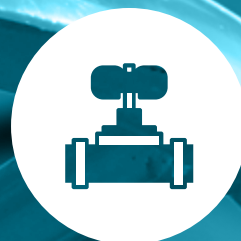
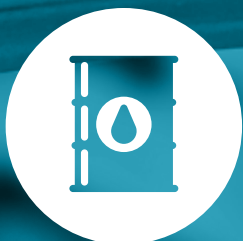




FRONT OFFICE

FOR INVESTOR RELATIONS
OF THE ADMINISTRATION OF LENINGRAD REGION

PETROCHEMICAL CLUSTER OF LENINGRAD REGION



OPENING REMARKS OF THE GOVERNOR OF LENINGRAD REGION



The strong industrial sector of Leningrad region has been developing for decades.

The share of the petrochemical subsector is rather large. In recent years, this subsector has been taking leading positions — it accounts for more than 30% of the total volume of industrial output.

Leningrad region is one of the most important transit areas for the Russian chemical and petrochemical industry. It has more than 2,200 km of gas pipelines and over 600 km of oil pipelines. Regional seaports transport more than 120 million tonnes of oil and oil products and over 10 million tonnes of gas condensate a year.

Russia's largest petrochemical plants specializing in advanced processing of oil products and stable gas condensate are located in this region. In total, there are more than 30 large and medium-sized chemical plants employing over 12,000 people. The development of the petrochemical cluster is one of strategic directions in the industrial policy of the region.

I am sure that information from this booklet will promote the development of your business in Leningrad region. We are open to cooperation with new partners. We maintain comfortable working conditions for everyone.

ALEXANDER DROZDENKO
Governor of Leningrad region

OPENING REMARKS OF THE CHAIRMAN AND MANAGING PARTNER OF KPMG IN RUSSIA AND THE CIS



We are glad to introduce the investor's guide to the petrochemical cluster of Leningrad region. This region has a lot to offer to the business: different subsidies, tax benefits, state guarantees, etc. The Cluster has educational institutions training specialists for the industry and conducting research and development.

But the main thing, in my opinion, is that the Government of the region is willing to implement a really effective investment policy and improve the attractiveness of the region for oil & gas and petrochemical companies.

We hope that this booklet will prove useful for developing your business in Leningrad region.

OLEG GOSHCHANSKY

*Chairman and Managing Partner,
KPMG in Russia and the CIS*

ABOUT LENINGRAD REGION

GEOGRAPHICAL LOCATION



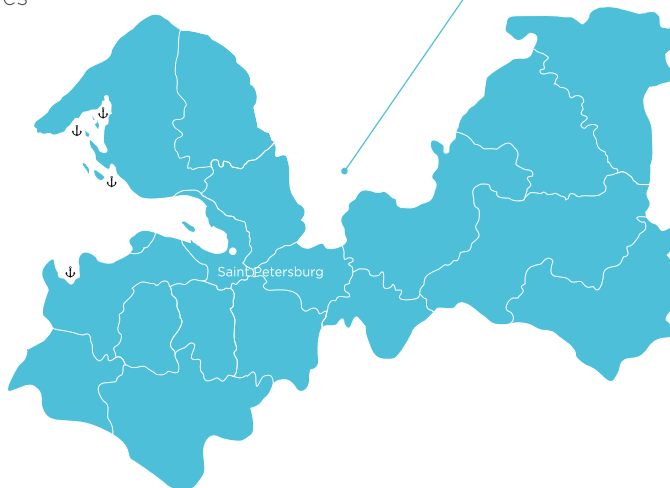
The region borders the European Union countries — Finland and Estonia



It has access to the Baltic Sea (through the Gulf of Finland), which enables development of large seaports



Borders on major lakes — Lake Ladoga and Lake Onega



Is located in the northwest of Russia



Borders with **5** constituent subjects of the Russian Federation:

- Saint Petersburg
- Novgorod region
- Pskov region
- Vologda region
- Republic of Karelia



83,900 km²

total area of the region

ADMINISTRATIVE DIVISIONS

Largest cities

- Gatchina
- Vyborg
- Vsevolozhsk
- Sosnovy Bor
- Tikhvin
- Kirishi

Leningrad region comprises

17 municipal districts

1 urban district

2,944 settlements, out of which

2,878 are rural

66 are urban

POPULATION NUMBERS AND LABOR RESOURCES



1,791,900 people
total resident population in 2016,
including:



63.7% urban population

36.3% rural population

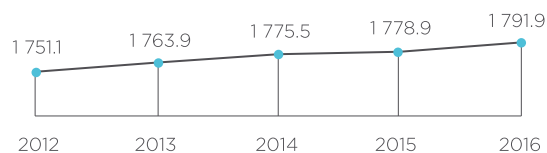


966,200 people
total labor force in 2016,
including:

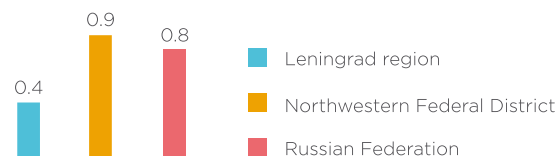


95.4% active in the economy

Population dynamics, thousand people



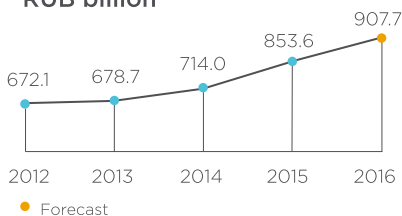
Level of recorded unemployment in 2016
as % of the labor force



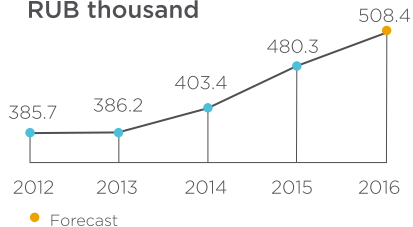
ABOUT LENINGRAD REGION

GROSS REGIONAL PRODUCT

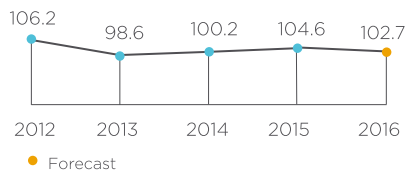
GRP,
RUB billion



GRP per capita,
RUB thousand

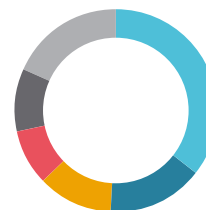


GRP volume index,
% of the previous year



IN TERMS OF GRP PER CAPITA, DURING 2012-2015 LENINGRAD REGION CONSISTENTLY EXCEEDED THE AVERAGE LEVEL FOR RUSSIA

Breakdown of the GRP
of Leningrad region



35.6% industry

15.3% transport and communications

12.0% wholesale and retail trade

10.1% construction

8.8% real estate transactions

18.2% miscellaneous

FOREIGN ECONOMIC ACTIVITY

\$7.5 billion

foreign trade turnover of the region in 2016

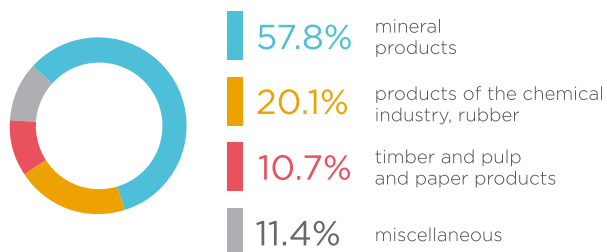
93.9%

share of non-CIS countries in trade turnover in 2016



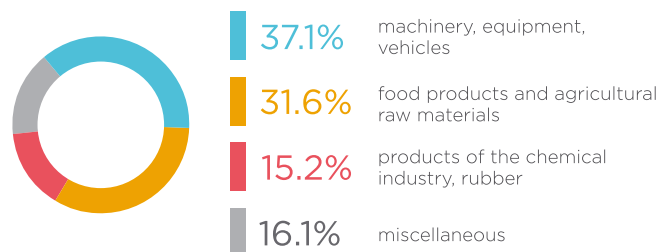
\$4.8 billion
total exports for 2016

Breakdown of exports



\$2.7 billion
total imports for 2016

Breakdown of imports



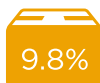
Leading countries in terms of exports from the region



China



Finland



The Netherlands

Leading countries in terms of imports to the region



Germany

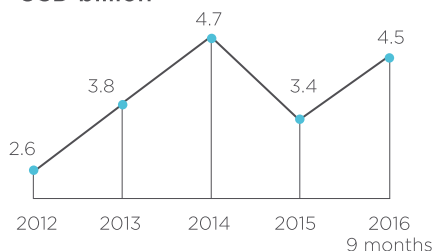


China



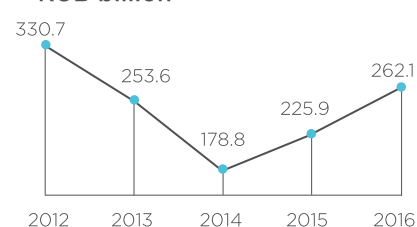
Finland

Foreign direct investments, USD billion



The development of enterprises operating in the petrochemical industry accounts for approximately 10% of total investments in the fixed capital of Leningrad region

Investments in fixed capital, RUB billion



Most investments in 2016 were allocated to:

- industry — 50.3%
- transport and communications — 27.9%
- real estate transactions — 10.6%

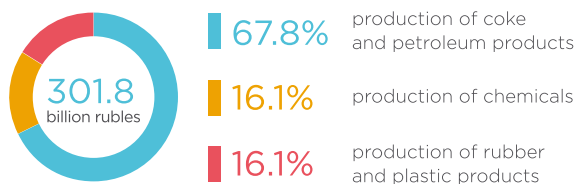
enterprises with foreign participation operate in Leningrad region
657

STRUCTURE OF THE CLUSTER

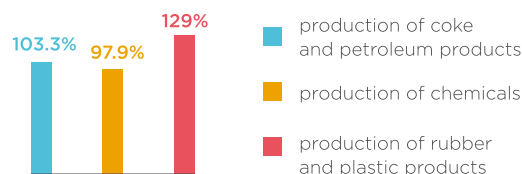
The cluster of the petrochemical industry brings together the main **production enterprises** operating in the petrochemical industry and organizations pertaining to **auxiliary and supporting segments**.

The petrochemical complex of Leningrad region **includes the following subsectors**: the production of coke and petroleum products, the production of chemicals, and it also includes the production of rubber and plastic products.

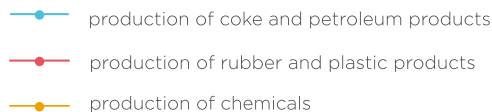
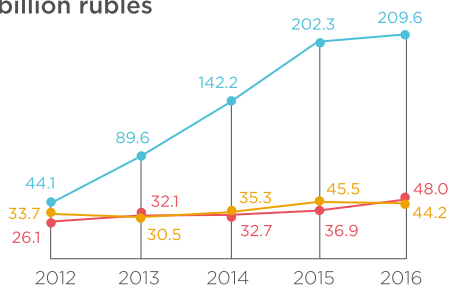
Total volume of shipped products from the petrochemical cluster in 2016



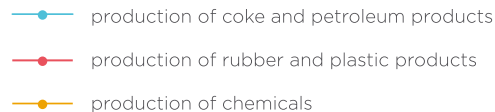
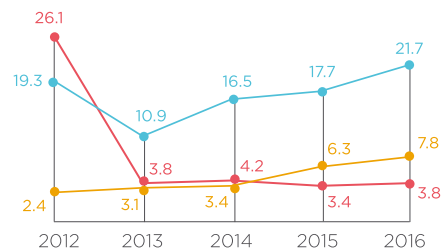
Industrial production index of the petrochemical cluster



Total volume of shipped products from the petrochemical cluster, billion rubles






Volume of investments in fixed capital of the petrochemical cluster, billion rubles



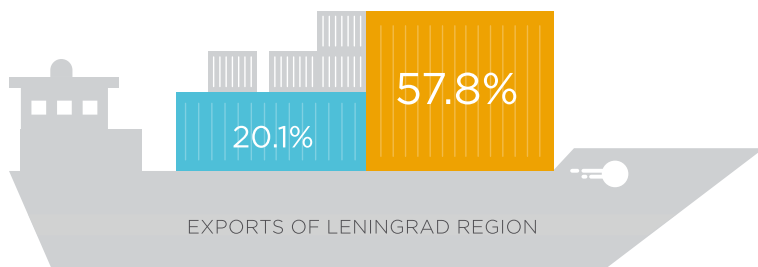
ENTERPRISES FROM THE PETROCHEMICAL CLUSTER ACCOUNT FOR 30.2% OF THE STRUCTURE OF SHIPPED PRODUCTS OF THE SECONDARY INDUSTRY



Production potential of the petrochemical cluster

-  availability of raw materials (oil pipelines capable of supplying sufficient raw materials for the development of the petrochemical sector) and gas pipeline in Leningrad region
-  border location (bordering with two EU countries)
-  favorable coastal location (on the banks of the Baltic Sea), availability of major sea ports that are operational or are being constructed

The petrochemical industry plays an important role in the **structure of exports of Leningrad region**



EXPORTS OF MINERAL PRODUCTS



EXPORTS OF CHEMICAL INDUSTRY PRODUCTS, RUBBER PRODUCTS



In Leningrad region the petrochemical industry plays a substantial role in the development of the regional economy, exerting a significant influence on key industrial sectors. Petrochemical technologies, serving as the basis for the production of state-of-the art materials, **play a key role in the technological development, economic growth and national security** of both Leningrad region and the Russian Federation.

FUTURE DEVELOPMENT OF THE CLUSTER



deeper conversion of hydrocarbons and minerals based on state-of-the-art technologies



increase in the volumes of products being produced and sold, including import-substituting products



increase in the volumes of non-resource-based exports of industrial products of Cluster participants



launch of the Cluster's industrial products on promising new sale markets



increase in the investment activity of Cluster participants



increase in the added value created by Cluster participants



decrease in imports of certain types of chemical products and raw materials



provision of the Cluster with research, engineering and technical and management employees and workers through cooperation within the Cluster and the involvement of higher and secondary education institutions in the work of the Cluster

THE DEVELOPMENT PROSPECTS OF THE PETROCHEMICAL CLUSTER OF LENINGRAD REGION DEPEND DIRECTLY ON THE DEVELOPMENT PRIORITIES OF ITS LEADING PARTICIPANTS



The promising gas processing technologies that Cluster participants have an opportunity to develop include:

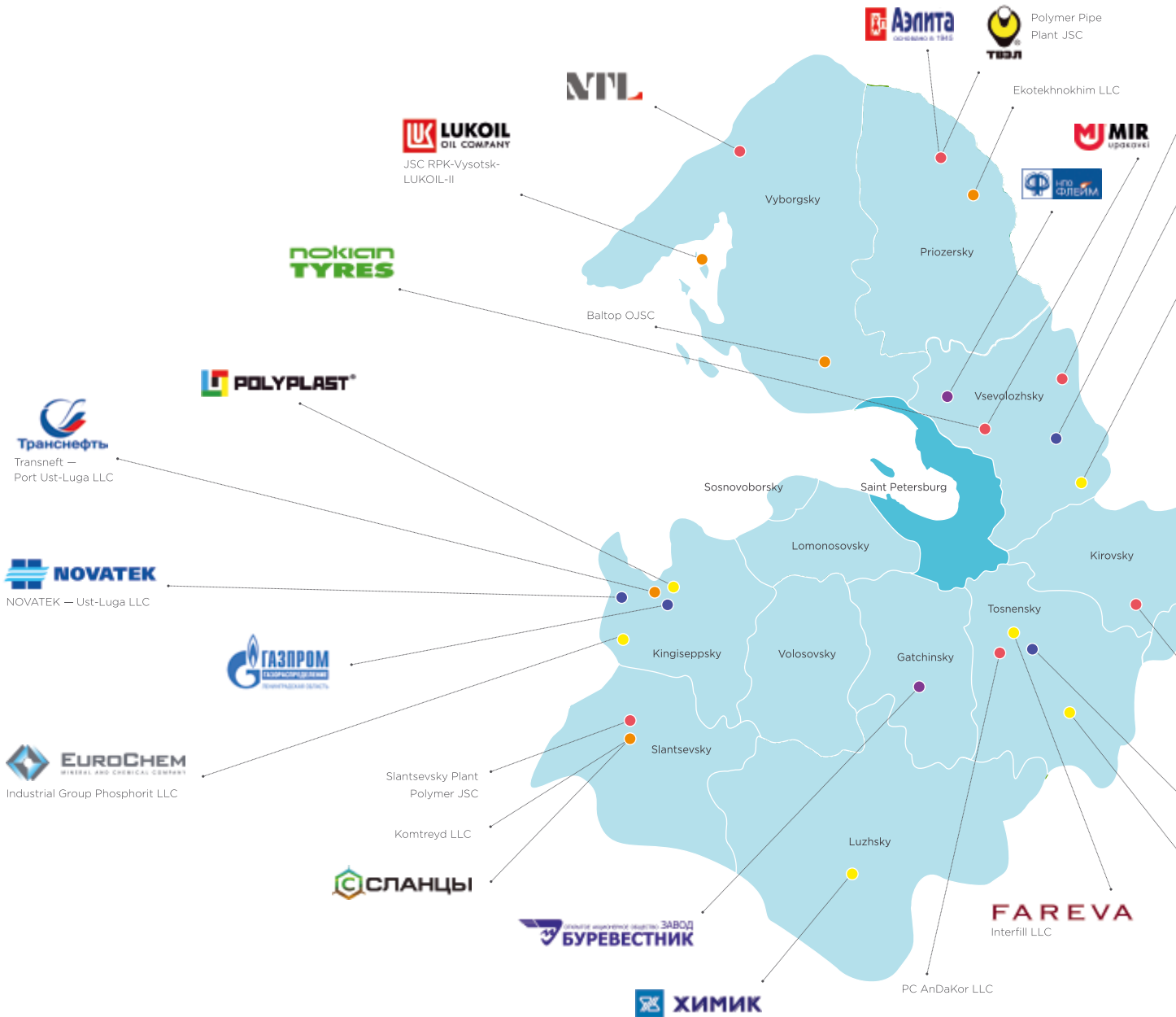
- membrane technologies for the separation of natural gas into valuable components: ethane, propane-butane fraction, helium, and dry gas with a high methane content
- technologies for the oxidative dehydrogenation of ethane into ethylene
- technologies for the oxidative dimerization of methane into ethylene
- technologies for transforming methane into synthesis gas with a low level of capital costs
- technologies for obtaining fuel and chemical products from synthesis gas

The promising types of petrochemical products to be developed in the period to 2020 include catalysts for the petrochemical industry; highly productive and highly selective membrane materials with a controlled pore size for promising gas and liquid separation technologies.

LIST OF INVESTMENT PROJECTS BEING IMPLEMENTED AND PLANNED FOR IMPLEMENTATION IN LENINGRAD REGION IN THE OIL, GAS AND CHEMICAL SECTORS OF INDUSTRY

Name of the investment project	Name of the company	Amount of financing, million rubles	Period of implementation, years	Brief description of the investment project
Construction of methanol production plant	Baltic Gas Chemical Company LLC	64,000	2015-2019	Creation of methanol production plant in the eastern part of the Ust-Luga industrial zone with a projected capacity of 1.7 million tons of methanol a year
Ammonia production facility with a projected capacity of 1 million tons a year in Kingiseppsky municipal district	EuroChem Northwest JSC	55,000	2015-2017	Ammonia production facility with a projected capacity of 1 million tons a year (liquid ammonia primary production facility and warehouse)
Construction of deep conversion hydrocarbon mini plant with capacity of 1 million tons a year	Olton Invest LLC	650	2016-2019	Construction of deep conversion hydrocarbon mini plant with capacity of 1 million tons a year
Construction of the third and fourth lines of the main gas pipeline Nord Stream	Gazprom PJSC	50,400	2016-2018	Laying of new lines on land and the first marine line with branches to the shore. Each line has a production capacity of 27.5 billion m ³ per year
Construction of a mineral fertilizer transshipment terminal in Kingiseppsky municipal district	EuroChem Terminal Ust-Luga JSC	10,009	2012-2020	Construction of a mineral fertilizer transshipment terminal with projected capacity of 7 million tons of mineral fertilizers a year
Construction of marine terminal for the production and handling of liquefied natural gas at Vysotsk Port	CryoGas CJSC	63,627	2015-2018	Construction of marine terminal for the production and handling of liquefied natural gas at the Vysotsk Port with a production capacity of 660,000 tons of liquefied natural gas a year
Construction of liquefied natural gas production, storage and shipment complex near Portovaya Compressor Station	Gazprom Invest LLC	126,750	2016-2020	The project stipulates the construction of the following facilities: liquefied natural gas plant, LNG jetty, cryogenic gas pipeline, complex of coastal port facilities, approach dam, access roads, power supply lines, gas supply pipeline, communication cables, etc.
Construction of carbamide plant	Baltic Carbamide Plant, IST Group of Companies LLC	53,070	2014-2018	The project stipulates the construction of the second line of the plant with an expansion of production to 2 million tons of carbamide a year
High-octane compound gasoline production complex	Surgutneftegas OJSC KINEF LLC	26,600	2014-2017	Creation of high-octane compound gasoline production complex
Retrofitting and upgrading of sections of paint and varnish production facility, semi-finished products and solvent recovery production facility	Khimik OJSC	170	2016-2017	Retrofitting and upgrading of sections of paint and varnish production facility, semi-finished products and solvent recovery production facility
Creation of Yamburg Industrial Park	Yamburg Industrial Park LLC Progressive Solutions LLC	2,096	2014-2018	The investment project is intended for the location of small and medium-tonnage enterprises, and also the testing and launch of the manufacture of innovative import-substitution solutions in key positions in the oil and gas and chemical sectors

KEY ORGANIZATIONS OF THE CLUSTER





KEY ORGANIZATIONS OF THE CLUSTER

OIL INDUSTRY

Organization	Location	Information about the organization
KINEF LLC	Kirishi, Kirishsky district	Is a structural division of Surgutneftegas OJSC. The plant produces all types of fuel, products for the petrochemical, paint and varnish industries, enterprises in the household chemicals sector and for the construction industry.
SLANTSY LLC	Slantsy, Slantsevsky district	The product line of the enterprise includes different types of distillate, electrode coke, calcined coke, shale oil, shale-bituminous roofing insulating mastic, petroleum resin for the production of technical carbon, liquid pyrolysis products, petroleum naphtha, coal-tar naphtha, polymeric petroleum paint and varnish resin, and polymer resins.
Ekotekhnokhim LLC	Gromovo, Priozersky district	In December 2015 Ekotekhnokhim LLC launched in Priozersky district of Leningrad region the import-substitution production of high-quality B-91/115 grade aviation gasoline for Russia's domestic aviation fuel market.
Transneft – Port Ust-Luga LLC	Koskolovo, Kingiseppsky district	The enterprise's activity is focused on the acceptance of oil from the main oil pipeline, the storage and shipment of oil to tankers on behalf of the oil companies of the Russian Federation and is aimed at ensuring the continuous transshipment of oil for export.
RPK-Vysotsk LUKOIL-II JSC	Vysotsk, Vyborgsky district	The distribution and transshipment facility is used to accept petroleum products supplied by pipeline, rail and sea transport and load them into tankers with deadweight of up to 80,000 tons to be exported. The productivity of the distribution and transshipment facility for acceptance exceeds 12 million tons a year by rail and 3 million tons a year along the product pipeline Primorsk – Vysotsk commissioned at the end of 2015.



CHEMICAL INDUSTRY

Organization	Location	Information about the organization
Industrial Group Phosphorit LLC	Phosphorit Industrial Zone, Kingiseppsky district	Is part of EuroChem. The enterprise produces phosphate fertilizers, including compound fertilizers: monoammonium phosphate, monoammonium phosphate-sulfate, enriched superphosphate, defluorinated feed phosphate, and also electrolyte and reactive nitric acid and ultraclean nitric acid for the needs of the electronic industry. Is developing its own phosphorite deposit.
Khimik OJSC	Luga, Luzhsky district	The enterprise is diversified by areas of activity and specializes in the development of relevant solutions for the following sectors and areas of the economy: for the oil and gas complex (anticorrosive protection of metal structures), for transport (operating fluids, solvents, automotive chemicals and automotive care products, anticorrosive production), household chemicals, etc.
Interfill LLC	Tosno, Tosnensky district	Subsidiary of the French concern Fareva. The main lines of business of the concern are pharmaceuticals production, the production of cosmetics and household chemicals. Washing powders, washing-up liquid and other detergents are produced at the enterprise in Tosno.
Metachem CJSC	Volkhov, Volkhovsky district	The only producer of sodium tripolyphosphate in Russia. Metachem is closely linked to Pikalevskaya Soda, which supplies the soda for the production of the sodium tripolyphosphate and carbonate for the production of potassium sulfate. The enterprise is a major exporter of sodium tripolyphosphate, potassium sulfate to the countries of Western Europe, Asia, South America, and Africa.
Pikalevskaya Soda CJSC	Pikalevo, Boksitogorsky district Volkhov, Volkhovsky district	Integrated conversion of nepheline concentrate, with the receipt of alumina, soda ash, potassium carbonate, gallium and Portland cement. Within the framework of the chemicals and petrochemical sector, the production of mineral fertilizers, chemical reagents, paints and lacquers represents the main area for applying potassium carbonate. Most of the potassium carbonate (potash) being produced by the enterprise is sold for export. The list of importer countries includes: Poland, Czech Republic, India, UAE, Indonesia, Turkey, Saudi Arabia, Brazil, Spain, the USA, England, Mexico, Switzerland, Austria, Germany, etc.
Morozovsky Chemical Plant JSC	Morozova settlement, Vsevolozhsky district	Leading-edge producer of innovative paints and varnishes for anticorrosion protection in industry.
Polyplast North-West LLC	Phosphorit Industrial Zone, Kingiseppsky district	One of the plants of the group POLYPLAST — one of the largest chemical holding companies in the Russian Federation — leaders of the Russian market of chemical additives.
Laniteks — Optima-7 LLC	Nikolskoe, Tosnensky district	Raw material production enterprise for the manufacturing of liquid detergents included in the NORKEM Group of Companies.



KEY ORGANIZATIONS OF THE CLUSTER

GAS INDUSTRY

NOVATEK — Ust-Luga LLC

(Ust-Luga Port, Kingiseppsky district)



The stable gas condensate fractionation and transshipment facility in Ust-Luga port on the Baltic Sea, commissioned in 2013, makes it possible to convert the stable gas condensate into light and heavy virgin naphtha, kerosene, diesel fraction and marine fuel component (fuel oil) and ship the finished products for export by sea. The facility can also be used for the transshipment of stable gas condensate for exports.

Gazprom Invest LLC

(Vyborg, Vyborgsky district)



New business. The liquefied natural gas plant is in immediate proximity of the Portovaya Compressor Station that supports the functioning of Nord Stream.

The plant's construction is aimed at supplying natural gas to Kaliningrad region. And ensures strategic independence from neighbors from the European Union (at present gas is supplied from Lithuania).

Gazprom LNG Saint Petersburg LLC

(Ust-Luga Port, Kingiseppsky district)



New business. Liquefied natural gas production plant in Leningrad region (Baltic LNG). Plant capacity — 10 million tons of LNG per year, with possible expansion of up to 15 million tons per year. The gas will be supplied to the plant from the Unified Gas Supply System of Russia.

The project is intended for LNG supplies to European markets, the markets of Latin American countries, the supply of gas to Kaliningrad region in the Russian Federation, and also to service the bunkering market and perform low-tonnage supplies in the Baltic.

Gazprom Gas Distribution Leningrad Region JSC

(Vsevolozhsk, Vyborg, Kingisepp, Tikhvin, Tosno)



Leading organization of the region transporting natural gas to consumers, ensuring the safe and trouble-free operation of gas supply systems and implementing the large-scale gasification plans of the region.

One of the first enterprises in Russia to have developed the technology for the manufacturing and construction of pipelines from polyethylene.

PLASTIC AND RUBBER INDUSTRY

Organization	Location	Information about the organization
RANTIS Research and Production Association LLC	Kirovsk, Kirovsky district	Manufacturing of products from plastics for the house, office, educational institutions, industrial and automotive enterprises, etc.
Wasser-Logik LLC	Shcheglovo, Vsevolozhsky district	Manufacturer on the market for polyethylene pipes for water supply.
Mir Upakovki JSC	Sertolovo, Vsevolozhsky district	Mir Upakovki is one of the leading enterprises in the sector. The core lines of the business is the production of standardized plastic containers and packaging for the mass market and the manufacturing of exclusive packaging products against the order.
Slantsevsky Plant Polymer JSC	Slantsy, Slantsevsky district	Manufacture of rubber products, rubber shoes.

Orion LLC	Sertolovo, Vsevolozhsky district	Since 2014 the enterprise has been producing plastic components for the automotive industry. Is part of the Mir Upakovki Group of Companies.
Polymer Pipe Plant JSC	Sosnovo, Priozersky district	Is part of the holding company TVEL Production Association. Is one of the leading Russian and global companies producing flexible insulated pipelines. The Company produces and supplies Tvelpex pipes for the external heating networks, hot and cold water supplies with a functional pipe from the cross-linked polyethylene PEX-A, with anti-oxygen diffusion barrier, which safeguards the steel elements of the heating system from corrosion.
PC AnDaKor LLC	Nikolskoe, Tosnensky district	Produces and sells industrial rubber goods of the highest quality and greatest range.
Penoplex Kirishi LLC	Kirishi, Kirishsky district	Major Russian producer of construction and decorative finishing materials based on the polymers.
NTL Packing LLC	Lesogorsky, Vyborgsky district	Integrated solutions on the production of high quality packaging materials. The company heads the list of the largest enterprises of the Northwestern Region of Russia operating in the flexible polymer packing production industry. The core line of the business of the enterprise has been the same throughout its protracted history — the manufacturing of different high-tech films, plastic bags, the production of packaging from combined materials, polyethylene packaging, bags for the storage food, household chemicals and other consumer goods. The products are supplied to Russian regions, CIS countries, the near and far abroad.
AELITA Plastic Processing Plant JSC	Sosnovo, Priozersky district	The only production plant in the Russian Federation of tube cartridges for adhesives and sealants. The produced tubes fully comply with European standards for such products, which is confirmed by certification at the head company of Henkel in Dusseldorf. At present the range of products exceeds 150 items. The products are produced for the food industry, medicine, and the construction of different technical and household goods.
Nokian Tyres LLC	Vsevolozhsk, Vsevolozhsky district	The plant in Vsevolozhsk is the most modern tyre plant in Europe. It was officially opened in September 2005. The plant is equipped with state-of-the-art high-tech equipment, all processes are automated. The plant produces winter and summer tyres for cars and SUVs — Nokian Hakkapeliitta, Nokian Hakka and Nokian Nordman. Tyres produced at the plant in Vsevolozhsk are sold in Russia and exported to 38 countries.



KEY ORGANIZATIONS OF THE CLUSTER

EQUIPMENT FOR THE PETROCHEMICAL, GAS AND CHEMICAL INDUSTRY

Organization	Location	Information about the organization
NPO Flame CJSC	Bugry, Vsevolozhsky district	State-of-the-art dynamically developing enterprise, which specializes in the development and production of pipe fittings for enterprises of the heat power engineering and petrochemical industry.
Burevestnik Plant OJSC	Gatchina, Gatchinsky district	Diversified enterprise specializing in the production of: shipping fittings; heat exchangers; fittings for the oil and gas production industry and the fittings of the fuel and energy complex; personal protective equipment; mounted and plastic hardware.

RESEARCH AND TECHNICAL ORGANIZATIONS

Organization	Location	Information about the organization
Junix LLC	Kirishi, Kirishsky district	The enterprise specializes in the performance of construction and assembly work in the petrochemical, gas, mining, metallurgical, food and other industries.
Lengproneftechim LLC	Saint Petersburg	Institute for the Design of Enterprises of the Oil Refining and Petrochemical Industry. Russia's leading design institute.
EOR (Economics of Oil Refining) LLC	Saint Petersburg	The company performs research, feasibility studies, prepares business plans, analyzes activity and performs other work for oil companies, oil refineries, and also design and consulting companies.
Petersburg NefteStroy Design and Construction Company LLC	Saint Petersburg	The areas of activity of the company include: design engineering; supply of equipment for oil storage and refining, including as part of a package; performance of the functions of construction general designer, including turnkey construction.
Neftekhimproekt CJSC	Saint Petersburg	The enterprise focuses primarily on the development of pre-design, design and working documentation for the construction of oil refining and petrochemicals facilities, the storage and shipment of oil and petroleum products, the provision of technical assistance during equipment orders and the performance of construction and assembly work.
Engineering Company LENNIKHIMMASH Group of Companies	Saint Petersburg	Development of projects, such as hydrocarbon gas treatment plants and production lines for the deep conversion of natural and associated gas and the integrated design of gas processing plants, including the receipt of a wide range of marketable products – light hydrocarbon fractions, polybutylene terephthalate, individual hydrocarbons, ethane and helium.

FRONT OFFICE FOR INVESTOR RELATIONS

OF THE ADMINISTRATION OF LENINGRAD REGION

To ensure maximum support of the business and provide assistance to investors in the region, the Front Office for Investor Relations of the Administration of Leningrad Region was established under the auspices of Economic Development Agency of Leningrad Region.

AREAS OF ACTIVITY



Support of investment projects based on the “one-stop-shop” principle



Promotion of investment opportunities and projects in Russia and abroad, including through conferences, exhibitions, forums and other communication events



Maintenance and promotion of the investment portal of Leningrad region on the Internet

INVESTMENT PROJECTS IMPLEMENTED IN LENINGRAD REGION IN ACCORDANCE WITH THE “ONE-STOP-SHOP” PRINCIPLE ARE SUPPORTED FREE OF CHARGE

INVESTOR RELATIONS PATTERN



2 days

Application for project support



5 days

Consideration of the application for project support



5 days

Making a decision to support the project



5 days

Agreement on project support



∞

Project support

PROJECT SUPPORT



Information and advisory assistance for the investor



Selection of the investment site



Support during the procedure of connecting to the engineering and transport infrastructure

MEASURES OF STATE SUPPORT

FEDERAL MEASURES OF STATE SUPPORT



Machinery and equipment for utilization of associated petroleum gas that have no Russian-made equivalents are exempted from customs duties



Lower tax burden on enterprise operating in the oil sector, the application of a differentiated rate of mineral extraction tax and rate of tax on the development of fields, depending on the natural and climatic conditions and the development stage, and improvements to the excise tax collection system



Improvements have been made to the system used to calculate customs duties on oil and petroleum products, which stimulate exports of petroleum products, and also factor in a rapid response to changes to global prices

Support measure	Regulation	Description
Subsidy to pay some of the interest on loans used to implement new investment projects	Resolution of the Government of the Russian Federation No. 3 dated 3 January 2014	The interest rate on the loans used to supplement working capital and current activity is subsidized
Subsidy to support the development of production facilities of composition materials (composites) and related products as part of the implementation of innovative projects involving the creation of high-tech products	Resolution of the Government of the Russian Federation No. 972 dated 30 October 2013	Costs on research and development, design and experimental and production work directly related to the creation of products as part of the implementation of the innovative project are reimbursed
Subsidies to reimburse some of the costs on the payment of interest on loans obtained from Russian credit institutions for the implementation of investment projects	Resolution of the Government of the Russian Federation No. 5 dated 3 January 2014	Costs on the implementation of investment projects in the chemical industry and on the payment of interest on loans are reimbursed
Subsidies to compensate costs on the export of goods, work and services, on the acquisition of equipment, compensate for costs on the payment of interest on loans, on implementation of educational programs, on promotion on regional and international markets	Resolution of the Government of the Russian Federation No. 1605 dated 30 December 2014	Support is provided to small and medium-sized businesses
Granting of a loan for the implementation of project-financing based investment projects on favorable terms and conditions	Resolution of the Government of the Russian Federation No. 1044 dated 11 October 2014	Authorized banks lend on favorable terms under a project-financing program
Favorable terms and conditions during the implementation of investment projects as part of concluded special investment contracts	Resolution of the Government of the Russian Federation No. 708 dated 16 July 2015	The investor undertakes to create or modernize production facilities and/or set up the production of industrial products, while the Russian Federation or the constituent subject of the Russian Federation undertakes to implement incentives in the specific industry for the effective period for the implementation of the projects

Subsidies to improve joint investment projects subject to compliance with the requirements of Resolution of the Government of the Russian Federation No. 779 dated 31 July 2015	Resolution of the Government of the Russian Federation No. 41 dated 28 January 2016	Up to 50% of aggregate costs on the implementation of a joint investment import substitution project at the cluster are reimbursed
Subsidies to compensate some of the costs on research and development and experimental design work	Resolution of the Government of the Russian Federation No. 1312 dated 30 December 2013	Some of the costs on research and development and experimental design work on priority areas of civil industry as part of implementation of complex investment projects by organizations are reimbursed
Subsidies to compensate costs on implementation of integrated projects to create high-tech production facilities	Resolution of the Government of the Russian Federation No. 218 dated 9 April 2010	Some of the costs on implementing comprehensive projects to create high-tech production facilities being implemented with the participation of Russian institutions of higher education and state research institutions are reimbursed

GRANTING OF A LOAN FOR THE IMPLEMENTATION OF INVESTMENT PROJECTS ON FAVORABLE TERMS AND CONDITIONS

Industrial Development Fund (Federal State Autonomous Institution Russian Foundation for Technological Development)

Special-purpose loans are provided on a competitive basis at an interest rate of 5% per annum for up to 7 years in the amount of 50 to 500 million rubles

REGIONAL STATE SUPPORT MEASURES



BENEFITS FOR INVESTORS

Regional Law of Leningrad region No. 113-oz dated 29 December 2012

- a reduction in the profit tax rate (regional part) to 13.5%
- a reduction in the property tax rate to 0%



SUPPORT FOR SMALL AND MEDIUM-SIZED BUSINESSES

Center for Entrepreneurship Support of Leningrad Region

A subsidy to reimburse a part of expenses related to:

- entering into a finance lease agreement
- paying interest under loan agreements
- purchasing equipment in order to establish and/or develop and/or modernize production of goods
- obtaining certificates
- implementing measures under energy efficiency programs



BENEFITS FOR CORPORATE PROPERTY

Regional Law of Leningrad region No. 98-oz dated 25 November 2003

- a reduction in the property tax rate to 0%



BENEFITS FOR INDUSTRIAL PARKS

Regional Law of Leningrad region No. 52-oz dated 28 July 2014

- tax benefits are granted to management companies of industrial parks in Leningrad region



HUMAN RESOURCES

16%
(17,500 people)

of total number of employees working in the secondary industry of the region work in the petrochemical industry

7,300 people — production of coke and petroleum products

5,500 people — production of chemicals

4,700 people — production of rubber and plastic products




RUB 51,500

average monthly salary
in the petrochemical
industry in 2016


5 blue-collar professions most in demand at operating enterprises in the petrochemical sector, people per year*

 Mechanic
(50/30)

 Welder
(40/20)

 Chemistry lab technician
(50/30)

 Product quality technical control specialist
(40/20)

 Specialist in instrumentation and control
(40/20)


*2017-2020 / 2021-2030


5 areas of expertise of the highly skilled staff most in demand at going concerns in the petrochemical sector, people per year*

 Chemical and biotechnology industries
(50/30)

 Automation and management
(50/30)

 Economics and management
(40/20)

 Metallurgy, mechanical engineering and material processing
(30/10)

 Power, power machine-building and electrical engineering
(30/10)

*2017-2020 / 2021-2030

INDUSTRY-SPECIFIC ACADEMIC INSTITUTIONS

SECONDARY EDUCATION

- State Autonomous Professional Educational Institute of Leningrad Region Kirishi Polytechnic Institute
- State Budget-Funded Professional Educational Institution of Leningrad Region Volkhov Aluminum College
- Kirishi branch of Saint Petersburg Economic and Technical College of D. I. Mendeleev

HIGHER EDUCATION

- Department of Economics and Management of Enterprises and Production Complexes, Saint Petersburg State University of Economics
- Department of the Technology of the Petrochemical and Coal Chemical Industry, Saint Petersburg State Technological Institute (Technical University)

SWOT ANALYSIS

STRENGTHS

- Geographical proximity to the CIS and European markets
- Availability of sea ports
- Availability of developed pipeline transport infrastructure
- Depreciation of the ruble against the main foreign currencies facilitates an increase in the competitiveness of the products of the petrochemical enterprises of the Cluster on the domestic market, and also the development of respective exports
- Ramping up of production capacities and output

OPPORTUNITIES

- Increase in the deep conversion to the global level
- Development of the export potential and import substitution
- Provision of direct and indirect financial support for the industry as a whole through state financing, and also through the provision of tax benefits and/or subsidies
- Assumption of new market niches through the modernization and technical retrofitting of the enterprise

WEAKNESSES

- Insufficiently high level of innovative activity of the petrochemical enterprises of the Cluster
- Inadequate level of investments in the implementation of cutting-edge production technologies
- Aging of the equipment of enterprises in the industry
- High prices and lack of the required range of raw materials for the chemical and petrochemical industry
- High capital output ratio of projects in the petrochemical industry with the high price of capital
- Shortfall in highly skilled staff in engineering and other technical professions
- High level of depreciation of fixed assets, in particular machinery and equipment

THREATS

- Dependence of petrochemical enterprises on imported raw materials
- Reduction in the pricing competitiveness of petrochemical products owing to inflation, the appreciation of the ruble and increase in the cost of the goods and services of natural monopolies
- Stiffening of the environmental requirements on the chemical and petrochemical industries
- Threat of the retention (intensification) of the pressure of sanctions from countries in the West on foreign investors against the backdrop of international instability
- Reduction in the economy's growth rates and level of investment activity

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**FRONT OFFICE FOR INVESTOR RELATIONS
OF THE ADMINISTRATION OF LENINGRAD REGION**

Economic Development Agency of Leningrad Region

“One-stop-shop” for investment projects support

Address: 64 B Malookhtinsky avenue, office 402, St. Petersburg, 195112

+7 (812) 644-01-23

www.lenoblinvest.ru

KPMG NORTH-WEST REGIONAL CENTRE

Alisa Melkonian

Partner, Head of tax and legal practice

Address: 69-71 A Marata street, St. Petersburg, 191119

+7 (812) 313-73-00

www.kpmg.ru