

LENINGRAD REGION

THE TERRITORY OF SUCCESSFUL INVESTMENTS



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WELCOME ADDRESS BY THE GOVERNOR OF THE LENINGRAD REGION



Dear friends,

The Leningrad Region is rightfully considered to be one of the most attractive areas in Russia for investors. The region's economy is among north-western Russia's top performers in terms of gross regional product. We are committed not only to maintaining this leading position, but also transforming the region into the most favourable for business.

Today, the Leningrad Region has a law in place to support investors through tax benefits. Furthermore, a Regional Investment Standard has been implemented while a new front office is now successfully assisting investors in all phases of various projects, from searching for land plots for production facilities to making sure that projects reach their design capacities.

The political and economic environment both inside and outside of Russia has presented new demands for so-

cial and economic actors. We need to create the conditions for developing a «new» economy based on high-tech industries. To this end, a network of private and public industrial parks has been built in the Leningrad Region to cultivate business. Furthermore, industrial enterprises receive subsidies in order to upgrade their production facilities and buy new equipment. They also enjoy tax breaks.

This guide outlines regional laws, development priorities and the investment policy of the Leningrad Region. I hope that it will assist you in setting up and developing your business in the region.

We are open for joint projects with all interested parties and very eager to develop business here. Welcome to the territory of successful investments!

Alexander Drozdenko
Governor of the Leningrad Region

INTRODUCTION BY PwC RUSSIA'S MANAGING PARTNER



Dear friends,

The Leningrad Region today presents a vivid example of a dynamic and rapidly growing economy. The availability of a rich natural resources base and a highly qualified labour pool, easy access to both Russian and European markets, and robust production and technological potential are some of the key factors helping to promote the Leningrad Region as a highly industrialised territory that is home to all types of manufacturing activity.

The Leningrad Region is unique in terms of its geographical location. Access to the Baltic Sea, geographic proximity to Western Europe, availability of practically all means of transport and brisk development of ports and logistic hubs make the region one of the largest transportation hubs in north-western Russia and an important link in Russian and global transportation infrastructure.

A notable advantage of the region is its natural integration with the second most important city of the Russian Federation, St Petersburg, which makes it one of the largest consumer markets in Russia and also contributes to the development of both the local and nationwide economy.

Top priority objectives for the region today include further improvement of living standards and setting attractive terms for the development of new investment projects.

The Leningrad Region Government's efforts to improve conditions for investors, such as investment support based on a «one-stop-shop» principle, contribute to creating the best possible climate for doing business.

In addition to a simplified procedure for obtaining tax breaks, another advantage of doing business in the region is the availability of operational industrial parks and clusters.

This guide presents the most interesting and helpful information about the economic situation in the region, its prospects for development, specific matters related to establishing and operating a business, and government support for investors.

We strongly believe that this publication will be helpful to both existing and potential investors. Furthermore, we wish the Leningrad Region Government new successes and achievements in its efforts to make the region prosper!

David Gray
Managing Partner, PwC Russia

WELCOME ADDRESS BY THE CHAIRMAN OF THE LENINGRAD REGION LEGISLATIVE ASSEMBLY



Dear friends,

Our region consistently ranks among the leading Russian territories in terms of social and economic development. We believe that the main job of our deputies is keeping this performance at a high level through continual improvements to regional legislation.

For over 15 years now, the fundamental law of the Leningrad Region with respect to government support for the economy has been Region Law No. 24-oz «On Government Support of Investment Activity in the Leningrad Region». One of the first and forward-looking regional laws in the Russian Federation, this legislation has given strong impetus to the local economy and set a good example for other regions. As a result, the improved investment climate has attracted dozens of large well-known companies to the region.

In addition, the region is now functioning and developing under Region Law No. 113 «On Government Support for Organisations Investing in the Leningrad Region and on Amending Certain Legal Acts of the Leningrad Region». The law sets out new regulations in this regard, taking into account today's economic realities.

Lawmakers pay special attention to enhancing the region's investment attractiveness and are eager to pass laws aimed at offering additional tax benefits to investors.

The economic achievements of the Leningrad Region were possible thanks to the effective teamwork of the legislative and executive authorities. I am sure that close cooperation with the business community will help us deal with major challenges while also enhancing our region as place to prosper and live comfortably.

Sergey Bebenin

Chairman of the Leningrad Region Legislative Assembly

INTRODUCTION BY THE OMBUDSPERSON FOR ENTREPRENEURS' RIGHTS IN THE LENINGRAD REGION



Dear friends,

The Leningrad Region is one of the best places in Russia for developing and operating a business. Its favourable location combined with extensive scientific and technological capabilities, developed market infrastructure and professional and skilled people makes it possible to set up production for any industry.

Inflow of investment to the local economy has increased mainly due to the stable legal environment, recognition of guaranteed equal rights and terms for investors and professional support in organising and developing businesses.

At the same time, I believe that the key factor in selecting a region for investment is not its resources, but the quality of work carried out by the regional team. The Leningrad Region Government is committed to creating a profitable and comfortable environment for investors.

The office of Ombudsperson for Entrepreneurs' Rights has been established in the region to ensure safe business operations, as well as facilitate efficient feedback between government and business. The well-being of business generally depends on each individual entrepreneur's confidence and success. My goal is to ensure this confidence and sense of safety among entrepreneurs.

Elena Ruleva
*Ombudsperson for Entrepreneurs' Rights
in the Leningrad Region*

INVESTMENT CLIMATE OF THE LENINGRAD REGION



STATISTICS

The Leningrad Region offers favourable conditions for attracting investment. The period between 2009 to 2014 saw high levels of investment. Many major projects have been implemented in the region, including strategic initiatives with extended investment periods.

Total fixed capital investments from all sources came to RUB 235.4 billion in 2013 and RUB 64.9 billion in January-June 2014.

The dynamics of annual investment in the Leningrad Region are reflected by the number of completed major investment projects, a «high base effect» and objective macroeconomic trends.

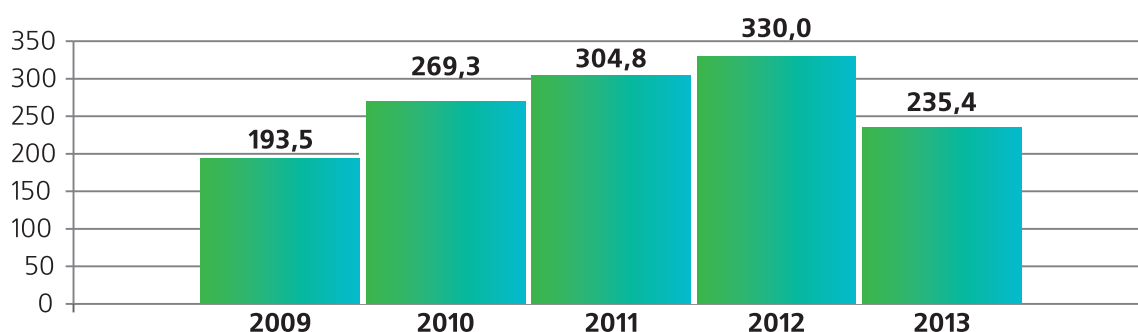
The region's investment profile is as follows – out of total capital investments in large and medium-sized organisations in January-June 2014:

- **RUB 23.4 billion (44.5%)** went to manufacturing;
- **RUB 14.5 billion (27.6%)** – to transport and communication development;
- **RUB 8.759 million (16.6%)** – to electricity, gas and water production and distribution;
- **RUB 2.759 million (5.2%)** – to agriculture, forestry and hunting;
- **RUB 971 million (1.8%)** – to organisations engaged in operations with real estate, leasing, and rendering of services.

Total capital investments, RUB billion

2009		2010		2011		2012		2013		2014
Jan-June	January-December	Jan-June	January-December	Jan-June	January-December	Jan-June	January-December	Jan-June	January-December	Jan-June
73,5	193,5	84,7	269,3	101,2	304,8	123,9	330	78,6	235,4	64,9

Capital investments from all sources of financing, RUB billion



FOREIGN INVESTMENTS

Foreign investments in 2013 increased by 43%, coming to USD 2 billion.

A significant share of foreign investments comes from

- **Cyprus** (USD 427 million in 2013):
- **Switzerland** (USD 677 million in 2013):
- **Kazakhstan** (USD 304 million in 2013):
- **British Virgin Islands** (USD 149 million in 2012).

The list of foreign countries investing in the Leningrad Region also includes Finland, Germany and the USA. Since 2004, Nokian Tyres (Finland) has invested over EUR 750 million in a tyre plant in the Vsevolozhsk District. The USA is the largest investor in vehicle production, while Germany is active in investing in chemicals and pulp and paper production.

Major investment projects now underway:

- construction of Leningrad Nuclear Power Plant No.2 (**Rosenergoatom Concern OAO**);
- construction of a liquid bulk cargo complex (**OAO Rosneftbunker**);
- construction of a mineral fertiliser terminal (**OOO EuroChem Terminal Ust Luga**);
- construction of a container terminal (**OAO Ust Luga Container Terminal**);
- construction of production facilities to manufacture high-capacity gas turbine units (**OOO Siemens Gas Turbines Technologies**);
- greenfield construction of a shipbuilding plant to produce floating rigs (**OOO Pella Shipbuilding Plant**);
- construction of a battery processing plant in Slantsy (**OOO Ecorusmetal**);
- a continuing large-scale project for the integrated development of Ust Luga Commercial Seaport and adjacent territories.

Two major investment projects were launched in 2014:

- Baltic LNG by **OAO Gazprom**, for the production of liquefied gas (investment is estimated at around RUB 40 billion);
- a LNG production and handling terminal project by **ZAO Cryogas** (with investment of around RUB 14.5 billion).



RATINGS

The Leningrad Region ranks high both in Russian and international ratings. According to the rating agency Expert RA, the region ranked first among Russian regions for 2013 in terms of minimal investment risk.

Standard & Poor's confirmed credit ratings in 2014 for the Leningrad Region at «BB+» (long-term rating) and «ruAA+» (national rating). The outlook for the ratings is «Stable». Fitch Ratings upgraded its long-term ratings for the Leningrad Region in foreign and national currency from «BB+» to «BBB», its national long-term rating from «AA(rus)» to «AA+(rus)» and its short-term rating in foreign currency from «B» to «F3». The outlook for these ratings is «Stable».

According to the 2014 National Rating of the Investment Climate in Pilot Regions of the Russian Federation, prepared by the Agency for Strategic Initiatives to Promote New Projects (autonomous non-commercial organisation «ASI»), the Leningrad Region performed well in the «Business Institutions» and «Quality and Availability of Infrastructure» categories.

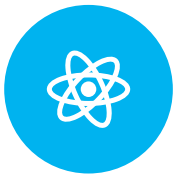
CLUSTER POLICY

Cluster development is an important policy for achieving rapid economic growth. Cluster development is highlighted as a part of improvements to industrial policy in accordance with the Russian Prime Minister's Order No. DM-P8-5060 of 28 August 2012, which approves a list of regional innovation clusters.

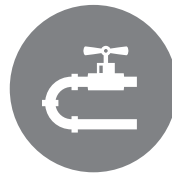
The cluster-based approach aims at boosting the competitiveness of the Leningrad Region's economy, both through maintaining its unique (on a macro-regional and even global scale) profile and encouraging growth through extensive introduction of innovations and new technologies.

The cluster approach is considered to be the most efficient and effective way of managing and encouraging economic and social development within a certain region. It helps to build ties between various companies of different sizes and, thanks to public private partnerships (PPPs) and public financing tools, it can mobilise private initiatives and resources needed to implement large-scale projects, which are otherwise beyond the budgets of individual project members.

The Leningrad Region currently features the following clusters, including those currently under development:



Medical, Pharmaceutical and Radiation Technology Cluster



Oil&Gas, Chemical and Petrochemical Cluster



Shipbuilding Cluster



Military Industrial Cluster



Construction Materials Cluster



Transport and Logistics Cluster



Agricultural Cluster



Children's Goods Industry Cluster



Automotive and Auto Components Cluster



Tourism and Recreational Cluster



Forest Industry Cluster

COMPETITIVE ADVANTAGES OF THE LENINGRAD REGION

The Leningrad Region is a constituent region of the Russian Federation located in the northwest of European Russia. It is part of the Northwestern Federal District. It has an advantageous geographic position in the Baltic Region: In its west, the region is surrounded by the waters of the Gulf of Finland and also borders with Finland and Estonia. The region's international transportation corridors and port infrastructure are continuing to expand.

Another key advantage of the Leningrad Region's geographic location is its natural integration with the second largest federal city in Russia, St Petersburg. The population of St Petersburg's metropolitan area (St Petersburg and

the Leningrad Region) is around 7 million people and is the second largest consumer market in Russia, as well as one of the largest markets in Europe.

A substantial talent pool is another important advantage of the region. The region is attractive for migration. In contrast to the Russia-wide trends, the region differs in its strong population growth. Currently, it has 1.76 million people, of which 962,000 are economically active. A single labour market within the St Petersburg metropolitan area is now being shaped. Over 50% of the workforce in the Leningrad Region have a higher education or a secondary vocational education.

The Leningrad Region is eager to boost investor interest and now developing required infrastructure, including:

- a favourable tax regime
- a network of industrial parks and areas for developing production operations
- a support system for investment projects



INVESTMENT STRATEGY

Leningrad Region's Investment Strategy for the period up to 2025

For the purpose of implementing a standard for executive agencies' efforts to guarantee a favourable investment climate (the Regional Investment Standard), the Leningrad Region Government has developed and approved the Leningrad Region's Investment Strategy for the period up to 2025 (Resolution No.29 of the Leningrad Region Government of February 19 2014).

Under the Investment Strategy, the Leningrad Region Government plans to pursue measures aimed at encouraging the region's cluster policy and attracting investment to the following clusters:

- a pilot project for an innovative Medical, Pharmaceutical and Radiation Technologies Cluster and the North-West Technology Transfer Center;
- Automotive and Auto Components Cluster;
- Transport and Logistics Cluster;
- Forest Industry Cluster;
- Agricultural Cluster.

To develop the areas mentioned in the region's Investment Strategy, Order No. 213-p of the Leningrad Region Government of 14 May 2014 approved a road map for implementing the region's strategy for the period up to 2025.

The government programme «Fostering Economic Activity in the Leningrad Region» was approved by Resolution No. 394 of the Leningrad Region Government of 14 November 2013. The government programme foresees measures being implemented up until 2020 in order to create conditions for the sustainable and balanced economic development of the Leningrad Region at a rate that exceeds average growth rates across Russia.

The government programme pursues the following objectives:

- creating favourable conditions for business to attract investment to the local economy;
- creating competitive, sustainable, high-tech and geographically balanced industry in the region;
- improving the strategic management of social and economic development of the Leningrad Region;
- making it easier for the local population to find employment, especially in regards to residents facing challenges when searching for a job;
- improving labour conditions and safety;

- facilitating the sustainable operation and development of small and medium-sized enterprises (SMEs) and boosting their involvement in achieving social and economic objectives in the region.

The government programme «Agricultural Development of the Leningrad Region»

was approved by Resolution No. 463 of the Leningrad Region Government of 29 December 2012. This government programme outlines measures to be implemented until 2020 that are aimed at improving the competitiveness of goods produced by the agricultural and fishery sectors in the Leningrad Region, as well as boosting the involvement of enterprises in these industries in meeting food safety objectives in Russia.

The government programme pursues the following objectives:

- fostering an increase in agricultural output and food produced by basic and potential sectors of the region's agricultural and fishery industries over the long-term;
- improving the profitability of the agricultural and fishery industries in the region;
- creating conditions for the development of small business;
- creating conditions for the development of food and processing industries, as well as for the entry of food, processing and poultry enterprises onto interregional markets;
- creating conditions for recovering land fertility, as well as improving the reclamation and efficient use of agricultural lands;
- creating conditions for the replenishment of the workforce;
- stimulating innovation, providing assistance in technological modernisation and upgrades, as well as innovative development of the agricultural and fishery industries in the region;
- creating the preconditions for diversifying the rural economy, boosting employment, and improving the standard of living of the rural population;
- improving the efficiency of research and informational support for the agricultural and fishery industries in the region;
- ensuring safe products and raw animal materials;
- maintaining epizootic safety in cattle breeding;
- improving resource potential in the development of the agricultural and fishery industries in the region.

Investment legislation of the Leningrad Region. Investment Council

The Leningrad Region Government has adopted several investment laws to promote investment and provide additional benefits to investors:

- Leningrad Region Law No. 113-oz of 29 December 2012 «On the Government Support for Organisations Investing in the Leningrad Region»;
- Region Law No. 52-oz of 28 July 2014 «On Government Measures to Support the Creation and Development of Industrial Parks of the Leningrad Region».

Under Law No. 113-oz, government support for investors includes the following measures: regional profit tax is reduced from 18% to 13.5%, and property tax – 2.2% to 0%, the period of tax benefits is from four to eight years.

Leningrad Region Law No. 52-oz came into effect in July 2014, whereby organisations engaged in the development of industrial parks are entitled to government support in the form of tax breaks. Tax benefits are similar to those that apply to investors in the region: profit tax is reduced to 13.5%, and property tax – down to 0%. In addition, the law stipulates reduced rent charges for the use of land owned by the Leningrad Region, or whose state ownership has not been apportioned, if such land is used to host an industrial park. This preference is divided into three parts: 30% of annual rent in the first two years, 60% – in the next two years, and 90% – going forward.

Government support is provided to investors if they obtain proper status. In order to be granted park status, investors must meet the following criteria:

- the park's area should be no less than 10 hectares (or in the Podporozhye, Lodeynopolsk and Boksitogorsk Districts – three hectares);
- the management company must have a park development programme in place.

Investment Council

With a view to improving the region's investment climate and ensuring a stable business environment, Order No. 506-rg of the Governor of the Leningrad Region of 16 July 2013 established an Investment Council attached to the Governor's office. The Investment Council includes the region's Vice-Governors along with the CEOs of dozens of major companies operating in the region.

The Investment Council's duties include:

- drafting proposals for the Governor of the Leningrad Region on strategic government policy issues in regards to investment in the region, as well as proposals for introducing amendments to current legislation;

- reviewing concepts for long-term and purpose-oriented investment programmes;
- identifying important issues with respect to the Leningrad Region's investment policy, as well as developing and drafting proposals for settling them.

Headquarters for the Reduction of Administrative Barriers

With a view to ensuring cooperation between the executive authorities of the Leningrad Region, investment projects, public and other organisations in the region in order to improve local business environment, as well as enhancing the region's investment appeal through reducing administrative barriers and improving investment procedures, Order No. 685-rg of the Governor of the Leningrad Region of 10 September 2014 established the Headquarters for the Reduction of Administrative Barriers.

The primary objectives of this office include:

- identifying administrative barriers faced by entities involved in investment activities in the Leningrad Region; developing proposals for their reduction or elimination;



- assisting the executive authorities of the Leningrad Region in the adoption of decisions aimed at reducing administrative barriers and improving the investment climate in the region;
- developing and strengthening cooperation between the Leningrad Region's executive authorities, federal authorities, the region's municipal authorities and public and other organisations on matters related to reducing administrative barriers and improving the investment climate in the region.

Interdepartmental Commission for the Deployment of Productive Forces in the Leningrad Region

The Interdepartmental Commission for the Deployment of Productive Forces in the Leningrad Region has been working for over 20 years in the region to implement social and economic policies aimed at creating favourable conditions for the development of industrial production, rational deployment of productive forces, and improvement of the

investment climate and the environmental situation. Order No. 356-rg of the Governor of the Leningrad Region of 5 May 2014 approved a new regulation for the interdepartmental commission to include representatives of regional executive authorities, local offices of federal executive authorities and municipal authorities.

The principal objectives of this commission include:

- ensuring interlevel and (or) interdepartmental cooperation in the deployment of productive forces in the Leningrad Region;
- ensuring an aligned and agreed upon position of the executive authorities of the region, local offices of federal executive authorities and municipal authorities with respect to the optimal deployment of productive forces in the region;
- drafting proposals on the deployment of productive forces in the region considering the existing social and economic situation, as well as the economic, environmental, demographic and social interests, specifics and priorities related to the region's development.



STATE SUPPORT

Main tax incentives for investors¹

Simplification of getting tax incentives by investors is important tendency over the last years.

Available tax incentives:

Reduction of the regional rate of the profits tax



Exemption from corporate property tax



Period of investments – during any 3 consecutive calendar years (starting from 2012)

Duration of tax incentives depends on the amount of investments:

Investments (RUR mln)	Duration
50–500 inclusively (for Lodeynopolsky, Podporozhsky and Boksitogorsky districts)	4 years
300–500 inclusively	4 years
500–3,000 inclusively	5 years
>3,000 (except for automotive, machinery and equipment producers)	6 years
>3,000 (for automotive, machinery and equipment producers)	8 years

Additional conditions to get tax incentives:



Conclusion of investment agreement with the Leningrad Region authorities



Revenue from activities outlined below should be more than 70% of the total amount of revenue



Preferential tax treatment in accordance with the regional law dated 19.07.2012 N65-oz was not applied by the company



Company is registered with the tax authorities of the Leningrad region and pays profit tax and corporate property tax to the regional budget of the Leningrad Region

The following main activities are subject to the incentives (if activity is not carried out under the tolling structure):



Agricultural industry, food production



Woodworking, paper production



Chemical production



Metallurgy



Handling and storing goods



Hotel and catering business



Recycling of secondary raw materials, production of machinery and equipment, and other manufacturing

Tax incentives for industrial parks (management companies)²

Companies obtained the status of management companies of the industrial parks may apply the following tax incentives:

Reduction of the regional rate of the profits tax (i)



Exemption from corporate property tax



(i) Profits tax exemption is available, if the management company's revenue from activities related to the creation/management of the industrial park is at least 70% of the total amount of revenue.

Incentive relating to the land rent			
	1–2 years	3–4 years	5–6 years
Rental charges	30% of the annual rental charges	60% of the annual rental charges	90% of the annual rental charges

This incentive applies if the land is not owned by federal or municipal authorities or is not in private ownership.



Corporate property tax and profits tax incentives are provided for any 4 consecutive calendar years within 6 calendar years after obtaining the status of the industrial park



Incentive regarding rental charges is provided for 6 consecutive calendar years starting from the calendar year following to the calendar year when the territory, where the land (lands) is located, obtains for the first time the status of an industrial park



Total surface of the industrial park should exceed 100,000 square meters (30,000 square meters for Lodeynopolsky, Podporozhsky and Boksitogorsky districts)

To obtain tax incentives the management company should:

- Carry out or plan creation/development of industrial park (reconstruction, modernization, technical re-equipment), and attract investors in the industrial park
- Be tax registered in the Leningrad Region
- Prepare a program regarding territory development
- Own a land plot or conclude a lease agreement in respect of this land plot

Tax incentives for frontier districts³

Companies registered in Lodeynopolsky or Podporozhsky districts are subject to the regional profits tax at the rate of 13.5%.

Conditions to apply tax incentives:



Number of employees should exceed 10 persons



Revenue from sales of goods (works, services) produced (executed, rendered) in the territory of one of the specified above areas should be more than 70% of the total revenue

Tax incentives for concession agreements⁴

Companies concluded concession agreements with Leningrad region are exempt from corporate property tax in respect of immovable property which is subject of these agreements. Exemption is applicable for a period of validity of concession agreement.

Corporate property tax advantages⁴

In Leningrad Region corporate property tax is determined based on annual average net book value of fixed assets (rather than cadastral value of real estate).

Please note that immovable property of foreign entities not operating in Russia via permanent establishment is taxable on the basis of cadastral value at a rate of 1.5% in 2015, and 2% in 2016 and further years.

¹Regional Law of Leningrad region dated 29.12.2012 N 113-oz (ed. by 24.11.2014) «On state support of organizations engaged in investment activity in the Leningrad region, and amendments to certain legislative acts of the Leningrad Region»

²Regional Law of Leningrad region dated 28.07.2014 N 52-OZ «On measures of state support for the creation and development of industrial parks of the Leningrad Region»

³Regional Law of Leningrad region from 03.02.2012 N 1-oz (ed. by 05.03.2012) «On the profits tax rate for organizations registered with the tax authorities in the territory of Lodeynopolsky and Podporozhsky municipal districts»

⁴Regional Law of Leningrad region dated 25.11.2003 N 98-oz (ed. by 24.11.2014) «On the corporate property tax»



Integrated Regional Information System «Investment Development of the Leningrad Region»

The Integrated Regional Information System «Investment Development of the Leningrad Region» («IRIS») was launched at the end of December 2013.

IRIS provides potential investors, state institutions, legal entities and individuals with access to complete and up-to-date information on the integrated development in the Leningrad Region and investment, infrastructure and resource potential in order to improve the investment climate in the region.

The system features an interactive map, clearly visualising the advantages and opportunities for investment in the Leningrad Region.

The system highlights sites open for investment (greenfield projects) and existing industrial zones (brownfield projects) with data on their infrastructural capacity, as well as information on industrial parks.

IRIS also can offer information on over 320 investment sites throughout the Leningrad Region, including over 19,000 hectares of open tracts of land and 260,000 square metres in production and warehouse area, as well as 150 investment projects and over 760 current and planned construction projects for engineering and transport infrastructure.



In September 2014, IRIS won the First All-Russian Prize «Best managerial solutions of regional bodies for encouraging investment» for «informatisation» organised by the Russian Ministry of Economic Development. IRIS was earlier declared a success in the framework of the implementation of the Agency for Strategic Initiatives' Regional Investment Standard.

This system has no analogue in Russia in terms of the volume and detail of information.



INDUSTRIAL PARKS

The creation and development of industrial parks is critical for the strong growth of the Leningrad Region's economy and is also a basic condition for establishing competitive production operations at sites fully equipped with engineering, transport, communal, communication and other infrastructure. This attracts investment to modernise the real economy of the region.

The Leningrad Region recently adopted Region Law No.52-oz «On Government Measures to Support the Creation and Development of Industrial Parks of the Leningrad Region» of 28 July 2014, which defines the procedure and conditions for assigning the status of an industrial park and also spells out government support to organisations engaged in the creation and development of industrial parks or management companies.

The law covers the interests of all types of investors (management companies), including those who are only planning the creation of such parks, and those who are developing or have already developed infrastructure facilities and real estate within an industrial park and are also engaged in setting up manufacturing facilities (including small and medium-sized operations) in the park. Accordingly, the law provides for equal opportunities for receiving government support regardless of how far along an industrial park has been developed.

Major private industrial parks have been created and are now being developed in the Leningrad Region:

- **Greenstate** (112 hectares) in the Lomonosovsky District;
- **Utkina Zavod** (140 hectares), automotive parts park **Kirpichny Zavod** (300 hectares), **Razmetelevo** (111.4 hectares) and **Prinevsky** (12.7 hectares) in the Vsevolozhsky District;
- **Doni-Verevo** (255 hectares) and **Marienburg** (35 hectares) in the Gatchinsky District;
- **Fedorovskoe** (120 hectares) and **M-10** (508 hectares) in the Tosnensky District.
- **The Kola Industrial Park** is being built in the Vsevolozhsky District. The project is being implemented by Tellus

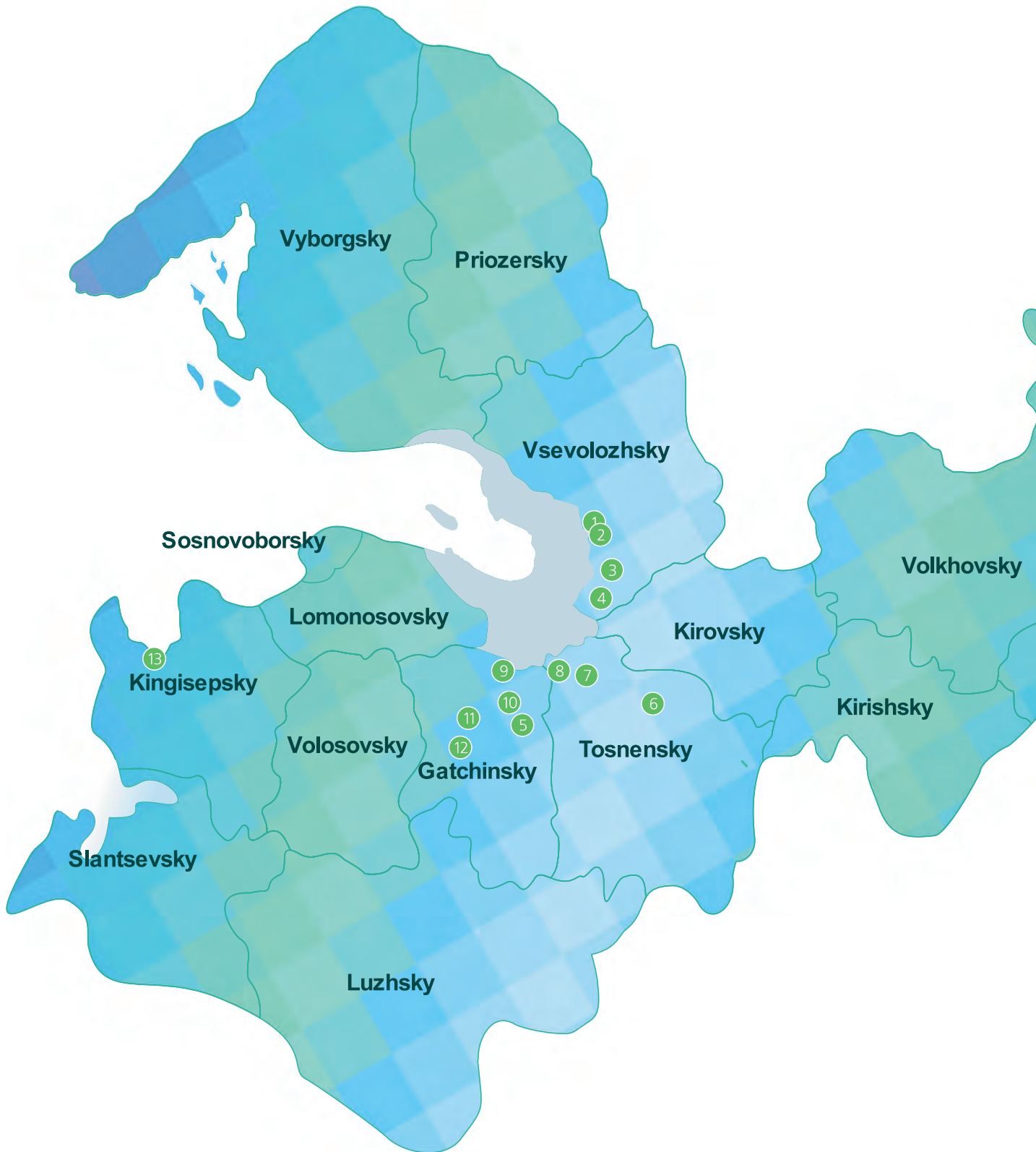


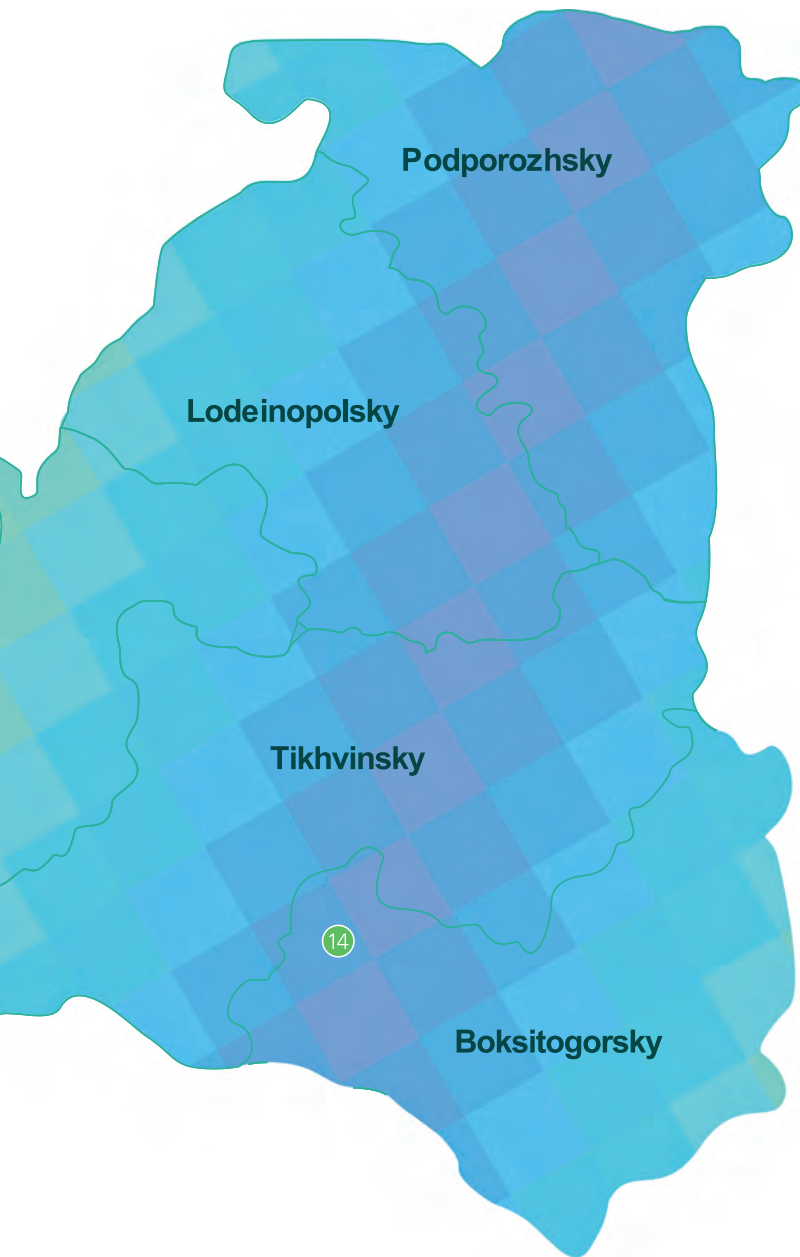
Consulting OOO (a subsidiary of Tellus Group, Russia) in cooperation with Renaissance Construction ZAO (a subsidiary of Renaissance Construction Holding, Turkey) under the auspices of the Turkish-Russian Business Council.

A network of regional industrial parks is being developed in the region with a focus on the development of high-tech production facilities, including three sites with a total area of over 250 hectares:

- **Nanopark Gatchina** in Gatchina, Gatchina Municipal District;
- **Pikalevo Industrial Park** in Pikalevo, Boksitogorsky Municipal District;
- **Tosno Industrial Park** in Tosno, Tosnensky Municipal District.

INDUSTRIAL PARKS





1 Industrial park «Kirpichniy zavod»



2



3



4 Utikina zavod'

5



6

«Tosno»
Industrial park

7



8

M-10
INDUSTRIAL PARK

9



10



11



12



13



14



PUBLIC PRIVATE PARTNERSHIPS (PPP)

The Leningrad Region is one of the most active Russian regions in its implementation of public private partnerships (PPP) as an instrument for infrastructure projects. The region's position in the rating «PPP development in subjects of the Russian Federation (2014)» went up from 18th to seventh place for 2013. In addition, it became a leader in the «High potential for PPP projects» nomination.

PPPs are regulated by Leningrad Region Law No. 78-oz of 14 October 2011 «On the Involvement of Leningrad Region Government in Public-Private Partnerships».

The Committee for Economic Development and Investment Activity of Leningrad Region is charged with implementing the region's PPP policy. Furthermore, it bears rights and obligations for preparing, concluding and executing concession agreements.

Bearing in mind changing market demands, as well as developments in federal law, the Leningrad Region has been active in its updating of regional legislation. Discussions of the new version of the region's PPP law have included federal bodies, financial institutions (Sberbank, VTB, Vnesheconombank, the EBRD, etc.) and leading legal and financial consultants (DLA Piper, PwC, KPMG, Hanness Snellman, etc.), as well as representatives of the business community.

The new version of the regional law on PPPs sets out a conceptual framework and transparent procedures while also providing attractive terms for potential investors.

PPP projects in the Leningrad Region:

- One of the main priorities for the Leningrad Region is **development of its healthcare infrastructure**. One of the first health care projects implemented on the basis of a PPP is the development of a regional medical rehabilitation centre with 200 beds in the town of Kommunar. This project is estimated at around RUB 2.5 billion. The creation and operation of the centre will be carried out on the basis on a 25-year concession agreement;
- In addition, a project is now underway **to build a chain of swimming pools** to meet demand in the region. The project foresees three types of pools being built in nine cities in the Leningrad Region. The project's cost is estimated at RUB 2.5 billion;
- Effective from 1 January 2015, a new system will be in place **to manage state and municipal heat and water supply**, and water waste disposal for a period of over five years. This approach will encourage localities to take active part in concluding concession agreements with respect to such facilities. The Leningrad Region is actively engaged in preparations to conclude concession agreements for utilities and energy facilities. Total estimated investment in these facilities comes to RUB 100 billion.



ORGANISATIONS AND ASSOCIATIONS

The Leningrad Region Chamber of Commerce and Industry (the «Chamber») was founded in 2002 and is one of the biggest chambers of commerce in Russia. During its existence, the Chamber has focussed on encouraging the modernisation of the region's economy through fostering a positive investment and entrepreneurial environment, raising the competitiveness of Russian enterprises and promoting consolidation in the Russian economy in order to fulfil key state policy goals. The Chamber boasts over 5,000 members, including various types of companies representing practically all sectors.

The Chamber not only offers its clients information and consulting services, but also provides a full range of services for promoting business and facilitating contact among organisations. This organisation includes 14 committees on various sectors, as well as its Association of Exporters and Importers, which brings together around 500 international trade organisations.

Starting in 2015, with the support of the Leningrad Region Government, a Subcontracting Centre will function as part of the Chamber. It will act as a coordinating body for accumulating information on existing orders, primarily in industrial production.

The organisation's main purpose is attracting investment and developing international ties with Leningrad Region-based businesses. Just prior to Russia's accession to the WTO, the Chamber carried out an extensive series of activities to help SMEs in the Leningrad Region adapt to the new conditions. Business people in the region have already given high marks to the results of this effort.

Furthermore, the organisation arranges international and regional business missions, which have become quite popular among business people. Such meetings also include signings of business agreements.

The Leningrad Region branch of Union of Industrialists and Entrepreneurs (the «RSPP») is an organisation representing the interests of Leningrad Region business both inside and outside of Russia.

The organisation today represents the following key economic sectors: fuel and energy, machine-building and investment banking, as well as the defense industry, construction, chemicals, light manufacturing, food production and various services sectors.

The Leningrad Region branch of RSPP unites biggest regional companies including leaders in industry, sciences, and financial and commercial organisations.

One of the Leningrad Region RSPP's core functions is consolidating the forces of industrialists and entrepreneurs in order to improve the business climate, raise the status of Russian business both within the country and globally, and maintain a balance of interests among society, the state and business.

The Leningrad Region RSPP also is involved in holding ongoing high-level conferences on real economic issues involving representatives of Russian and foreign business circles, as well as the heads of federal and regional executive institutions. These forums generate decisions that are then developed into state policy on entrepreneurship and business in Leningrad Region and in Russia.



FRONT OFFICE FOR INVESTOR RELATIONS OF THE ADMINISTRATION OF LENINGRAD REGION



Purpose – raising the investment attractiveness of the region and fostering favourable conditions for investment projects.

Mission – creating conditions for comfortable and effective cooperation among investors, representatives of the regional and municipal authorities in order to increase the total number of investment projects implemented in the Leningrad Region.

Economic Development Agency of Leningrad Region: investor support based on the «one-stop-shop» principle

The Economic Development Agency of Leningrad Region provides support for investment projects through a «one-stop shop» approach, which aims to simplify the implementation of investment projects as much as possible, as well as remove administrative barriers in processing documents and accelerate the dissemination of information.

The agency's objective is to ensure comfortable cooperation among investors and state representatives.

Key functions:

- providing information on investment opportunities in the region; providing information on land plots, engineering infrastructure, socio-economic development of the region and municipal institutions, labour resources and educational institutions, etc.;
- coordinating with key regional and municipal executive authorities for project implementation;
- providing information on government support for investment projects;
- providing information on procedures essential for investment projects, their timelines and documents to be provided by investors, as well as all related requirements.

The Economic Development Agency of Leningrad Region engages in a full range of marketing activities for promoting and raising the attractiveness of the region's brand, analysing investor demands and particular needs, researching competitors and developing a strategy to position the region's brand.

Agency for Strategic Initiatives to Promote New Projects

The Agency for Strategic Initiatives to Promote New Projects (ASI) is an autonomous non-commercial organisation founded by the Russian Government for carrying out economic and social efforts aimed at promoting priority projects, improving the entrepreneurial environmental, developing professionals, etc.

In 2014, the Leningrad Region was one of the first regions to introduce a Standard developed by the ASI for executive authorities to ensure a positive investment climate. The following was done in the region to meet the Standard:

- a front office was opened to work with investors on a «one-stop shop» basis;
- the investment strategy for the Leningrad Region for until 2025 was approved;
- the Governor of the Leningrad Region's Investment Council was created;
- Region Law No. 113-oz «On Government Support for Organisations Investing in the Leningrad Region and on Amending Certain Legal Acts» was passed;
- the integrated regional information system «Investment Development of the Leningrad Region» (IRIS) was launched.

The next step in the ASI's cooperation with the Leningrad Region will be the introduction of a Municipal Investment Standard in the region. Under the Standard, land use documents are to be approved at the municipal level while SMEs should be supported through infrastructural development. The Standard includes key requirements including an investment passport for localities and the provision of municipal services for investors on a «one-stop shop» basis through multifunctional centres.

REGIONAL INDUSTRY



GENERAL STATISTICS AND PERFORMANCE

In terms of the level and scale of development of industrial production, the Leningrad Region is one of the leaders in the North-Western Federal District. In 2013, industrial production accounted for 90% (RUB 653 billion) of the gross regional product of the Leningrad Region. Industrial production forms the backbone of the region's economic potential.

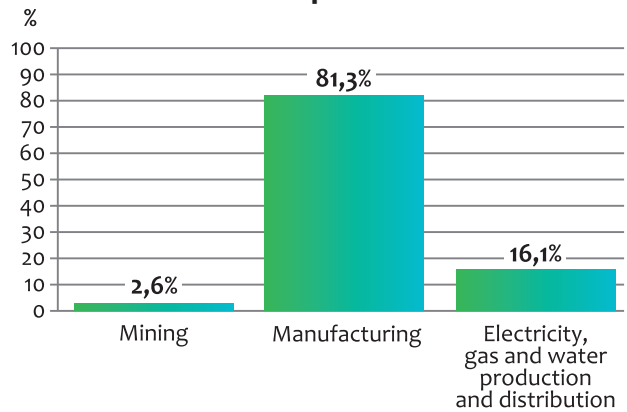
The Leningrad Region's industrial production is extensively diversified and represented by the following three types of activity:

- mining;
- manufacturing;
- electricity, gas and water production and distribution.

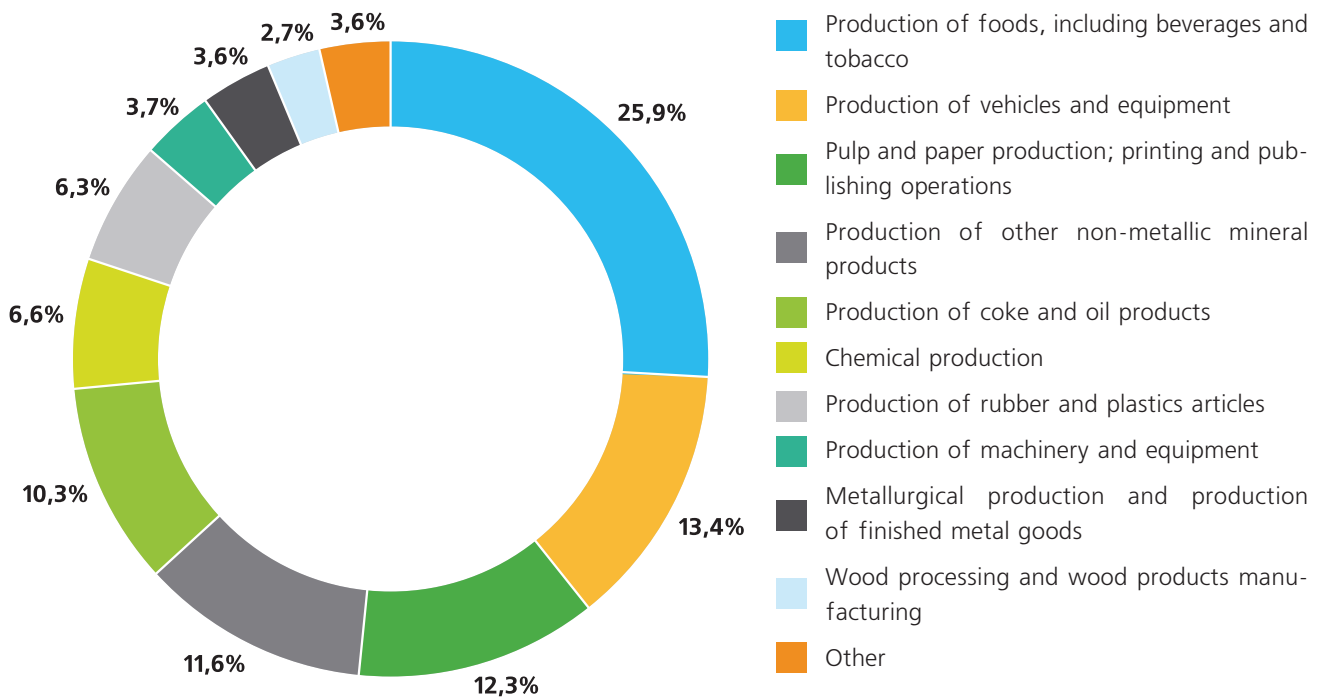
Leningrad Region's modern manufacturing industry includes the following important sectors:

- machine-building;
- carmaking;
- shipbuilding;
- chemical production;
- pulp and paper production;
- iron and steel;
- construction materials production.

Structure of the Leningrad Region's industrial production



Structure of the Leningrad Region's manufacturing sector, 2013



Manufacturing

Manufacturing entities hold a leading position in terms of the volume of products shipped (over 80%). The average number of employees is 86,900 (74% of the total headcount in the region's industrial sector).

The average salary in this sector is RUB 38,337.

Manufacturing enterprises produce the following types of products: passenger cars, car tyres, electricity and heat power, paper, cardboard, motor fuel, furnace oil, mineral

fertilizers, grinding tools, construction materials and other goods.

Based on the results for 2013, production output grew by 4.1% compared to the previous year, reaching RUB 530.7 billion.

Furthermore, 2013 saw increased production of machinery and equipment (growth of 37.5%), coke and oil products (by 24.4%) and other non-metallic mineral products (bricks, dry concrete mixes, abrasive compounds) (by 15.7%).

Industrial production index by type of economic activity, %

Type of economic activity	2011	2012	2013	January-June 2014
Production of foods, including beverages and tobacco	97,4	107,6	95,8	84,4
Production of vehicles and equipment	129,4	107,5	92,2	90,4
Pulp and paper production; printing and publishing operations	120,6	107,5	99	103,8
Production of other non-metallic mineral products	105,2	103,7	107,8	100,6
Production of coke and oil products	100,2	102,3	100,2	144,9
Chemical production	101,8	99,7	80	135,3
Production of rubber and plastic items	146,5	96,4	106,2	100,5
Production of machinery and equipment	160	120,5	90,2	109,3
Metallurgical production and production of finished metal goods	93,1	99,6	88,2	94,6
Wood processing and wood products manufacturing	170	113,2	89,6	104,2
Production of electrical, electronic and optical equipment	230	110,4	111,2	100,7
Textiles production	133,5	95,1	106,7	74,3

Top-45 enterprises:

1. OOO Nevskiy Porogi
2. ZAO Philip Morris Izhora
3. ZAO Konditerskoye Obyedineniye Lyubimy Krai
4. OOO Kres Neva
5. OOO Craft Foods Rus
6. ZAO Tikhvinsky Vagonostroitelny Zavod
7. OAO Vyborgsky Sudostroitelny Zavod (Vyborg Shipyard)
8. OAO Sankt-Peterburgsky Kartonno-Poligrafichesky Kombinat
9. ZAO International Paper
10. ZAO Pikalyovsky Tsement
11. ZAO Zavod Stroimaterialov Etalon
12. OOO LSR-Bazoviye Materialy Severo-Zapad
13. OAO Luzhsky Abrazivny Zavod
14. OAO Rusjam Kirishi
15. OOO 211 Kombinat Zhelezobetonnykh Izdely
16. OOO PO Kirishinefteorgsintez
17. OOO PG Phosphorite
18. OAO Volkhovsky Khimichesky Zavod
19. OAO Khimik
20. OOO Interfill
21. OOO Nokian Tyres
22. OOO PENOPLEKS Kirishi
23. OOO NTL Upakovka
24. ZAO Ford Motor Company
25. OOO Gestamp Severstal Vsevolzhsk
26. OOO YURA Corporation RUS
27. OOO Ariston Thermo Rus
28. OAO Tosnensky Mekhanichesky Zavod
29. OAO RUSAL Boksitogorsk
30. OOO Tikhvinsky Ferrosplavny Zavod
31. ZAO Tikhvinsky Mashinostroitelny Zavod
32. OAO Tosnensky Mekhanichesky Zavod
33. OOO PO Onima-Stal

34. ZAO Priborostroitel
35. OOO Caterpillar Tosno
36. OAO PELLA-MASH
37. OOO Khelkama Forste Viipuri
38. OAO Nevsky Zavod Elektroschit
39. Severo-Zapadny Proizvodstvenny Komplex – a branch of OAO Obyedinyonniye Elektrotekhnicheskiye Zavody
40. OAO Uzor
41. ZAO Volkhovchanka
42. OOO Komatso
43. OAO Slantsevsky Zavod Polimer
44. ZAO Novoladozhskaya Kozhgalantereynaya Fabrika
45. OOO Schneider Electric Zavod ElektroMonoblock

Mining

Mining operations in the region include the production of fuel and energy resources (peat) and mineral resources (non-metallic construction materials).

The value of self-produced goods shipped, work completed and mining services rendered over the period from January through December 2013 totalled RUB 16,749 million, or 140.6% of the result for the same period of 2012 in current prices.

The average number of employees is 6,200 (5.2% of the total headcount in the region's industrial sector).

The average salary is RUB 33,600.

Major enterprises:

1. OOO LSR-Bazoviye Materialy Severo-Zapad
2. ZAO Kamennogorsky Kombinat Nerudnykh Materialov
3. ZAO Kamennogorskoye Karyeroupravleniye
4. OOO Tsementno-Betonniye Izdeliya

5. ZAO Vyborgskoye Karyeroupravleniye
6. OAO Kampes
7. ZAO Gavrilovskoye Karyeroupravleniye
8. Gavrilovsky Schebzavod – a branch of OAO Pervaya Nerudnaya Kompaniya
9. OOO Dorpromgranit
10. OOO Schebservis

Electricity, gas and water production and distribution

Total output shipped, work completed and electricity, gas and water production and distribution services rendered over the period from January through December 2013 came to RUB 105,579 million, or 103.4% in current prices.

The average number of employees is 25,000, which is more than 20% of the total headcount in the region's industrial sector.

The average salary is RUB 38,337.

Major enterprises:

1. Leningrad Nuclear Power Plant (a branch of OAO Concern Rosenergoatom)
2. Kirishskaya GRES (a branch of OAO Wholesale Generating Company No. 2)
3. Nevsky Branch of OAO Territorial Generating Company No. 1
4. OAO Lenenergo
5. OAO Leningrad Region Electric Grid Management Company
6. ZAO Gazprom Mezhtregiongaz St Petersburg
7. OAO Gatchinagaz

Industrial production index by type of economic activity, %

Type of activity	2011	2012	2013	January-June 2014
Mining operations, including:	108,7	104,9	69,6	97
Extraction of fuel and energy resources	79,5	138,8	98	21,2
Extraction of mineral resources other than for fuel and energy	109,3	104,7	69	104,8

LOCAL PRODUCTION CLUSTERS



MEDICAL, PHARMACEUTICAL AND RADIATION TECHNOLOGY CLUSTER

The pilot project for the innovation-oriented Medical, Pharmaceutical and Radiation Technology Cluster is located on the territory of two constituent regions of the Russian Federation, St Petersburg and the Leningrad Region, representing the localisation of 200 organisations, including 40 research institutes and 120 production entities. The cluster's total personnel exceeds 59,000 persons.

The availability of a high academic and R&D potential in St Petersburg and the Leningrad Region, as well as an extensive and diversified field-specific research infrastructure, guarantees successful development of the cluster and its sustainable operation, making it the biggest European academic and R&D centre, including:

- over 100 universities training 8% of all Russian students are located in the cluster;
- the cluster's entities account for 18% of total cutting-edge technologies created in Russia.

Key entities in the cluster:

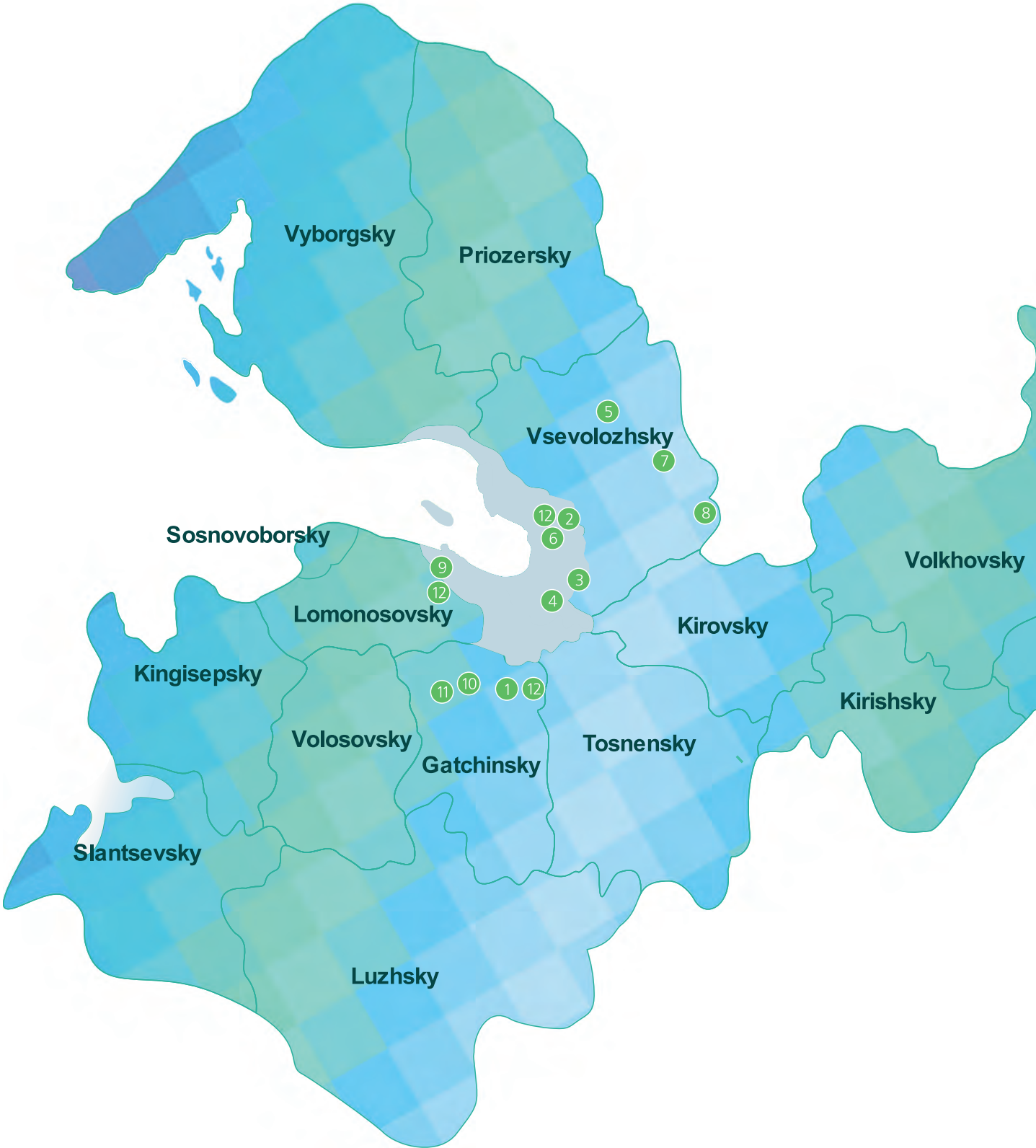
The list of the cluster's participants includes medical, pharmaceutical and radiation technology companies located in St Petersburg and four municipal districts of the Leningrad Region: the Gatchinsky, Vsevolozhsky, Lomonosovsky Districts and the Sosnovoborsky Urban District.

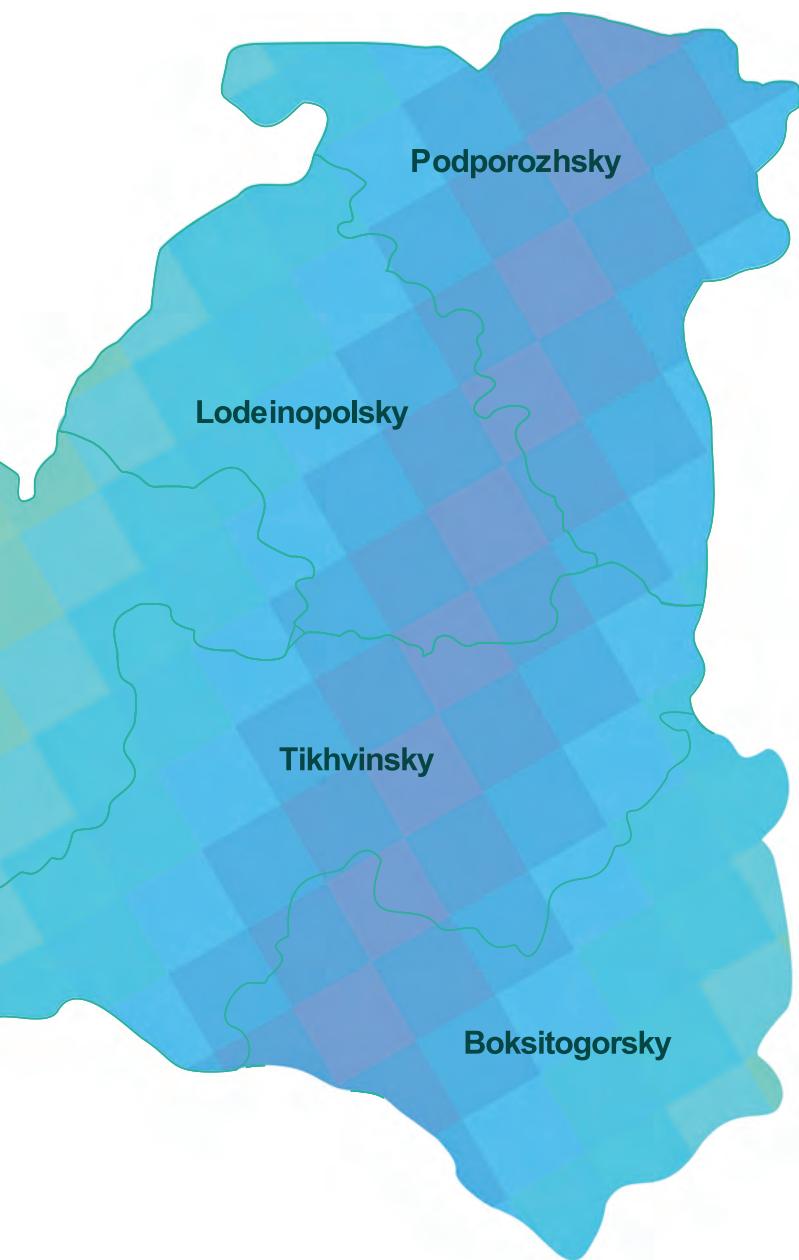
The cluster's manufacturing companies include:

- OOO NPK Azimut
- GK AKSI
- ZAO Aktivny Komponent
- ZAO Biokad
- ZAO VERTEKS
- OAO Vital Development Corporation
- OOO GEROFARM
- OOO Kompaniya Neo
- OOO Line-Optik
- Leningrad Nuclear Power Plant (a branch of OAO Concern Rosenergoatom)
- GK LYUMEXS
- ZAO MEDITEK Znamya Truda
- ZAO MBNPK Tsitomed
- GK Minimaks
- OOO Mitsar
- ZAO Nauchno-Proizvodstvenny Kompleks Ekoflon
- OOO NPO Nefron
- OOO Nauchno-Proizvodstvennoye Predpriyatiye Volokonno-Opticheskogo i Lazernogo Oborudovaniya
- ZAO NIPK Elektron
- OOO NPF POLISAN
- ZAO Plazmofiltr
- GK ROSATOM
- OAO ROSNANO
- OOO Samson-Med
- ZAO Severnaya Zvezda
- FGUP SKTB Tekhnolog
- OAO Farmatsevticheskaya Fabrika Sankt Peterburga
- ZAO FARMA VAM
- OAO FarmaSintez
- OAO Firma Medpolimer
- OOO Tsentri TES



MEDICAL, PHARMACEUTICAL AND RADIATION TECHNOLOGY CLUSTER





1 Kurchatov Institute
National Research Center

2 Saint Petersburg State
Polytechnic University

3 Saint Petersburg State
Technological Institute

4 Saint Petersburg Academy
of Veterinary Medicine
FSBEL of HPE

5 Research Institute of Hygiene,
Occupational Pathology
and Human Ecology FSUE
of the FMBA of Russia

6 Saint Petersburg
V.I. Ulyanov (Lenin) LETI State
Electrotechnical University
FSBEL of HPE



The cluster's research organisations and educational institutions include:

- NITs Kurchatov Institute
- GBOU VPO St Petersburg Chemical and Pharmaceutical Academy
- BOU VPO St Petersburg State Medical University named after academician I. P. Pavlov
- GBOU VPO St Petersburg State Technology Institute;
- FGBOU VPO St Petersburg State University
- FGBOU VPO St Petersburg State Polytechnic University
- GBOU VPO North-Western Medical University named after I. I. Mechnikov
- All-Russian Research Institute of Metrology named after D. I. Mendeleev; St Petersburg Psychoneurological Research Institute
- St Petersburg State Polytechnic University; St Petersburg Nuclear Physics Institute named after B.P. Konstantinov
- FGBOU VPO St Petersburg Academy of Veterinary Medicine
- FGBU Research Institute of Experimental Medicine affiliated to the North-Western Branch of the Russian Academy of Medical Sciences
- FGBU Influenza Research Institute
- FGBUP Research Institute of Sanitary Science, Occupational Pathology and Human Ecology affiliated with the Federal Medical and Biological Agency of Russia
- FGBOU VPO St Petersburg State Electrical Engineering University LETI named after V.I. Ulyanov (Lenin)
- FGBUN Institute of Physiology named after I. P. Pavlov affiliated with the Russian Academy of Sciences
- FGBUN Institute of Toxicology affiliated to the Federal Medical and Biological Agency, and other organisations

Key areas of the cluster's research and technology development include:

- study and research into biologically active synthetic, vegetable and microbiological substances, which can be used to develop domestic pharmaceutical products for import substitution purposes;
- developing original domestic import-substituting pharmaceutical products, production technologies and related quality control techniques;
- developing original domestic import-substituting medical equipment;

Fundamental and applied research using protons;

- Developing nuclear technologies for creating the next generation of nuclear power;
- Research and development in nuclear medicine;
- Research and development activities related to Russia's national security and defence needs.

The cluster's key investment and innovation projects now being implemented in the Leningrad Region

The cluster's projects are unique and involve an intense amount of research.

The following projects are of particular interest:

1. Creating and developing innovative production of carbon-based medical equipment.

Products include: carbon-based nanostructured implants for restoration of bone defects, carbon-based nanostructured endoprosthetic implants, pharmaceutical containers made of nanodiamond composite materials, and other medical treatment and patient rehabilitation technologies using carbon-based medical devices.

The cluster's competitive advantages include:

- high innovation, technological and R&D potential;
- advanced physical infrastructure;
- highly-qualified personnel;
- favourable economic/geographic location;
- more than 4,500 hectares of land plots used as production sites with easy access to necessary utilities.



This project's implementation will allow for: reducing the duration of patients' stay in hospital following surgery by two or three times; reducing the period of temporary disability by 30-35%; improving the quality of life for patients suffering from socially significant diseases; boosting the share of domestic carbon-based nanostructured implants for osteosynthesis in the market to 15–20%.

This project will create 250 new high-tech jobs.

Overall investment comes to RUB 1 billion.

2. Construction of a plant manufacturing finished pharmaceutical products in accordance with GMP standards.

Capacity: the plant can produce ophthalmic drops and nasal sprays – 20 million medicine bottles per annum, as well as solid dosage forms (pills, capsules, sachet) – 1 billion pills/capsules per annum. Production of import-substituting pharmaceutical products (originals and generics).

Overall investment comes to RUB 1.2 billion.

3. Creating a RITs-80 radioisotopic complex with proton beam energy in a 40–80 MeV range and intensity up to 200 mCA.

Such features will allow the RITs-80 complex to develop a wide range of radionuclides and radiopharmaceutical agents to be used in positron-emission tomography (PET) diagnostics. The project envisages installation of two hot chambers, one of which is designed for isolation of the strontium-82 isotope, which is widely used in PET diagnostics. In addition, a complex for the treatment of superficial malignant and oncological diseases of visual organs will be developed using a cyclotron.

Implementation period: 2012–2019.

Total investment comes to RUB 900 million.

4. Creation and development of NANOPARK GATCHINA – the first Russian industrial park for nanotechnology.

This project has the support of Russian President Vladimir Putin and is one of the key infrastructure facilities in the cluster. The nanopark, with total area exceeding 17 hectares, will accommodate: a business incubator and a clean room building (cleanliness class – ISO-4), with total area exceeding 6,000 sq m, for accommodating small-sized innovative companies and R&D activities, production facilities (cleanliness class – ISO-8), as well as 12.3 hectares of land plots with access to utilities to be used for organising high-tech manufacturing.

Nanopark Gatchina founded by the Leningrad Region Government jointly with RUSNANO's Foundation for Infrastructural and Educational Programmes will serve as the NANOPARK's hub. The execution of this project will help to create 1,500 new jobs and accommodate about 50 resident innovation companies by 2025. The NANOPARK's areas of speciality include nanoelectronics, nanomaterials, radiation technologies, pharmaceutical and medical production.

Total investment amounts to RUB 2.75 billion.



5. Creation and development of the Tosno Industrial Park with total area exceeding 110 hectares.

The industrial park's complete engineering infrastructure and well-developed transportation and logistics infrastructure, as well as the academic potential and workforce capacity of both St Petersburg and Tosno, ensure a favourable environment for the deployment and successful operation of pharmaceutical and medical enterprises and other production operations (III-V hazard classes).

Total investment amounts to RUB 500 million.

6. Development of a centralised system to collect and dispose of municipal, biological and toxic solid waste, as well as the products from chemical, medical and manufacturing enterprises.

The large volume of municipal solid waste to be disposed of, as well as the growing amount of biological, toxic, chemical and medical waste generated by the cluster's operations, will require the construction of several waste treatment facilities for recycling different types of waste in several districts in the region. Ensuring environmentally safe disposal requires the construction of two disposal sites with total capacity of at least 6.5 million square meters per annum, as well as two waste sorting and waste processing plants. This project will help to prevent adverse environmental problems caused by waste disposal and create essential infrastructure for medical and pharmaceutical industry enterprises

Overall investment comes to RUB 2 billion.

A SUCCESS STORY

Elektron Research and Manufacturing Company

«The Leningrad Region has high potential development since it is run by enthusiastic, professional and motivated people who not only want but also do their best to make the region a really attractive and comfortable place to live and work».

Alexander Elinson, CEO, NIPK Elektron



Elektron Research and Manufacturing Company («NIPK Elektron») is a Russian market leader in the development and manufacture of medical diagnostic equipment along with integrated and IT solutions for healthcare organisations.

Founded in 1989 (celebrating its 25th anniversary in 2014), the company is a full-cycle business incorporating analysis of market needs, R&D, engineering, designing and IT development, manufacturing, sales, training and after-sales maintenance services (provided in more than 80 Russian regions).

The company has introduced a quality management system that meets ISO 9001 and ISO 13485 international standards. Furthermore, its products have been certified for compliance with the requirements of the European Directive 93/42/EEC (has CE markings), as well as the requirements of US (FDA) and Chinese legislation (SFDA).

NIPK Elektron is a permanent member of the Supervisory Board with the Russian branch of Health Level Seven International (HL7) multinational non-commercial organisation for standardisation of exchange, management and integration of electronic medical information, as well as an associated member of NP RUSSOFT.

The Company has won multiple awards. Specifically, it was included among the Top-5 (ranking fourth) winners of the TekhUspekhn-2013 rating of Russia's fast-developing high-tech companies. In addition, it was a co-winner of the RusPrixAward-2012 competition for its contribution to the development of Dutch-Russian economic relations (jointly with Royal Philips Electronics) and a winner of the Better Business Bureau – 2013 All-Russian Award. Over the last five years, the company has been invariably named «The Best Employer of the Year».

The company currently has around 600 employees, one third of whom are developers. In 2003, the company opened a representative office in Moscow.

Elektron's entire 25-year history is one of leadership in developing, implementing and promoting world class innovations in the medical industry, as well as creating

new, much sought-after products and solutions that «understand» the needs of doctors and their patients. The company's has proven track record in making high-tech medical assistance affordable and helping to preserve people's life and health.

Some milestones in Elektron's leadership as a developer of high-tech solutions:

- 1989 – the first-ever endoscopic video camera in Russia;
- 1993 – the first-ever mobile X-ray surgical aid in Russia;
- 1998 – the first-ever digital photofluorograph for screening and diagnostics in Russia;
- 2009 – the first-ever angiographic complex in Russia;
- 2010 – the first-ever 16-slice computerised tomography scanner with a Russian-language interface in Russia (in cooperation with Philips);
- 2014 –
 - o the first-ever visualisation system based on CMOS technologies in Russia;
 - o the development and, for the first time in Russia, launch of batch manufacturing of an isotope diagnostic complex (IDC) for nuclear medicine purposes (in cooperation with Inter Medical);
 - o the development of a new IT solution: the first-ever vendor-independent archive of medical information, images and telemedical data in Russia, built through using cloud technologies and completely free software.

Share of the Russian market:

From 3% to 28 % for various items.

Volumes of exports/imports in roubles and measurement units:

Exports account for approximately 10% of the company's sales.

SHIPBUILDING CLUSTER

The Leningrad Region's Shipbuilding Cluster is one of the most promising in the region. Its development represents one of the top priorities for the Leningrad Region Government.

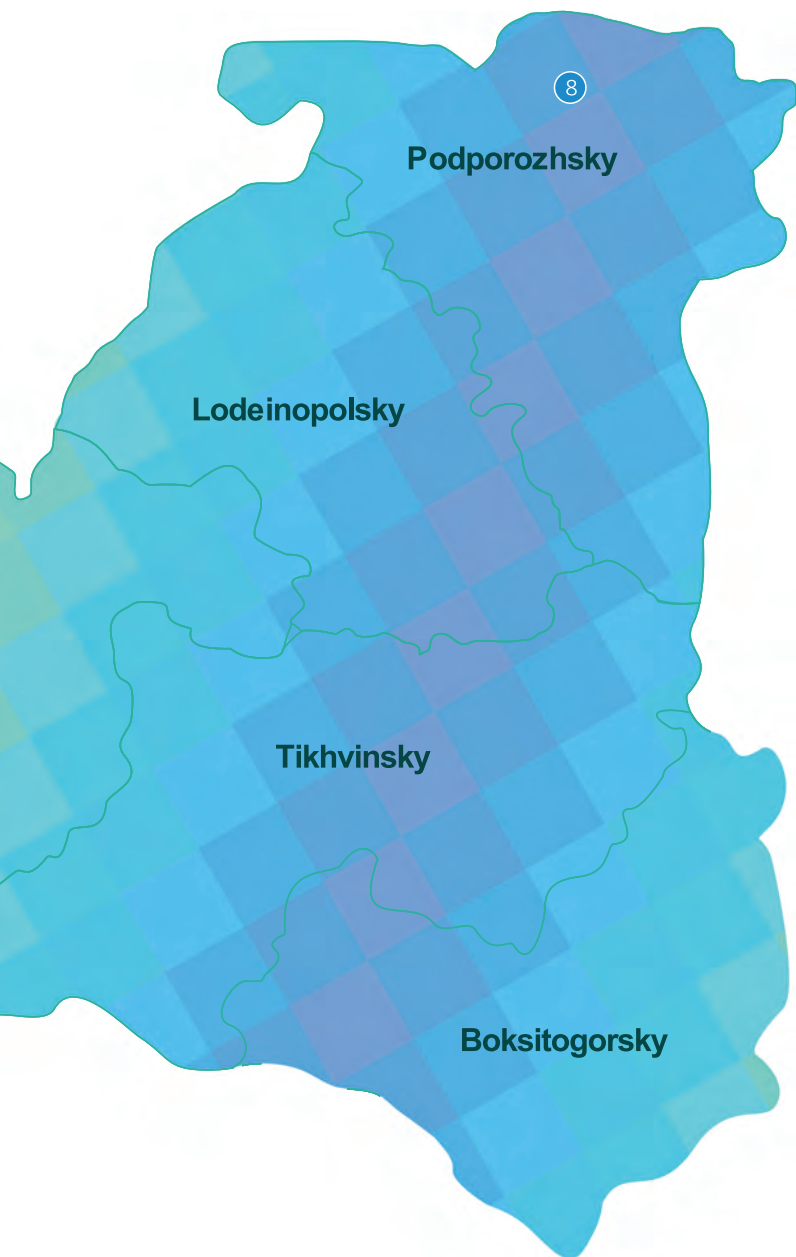
The cluster includes a number of shipbuilding and ship repair enterprises with high potential for R&D and production such as:

- OAO Vyborgsky Sudostroitelny Zavod (Vyborg Shipyard)
- OAO Leningradsky Sudostroitelny Zavod Pella
- OOO Nevsky Sudostroitelno-Sudoremontny Zavod
- OAO 15 Arsenal VMF
- OAO Zavod Ladoga
- OAO Zavod Burevestnik
- OAO Zavod KRIZO
- OAO Svirskaya Sudostroitel'naya Verf
- ZAO GESER
- OOO Ozyornaya Verf



SHIPBUILDING CLUSTER





1 Vyborg Shipyard



2



3

4 «15 Arsenal VFM»

5 Plant «Ladoga»

6 Plant «Byrevestnik»

7 Plant «Krizo»

8 Shipbuilding Plant «Severnaya Verf»



9



10

A SUCCESS STORY

ОАО Выборгский Судостроительный завод (Vyborg Shipyard)



Alexander Solovyov, CEO, Vyborg Shipyard

«The high quality of its products has won confidence in Vyborg Shipyard on the part of customers and leading global classification societies. The shipyard fulfils orders of major Russian and foreign customers at the highest standards. The main goal for the next few years is to develop a portfolio of orders, complete implementation of the shipyard's upgrading and modernisation programme and, by all means, successfully complete all current projects. The shipyard's entire workforce is labouring day after day to accomplish these objectives».

ОАО Vyborg Shipyard is one of the biggest shipbuilding companies in Russia's Northwest. It is a shipyard with 65 years of experience in commercial and military shipbuilding.

Since its founding in 1948, the shipyard has built 210 vessels of various types, 9 offshore drilling platforms and 105 topside modules for oil and gas field development. The total combined tonnage of vessels built at the shipyard comes to 1.55 million tonnes.

The shipyard employs approximately 1,500 people. The company's specialists hold certificates from the leading global ship-classification societies, including Lloyd's Register of Shipping, Germanischer Lloyd, Bureau Veritas, RINA and the Russian Maritime Register of Shipping.

The shipyard owns a unique (for Russia) full-scale manufacturing facility and a water area, which allow it to produce:

- drilling platforms for offshore oil and gas extraction;
- vessels of various types with the dead weight of up to 15,000 tonnes, including icebreaker class;
- large-sized metal structures.

Since 1977, Vyborg Shipyard has been considered to be a flagship company in offshore development. It took the company just several years to build eight semi-submersible offshore platforms and two self-elevating platforms. In the late 1990s, Vyborg Shipyard started working on a unique project – the construction of a floating space launch complex. The shipyard accounted for 57.6% of total labour input in the development of the launch platform. To date, the Sea Launch complex is one-of-a-kind facility, representing one of the most ambitious and risky international projects in recent years.

At the moment, Vyborg Shipyard is one of the leaders in the Russian civil shipbuilding market. The company's top-priority business involves building of icebreakers, ice-class vessels, complex vessels and drilling platforms for offshore field development. At the moment, the shipyard is building 16-megawatt linear diesel-electric icebreakers as part of Project 21900M.

Furthermore, the company is still actively carrying out its modernisation programme. In order to support icebreaker building and, as part of its large-scale modernisation programme, the shipyard built and commissioned in the shortest possible time (10 months) a semi-submersible dock barge, which has helped to improve technical fulfilments of orders by reducing cost and time for





work completion. The barge removed some of the shipyard's infrastructural limitations with respect to the maximum beam of the vessels under construction.

The shipyard's total surface area covers 44 hectares. Vyborg Shipyard has set up a pre-production technology centre to ensure engineering support for its projects. In May 2012, the shipyard joined the United Shipbuilding Corporation.

These days, Vyborg Shipyard is an advanced fast-growing and socially-oriented company with a total headcount of approximately 1,500 specialists. This is a unique team that took decades to develop. The shipyard's involvement in international projects serves as further proof of the partners' confidence in the quality of the company's work. The shipyard is continuing its ongoing development efforts with a view to ensuring compliance with current international shipbuilding standards.



CONSTRUCTION MATERIALS CLUSTER

The Leningrad Region's Construction Materials Cluster is one of the most developed clusters in Russia's North-west and the country overall.

The bulk of the cluster's output (95%) is produced by the Top-100 enterprises and organisations in the industry.

Currently, the Construction Materials Cluster completely satisfies the demand of the region's construction market for key construction materials, products and structures.

The cluster's available production capacities significantly exceeds its own construction needs, thus ensuring much potential for increased production, which, in turn, drives further growth in construction output, including residential operations.

Companies operating in the Construction Materials Cluster produce all key construction materials required for various venues, buildings and structures, including:

- large-panel house building components;
- concrete products, reinforced concrete products;
- cementitious materials (cement, lime and dry mixes);
- non-metallic materials (gravel, sand, sand and gravel mix, stone);

- walling materials (common bricks, calcium silicate bricks, porous concrete, foamed concrete and building blocks);
- cement bonded particle boards (CBPB) and medium density fibre boards (MDFB);
- propylene and polyethylene pipes;
- roll roofing materials;
- paving slabs and ceramic tiles;
- basalt fiber;
- foam polystyrene-based thermal insulation materials, including «foamplex»;
- Rosstro-Velox, Durisol stay-in-place formwork;
- various types of timber houses;
- sawn wood products;
- state-of-the-art ceramic sanitary ware;
- prefabricated metal structures for quick-built construction of buildings and structures for residential and industrial applications.

At the moment, the following groups form the core of the cluster:

- 7 DSK – production of articles and components (including reinforced concrete structures) for large-panel and



monolithic residential buildings (total capacity for 1,300 thousand square metres of housing floor space); ZAO Gatchinsky SSK, OAO LSR. Zhelezobeton-Severo-Zapad, Zavod ZhBI No. 3, OOO Kirovsky DSK, ZAO Kirishsky DSK, OOO 211 KZhBI, ZAO DSK-Voiskovitsy and ROSSTRO-Velox (a branch of OOO FPG ROSSTRO);

- 14 enterprises (operation facilities) producing small-piece walling materials (ceramic building bricks, calcium silicate bricks, vibropressed concrete blocks, woodchip concrete blocks (monolithic house building), cellular concrete blocks); total capacity comes to 1,030 million nominal bricks; OOO Polar Invest, ZAO Trest 49, OOO BiG, OOO Penobeton, ZAO EvroAeroBeton, OOO N+N and other companies, including five brick-making plants with the total capacity of 500 million brick pieces (ZAO Zavod Stroimaterialov Etalon, two plants owned by OOO LSR: Stenoviye Materialy – Serevo-Zapad, ZAO Petrokeramika);
- Four cement plants with the total capacity of 5.3 million tonnes of cement: OAO Slantsevsky Tsementny Zavod TsESLA, ZAO Pikalevsky Tsement, ZAO Metakhim, OOO LSR-Tsement;
- One lime factory: OAO NordKalk-Alekseyevka with the capacity for 60,000 tonnes of construction lime;
- 19 enterprises and operation facilities (affiliated to enterprises) producing reinforced concrete products and structures and concrete grouts, with total capacity for 1,425.4 thousand cubic metres: OOO Lenstroidetal Leningradskaya Oblast, OAO LSR. Zhelezobeton – Severo-Zapad, Zavod ZhBI No. 2, OAO Tolmachyovsky Zavod ZhBiMK, OAO Upravleniye Promyshlennykh Predpriyaty, a branch of OAO Mostozhelezobetonkonstruktsiya, ZAO T-Beton, OAO Zavod Stroydetal, OOO Tsent-Beton, OAO Lodeinopolsky Zavod of the Track Repair Directorate, a branch of OAO RZHD, GUP ZhBI No. 310, OOO Luzhsky Zavod ZhBI, OOO Beton and other companies;
- Five enterprises producing various types of ceramic tiles, with total capacity for 28.5 million square metres: ZAO Keramin Sankt-Peterburg, OAO Kvarts, ZAO Kontakt, ZAO Nefrit-Keramika, OAO Glebychevsky Keramichesky Zavod;
- Five enterprises producing dry building mixes with the total capacity for 365,000 tonnes: OOO MC-Bauchemie, ZAO Stroitelno-Ekologicheskiye Tekhnologii, OOO Baumit Stroitelniye Materialy and other companies;
- Six enterprises producing waterproofing, heat-insulating and roofing materials, with the total capacity exceeding 50.2 million square metres: OOO Tekhnonikol – Vyborg, OOO Rokvul-Sever, OOO Zavod Krovelnykh Materialov Izoflex, OOO KINEF, OOO PO Penoplex Severo-Zapad, OOO Schebservis Plus;
- One enterprise producing ceramic sanitary articles: OOO Roka Rus, with the capacity for 600,000 pieces;
- 35 major entities extracting and processing non-metallic materials, including sand, construction stone, granite

and dolomitic macadam, with the total capacity exceeding 40 million cubic metres per annum.

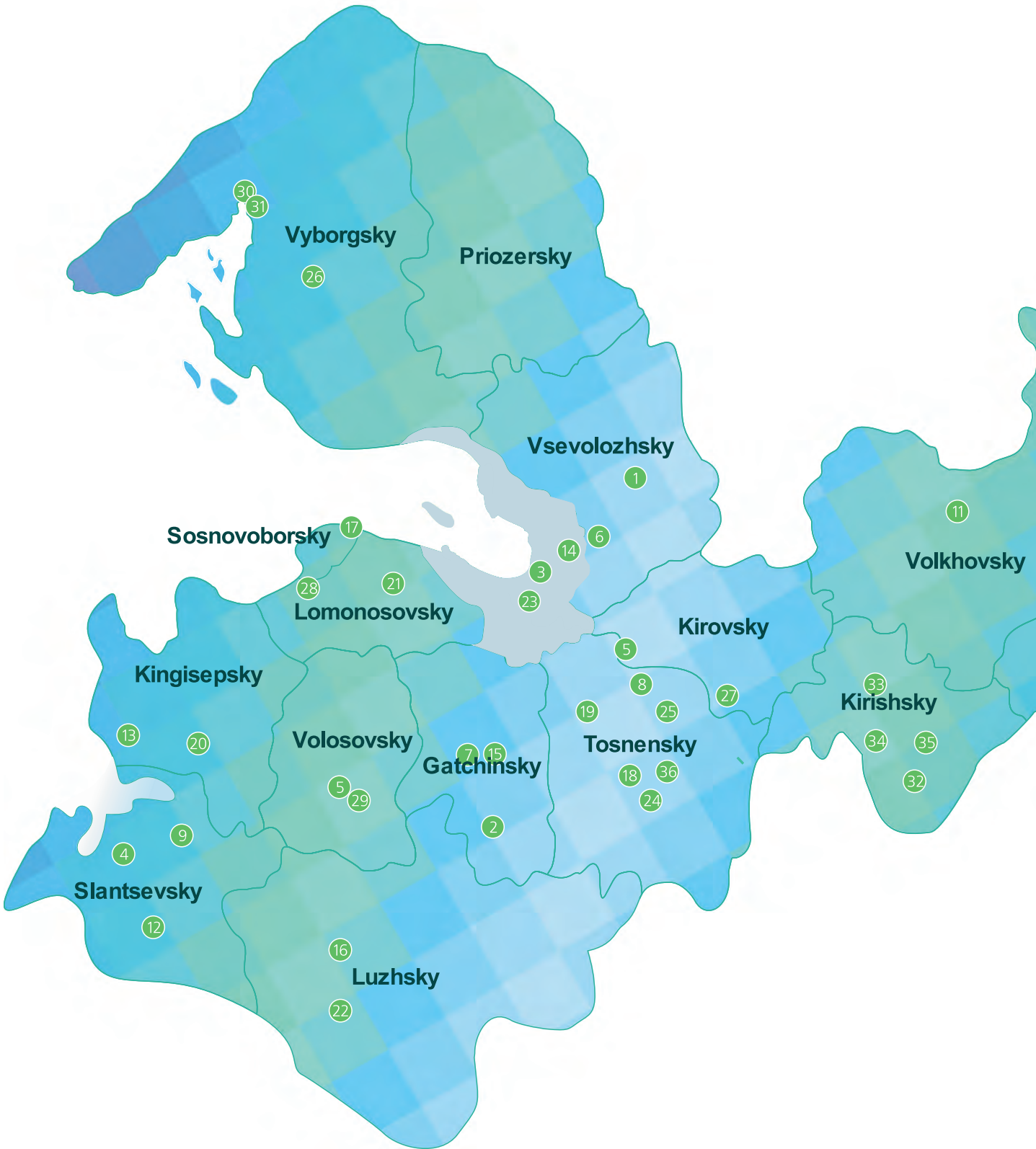
One of the advantages of the Leningrad Region's Construction Materials Cluster is its integration in the construction industry of St Petersburg, while the development of the cluster's companies depends largely on the volume of construction in St Petersburg.

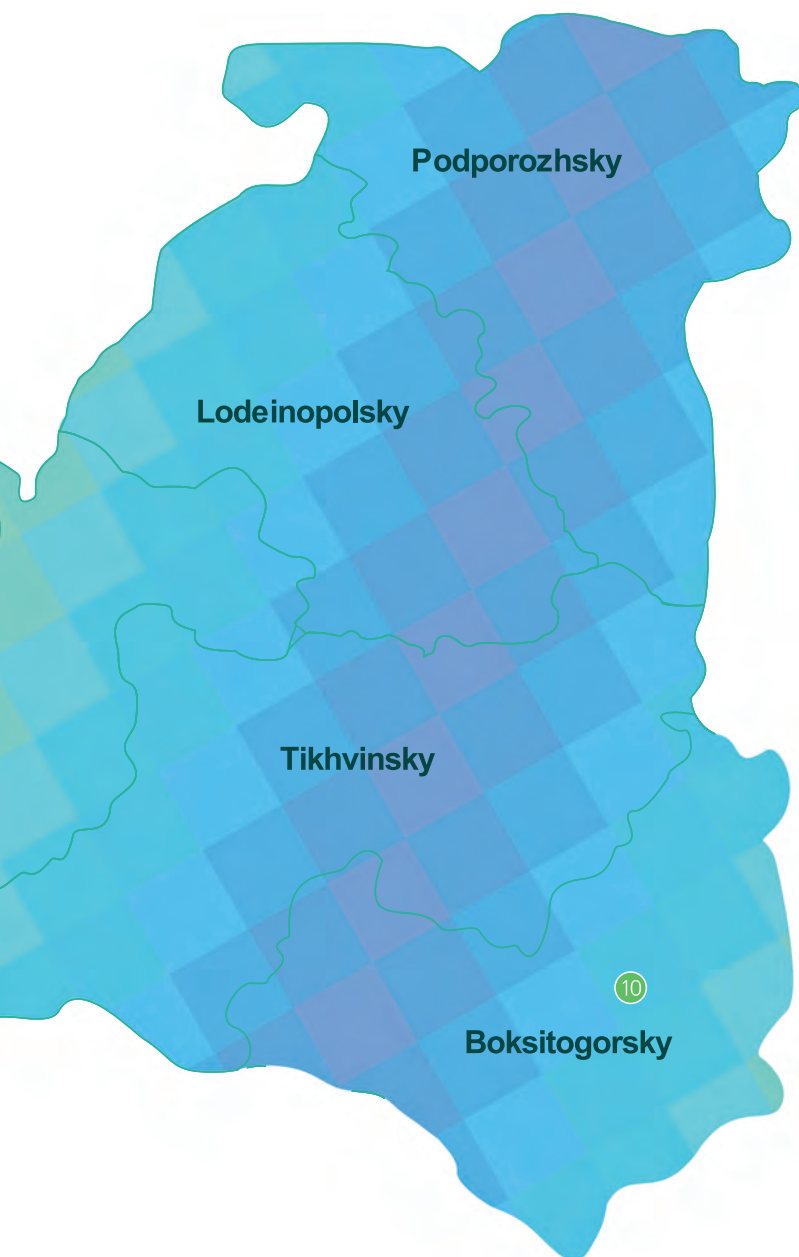
Annually, companies participating in the Leningrad Region's Construction Materials Cluster supply up to 200,000 cubic metres of reinforced concrete products and structures, up to 200 million pieces of bricks, up to 12 million cubic metres of non-metallic construction materials and up to 2 million tonnes of cement to construction sites in St Petersburg.

One of the top-priority areas for further development of the cluster is the establishment and development of cement and sheet building glass production of various grades.



CONSTRUCTION MATERIALS CLUSTER





- 1 «Polar Invest»
- 2 «Trest 49»
- 3 «BiG»
- 4 «EvroAeroBeton»
- 5 «N+N»
- 6 Construction materials plant «Etalon»
- 7 «LSR. Walling material – North-West»
- 8 «Petrokeramika»
- 9 Slate cement plant «CESLA»
- 10 «Pikalevsky cement»
- 11 «Metakhim»
- 12 «LSR-Cement»
- 13 «NordKalk – Alekseevka»
- 14 «Lenstroydetal. Leningrad region»
- 15 LSR. Reinforced concrete – North-West»
- 16 «Tolmachevsky plant ZhBiMK»
- 17 «Ypravlenie promyshlennih predpriyatii»
(«Manufacturing plants management»)
- 18 «T-Beton»
- 19 Plant «Stroydetal»
- 20 «Centr – Beton»
- 21 GYP «ZhBI № 310»
- 22 Lyzhsky plant ZhBI
- 23 «Keramin St Petersburg»
- 24 «Kontakt»
- 25 «Nefrit-Keramika»
- 26 Group «Sokol»
- 27 «MC-Bauchemie»
- 28 «Stroitelno-Ekologicheskiye Tekhnologii»
(«Construction-Ecological Technologies»)
- 29 «Baumit. Construction materials»
- 30 «Tekhnonikol – Vyborg»
- 31 «Rokvyl – North»
- 32 Roofing materials plant «Izoflek»
- 33 «KINEF»
- 34 «Penoplex North-West»
- 35 «Shebservis Plus»
- 36 «Roka Rus»

AGRICULTURAL CLUSTER

The Agricultural Cluster is one of the strategically important clusters developed to supply the region's population with the appropriate quantity and quality of food products.

The Leningrad Region is home to:

- 12 dairy plants
- 35 meat-processing factories
- 47 baking industry enterprises
- 13 confectionery companies

The cluster includes 526 large and medium-sized companies of various forms of ownership, including:

- 232 agricultural enterprises
- 17 feed milling plants
- 130 food manufacturing and processing companies
- 147 fishery industry enterprises

The region's major companies include:

- OOO Galactika
- OAO Kombinat Volkhovkheleb
- OOO Myasokombinat Neima
- OAO Gatchinsky Khlebokombinat
- OAO Volkhovsky Kombikormovy Zavod
- ZAO Gatchinsky Kombikormovy Zavod
- Rybolovetsky Kolhoz NEVO
- ZAO Konditerskoye Obyedineniye Lyubimy Krai
- OOO Nevskiy Porogi
- OOO Craft Foods Rus
- ZAO Ptitsefabrika Sinyavinskaya imeni 60-letiya Soyuz SSR
- OAO Ptitsefabrika Severnaya
- ZAO Ptitsefabrika Roskar

The following investment projects are being currently implemented within the cluster:

- Construction and modernisation of a commercial dairy farm owned by ZAO PZ Agro-Balt. The integrated agricultural plant's capacity is 1,152 milk cows. The project's cost is RUB 646.7 million;
- Upgrading of an OAO Plemennoi Zavod Plamya-owned cattle farm's maternity barn and calf pen. The project involves the construction of new livestock buildings for the commercial dairy farm;

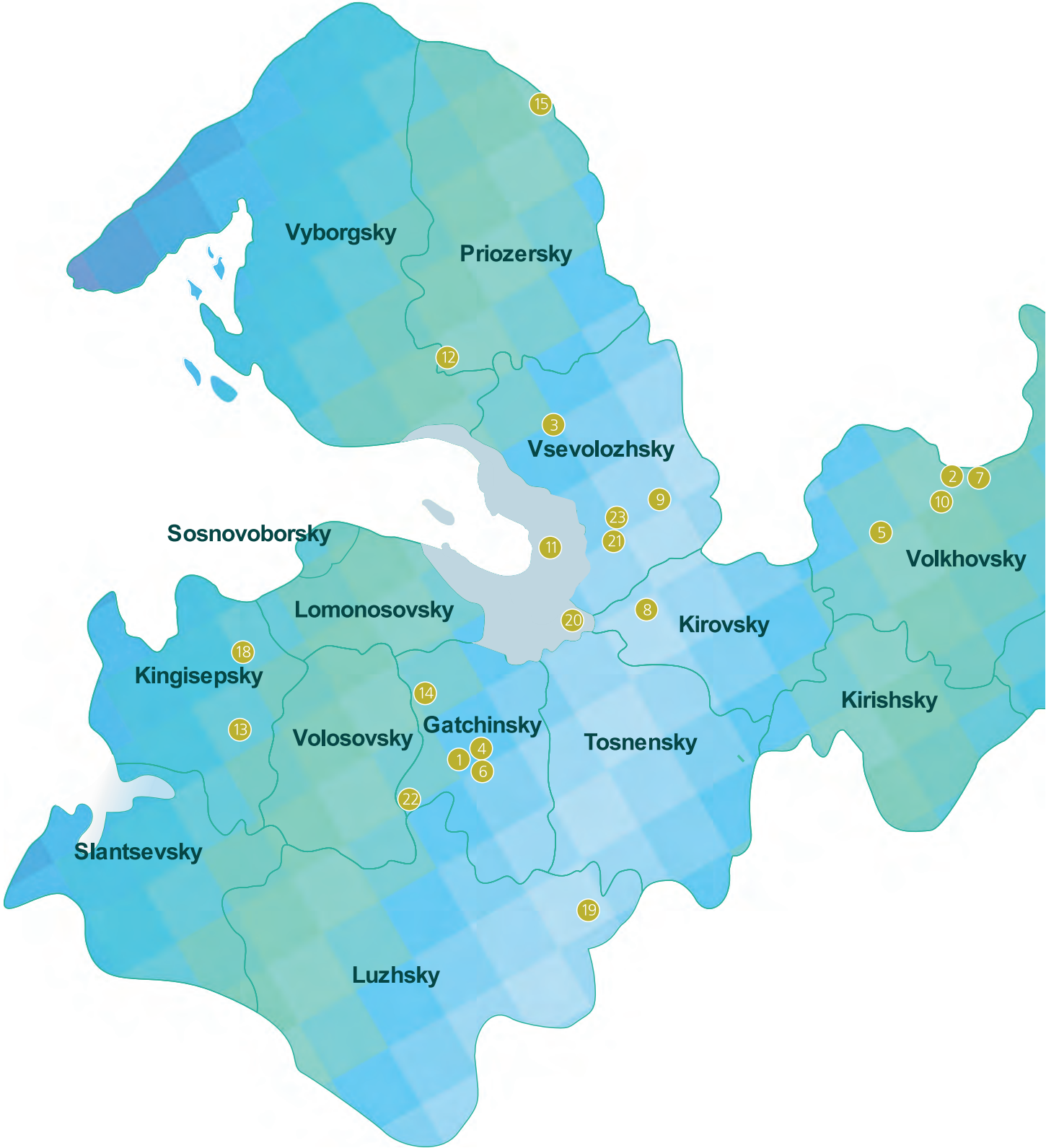


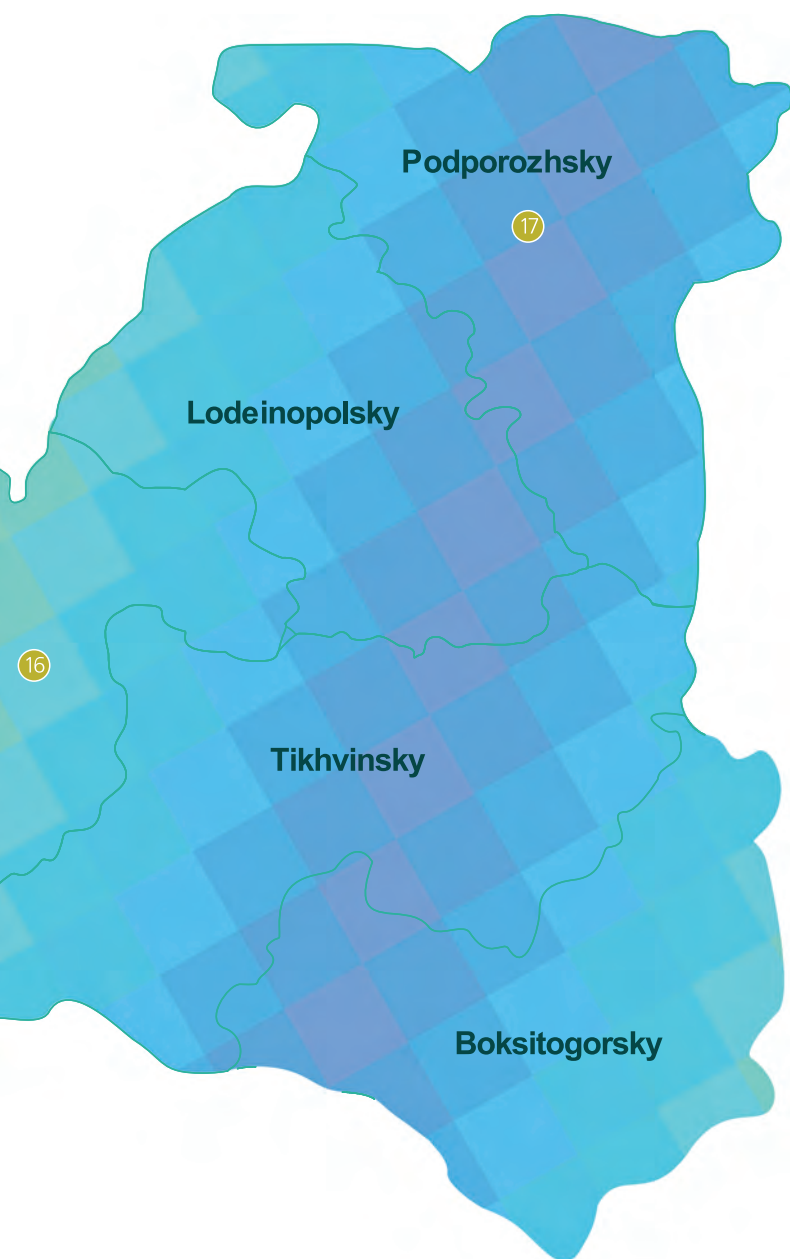
- Construction of an integrated agricultural complex for breeding, slaughtering and processing of beef cattle stock, owned by OOO Yarovoye. The project involves the setting up of an agricultural enterprise for breeding of beef breeds of cattle stock with the total annual average live-stock population coming to about 2,000 animals. In addition, there is a plan to upgrade the livestock breeding complex and construct a new commercial dairy farm with capacity of 1,200 milk cows;
- Establishment of a pig-breeding complex owned by OOO Oyatskoye. The project envisages upgrading a livestock farm and transforming it into a pig preparation complex with capacity of 8,000 head, as well as the reconstruction of two cattle stock farmyards and transforming them into pig houses with capacity of 15,000 cattle stalls each. It also foresees the construction of four new buildings with 1,500 cattle stalls each and annual output coming to 3,200 tonnes of pork;
- Construction of a OOO Svir-Agro-owned sow farm for 2,000 breeding pigs. This project will help the company set up its own population for the pig finishing complex and a feed yard with capacity of 16,000 cattle stalls and annual output coming to 6,400 tonnes of pork;
- Reconstruction of a pig-raising farm owned by OOO Psoida. Implementation of this project will help boost total pork production to 1,628 tonnes a year. The total project's cost comes to RUB 172 million;
- Construction of a pig-raising complex owned by OOO Agroholding Priozyorny. Implementation of this project will help to increase capacity up to 19,200 cattle stalls, or 4,600 tonnes of pork per year in carcass weight equivalent. The total project cost is RUB 1,110.5 million;
- Implementation of a project involving the development of the biggest and most innovative European egg production complex owned by ZAO Ptitsefabrika Sinyavinskaya. The breeding area is being upgraded, and construction of five poultry yards is underway;

- Construction of a vegetable storage facility with the capacity of 8,000 tonnes of vegetables, owned by ZAO PZ Prinevskoye. The project involves the construction and fitting out of a building for vegetable storage. Refrigerated sections with temperature and humidity condition control have been designed for storage of 500 tonnes of cabbage, 6,500 tonnes of carrots, 500 tonnes of potatoes and 500 tonnes of other vegetable products. The project's total cost comes to RUB 308.5 million;
- OOO Galactika is continuing to expand its equipment stock by introducing the most advanced technological solutions. The plant has installed the PlantMaster fully automated production management system and now using bactofuguring technology for milk treatment. OOO Galactika is the first Russian company to install a TetraTop Base line and to implement the membraneless opening technology known as OSO (one-step-open);
- Development of a meat processing facility owned by OOO Vsevolzhsky Myasnoi Dvor. Implementation of this project involves the construction and fitting out of a sausage-making shop with capacity of up to four tonnes per shift, as well as the set-up of casing and boning operations. The implementation of this project will result in the creation of about 100 new jobs. Overall investment amounts to RUB 600 million;
- Development of a primary live-stock dressing complex owned by OOO Samson Gatchina. This investment project aims at developing production of 22,000 tonnes of meat and 8,000 tonnes of by-products a year. It will also result in the creation of around 600 new jobs. Overall investment amounts to over RUB 3 billion;
- Upgrading of OOO Myasokombinat Vsevolzhsky-owned production facilities and expansion of semi-finished meat production. This project will expand facility's product line, as well as increase refrigerated semi-finished production. Total investment comes to over RUB 150 million;
- Construction of a baked confectionery factory owned by ZAO Konditerskoye Obyedineniye Lyubimy Krai. This project will allow the company to double sales of its confectionery goods, as well as create around 20 new jobs.



AGRICULTURAL CLUSTER





- 1 Group «Galaktika»
- 2 Plant «Volhovkhleb»
- 3 Meat-packing plant «NEIMA»
- 4 Petrokhleb
- 5 «Volhovsky Feed Mill»
- 6 «Gatchinsky Feed Mill»
- 7 Fishing collective farm «NEVO»
- 8 Confectionary factory «Lubimy Kray»
- 9 Nevskie Porogi
- 10 Poultry farm «Sinyavinskaya»
- 11 Poultry farm «Severnaya»
- 12 Poultry farm «Roskar»
- 13 PZ «Agro-Balt»
- 14 PZ «Plamya»
- 15 Trade house «Yarovoe»
- 16 Pig-breeding complex «Oyatskoe»
- 17 Pig-breeding complex «Svir-Agro»
- 18 Hog farm «Psofida»
- 19 Agricultural holding «Priozorny»
- 20 PZ «Prinevskoe»
- 21 Vsevolzhsky Myasnoi Dvor
- 22 Samson Gatchina
- 23 Meat-packing plant «Vsevolzhsky»

A SUCCESS STORY

Galactika Group of Companies



Alexander German, CEO, GALACTIKA Plant

The Galactika Group of Companies is one of the biggest producers of dairy products in Russia and the largest of its type in the country's northwest. The group includes Galactika Dairy Plant, Galactika Vyatka Baby Food Plant and several agroindustrial companies in the Leningrad Region, as well as the Galactika Trading Company. The group employs over 1,000 people.

The Galactika Group produces dairy products under the trademarks Bolshaya Kruzhka, Sudarynya and Svezh-eye, as well as drinkable yogurts and kefir products for Valio and several other customers.

The official opening of Galactika Dairy Plant was held in 2008 in the town of Gatchina (Leningrad Region). However, the company's history began 60 years earlier, back in 1948, when it commissioned the first stage of the Gatchinsky Dairy Plant. In the summer months, the plant could accept up to 20 tonnes of milk a day. By 1961, following the plant's reconstruction, its floor space expanded almost tenfold, boosting daily production capacity up to 50 tonnes of milk.

Both foreign and Russian experts have recognised Galactika Dairy Plant as one of Europe's most advanced dairy enterprises. It is fully automated, equipped with innovative technologies and capable of producing high-quality goods. The plant can produce up to 800 tonnes of milk on a daily basis. Since it was commissioned, the plant's output has come to a total of 600 million litres.



The invariably high quality of Galactika's products is thanks to the group's compliance with Food Safety Management System ISO 22000:2005 and Quality Management System ISO 9001:2008.

Valio (Finland) and Tetra Pak (Sweden) are strategic partners with Galactika Dairy Plant. In turn, the plant has made effective use of these industry leaders' advanced expertise. Valio, which has been producing its goods under its brand in Russia at this plant, has accredited the production quality control system in place at Galactika's facilities. Tetra Pak is a supplier of machinery and packaging equipment.

The Galactika Group of Companies is trailblazer in the use of new equipment on the dairy market. For instance, it was the Russian plant to install the Tetra One Step Opening Cap (a single-step membraneless opening system), as well as the first European plant to use Tetra Edge 250 ml Screw Cup milk dispensing equipment.

Galactika Group's products are sold by almost all federal and local retail chains, as well as by traditional retail stores in Moscow, St Petersburg, Russia's regions and several CIS countries. Galactika Trading Company successfully works with more than 8,000 retail and wholesale companies. It delivers its products directly to more than 3,700 customers.

Galactika Group's projects

The Galactika Group puts much effort into social initiatives and is fully engaged in social programmes in partnership with governmental agencies and industry organisations.



Partnership with Roscosmos

The Galactika Group is the sole dairy supplier for Russian cosmonauts. The group has been working in partnership with Russian Federal Space Agency Roscosmos since 2011. The first samples of Bolshaya Kruzhka sublimated products were delivered to Roscosmos in the summer of 2012, followed by sublimated kefir, fermented milk, yogurt and milkshake products, which were sent into outer space under the Bolshaya Kruzhka trademark for the first time in the history of Russian space travel. Over the last two years, the Galactika Group's products have been part of Russian cosmonauts' diet, which testifies to their high quality.

School milk programme

For several years, in partnership with the St Petersburg Education Committee and TetraPak, Galactika specialists have run a number of educational programmes under the aegis of the School Milk project, an international initiative aimed at improving children's health through the consumption of an additional 200 millilitres of milk every day. In the two years since the programme's introduction, more than 900 pupils in St Petersburg and the Leningrad Region have attended interactive sessions covering the health benefits from drinking milk. Under the School Milk Programme, using municipal food production facilities, Galactika supplies its milk produced under specific standards to schools in the region.



This autumn, Galactika ran another regular Milk Games campaign for thousands of kids in St Petersburg and the Leningrad region in partnership with Roscosmos.

Sightseeing

The company regularly arranges shop floor excursions for pupils, organised in the form of a quest, which helps kids learn about the health benefits from drinking milk.



AUTOMOTIVE AND AUTO COMPONENT CLUSTER

In addition to Ford-Sollers' car assembly plant and Caterpillar Tosno's machine-building enterprise, the Leningrad Region's Automotive Cluster includes more than 20 component producers. The main players are:

- Tenneco Automotive – a US company producing exhaust and stabilisation systems for automobiles;
- Faurecia ADP – a Croatian-French plant producing plastic auto components;
- Gestamp Severstal Vsevolozhsk – a Spanish plant producing pressed auto parts;
- MW Eurodisk – an Italian-Swiss company producing pressed steel discs;
- YURA Corporation Rus – a Korean company producing components for brake systems;
- HORSE-Silicon – a plant producing fabricated rubber components for automobiles.

There are several objective advantages in locating automotive component production in the Leningrad Region, the main one being favourable logistics for component deliveries to assembly plants, which are comparable to similar European enterprises in terms of their remoteness.

The Automotive Cluster's main focus is generating a «flow» of joint projects among all of the region's automotive companies. This specifically includes the set-up in the region of a shared use centre for automotive component testing. The centre is now under consideration since only the idea of one company maintaining such a centre would not be economically viable, primarily due to the fact that it would be practically impossible to ensure a sufficient utilisation ratio.

The Leningrad Region is providing support to this project, including lease of premises and land plots at reduced rates. The premises of a nanotechnology centre in Gatchina are now being considered as a prospective site for the centre.

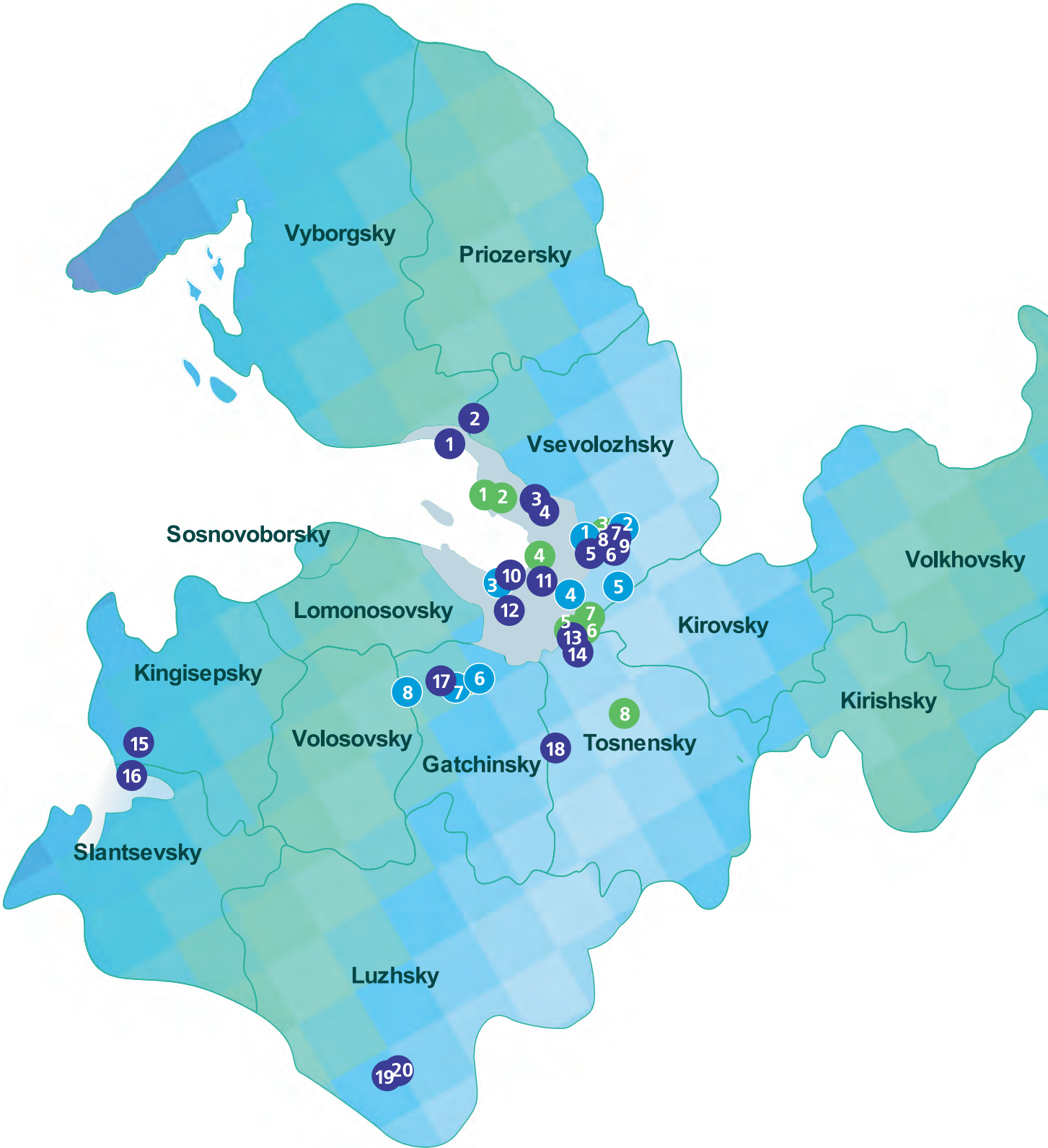
Leningrad Region and St Petersburg-based car assembly plants

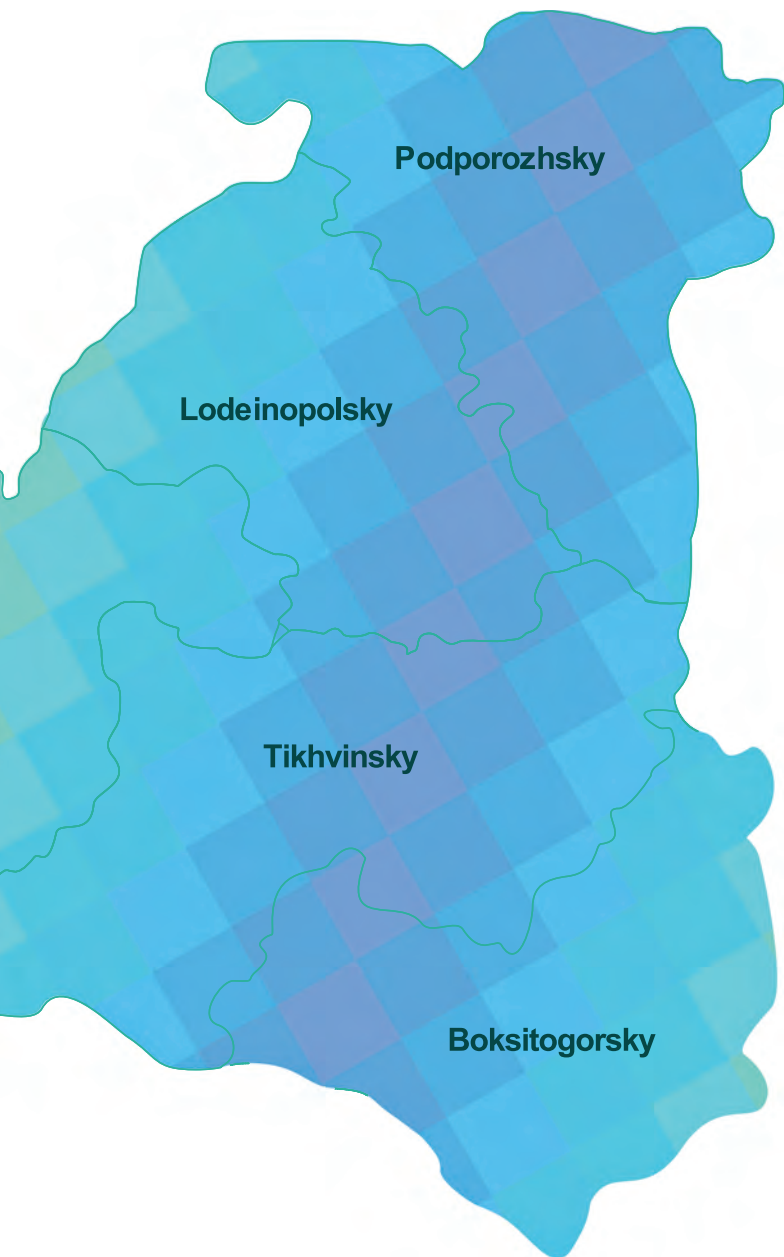
Company	Location	Stated amount of investments, USD million	Head count	Stated productive capacity, units/per annum	Percentage of localisation
General Motors Auto	St Petersburg	303	2 500	98 000	20% (2012)
Caterpillar Tosno	Leningrad Region, Tosno	100	500	2 300	
MAN Truck and Bus Production RUS	St Petersburg	~ 33	~ 230	6 000	
Nissan Manufacturing RUS	St Petersburg	200	1 900	50 000	31,7% (2013)
Scania-Peter	St Petersburg	~ 270	600	7 500	~15–20% (2013, for individual models)
Toyota Motor Manufacturing Russia	St Petersburg	~ 230	1 600	50 000	15% (2013)
Ford-Sollers Holding	Leningrad Region, Vsevolozhsk	330	2 750	125 000	35% (2013)
Hyundai Motor Manufacturing Rus	St Petersburg	600	2 200	224 000	45% (2013)

Leningrad Region and St Petersburg-based producers of auto components

Company	Specialisation	Location	Consumers
MOBIS MODULE CIS	control panels, console, front and rear bumpers	St Petersburg	Hyundai
TI Automotive	fuel and brake pipes	Leningrad Region, Vsevolozhsk	Ford
Vlankas	plastic auto components (bumpers)	St Petersburg	GM
Gestamp Severstal	pressed metal components and units	Leningrad Region, Vsevolozhsk	Ford, Volkswagen, GM, Peugeot-Citroen, Renault-Nissan, Volvo Trucks, Toyota
Grupo Antolin	interior trim components	Leningrad Region, Vsevolozhsk	Hyundai, Ford, Skoda, Renault, Volkswagen
Johnson Controls International	motor vehicle seats (Focus)	St Petersburg	Ford, GM, Nissan
Dinex Rus	silencers, catalysts, bent pipes	Leningrad Region, Gatchina	KAMAZ, GAZ Group, Volvo, Terex, Volgabus, ZAO PTZ
Donghee Rus	engine front mounts, hatchways, front and rear suspensions, fuel tanks, pedals	St Petersburg	Hyundai, Kia
Doowon Rus	climate systems	St Petersburg	Hyundai
Intercos-IV	rolled metal billets, large-dimensioned equipage for the car-making industry	St Petersburg	Ford, KAMAZ, UAZ, Caterpillar, AVTOVAZ
Yura Corporation Rus	electric equipment	Leningrad Region, Ivangorod	Kia, Hyundai
Lir	seats (Mondeo)	Leningrad Region, Vsevolozhsk	Ford
MAGNA	car body parts, metal elements of passive car safety systems	St Petersburg	Hyundai, Nissan, GM, Volkswagen
MW Kingisepp (MW Eurodisk)	pressed steel wheels	Leningrad Region, Kingisepp	Autoframos, AVTOVAZ, Peugeot – Citroen, Ford, Nissan, Volkswagen
Nokian Tyres	winter and summer tyres for passenger cars and off-road vehicles	Leningrad Region, Vsevolozhsk	
ORION (ZAO Mir Upakovki)	plastic interior components	Leningrad Region, Sertolovo	Ford, Renault-Nissan, GM, Magna, Antolin
Severstal-SMC-Vsevolozhsk	recycling of rolled metal products	Leningrad Region, Vsevolozhsk	Gestamp, Severstal, Ford, Hyundai, Volkswagen and Renault-Nissan
Tenneco Automotive Volga	exhaust and stabilisation systems	Leningrad Region, Gorelovo	GM-Avtovaz, FORD-Sollers, Renault-AVTOVAZ, GM, Daimler, Nissan
Uzor	motor vehicle seating and slip-cover fabrics	Leningrad Region, Vyritsa	AVTOVAZ, UAZ
Faurecia ADP	bumpers, control and door panels, roof elements, interior trim elements	Leningrad Region, Luga	Renault, AVTOVAZ, Nissan, Ford, Peugeot, Citroen, Skoda, Volkswagen, Mitsubishi
Khimik	car care products	Leningrad Region, Luga	
XOPC – Silicone	car care products and household chemical goods	St Petersburg	KAMAZ, AVTOVAZ, AZ Ural, MAZ

AUTOMOTIVE AND AUTO COMPONENT CLUSTER





Conventional signs

- automotive components manufacturers in Leningrad region and Saint-Petersburg
- sites for placement of automotive plants
- automotive assembly plants in Leningrad region and Saint-Petersburg

<ol style="list-style-type: none"> 1 2 3 4 5 6 7 8 	 Utikina zavod'  Industry zone «Kirpichny zavod»  Greenstate  M-10 INDUSTRIAL PARK Industrial park «Kola»  TELLUS GROUP  FYODOROVSKOE Industrial park  MARIENBURG INDUSTRIAL PARK  GATCHINA NANOPARK NORTH-WEST NANOTECH CENTER	<ol style="list-style-type: none"> 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 	 MOBIS  MIR upkovki  DOOWON  DONGHEE  ANTOLIN  Gestamp  nokia TYRES  TI Automotive  LEAR CORPORATION  INTERCOS-IV  HORS  TENNECO  MAGNA  Johnson Controls  MW  XRAY  DINEX  faurecia  KHIMIK
<ol style="list-style-type: none"> 1 2 3 4 5 6 7 8 	 HYUNDAI  NISSAN  Ford  MAN  TOYOTA  SCANIA  GM  CAT		

A SUCCESS STORY

Ford Sollers–Vsevolozhsk



Ted Cannis, *President and CEO, Ford Sollers*
Adil Shirinov, *First Vice President and Executive Director, JV Ford Sollers*

» *«The Ford Focus and Ford Mondeo models manufactured in Vsevolozhsk can be safely called legends of the Russia automotive market. The Ford Focus has been the best-selling foreign car in Russia more than once».*

Ted Cannis

» *«The plant in Vsevolozhsk is a key production site, both for Ford Sollers and the region in general. With the launch of new models tailored to the needs of Russian customers, we will continue to develop a regional supplier base and boost the level of localisation by using the enterprise's logistic advantage».*

Adil Shirinov

Ford Sollers is a joint venture set up by Ford Motor Company and OAO Sollers in 2011 and equally owned by both parties. It manufactures, imports and sells Ford products, including vehicles, spare parts and accessories, on the Russian market.

The joint venture owns three production sites. One is located in the Leningrad Region and the other two are in the Republic of Tatarstan (production facilities in Naberezhny Chelny and the Alabuga Special Economic Zone). Total annual output at these enterprises comes to around 350,000 vehicles. In 2015, the company will launch production of engines in Russia.

Ford Soller's plant in Vsevolozhsk was established in 2002. Since then, it has become the first full-cycle car production facility operated by a foreign company in Russia. The plant's current capacity ctp. 59 is over 160,000 vehicles a year. It also employs around 1,500 people. The

plant produces Ford Focus and Ford Mondeo models using full-cycle technologies. The plant is located 24 km from St Petersburg. The 26-hectare site includes warehouses, a finished goods storage area, a body welding and painting shop, a vehicle assembling shop, a building where a Four Posters vibration stand is located for squeak and rattle testing of full vehicles, and a track for testing finished products.

The plant is now making preparations to update its model range, including modernisation of production facilities and training its staff in new production processes.

In 2015, the company will launch production of new Ford Mondeo and Ford Focus models.

Over the last 10 years, the plant has produced over 500,000 Ford Focus and Ford Mondeo cars. This year the Vsevolozhsk plant celebrates its 12th anniversary.

Initial project investments came to about USD 150 million with annual production output at 25,000 units a year. The plant initially employed 600 people. The Ford Focus was the first model to roll off the assembly line and, since 2003, it has been the best-selling car in the C-segment of the Russian automotive market. Until 2011, the Vsevolozhsk plant had been the only Ford production site in Europe that produced this model in all four body modifications (estate, saloon, and five-door and three-door hatchback (first and second generations)). Production of the Ford Mondeo saloon was launched in 2009, and the third-generation Ford Focus started coming off the assembly line in 2011. The plant's high-tech equipment makes it possible to produce high-quality vehicles that meet the Ford's global standards.

Some major milestones in the history of Ford's plant in Vsevolozhsk include:

- July 2002 – launch of Ford Focus production;
- December, 2003 – the Ford Focus gains popularity among customers, becoming the best-selling foreign car in Russia and retaining this position for seven years straight;
- April 2006 – Ford's plant in Vsevolozhsk produces its 100,000th Russian Ford Focus;
- October 2007 – the 200,000th Ford Focus rolls off the assembly line;
- March 2009 – launch of Ford Mondeo production;
- June 2009 – total Ford Focus cars manufactured in Russia reaches 300,000 units;
- March 2011 – the 400,000th Ford Focus is produced in Vsevolozhsk;
- 17 January 2012 – production of Ford Focus estate (third generation) cars is launched;
- 24 April 2012 – the plant in Vsevolozhsk produces the 500,000th Ford Focus;



- 9 July 2012 – Ford-Soller's plant in Vsevolozhsk celebrates its 10th anniversary;
- 6 June 2013 – for the 20th anniversary of the Ford Mondeo model, Ford Sollers' plant in Vsevolozhsk starts manufacturing the jubilee family «Anniversary 20» model;
- 22 October 2014 – the 700,000th Ford Focus rolls off the assembly line at the plant in Vsevolozhsk.



FORESTRY CLUSTER

The Leningrad Region's Forestry Cluster plays a vital role in the local economy. The cluster's capacities allow it to process more than 75% of the timber harvested in the region.

It also covers many districts in the region and includes timber procurement and processing enterprises, as well as pulp-and-paper and forest chemical industry enterprises. The cluster consists of 101 timber procurement enterprises,

22 timber processing enterprises, 12 enterprises producing pulp, cardboard and paper, including three pulp-and-paper plants, nine cardboard-and-paper plants and one timber and chemical plant.

For the purposes of developing the cluster, the following priority investment projects are being implemented:

- Bleached chemico-thermomechanical pulp production with annual capacity for 200,000 tonnes. The project is being implemented by ZAO International Paper. Overall investments comes to RUB 4.9 billion;
- Modernisation of sawmill production facilities at OOO MM-Efimovsky. Overall investment totals RUB 800 million. This project will help to increase the enterprise's annual production capacity to 408,000 cubic metres of sawn timber and set up pellet production operations with annual capacity for 57,600 cubic metres of wood granules (pellets). This project will create 20 new jobs.

The largest pulp, paper and cardboard producers are:

- OAO Sankt-Peterburgsky Kartonno-Poligrafichesky Kombinat
- ZAO International Paper
- OAO Vyborgskaya Tsellyuloza
- OAO Syassky Tsellyulozno-Bumazhny Kombinat
- OOO MM-Yefimovsky

OIL&GAS, CHEMICAL AND PETROCHEMICAL CLUSTER

The Leningrad Region's Oil&Gas, Chemical and Petrochemical Cluster is represented by major Russian energy companies. It is also characterised by its high production, R&D and HR potential.

In January-September 2014, production in the chemical industry exceeded RUB 25.8 billion while petrochemical output came to over RUB 135.2 billion. The cluster's output accounted for about 30% of the Leningrad Region's total industrial production.

Furthermore, chemical and petrochemical companies play a primary role in the Leningrad Region's exports. In the first six months of 2014, the chemical industry's exports amounted to USD 584 million (7.4% of total exports) while exports of minerals (mostly crude oil and refined products) exceeded USD 6.5 billion (84.4% of total exports). The region's chemical and petrochemical industry is represented by major Russian companies, as well as high production, R&D and HR potential.

Key enterprises in the Leningrad Region's Oil&Gas, Chemical and Petrochemical Cluster include:

- OOO PO Kirishinefteorgsintez
- OOO PG Phosphorite
- OAO Volkhovsky Chemical Plant
- OAO Khimik
- OOO Interfill

MILITARY INDUSTRIAL CLUSTER

The Military Industrial Cluster («Military Industrial Complex» or «MIC») of the Leningrad Region is represented by 13 enterprises and R&D establishments, which have been included in the consolidated register of military industrial complex entities approved by Order No. 1067 of the Ministry of Industry and Trade of the Russian Federation of 2 June 2014, as well as by other enterprises and organisations involved in fulfilment of government defence orders.

The share of MIC enterprises in the total volume of products shipped by manufacturing enterprises based in the region is growing and, as of today, it counts for approximately 1.3% of total shipments. Their average workforce accounts for around 8% of the total employees at all manufacturing enterprises.

The region's MIC enterprises operate in such areas of industrial production as machine building, shipbuilding, radio electronics and tool engineering, information and telecommunication systems development, aviation and aerospace technologies, as well as the nuclear industry.

Their main activities include:

- R&D in natural and engineering sciences;
- R&D, trial tests and serial production in such areas as conventional weapons, ammunition supplies and special chemistry, on-board electro optical equipment for spacecraft and optical elements, as well as pilot studies and applied research in lasers and laser systems;
- repair and maintenance for a wide range of underwater naval weapons, aviation equipment and other special-purpose vehicles in the interests of the armed forces of the Russian Federation;
- producing hydro-acoustic complexes and stations, control and measuring devices, pipeline and marine vessel armature, diesel engine components, special-purpose machinery, other machinery and equipment;
- producing floating reinforced concrete dock structures and air-cushion vessels;
- conducting product trial tests for the purposes of voluntary and mandatory certification in the stated area of activity of accredited testing centres;
- proper disposal of weapons and military equipment;
- producing consumer goods and non-military items.

The region's defense industry includes domestically and internationally renowned companies, such as:

- FGUP NITI named after A.P.Aleksandrova
- FGUP NII Poisk
- FGUP Zavod imeni Morozova
- OAO 218 Aviatsionny Remontny Zavod
- OAO Zavod Burevestnik
- OAO NII Optiko-Elektronnogo Priborostroyeniya
- OAO Zavod Krizo
- OAO Zavod Ladoga

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