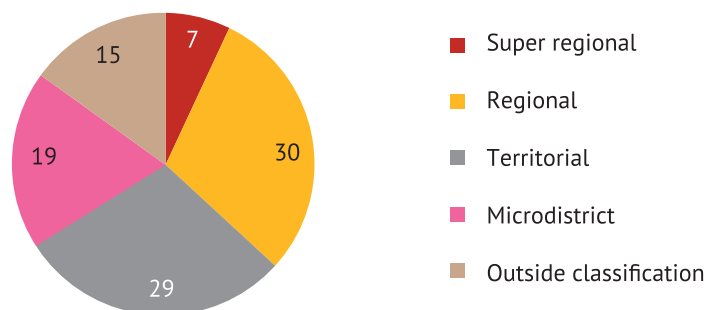
Characteristics of the office real estate market in Ekaterinburg in 2014

Office premises class:	Number of facilities, in units	Share, %	Range of rental rates, RUB per sq. m per month
A	5	2	1300 – 1600
B+	16	8	900 – 1200
B	83	41	900 – 1200
C	99	49	600 – 900

Источник: УПН

According to the Ural Chamber of Real Estate, there are over 60 major **retail facilities** in Ekaterinburg with space exceeding 5,000 sq. m. Their total commercial floorspace is around 980,000 sq. m. The average vacant area ratio in shopping centres of Ekaterinburg is 3%, and the average rental rate is RUB 3,000 per sq. m per month.

The structure of retail real estate in Ekaterinburg by ICSC classes, % of trade area



The major warehouses in Ekaterinburg

- Chkalov Terminal trade and warehouse complex (over 500,000 sq. m)
- Uralsky logopark (280,000 sq. m)
- ROLSI warehouse complex (55,000 sq. m)
- Novokoltsovsky warehouse complex (56,000 sq. m)
- Svetly Transport and Logistics Centre (55,000 sq. m).

According to the Ural Chamber of Real Estate, the **warehousing areas** in Ekaterinburg comes to over 1.8 million sq. m (5% of the total volume of all «high quality» warehousing areas in Russia), including about 850,000 sq. m of A and B+ class areas. The vacant space ratio in A and B class warehousing properties is 1.8%. Average rental rates for warehousing areas range from RUB 170 to RUB 450 per sq. m per month depending on the class. The average rate for low-temperature warehouses is RUB 570 per sq. m per month.

Hotel infrastructure

The scope of hotel services in the Sverdlovsk Region is about RUB 5 billion, and 70% of the market is covered by the «business tourism» sector. The Sverdlovsk Region is among the regional leaders in terms of accommodation availability levels. Hotel infrastructure in the region includes 500 accommodation facilities with 14,610 rooms in total, including 114 accommodation facilities in Ekaterinburg that can host 10,100 guests. The average hotel occupancy rate is 55%.

Hotels of the following international operators are located in Ekaterinburg: Hyatt, Ramada, Park Inn, Accor Novotel, Vienna International Hotels & Resorts, and Hilton Worldwide.

Characteristics of the Ekaterinburg hotel market in 2014

Hotel category:	Share, %	Average price per standard room, in RUB per night	Popular hotels
5*	4	7000 – 11000	Hyatt Regency Ekaterinburg, Atrium Palace Hotel, Ramada Ekaterinburg
4*	19	4000 – 5000	Angelo, Park Inn, Novotel Ekaterinburg, Onegin Hotel, Voznesensky Hotel
3*	55	3000 – 4000	Grand Avenue Hotel, Green Park Hotel Renome, Chekhov, Moskovskaya Gorka
2*	22	1500 – 2500	Marins Park Hotel Ekaterinburg

Exhibition infrastructure

Each year, over 200 exhibitions and 300 congress events take place in the Sverdlovsk Region. Major business centres and venues for business negotiations and exhibitions are located in the region, including:

- Ekaterinburg-EXPO International Exhibition Centre (Ekaterinburg-EXPO IEC) (120,000 sq. m);
- Nizhny Tagil Demonstration and Exhibition Centre (36,000 sq. m);
- eight specialised exhibition centres with floor areas ranging from 1,000 to 5,000 sq. m.

Ekaterinburg-EXPO International Exhibition Centre is one of the largest and modern exhibition centres in Russia.

The exhibition centre includes:

- four exhibition pavilions with a total space of 50,000 sq. m;
- an open venue of 60,000 sq.m;
- nine conference halls.

A modern Congress Centre is planned to be opened at the exhibition centre in 2015, with total space of at least 10,000 sq. m.

The capacity of Ekaterinburg-EXPO IEC is 25,000 – 30,000 people per day.

More than 10 exhibition operators, including international players, such as DeutscheMesse and ITE, work at the centre.



Every year, Ekaterinburg-EXPO IEC holds over 80 events of varying formats. Major exhibitions include INNOPROM, WorldSkills Hi-Tech, the Russian Forum of Development Institutions, Russia – Kazakhstan Interregional Cooperation Forum, European Table Tennis Championships (autumn 2015).

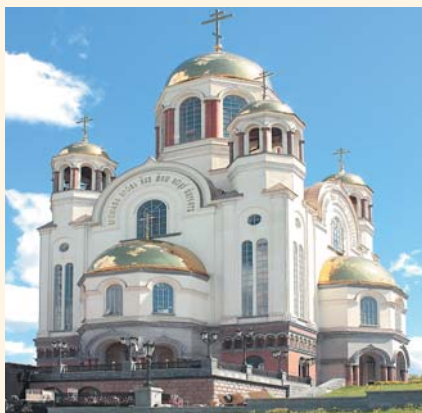


Culture, tourism and sports

Historical and cultural heritage

Main historical attractions of the Sverdlovsk Region

Ekaterinburg



Church on Blood in Honour of All Saints – Ekaterinburg's most beautiful temple built in 2000-2003 on the site of the Ipatiev House, where the former Imperial family was executed in the cellar. The Church features a museum complex displaying items from the last days of the imperial family.



Friary of the Holy Imperial Passion-Bearers (Ganina Yama pit) – a monastery built near Ganina Yama, which is a place where the remains of imperial family were transported and thrown into on the night on 17 July 1918. In 1991, a cross was placed near the Ganina Yama pit where family remains were buried while the monastery itself was constructed between 2000 and 2003. The complex currently features seven churches



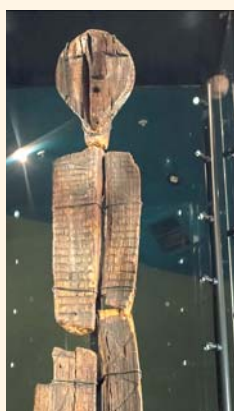
Rastorguyev-Kharitonov's House, or Sverdlovsk Acropolis, a classicist palace, which has no equal in the Urals region.

The Sverdlovsk Region is one of the leading cultural centres that comprises:

- over 1500 natural landmarks, historical, architectural and archaeological landmarks, including 14 historic cities and 228 cultural heritage sites;
- 486 museums and museum complexes;
- 915 cultural and entertainment facilities including 76 theatres;
- over 300 Russian Orthodox parishes including 14 operating monasteries and 11 cathedrals, which represent cultural monuments of the 18th century.



Kaslinsky Cast-Iron Pavilion – the world's only building made of cast iron and exhibited in a museum (Ekaterinburg Museum of Fine Arts).



The Large Shigirsky Idol – the world's oldest (9,500 years old) iconic wooden figure (Sverdlovsk Local History Museum)



Architectural monuments in the constructivism style. The most famous – Dom pečati, Dom kontor, Gorodok chekistov, hotel "Iset" and "Dinamo" stadium.

Verkhoturye



Verkhoturye Kremlin – the only Kremlin built of stone in the Urals and the last Kremlin to be constructed in Russia. Its group of houses includes five listed buildings: Trinity Cathedral with two kremlin gates, the house of the commander, decrees chambers, granary barns and a provincial treasury. A panoramic view of Tura River and the city itself is visible from the bell tower of Trinity Cathedral.



Friary of St Nikolas – a restored temple complex established by the monk Iona as per the instructions of the Tsar Boris Godunov in 1604. The centre piece of the complex is a huge seven-domed Krestovozdvizhenskiy Cathedral (1905-1913, architect A.B. Turchevich) – the third biggest in Russia in size after the Cathedral of Christ the Saviour in Moscow and St Isaac's Cathedral in St Petersburg. The cathedral is built in Russian-Byzantine style with three unique faience icon screens inside. They were destroyed during the Soviet era and reconstructed in 1998 in time for the 400th anniversary of Verkhoturie. The hallows of the Righteous Simeon the Wonderworker of Verkhoturie are buried in this cathedral.

The Middle Urals are noted not only for their historical and cultural heritage, but for their famous natives, i.e. actors, artists and musicians, as well as for theatres that are well-known throughout Russia. One of the world's most well-known natives of the Urals, artist and sculptor, veteran of World War II, Ernst Neizvestny was born in Ekaterinburg (Sverdlovsk). In 2013, his museum was opened in the city.



Nevyansk



Demidov's Leaning Tower of Nevyansk – built in the early 18th century, one of the few world's buildings deviating from its vertical axis. This is the most famous and interesting industrial architectural monument of the Middle Urals. The tower was built in 1725 by Akinfey Demidov in memory of his father, Nikita Demidov. The tower leans by 2.2 metres from its centre axis. In Demidov's times, the tower was used as factory archive, treasury office and plant laboratory. On the sixth floor of the tower, there is the so-called «hearing room» where two people standing in opposite corners of the room facing the wall could whisper and still hear each other perfectly. The first octagonal story of the tower features the clock room with an English-made chimes machine that plays 18 melodies. The bell tower has nine bells, also made in England. The tower is crowned with a spire and a weather vane bearing the emblem of Demidovs.

Nizhny Tagil



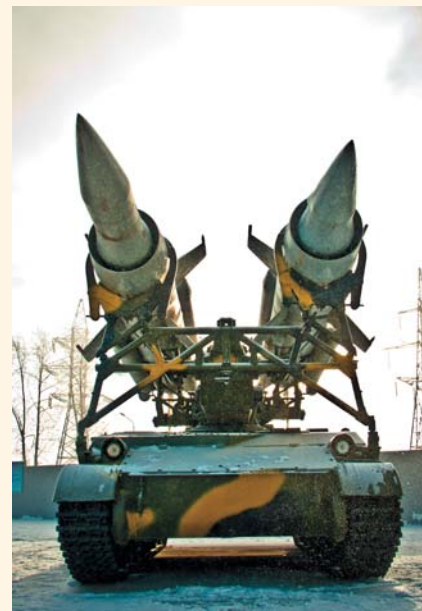
Museum factory of the history of iron industry – a key show piece of the Gornozavodskiy Ural Conservation Area in Nizhny Tagil. The museum was created in 1989 at the premises of abandoned metallurgic plant named after Kuibyshev, which succeeded the older Demidov plant. The plant features elements dating back to 18th, 19th and early 20th centuries. The premises of the museum factory include all major structures of the former metallurgical plant from 1930s. The exhibition presents the key stages of iron production, including the blast furnace shop, open-hearth shop, mill shop, and mechanical metal works. The plant also features a water turbine manufactured in 1892, which propelled the rolling mill and the 19th century blast furnace

Nizhnyaya Sinyachikha



Open air museum in Nizhnyaya Sinyachikha – a unique open air museum located in the Urals region. It was established in 1976 by museum enthusiast, Ivan Danilovich Samoilov. The museum premises covering 64 hectares reconstruct the typical elements of a Middle Urals village, including farm houses of peasants of the 17th, 18th and 19th centuries, a jail tower (1656), a blacksmith's shop, a small banya (or traditional Russian bath), a fireman's bell tower, a windmill and a watchtower.

Verkhnyaya Pyshma



Military machinery museum «Battle glory of the Urals» – one of the largest exhibitions of military hardware in the Urals region. In 2012, the museum collection had over 100 pieces of equipment exhibited on an open platform. In 2013, a three-story building for the exhibition centre was opened, hosting pieces of light military hardware, small arms, retro vehicles and motorcycles, exhibits showing the history of the military award system, and copies of planes from the Great Patriotic War.



Theatre and music

Among the city's theatres, critics cite the Ekaterinburg State Academic Opera and Ballet Theatre (one of the oldest theatres in Ekaterinburg) and the Kolyada-Theatre (young private theatre).

Throughout its over century-long history (marking its 100th anniversary in 2012), the **Ekaterinburg Opera House** has nurtured many famous performance artists and received many prestigious theatre awards. The theatre has been called the «lab of Soviet opera» as stars of the Bolshoy Theatre, such as Ivan Kozlovskiy, Sergey Lemeshev, and Irina Arkhipova, along with a soloist of the Kyiv Opera House, Yuri Gulyaev, started their careers here. The opera theatre recently received two Golden Mask awards for the Colordelic ballet (in 2015), and four Golden Mask awards in the “Ballet. Contemporary dance” category (in 2014).



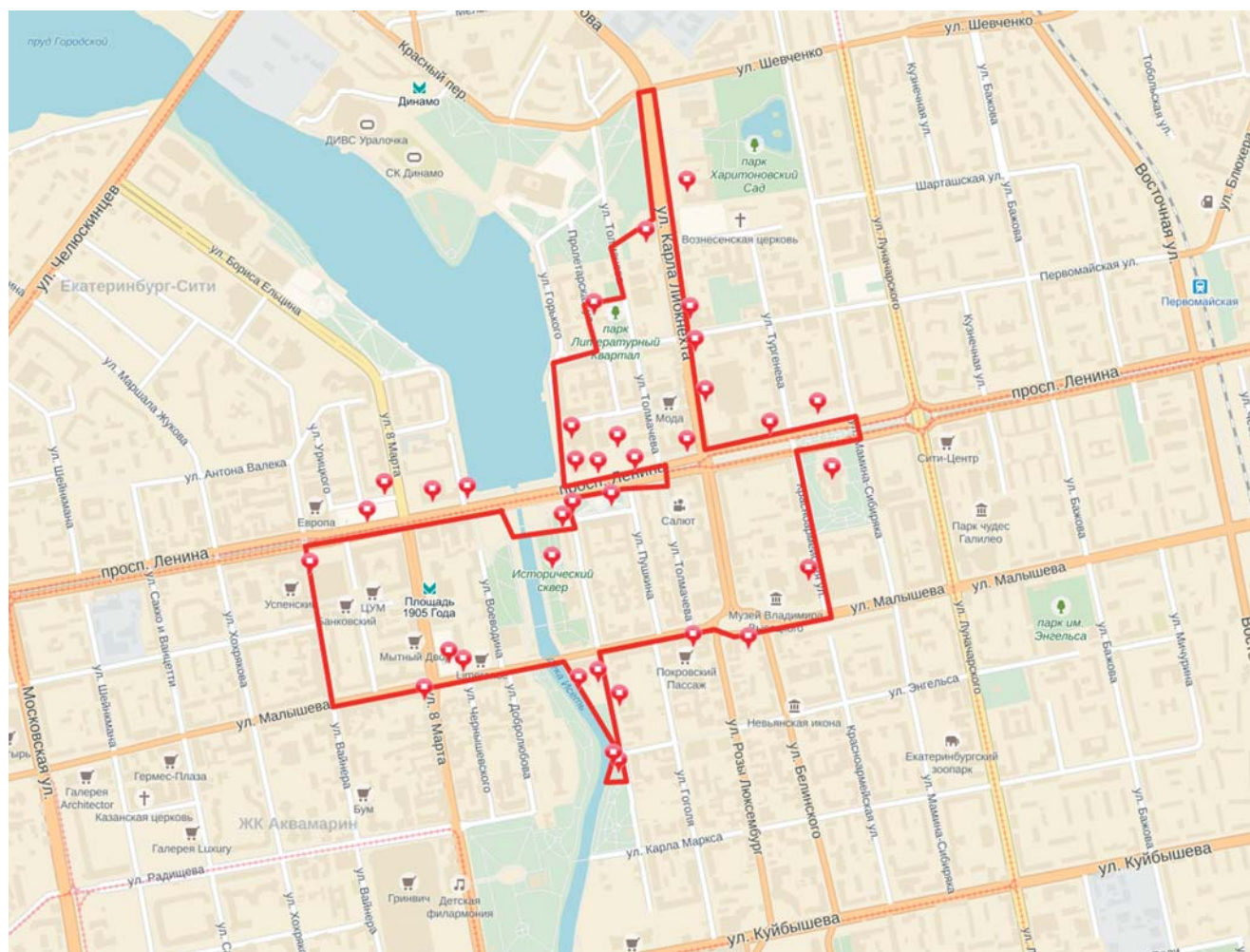
At first, the **Kolyada-Theatre** established by Nikolay Kolyada in 2001 did not even have its own space, but in a short time it proved to be resilient and became one of the most famous theatre brands of Russia. Since 2008 it houses modern drama international festival – Kolyada-Plays aimed to develop and promote modern theatre art. The festival stimulates the playwrights' activity and offers the audience the best performances written by young Ural and Russian playwrights and talented authors.

Ekaterinburg is considered to be the **homeland of the Ural rock music**. Well-known Russian bands and musicians: Urfin Jus, Associations, Nautilus Pompilius, Chaif, Nastya, Agatha Christie, April March, Chicherina, etc., originated here. For over 10 years Ekaterinburg hosts the Old New Rock festival, which brings together young and aspiring bands and famous rockers. This is the only rock festival in Russia held twice a year: in winter (since 2000) and in summer (since 2005).

Art projects

Ural Industrial Biennial of Contemporary Art – a unique art and cultural event for the Russian regions. About ten thousands of people come to take part in the biennial main project. Moreover, hundred thousand of visitors come to see special projects that are held on the territory of local plants, attend temporary studios and artistic residencies and participate in the parallel program along with the world-famous artists. In addition, it is the only biennial in the world with the main topic determined by the industrial character of the place where it is held. The biennial analyses cultural, social and economic distinctive features of the region and places it in the context of international cultural and social processes, therefore changing stereotypical perception of traditionally industrial space and creating new image of the Urals. This big international project involves wide range of artists that come from many different countries.

The first Ural Industrial Biennial of Contemporary Art took place in Ekaterinburg in fall 2010. It focused on evaluation of the relations between new creative production and historical memory of the place once famous for the scale of its shock-working industrial activity. The second Biennial drew up a strategy providing the authors and their projects with support at the territory of artistic residencies in the industrial cities of the Urals and activated mutual interaction with traditional cultural environment and academic institutions of the region. The projects created in the art-residences showed the audience unique cultural and historical concepts that determined the way of life in the Ural towns. Later different art events took place in almost every city of the Sverdlovsk Region including Ekaterinburg, Nizhniy Tagil, Nefyansk, Pervouralsk e.t.c. Biennial also got its Intellectual platform made up of a series of lectures, seminars, and workshops for professionals, students and public aimed to discuss the way industrial identity of the Urals models its urban and regional environment.



Natural heritage

Konzhakovskiy Stone – the highest mountain of the Sverdlovsk Region (1,569 metres) popular among tourists and located near the village of Kytlym. The mountain was named after the Mansi hunter Konzhakov, who lived by the mountain basin in a yurt. The vertical zonality is clearly visible: there is pine wood at the bottom of the mountain, then taiga, the forest-tundra, from 900-1000 metres, the mountain tundra starts to bear stone placers – kurums. Even during the summer, there is snow on top of the mountain. From here, one can see the most beautiful mountain ranges and taiga. Since 1996, the Konzhak International Mountain Marathon is held here on the first Saturday of July, which attracts up to 2,000 participants.

Nature park “Deer Streams”

The park is located 100 km to the south-east of Ekaterinburg in one of the most popular regions of the Middle Ural. The park spans 12,000 hectares along the picturesque valley of the Serga River, from the town of Nizhniye Sergi to the village of Arakaevo. These are wonderful landscapes of the ancient river valley, rock ledges along the banks, forest-clad slopes of the Bardymskiy Range and scenic rivers. The parks’ key treasure is its forest — a combination of pine and broad-leaved trees. The park features 130 large and small caves, including the largest cave of the Middle Ural, “Druzhba”, which is over 500 metres long. Body fossils of animals that lived in the ancient Riphean sea over 100 million years ago can be seen in the walls of the cave. The park houses many archaeological, historic and geological monuments, including camps of prehistoric humans and rock engravings.





Chusovaya Nature Park

The park features one of the most beautiful rivers of the Urals region with scenic rocky banks, rich history, and diverse flora and fauna. The Chusovaya River is recognised as one of the most interesting natural sites across Russia. It flows across two continents with multiple natural sites along its banks, including 37 sites and 10 industrial heritage sites. The park spans 77,000 hectares and 148 km along the river.

Natural Mineralogical Reserve Rezhevskoy

The zone of Ural's semiprecious stones has been known for over 300 years. The reserve includes unique and historically significant deposits of semiprecious stones, including pegmatite, ruby, sapphire, corundum, andradite, beryl, hair stone, berg crystal, amethyst, blue elvan, heliodor, chrysolite, agate, polychrome and colour jetstone. The entire semiprecious zone with its Shaitanskiye mines, Aduyskiye mines and Lipovskoye deposit is located in Rezhevskoy District covering a relatively small territory of 2,000 sq. km, which is consolidated into the Rezhevskoy Natural Mineralogical Reserve. Crystals and noddles of field spars, berg crystals, jetstone and other semiprecious stones along with eye-catching graphic granite, agate, opal and other minerals can be found in production along with mine refuse.

World class sports

The Sverdlovsk Region is one of Russia's leading regions in terms of fitness and sports with over 1.15 million people consistently engaged in fitness and sport activities. Every year, around 7,800 sport and fitness events are held. The region is home to 8,452 sporting venues including 58 stadiums, 264 swimming pools, 4,143 plate structures and 2,339 gymnasiums. There are also 144 sport schools for children with over 96,000 students. Over 150 types of sports are actively played.

Athletes from this region regularly win prizes during Russia-wide and international events:

- 59 Olympic champions (15 in winter sports and 44 in summer sports) since 1952;
- five various medals, including three gold medals at XXX Summer Olympic Games in 2012 in London;
- 20 various medals, including 10 gold medals at XXII Winter Olympic Games in 2014 in Sochi.

The most famous pupils of the Sverdlovsk Region are hockey players Alexey Yashin and Pavel Datsyuk, swimmer Alexandr Popov, boxer Konstantin Tszyu and biathlete Sergey Chepikov.

The Sverdlovsk Region hosts world chess championships, largest basketball and volleyball, indoor hockey and mini football, sailing, rock-climbing and table tennis international events.

The hallmarks of the Sverdlovsk Region are:

- The International Women's Volleyball Tournament of the First Russian President, B.N. Yeltsin;
- Europe-Asia Winter Ski Marathon;
- Europe-Asia Sport Dance Cup.

Club sports are represented by the hockey teams Avtomobilist and Avto, football club Ural, women's basketball team UGMK, basketball club Ural, volleyball club Lokomotiv-Izumrud, women's volleyball team Uralochka-NTMK, mini-football club Sinara, ball hockey team Uralskiy Trubnik and others.

Events held in 2014:

- Stages of the Men's Ski Jumping World Cup;
- Open international table tennis tournament of the ITTF World tour «Russian Open 2014»;
- Final Eights of the Euroleague Women's Basketball;
- Ice Motor Racing European Championships.

Events scheduled for 2015:

- World Youth Handball Cup (July - August);
- Junior World Hockey Cup (August);
- European Table Tennis Championships (24 September - 5 October).

In 2018, Ekaterinburg will host **the 2018 FIFA World Cup**. The World Cup is the most massive and prestigious football event in the world. The games will attract over three million spectators with 32 national teams participating and 64 matches played. Prior to the World Cup, the city will finish construction of state-of-the-art sports infrastructure, transportation network, hotels, medical and engineering facilities.

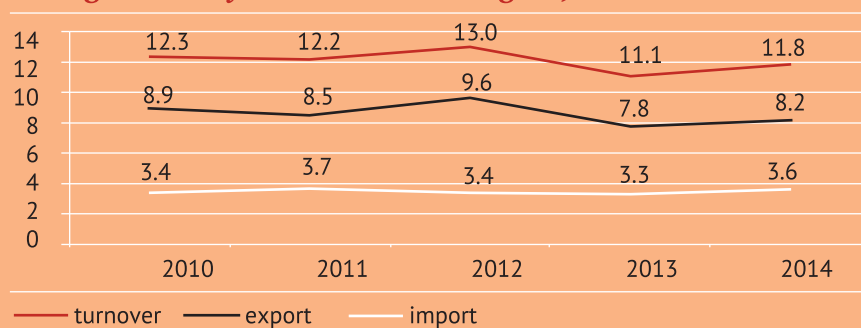
International and foreign economic activities

The Sverdlovsk Region has a sufficiently diversified economic structure and high economic growth rates. Thus, it is heavily involved in international trade. Regional foreign trade turnover in 2014 reached USD 11.8 billion with USD 8.2 billion in exports and USD 3.6 billion in imports. The region has foreign economic relations with over 140 countries and almost half of foreign trade turnover comes from cross-border transactions with five countries: the USA, the Netherlands, Germany, China and Azerbaijan.

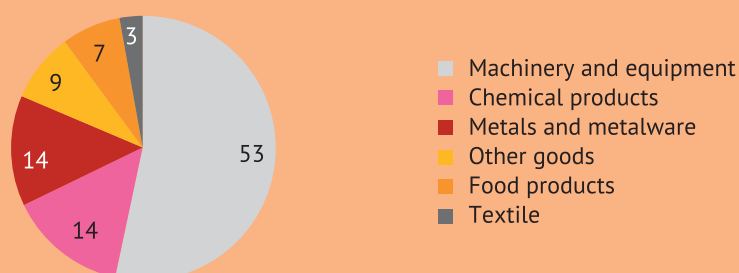
The Sverdlovsk Region mainly exports metals and metalware (56% of exports), and chemical and engineering products (18% and 14% respectively). It mainly imports automobiles and equipment (53%), chemical products and metals (both 14%, respectively).

International business activity

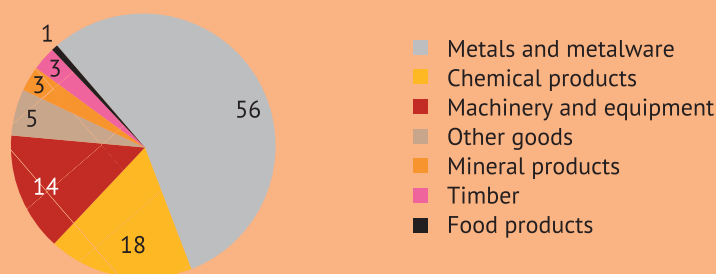
Foreign trade of the Sverdlovsk Region, USD billion



Commodity composition of imports from all countries in 2014, %



Commodity composition of exports to all countries in 2014, %

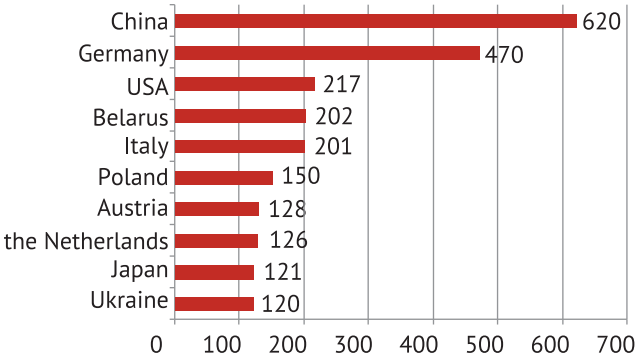


Five largest exporters*:

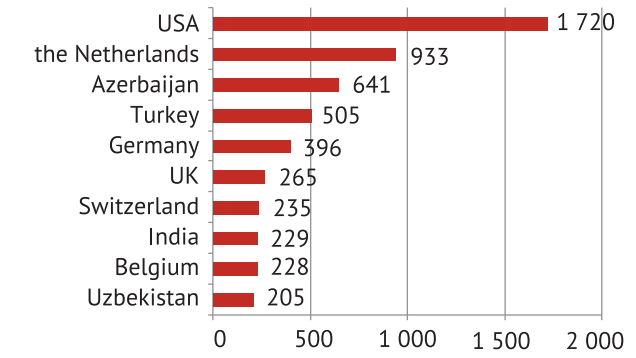
1. UMMC
2. Russian Copper Company
3. VSMPO-Avisma Corporation
4. Serov ferroalloy plant
5. EZOCM

* Rating of the largest exporters in the Urals and Western Siberia based on 2014 results (Expert-Ural magazine No.18 dated 27.04.2015)

Import geography in 2014,
USD thousand



Export geography in 2014,
USD thousand



The Sverdlovsk Region is the third leading Russian region, after Moscow and St Petersburg, by the number of operating representative offices of foreign states.

14 diplomatic and trade missions



12 honorary consuls of foreign states:



8 official representative offices used to promote national business, culture and language (with no diplomatic status)

There are several visa centres in Ekaterinburg that issue visas to more than 20 countries: Austria, Bulgaria, the UK, Hungary, Vietnam, Germany, Greece, Denmark, Italy, Spain, China, Latvia, Malta, Mongolia, the Netherlands, Norway, Slovakia, Slovenia, the USA, France, Croatia, the Czech Republic, Switzerland, and Sweden.

The Sverdlovsk Region is one of the largest centres for international exhibitions and MICE events in Russia. Every year the region hosts over 500 exhibition and congress events including 250 of international and interregional scale.

International exhibitions

The path for large-scale international exhibition and congress projects in Ekaterinburg was paved by SCO and BRIC group summits held in the capital of the region in June 2009. Other milestone events for Ekaterinburg have included the 31st Russian-EU Summit (June 2013) and the 10th Russia-Kazakhstan Interregional Cooperation Forum (November 2013).

Since 2010, Ekaterinburg hosts International industrial fare INNOPROM, which is the main Russian international exhibition focused on industry, innovations, and technologies. Since 1999, one of the largest international exhibitions of arms and weapons – the Russian Arms Expo – is held in Nizhny Tagil of the Sverdlovsk Region.

Furthermore, Ekaterinburg annually hosts over 20 specialised industry exhibitions with largest being:

- WIN Russia Ural (industry);
- Build Ural and 100+Forum Russia (construction);
- Construction, earthmoving and mining machinery, service and equipment CEMMS Ural (construction, transportation);
- LESPROM-URAL Professional and EXPOMEBEL-Ural (forestry, furniture production);
- Expotravel and LETO (tourism).



INNOPROM Annual International Industrial Exhibition

The INNOPROM exhibition offers unique opportunities to promote cutting edge products and technologies, look for partners and investors, and hold negotiations and business meetings. The expo is attended by Russian and foreign companies presenting their innovative designs and projects. The forum is held in the form of plenary sessions, round tables, business meetings and negotiations among business people, experts and scientists from Russia and around the world.

Since 2013, INNOPROM has been the main international industrial exhibition in Russia. Its organising committee is chaired by Russia's Minister of Industry and Trade, Denis Manturov. Traditionally, Russian Prime Minister Dmitry Medvedev takes part in the main plenary session.

In 2014, 600 companies from 70 countries were involved in the exhibition and over 150 business programme events were held. In just four days, over 46,000 people visited the exhibition, including top managers of Russian and foreign companies, as well as federal and regional officials.

The main focus of INNOPROM 2015 is «Industrial efficiency», with respect to industrial implementation of new technologies and materials, boosting automation, using modern management methodologies and enhancing management efficiency, solutions for urgent HR issues and improving professional training. The expo will be held on 8-11 July 2015.

In 2015, for the first time INNOPROM will feature five specialised exhibitions targeting the most in-demand areas: mechanical engineering, industrial automation, energy efficiency, optics and lasers, and metropolitan technologies.

In response to an invitation extended by the Russian President Vladimir Putin, the People's Republic of China will present its national exposition at INNOPROM while top managers of both medium and large Chinese companies will play an active role in the expo's business programme, as well as in joint cultural events in Ekaterinburg.

Russia Arms Expo: an exhibition of weaponry, military equipment and ammunition

The Russia Arms EXPO (RAE) is an international specialised exhibition of military products held under the auspices of the Government of the Russian Federation. The expo's objective is to facilitate the promotion of Russian military hardware, weaponry and ammunition on local and foreign markets, engage foreign partners, showcase the latest Russian and foreign-made military hardware, and develop business ties among producers and consumers of military hardware, weaponry and ammunition around the world.

RAE has been held biennially, starting in 1999 in Nizhny Tagil at Nizhny Tagil Institute of the Metal Testing (NTIIM). Every year over 300 organisations take part in the expo. The number of expo visitors and guests usually exceeds 50,000, including military and business delegations from around 70 countries. The business programme of the exhibition in Nizhny Tagil is centred on the military industry and international legal aspects of the global arms market development. Leaders of the Russian Government usually participate in the Russia Arms Expo. In 2013, Prime Minister Dmitry Medvedev and Deputy Prime Minister Dmitry Rogozin visited the expo.

The Nizhny Tagil State Demonstration and Exhibition Centre is the only place in the world capable of demonstrating the entire range of combat and performance characteristics of various weaponry and military hardware. It has facilities for firing at targets of various complexity and evaluating the performance of military goods in real time. Armoured and engineering vehicles, UAVs, self-propelled artillery systems, armoured infantry vehicles, aviation, modern flamethrower systems and elite forces can take part in demonstrations simultaneously. The X Anniversary International Exhibition of weaponry, military hardware and ammunition RAE-2015 will be held on 9-12 September 2015.

During the event, the latest concepts developed by the military and industrial complex will be premiered. The business programme for the exhibition foresees discussions of various issues regarding military and industrial development involving reputable Russian and foreign experts. Furthermore, the facilities upgraded infrastructure will be instrumental for exhibitors and visitors alike.



Investment climate

In February 2015, Standard & Poor's International Rating Agency confirmed a long-term credit rating of BB with a Stable Outlook for the Sverdlovsk Region. According to S&P scale, a BB rating means that the issuer is solvent but unfavourable economic conditions may have an adverse effect on its paying ability. A Stable Outlook means that the rating is likely to remain unchanged.

Based on the results for 2014, the Expert RA rating agency rated the Sverdlovsk Region at 1B (high potential - moderate risk). Among 83 Russian constituent entities the Sverdlovsk Region rated fifth in the «investment potential» category.

The Sverdlovsk Region ranks seventh among Russia's constituent entities in terms of volume of investments. In 2014, total capital investments in the region (for a full range of organisations, including a recalculation allowing for investments that are not visible through direct statistical methods) came to RUB 370.4 billion (2.7% of total capital investments in Russia).

Most capital investments in organisations went to development of production and distribution of energy, gas and water – RUB 72 billion (28%), manufacturing – RUB 62.4 billion (24.3%), real estate transactions, leases and services – RUB 38.3 billion (14.9%), and transportation and communications – RUB 37.5 billion (14.6%).

Most generic capital investments (48%) were aimed at machinery, equipment, vehicles, production and household inventories.

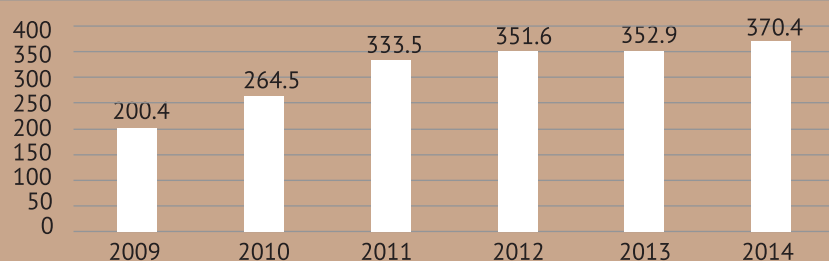
Foreign investments in the Sverdlovsk Region reached USD 1.57 billion in 2013. Most foreign investments traditionally went to trade and various loans (89.1% in 2013).

The Sverdlovsk Region in independent ratings

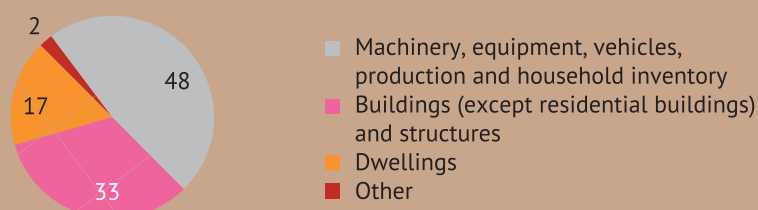
Investment activity



Capital investments in the Sverdlovsk Region, RUB billion



Generic structure of capital investments in the Sverdlovsk Region in 2014, %



Success stories

2006

Joint Finnish-Russian company for the construction of residential houses YIT Uralstroy (YIT, Finland)

2009

- Boeing (USA) and OAO VSMPO-AVISMA Corporation's joint venture for the production of titanium parts for Boeing 737, 777, 787 and Boeing Dreamliner (787-8 and 787-9) aircraft;
- Joint project by Mitsubishi Corporation (Japan) and OAO Uraltrubprom to launch a production line for the manufacture of electric-welded pipes with a maximum external diameter of 630 mm and maximum wall thickness of 22 mm (a unique achievement in longitudinal electric-welded pipe technologies).

2010

- Joint venture by SIEMENS AG (Germany) and ZAO Sinara Group for electric locomotive production;
- Joint venture by Dyckerhoff (Germany) and OAO Sukholozhement for dry cement production.

2011

Creation by OOO UMC Pumori and Okuma Company (Japan) of a modern enterprise for assembly of lathe work centres relying on supplied parts.

2012

- Construction of the Saint-Gobain Weber-Vetonit Polevskoe plant for the manufacture of dry construction mixes (a project by Saint-Gobain, France);
- Construction of a marble processing plant (a project carried out by OMYA, Switzerland).

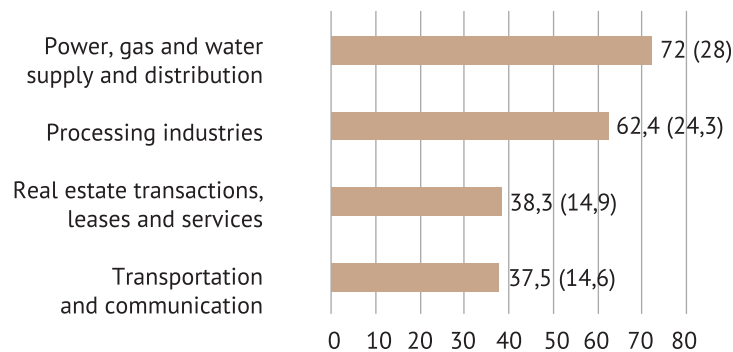
2013

- Joint venture of OAO NPK Uralvagonzavod and Honghua Group Limited (China) to produce drilling equipment (heavy train rigs), rigs and related parts;
- Joint venture by TOS VARNSDORF (the Czech Republic) and OOO KP Prom for the manufacture of machining equipment (horizontal boring and portal-type milling machines).

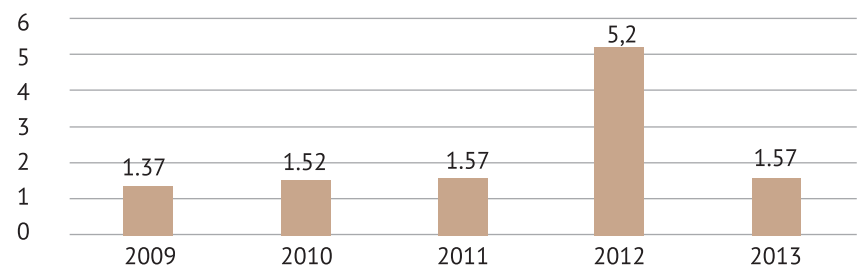
2014

- Launch of the Danone Group's (France) first dairy plant in Russia for the production of dairy products for children at the premises of Ekaterinburg City Dairy Plant No. 1;
- Joint Russian-Japan venture OOO Ural Wiring Systems at the premises of OAO Zavod Radioapparatury to produce car wiring harnesses for Russian carmaker OAO AVTOVAZ.

Industry specifics of capital investments in the Sverdlovsk Region in 2014, RUB billion, (%)



Foreign investments in the Sverdlovsk Region, USD billion



The Sverdlovsk Regional Government provides investors with extensive administrative support, including:

- a «one-stop-shop» approach for handling investor requests;
- support of investment projects;
- a large up-to-date database of investment sites;
- active support in resolving administrative issues;
- tax preferences.

Since early 2015, the role of a “one-stop-shop” for investors has been performed by **OAo Middle Ural Development Corporation**, a specialized organisation that provides professional support to foreign and Russian investors considering opportunities for expanding their business in the Sverdlovsk Region.

In addition, Middle Ural Development Corporation in cooperation with the regional government and private investors, develops and supports infrastructure projects to be carried out on the basis of public-private partnerships (PPP). It also promotes industrial parks development: Novouralsky Industrial Park; Novosverdlovsky Industrial Park (Ekaterinburg); Bogoslovsky Industrial Park (Krasnoturyinsk) and Isetsky Industrial Park (Sredneuralsk).

Middle Ural Development Corporation’s portfolio includes a number of successfully implemented projects in regional business and social infrastructure, such as:

- launching the Titanium Valley Special Economic Zone (SEZ) (Verhnesaldinsky Municipality);



- construction and launching of a new international exhibition centre “Ekaterinburg EXPO” (Ekaterinburg);



- building of a special rehabilitation clinic for people with locomotion problems — the Urals Clinical Treatment and Rehabilitation Centre (OOO Hospital of Restorative Innovative Technologies) in Nizhny Tagil.



Governmental support for investment activity

One-stop-shop for investors

Under the “one-stop-shop” framework, Middle Ural Development Corporation provides investors with:

- *information on the business environment in the Sverdlovsk Region and available business support arrangements;*
- *assistance in obtaining project financing;*
- *assistance in identifying partners and suppliers;*
- *assistance in identifying the most suitable location for business;*
- *assistance in obtaining required construction permits and launch clearances*

Contacts:

OAo Middle Ural Development Corporation
Chief Executive Officer
Dmitry Popov
Address: Office 323, 50b Lenina Str.,
Ekaterinburg, 620075
Tel./Fax: +7 (343) 385-95-58
Email: welcome@investural.com
<http://investural.com>

Key government support measures for investment activity

Tax benefits (related to taxes paid to the Sverdlovsk region budget)

Support measures	Support amount	Details of the regulatory act
For residents of SEZs created in the Sverdlovsk Region		
Corporate profits tax	0% rate within 10 consecutive tax periods from the period when a taxpayer received a taxable profit for the first time; 5% rate from the 11th through the 15th tax periods, starting from the period when a taxpayer received a taxable profit for the first time; 13.5% rate from the 16th tax period from the period in when a taxpayer received such taxable profit for the first time.	Sverdlovsk Region Law No. 42-OZ of 29 November 2002 "On Profits Tax Rate for Certain Taxpayer Categories in the Sverdlovsk Region" (Law 42-OZ)
Corporate property tax	Tax exemption within 10 consecutive years starting from the month when property is recognised on a balance sheet as "property, plant and equipment".	Sverdlovsk Region Law No. 35-OZ of 27 November 2003 "On Introducing Corporate Property Tax in the Sverdlovsk Region" (Law 35-OZ)
Transport tax	Tax exemption for 11 consecutive tax periods starting from the tax period of a vehicle's registration with an entity.	Sverdlovsk Region Law No. 43-OZ of 29 November 2002 "On Introducing Transport Tax in the Sverdlovsk Region"
For participants in priority investment projects with respect to new construction		
Corporate profits tax	13.5% rate within five consecutive tax periods from the period when property resulting from priority investment in a construction project of the Sverdlovsk Region are recognised on a balance sheet as "property, plant and equipment". Minus 4.5% of the corporate profits tax rate for the profits tax payable to the budget of the Sverdlovsk Region.	Law 42-OZ
Corporate property tax	Tax exemption within five consecutive tax periods from the period when such a property is recognised on the balance sheet as "property, plant and equipment".	Law 35-OZ
For participants in priority investment projects for modernisation, reconstruction and technical upgrade		
Corporate profits tax	16% rate within five consecutive tax periods from the period when taxpayer had obtained the status of a participant in a priority investment project of the Sverdlovsk Region for modernisation, reconstruction and technical upgrade of "property, plant and equipment". Minus 2% of the corporate profits tax rate for the corporate profits tax payable to the budget of the Sverdlovsk Region.	Law 42-OZ
Corporate property tax	Property tax base is reduced by an incremental increase in the average annual value (appreciation) of "property, plant and equipment" for over five consecutive tax periods. Minus 100% for the tax payable on the appreciation of "property, plant and equipment".	Law 35-OZ
For newly incorporated organisations of the Sverdlovsk Region		
Corporate profits tax	13.5% rate for five consecutive tax periods from the period when a legal entity is incorporated. Minus 4.5% of the corporate profits tax rate for corporate profits tax payable to the budget of the Sverdlovsk Region.	Law 42-OZ

Under the above laws, tax benefits are also applied to certain categories of entities in the Sverdlovsk Region, such as:

- entities where the average number of physically challenged people in the tax period was at least 50% of the total headcount;
- entities involved in underground production of mineral resources;
- entities that have been put railroad freight cars into service after 31 December 2010;
- entities providing hotel and catering services;
- entities involved in medical care;
- etc.

Subsidies from the regional budget to entities of the Sverdlovsk Region's industrial complex

Types of subsidies	Support amount	Details of the regulatory act
Subsidies to compensate interest expenses on loans obtained from Russian lenders for investment projects	2/3 of the effective Central Bank of Russia refinancing rate as of the date of the loan agreement	Sverdlovsk Regional Administration Resolution No. 1293-PP of 24 October 2013
Subsidies to compensate costs on production of new technologically advanced and improved products (goods, work, services), implementation of new manufacturing processes, new and upgraded technology processes or methods for producing (rendering) services	Up to 50% of the total costs incurred in the current financial year and (or) in the year preceding the year when the application for subsidy is filed, and up to RUB 50 million	Sverdlovsk Regional Administration Resolution No. 277-PP of 2 April 2014
Subsidies to compensate costs related to implementation of R&D results in the industrial production	Up to 50% of the total project costs in the current year and up to RUB 10 million	Sverdlovsk Regional Administration Resolution No. 277-PP of 2 April 2014

Investment infrastructure

Titanium Valley Special Economic Zone (SEZ)

The Titanium Valley Special Economic Zone (SEZ) was created in the Sverdlovsk Region pursuant to Russian Government Order No. 1032 of 16 December 2010. The project aims to develop new high-tech production facilities in Russia by providing SEZ residents with the maximum benefits possible.

The SEZ (spanning 584.4 hectares) is located in the Verkhnesaldinskiy urban area between Verkhnyaya Salda and Nizhny Tagil, two large cities of the Sverdlovsk Region, 180 km away from Ekaterinburg. The zone is located in close proximity to the world's largest manufacturer of titanium and titanium products, JSC VSMPO-AVISMA Corporation. The corporation supplies titanium parts for Airbus, Boeing, General Electric, Goodrich, Embraer, Rolls Royce, and Safran. The company also maintains solid relations with allied manufacturing industries and is integrated with the global market. The zone's industry focus is titanium and allied production, and has no competitors in Russia.

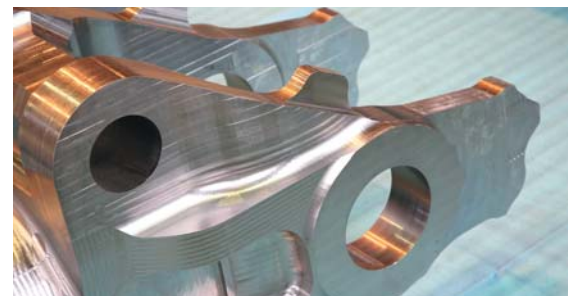
The location of the SEZ ensures its accessibility to sale market channels and free cargo transportation:

- by air through the third largest air hub in Russia, Koltsovo Airport (Ekaterinburg), serving air routes to over 80 countries;
- by road via Route R-353;
- by rail via the Nizhny Tagil - Alapaevsk trunk railway and through the Smychka distribution station providing access to main Russian railroads.

Locating SEZ in the developed district of the Sverdlovsk Region provides access to skilled labour source.

Key industry priorities of SEZ:

- production of titanium products;
- production of components and equipment for the metallurgical industry;
- production of components and equipment for machine engineering industry;
- production of construction materials.



Resources available to residents

• Land plots with all necessary utility connections:

- electric power – 110/10 kV by Titan substation (10 MW and up to 76 MW);
- gas supply – 20 thousand m³/hour;
- water supply – 2.21 thousand m³/day.

On a case-by-case basis, resources made available to residents may be increased. For example, if the available electric power is not sufficient, the management company can provide a small power-generating facility to the resident. Connections to communication, energy, water and gas supply networks are performed at the expense of the management company.

• A “one-stop-shop” system for registering documents

• The project's federal status guarantees:

- protection from unfavourable changes in Russian tax law and levies for the term of the SEZ;
- investment protection through bilateral investment agreements between Russia and other countries.

• Staff training to match residents' requirements and fostering conditions for foreign specialists to relocate.

• Ensuring business, social and cultural infrastructure (the SEZ has plans to build an administration and business centre, a shopping mall, hotel, economy and business-class residences, kindergarten and a sporting complex).



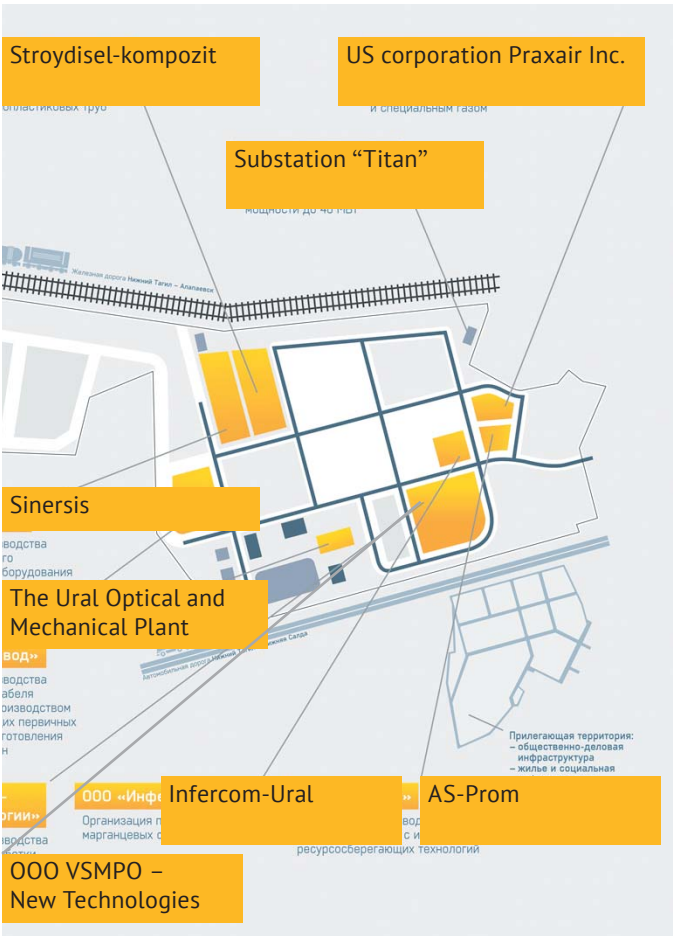
Customs and tax benefits, %

Territory	Tax					Import duty
	On income	On property	On land	On transport	VAT	
Titanium Valley SEZ	2*	0	0	0	0	0
Russia	20	2,2	1,5	Depending on engine power	10 – 18	5 – 20

*2% – for 10 years after receiving taxable income; 7% – from 2011 to 2015; 15.5% – starting from 2016.

Project status and residents plans

Industrial and production agreements were made with seven residents for a total investment amount of around RUB 5,2 billion:



- **Sinersis:** production of energy-saving high-voltage equipment (total investment equals RUB 362 million). The products manufactured by this joint venture will be used by metallurgical plants;
- **The structural division of the largest producer of industrial gases in the world, the US corporation Praxair Inc.:** construction of high-tech station for charging capacities with industrial and special gases. The major consumers of oxygen gas in the Urals Federal District are steelmakers with the largest factories located in the Chelyabinsk and Sverdlovsk regions.
- **Stroydisel-kompozit:** production of nanostructured composite fiberglass pipes. Fiberglass pipes have been widely used throughout the world for over 50 years representing the most effective and cost-efficient solution to the issue of operating life, ensuring the reliability and safety of piping systems and used to update obsolete piping.
- **The Ural Optical and Mechanical Plant:** production of fibre optic cable and import-substituting primary materials for the manufacture of optic fibre.
- **OOO VSMPO – New Technologies:** set up production of machine processing of titanium blanking parts for aircraft» (total investment amount of RUB 1.54 billion). In November 2013, the US-based Boeing and Russia's VSMPO-AVISMA have signed a memorandum to build a new production line in SEZ, which would increase the purity and volume of titanium product processing in order to manufacture almost-ready items for aircraft.
- **Infercom-Ural:** construction and operation of ecometallurgical plant;
- **AS-Prom** (project is initiated by AS GroupInvestment from Azerbaijan): construction of high-tech production of the construction materials based on resource-saving technologies.

Contacts:

OJSC Titanium Valley SEZ
Address: Office 2102,
51 Malysheva St., Ekaterinburg,
620075
Tel.: +7 (343) 378-45-83
Email:
welcome@titanium-valley.com

General Director: Artemiy Kyzlasov
Mob.: +7 (912) 040-13-33
Email:
kyzlasov@titanium-valley.com

By 2023, the SEZ is expected to host around 20 resident companies attracting approximately RUB 12 billion in investments and creating around 2,000 jobs.

Location:

an industrial area within the Krasnoturinsk city boundaries, 3 km to the north of the residential area and 1.5 km to the northeast of the industrial site BAZ-SUAL (BAZ-2).

Total area: 86 hectares

Bogoslovsky Industrial Park**Industry focus:**

- Manufacturing automotive and air components;
- Producing construction materials and structures;
- Heavy engineering and metals;
- Technogenic waste treatment and secondary resource recycling with extraction of rare and rare earth elements and high-tech nanopowders production based on rare earth elements;
- Producing modern composite materials, including those based on nanotechnologies;
- Renewable energy generation;
- Knowledge-intensive production design.

Project status

In January 2014 OAO Bogoslovsky Industrial Park Management Company was registered. The company drafted project and estimates documents for all infrastructure facilities. These documents were subjected to cost examination and a review by government experts. The site design and demarcation plan are being finalised. The park will include a dedicated administrative area, a logistics centre and several industrial segments. The site will be fully exploited in three stages.

Agreements have been also concluded with nine residents for carrying out industrial activities in the park. The park's external infrastructure facilities are now under construction. The industrial area is ready for a construction launch and approval has been received from the state experts on internal and external infrastructure design.

On 10 November 2014, Bogoslovsky Chemical Plant produced its first ten tonnes of washing powder made from soda-sulphate mixture supplied by BAZ-SUAL. This was the first real output of the industrial park. The plant's designed capacity is up to 40 000 tonnes per year.

Energy Projects (OOO Element) is running an operational test of an experimental unit designed to generate rare earth metals from the industrial waste produced by Bogoslovsky Aluminium Plant. The company is also going to launch production of automotive and air components at the park.

Other projects to be implemented by park residents on its premises:

- OOO Engineering and manufacturing company Drilling complexes: production of drilling equipment ;
- OOO Palitra: launching production of various colourants (including some using BAZ-SUAL industrial waste);
- OOO Sorbent-K: launching production of mineral feeding for birds and animals in agriculture and mineral sorbents for sewage purification and further;
- OOO Eco Company: launching an industrial waste treatment plant;
- OOO Politek: launching production of equipment for recycling secondary polymers, wood and secondary Tetra Pak packaging;
- OOO Eco-Trade: launching production of soil conditioners and sorbents.

In total, the Bogoslovsky Industrial Park expects to implement 11 investment projects, so that by 2020 it will have created over 2,100 new jobs. Furthermore, the overall amount of investments by the residents might exceed RUB 11,5 billion.

Sinarsky Industrial Park

Location: 1, Zavodsky proezd, Kamensk-Uralsk
Total area: 297 hectares

Industry focus:

Heavy engineering; metals industry; a range of services.

The Sinarsky Industrial Park offers ready-to-use industrial, office and warehouse facilities, vacant land plots, well-developed infrastructure, and the utilities required for a manufacturing location.

Available energy resources:

- Electricity supply – 51 MW;
- Gas supply – 800 nm³/hour;
- Process water supply – 67 m³/hour.

Project status

Currently, the park has 11 residents, including three residents that are already in operation. For instance, OOO Real Estate is involved in collecting scrap metal. This company supplies its production mainly to Seversky Tube Works (which is, together with Sinarsky Pipe Plant, a member of TMK). OOO Urallestrade produces packing materials (textile slings) for pipes manufactured by Sinarsky Pipe Plant. OOO Mechanical and Casting Plant (a former subdivision of Sinarsky Plant) produces fuel tanks for oil companies. Moreover, Sinarsky Power Plant, a food production facility, a number of service companies active in the transport, repairs, installation, designing and waste recycling markets also operate in the park.

The number of residents is expected to grow up to 25 by 2020, creating up to 6,000 jobs.

Industrial park «Chemical park Tagil»

Location: 21, Severnoye Highway, Nizhny Tagil
Total area: 146 hectares

Industry focus:

chemicals and related products;
wholesale of original synthetic resin and plastic materials.

The Chemical Park was built on the basis of OAO Uralchimplast. This is a dedicated chemical facility with a total area of 140 hectares. It offers infrastructural solutions for the fast launch of chemical or related production on industrial sites of 0.5 to 10 hectares, supplied with all required utilities.



Park infrastructure:

- Available energy resources and free-of-charge connection to energy supply points;
- Effluents discharge to internal treatment facilities;
- Solid industrial waste disposal site;
- Thermal treatment facilities for chemical effluents;
- Well-developed internal network of roads with a total length of around 35 km;
- Well-developed network of railway tracks – around 20 km across the park;
- Internal warehouses for storing raw materials and finished goods;
- Utilities;
- Security services;
- Hospital and fire station

The park offers R&D, a laboratory, analytics, engineering, marketing, customs, information and healthcare services, as well as warehousing and logistics, equipment repairs, security, catering, cleaning, waste disposal services and assistance in obtaining relevant permits.

The park has 14 residents, including:

- OAO Uralchimplast – production of synthetic resin and plastic materials;
- ZAO UralMetanolGroup – methanol production;
- OOO Eckotechnology 2005 – waste processing and utilization;
- OOO Uralchimplast Cavenaghi (a JV with Cavenaghi (Italy)) – production of synthetic rods and forms for casting;
- OOO Uralchimplast Huttenes Albertus (a JV with Huttenes Albertus Chemische Werke GmbH (Germany)) – production and sale of casting binders, materials for ferrous and non-ferrous casting and complementary goods;
- OOO Uralkhimplast SI Group (a JV with SI Group (USA)) – production of resins for the tyre industry and rubber manufacturing;
- OOO Uralkhimplast Amdor – production of corrosion inhibitors for the oil and gas industry and chemical agents for road construction;
- OOO Ural Plasticiser Plant – production of PVC compounds for the cable industry;
- OOO PTP Burovik – production of drilling equipment.

Project status

The total combined revenue of these companies came to RUB 6.7 billion in 2014. The number of jobs provided is 1,639.

Tagil Chemical Park is certified to run research in order to investigate physicochemical properties of substances. The Ural Plasticiser Plant is constructing a cable compound plant. OOO PTP Burovik manufactures and sells drilling equipment and produces steel structures. OOO Uralchimplast Amdor is retrofitting and upgrading its facilities for producing corrosion inhibitors and thawing chemicals. OOO Uralchimplast Huttenes Albertus is constructing a workshop in order to produce non-stick paint.

The project is supported by the Government of the Sverdlovsk Region and the Government of the Russian Federation.



Biomedical research and implementation technology park Novouralsky



Location:
Novouralsk

Area and infrastructure: nine building with a total area of over 25,000 sq. m and leased land plots in Novouralsk with utilities (over seven hectares);

Its objective is to set up and operate high-tech production facilities in the Sverdlovsk Region and establish an innovative framework for developing, producing and distribution of the next generation pharmaceuticals, medical equipment and healthcare products in compliance with international GMP and ISO standards.

The park offers the following resources and services:

- Promotion of new products in the market;
- Technological equipment supply for pharma production;
- Raw materials supply;
- Accounting and financial services (assisting in raising investments, obtaining soft loans, etc.);
- Marketing, lead generation, contracting;
- Advisory and facilitation of interaction with research, industrial and servicing organisations
- Staff training and recruitment;
- Business planning advisory;
- Customs support;
- Warehouse leasing;
- Patenting and licensing.

Projects by core residents of the technology park:

OOO Zavod Medsintez

- manufacturing the finished forms and substances of the genetic-engineered human insulin Rosinsulin®;
- producing substances and finished dosage forms of antiviral drugs, e.g. Triazavirin;
- upgrading and expanding production of infusion peritoneal and HF solutions for hemodiafiltration, as well as radiopaque contrast agents.

OOO Zavod Dizet

- manufacturing a extrarenal blood clearance apparatus («artificial kidney») Malakhit; and
- producing automated water treatment units for hemodialysis.

OOO Ural Centre for Bio-Pharma Technologies – developing new antiviral compounds and drugs based on Triazavirin molecule in various dosage forms.

OOO Ural Centre for Nanotechnologies – developing and producing innovative long-lasting antimicrobial coating.

Technology park was established in 2012. The volume of products sold by the park residents in 2014 exceeded RUB 940 million, with innovative products and services accounting for 86% of this figure.

The products are sold via e-platforms in Russia and the CIS, distributors and specialised healthcare centres. The technology park residents cooperate with foreign partners such as Bayer AG (Germany), Nipro Corporation (Japan), Artherex (USA), Medtronic (USA, Switzerland).

The park invites foreign partners to cooperate in research, innovation and production, including technologies and production localisation of global medical and paramedical manufacturers at its premises.

Projected industrial and technology parks

Park	Commissioning	Total area, hectares	Town	Industry focus
Industrial Parks				
Novosverdlovsky	2016	550	Ekaterinburg	Instrument making, power engineering, electrical engineering, and metal working
Muranitny	2017	409	Zarechny	Manufacturing industry, transport and warehousing logistics
Novouralsky	2016	256	Novouralsk	Knowledge-intensive production, power, and new materials
Pro Business Park Isetsky	In operation 2016	180 73	Ekaterinburg Sredneursk	Logistics, wholesale and retail, and manufacturing Assembly and logistics
Berezovsky	In operation	63	Berezovsky	Transport and warehousing logistics, trade, and manufacturing
Zarechny	2015	8	Zarechny	Knowledge-intensive industries, power, and new materials
Technology Parks				
Priborostroenie	In operation	66.5	Ekaterinburg	Instrument engineering
High-tech park Universitetsky	In operation	51.2	Ekaterinburg	IT, nanotechnologies, instrument making and electronics
Sinarsky	In operation	30	Kamensk-Uralsky	Production innovations, new materials and technologies
Research and production part Technomet	In operation	4.4	Ekaterinburg	Research and development, pilot projects, steel and alloy making; manufacturing machines, equipment, instruments for metal working, machine building, power, oil and gas, etc.
Research and technology park IntelNedra	In operation	4	Ekaterinburg	Knowledge-intensive products for geology, geophysics, mining, ferrous and non-ferrous metals, mining, and processing machine building
ZAO Technopark	In operation	2	Zarechny	Research and development, and new materials
NP Akademicheskoy Innovation and Technology Centre	In operation	1.3	Ekaterinburg	Producing powder metal and powder metal based materials, solid and liquid technogenic waste treatment, non-ferrous scrap metal recycling, equipment design and manufacturing
Energy technology park (ZAO Sredneursky Constructional Ironworks)	In operation	-	Sredneursk	Scientific and technological research; manufacturing pressure and temperature sensors, instrument transducers, high-level gathering systems, installation and sealing elements, software; power units design, installation and maintenance



Contact details

Sverdlovsk Region

Governor of the Sverdlovsk Region

Kuivashev, Evgeny Vladimirovich

1, Oktyabrskaya pl., 620031, Ekaterinburg

Tel.: +7 (343) 370-5471

Fax: +7 (343) 370-5472

E-mail: so@midural.ru

<http://gubernator96.ru>

Chairman of the Sverdlovsk Region Government

Pasler, Denis Vladimirovich

1, Oktyabrskaya pl., 620031, Ekaterinburg

Tel.: +7 (343) 371-7920

Fax: +7 (343) 362-1700

E-mail: so1@gov66.ru

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

Deputy Chairman of the Sverdlovsk Region Government

– Minister of investments and development of the
Sverdlovsk Region

Orlov, Alexey Valerievich

1, Oktyabrskaya pl., 620031, Ekaterinburg

Tel.: +7 (343) 371-8040

Fax: +7 (343) 371-5011

E-mail: pr_orlova@gov66.ru

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

Minister of International and External Economic Relations of the Sverdlovsk Region

Sobolev, Andrey Olegovich

21/23, Gorky st., 620151, Ekaterinburg

Tel.: +7 (343) 217-8672

Fax: +7 (343) 217-8911

E-mail: ao.sobolev@gov66.ru

<http://mvs.midural.ru/>

Middle Ural Development Corporation

Popov, Dmitry Andreevich, CEO

50b, Lenina st., 620075, Ekaterinburg

office No. 323

Tel.: +7 (343) 385-9558

E-mail: dpopov@investural.com

<http://investural.com>

Sverdlovsk Region Investment Portal

<http://invest.midural.ru/>

PwC Russia

Russia Regional Development Leader,

Managing Partner of PwC office in Ekaterinburg

Matsiborko, Maxim Ivanovich

51, 8th March st., 620142, Ekaterinburg

Summit Business Centre, office No. 1501

Tel.: +7 (343) 253-1433

Fax: +7 (343) 253-1430

E-mail: maxim.matsiborko@ru.pwc.com

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

www.PwC.ru