



INVESTMENT AUDIT OF THE UDMURT REPUBLIC VERSION 2.0



pwc

UDMURTIA ON THE MAP OF RUSSIA

41,200 SQ KM

Area
(56th/85*)

1.5 M

Population
(30th/85*)

RUB 622.7 BILLION¹

GRP
(33rd/85*)

RUB 412,300¹

GRP per capita
(42nd/85*)

¹ Preliminary data for 2018, Ministry of Economy of the Udmurt Republic

* Ranking among Russian regions in 2017

Source: PwC analysis on the basis of Rosstat data and geodata

UDMURTIA'S LARGEST CITIES

IZHEVSK	650,000
SARAPUL	98,000
VOTKINSK	98,000
GLAZOV	93,000

970 KM

Distance from Izhevsk to Moscow:

- ✈ 2 hours
- 🚗 18 hours (1200 km)

KEY TRANSPORT INFRASTRUCTURE:

- Trans-Siberian Railway (Balezino Station, Glazov Station)
- == P320 Elabuga-Izhevsk regional highway, connection to M7 Volga
- Udmurt Republic
- Volga Federal District (VFD)

IGOR SHUVALOV
Chairman of VEB.RF



"VEB.RF, the Russian Export Centre, DOM.RF and the SME Corporation are providing the people of Udmurtia with essential tools to attract investors, open new manufacturing sites, create new jobs, upgrade existing enterprises and promote goods made in Udmurtia in foreign markets. VEB.RF has forged a comprehensive partnership with the regional administration. We are ready to participate in the region's priority investment projects on transport infrastructure and urban development, including a major upgrade of public transportation networks. Another economic priority is the diversification of Udmurtia's defence sector. The region's highly educated population and human capital resources provide Udmurtia with the opportunity to enhance existing manufacturing capacities and produce highly competitive civilian-use goods using low-cost financing tools."

MAKSIM ORESHKIN
Minister of Economic Development of the Russian Federation



"Udmurtia's focus on driving non-resource-based exports, training entrepreneurs and promoting entrepreneurship, enhancing productivity and adopting best practices from other regions, with the proper implementation, is definitely the right way to develop the region's economy."

DENIS MANTUROV
Minister of Industry and Trade of the Russian Federation



"Udmurtia is a region with enormous investment potential and ambitious goals to develop the manufacturing sector. There is intense demand for investment among companies in Udmurtia and strong collaboration between the regional administration and the Industrial Development Fund established by the Russian Ministry of Industry and Trade. Regional companies are participating in joint modernisation initiatives and setting up new production lines and import-substitution products. As a result, Udmurtia today is one of the 10 leading Russian regions in terms of private equity raised via the Industrial Development Fund. In 2018, companies filed RUB 1 billion worth of requests with the Fund and signed RUB 500 million worth of contracts. In 2019, Udmurtia plans to attract around RUB 750 million via the Industrial Development Fund to develop manufacturing projects. The region's cluster of oil and gas equipment manufacturers is going to be a powerful driver in developing the oil and gas sector. Furthermore, the region is successfully facilitating the conversion of military enterprises to civilian-use manufacturing, and, in the process, creating jobs and demand for further investment."

DMITRY PATRUSHEV
Minister of Agriculture of the Russian Federation



"Udmurtia's climate and environment provide an excellent foundation for the further development of the agribusiness, food, raw materials and consumer goods sectors. Fast growth has helped to drive promising investments in Udmurtia's agricultural sector, where there are vast opportunities on both the Russian and international market."

THE REGIONAL ADMINISTRATION HAS INITIATED AN INVESTMENT AUDIT TO SUPPORT UDMURTIA'S LONG-TERM ECONOMIC DEVELOPMENT

2014

Investment strategy

Udmurtia's 2025 Investment Strategy is aimed at enhancing the republic's investment appeal and nurturing a favourable environment for investment projects.

The strategy's main objectives are to:

- improve the competitiveness of regional manufacturing;
- ensure a better quality of life for the people;
- retain and develop human capital;
- develop small and medium enterprises;
- drive well-balanced regional development.

2017

Map of investment opportunities

The Udmurt Republic undertook a massive stock-taking of its investment resources and developed a map of investment opportunities: madeinudmurtia.ru

2019

Investment audit

An investment audit of the Udmurt Republic has been conducted, resulting in the following outcomes:

- the leading factors promoting the investment attractiveness of the Udmurt Republic have been confirmed, including in the five industries selected for an in-depth audit;
- based on an analysis of the market and resources in the Udmurt Republic, 10 priority areas have been identified (out of 100) to attract strategic investors to the Udmurt Republic, and related areas have been determined for further investment;
- the advantages of the Udmurt Republic have been identified to attract strategic investors for the 10 priority areas, including a list of potential regional partners;

2020

Udmurt Republic 2027 Social and Economic Strategy

The strategy will be based on growth areas identified during the investment audit.

ALEXANDER BRECHALOV
Governor of the Udmurt Republic



"We will use the results of PwC's investment audit to build a new strategy to develop the regional economy through 2027."

THE FIRST RESULTS OF THE INVESTMENT AUDIT OF THE UDMURT REPUBLIC

ESTABLISHMENT OF OOO SOFTLINE OUTSOURCING

SOFTLINE IS OPENING AN OFFICE IN UDMURTIA TO OUTSOURCE ACCOUNTING SERVICES

UP TO 400 JOBS

ESTABLISHMENT OF A RUSSIAN POST R&D CENTRE

THE RUSSIAN POST IS OPENING AN R&D CENTRE TO DEVELOP END-TO-END TECHNOLOGIES

300 JOBS

IZHEVSK AIRPORT RENOVATION

NEGOTIATIONS WITH A STRATEGIC INVESTOR ARE UNDERWAY TO ATTRACT PRIVATE INVESTMENT
TO A PROJECT ON RENOVATING THE IZHEVSK AIRPORT

RUB 3.4 BILLION IN PRIVATE INVESTMENT



Project Description:

Establishment of OOO Softline Outsourcing, which provides a range of staffing and accounting outsourcing services.



Investor: Softline



Number of jobs: up to 400



Taxes to the Consolidated Budget of Udmurtia: RUB 46 million a year



Status: The office has been launched and the first employees hired.



Project Description:

Establishment of a Russian Post R&D Centre to develop end-to-end digital technologies.



Investor: Russian Post



Number of jobs: up to 300



Taxes to the Consolidated Budget of Udmurtia: RUB 44 million a year



Status: Office is being arranged and advance team hired.



Project Description:

Izhevsk Airport renovation



Implementation term:

2019-2024 (2019-2020: design and price audit, 2021-2014: reconstruction and construction)



Total investments:

RUB 6.8 billion, including:
Federal budget funds, RUB 3.4 billion
Private investments, RUB 3.4 billion



Status: Negotiations with the strategic investor are underway.



“We are pleased to present the final results of our investment audit of Udmurtia. The project was initiated by the regional administration to benchmark the republic’s investment potential and identify high-potential and promising investment and growth areas.

In the fall of 2017, Alexander Brechalov was appointed the governor of Udmurtia. One of his first announcements was to focus on budget optimisation, business development and the ambitious goal of attracting additional direct investment. Much has already been done to improve the region’s investment appeal — administrative barriers have been reduced, a package of tax and financial benefits has been developed and investment sites at our industrial parks and priority social and economic development areas (PSEDAs) have been established. These initiatives are ongoing.

Based on the results of the investment audit in the Udmurt Republic, we identified 10 key areas to attract strategic investors and prepared a Roadmap for the Udmurt Republic to work with these investment areas, including targeted work with potential investors and other interested parties, as well as a range of measures for additional support of investors, including financial and administrative support measures, providing the necessary infrastructure and personnel for new projects.

The description of investment opportunities includes: justification of market potential, required investment volume, range of potential profitability, list of potential partner companies in the region, description of the production, research and personnel base in the region, description of specific investment sites, support measures in the region.

This information is intended for potential investors and partners, development institutes and federal authorities.”

THIS INVESTMENT AUDIT OF THE UDMURT REPUBLIC IS AN INDEPENDENT ASSESSMENT OF THE REGION’S POTENTIAL FROM THE INVESTOR’S POINT OF VIEW

Key objectives of the investment audit:

- 1. Identify the competitive advantages of Udmurtia for direct investment
- 2. Identify direct investment growth points in Udmurtia
- 3. Prepare recommendations on the development of regional infrastructure
- 4. Develop a roadmap for priority investment areas

THE RESULTS OF THE INVESTMENT AUDIT HIGHLIGHT UDMURTIA’S FAVOURABLE INVESTMENT CLIMATE

Key advantages of Udmurtia identified in the investment audit:

- 1. Our retrospective analysis has demonstrated that the region’s favourable business climate can already be credited with fostering investment successes.
- 2. The regional administration is highly accessible for everyday work with investors.
- 3. The regional administration has taken special measures to focus on important dimensions of social and economic development.
- 4. Udmurtia provides investors with relevant information about opportunities in the region via the modern communication channels.
- 5. The consumer market in and around Udmurtia is more than RUB 2 trillion.
- 6. PwC analysis has identified investment appeal factors across five industries selected for an in-depth audit.
- 7. PwC analysis has identified ten top priority investment opportunities to attract strategic investors to the Udmurt Republic.
- 8. The transport infrastructure in Udmurtia offers significant advantages to investors.
- 9. Udmurtia provides investors with the opportunity to get their businesses up and running quickly at launch-ready sites.
- 10. Udmurtia has a highly educated population to support investment projects, including 16 universities, with 67% graduates working in the region.
- 11. Udmurtia offers a wide range of tax benefits to investors, including tax incentives in the Glazov and Sarapul priority social and economic development areas (PSEDAs).
- 12. Investors and their projects receive turn-key support in Udmurtia with the help of a one-window system.
- 13. Over the last three years, investment projects in Udmurtia have received more than RUB 2.5 billion from federal development institutes and more than RUB 2 billion from regional and municipal development institutes.
- 14. In 2018, for the first time in the last five years, the growth of capital investments was above 10%.

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**WHERE TO INVEST
IN UDMURTIA**

PWC ANALYSIS IDENTIFIED THE INVESTMENT APPEAL FACTORS ACROSS FIVE INDUSTRIES SELECTED FOR AN IN-DEPTH AUDIT

	ECONOMIC PERFORMANCE AND INDUSTRIAL PRODUCTIVITY		HUMAN CAPITAL	BUSINESS EXPENSES	
 DAIRY FARMING	4% Livestock breeding makes up a larger share of regional company revenues in Udmurtia than in other leading milk production regions.	5.9 TONNES Milk yield per cow at regional farms is higher than in the most other leading dairy production regions.	Izhevsk State Agricultural Academy A field-specific university that provides education programmes specialised for the agricultural sector.	4% The employment rate in the sector is higher than the national average and at the level of leading peer regions.	RUB 1.2/SQ M Priority industry in the Sarapul PSEDA The average cost of acquiring industrial land is lower than in comparable leading regions. The total cost of connecting a standard production facility to utilities (electricity, water, waste disposal, heating) in the Udmurt Republic is lower than in four out of five comparable regions.
 PETROLEUM REFINING	Udmurtneft Belkamneft Annual oil production in Udmurtia is 11 million tonnes.	Oil production at two new fields in Udmurtia is scheduled to launch in 2021.	Gutseriev Oil and Gas Institute A field-specific university that provides specialised education programmes for the oil and gas sector.		
 WOOD	9% Investment as a share of company revenues is higher than the national average.	1.3% Industry's share in the revenue of all Udmurtia companies is higher than the national average.	Izhevsk State Agricultural Academy Job placement rates over the last three years have been above 90%.	0.5% Employment in the sector is higher than the national average.	
 MACHINERY	2% Machine building as a share of a company revenues is higher than the national average.	>10% Of the Russian rolled steel is produced in the Volga Federal District. The regional administration supports machine building companies in obtaining reduced-rate loans from federal development institutes, including the Industrial Development Fund.	Kalashnikov Izhevsk State Technical University A field-specific university that provides education for machine building industries.	12 Companies have signed specialist education contracts with the university.	RUB 190/SQ M Priority industry in the Glazov and Sarapul PSEDAs The average cost of acquiring industrial land is lower than in comparable leading regions. The total cost of connecting a standard production facility to utilities (electricity, water, waste disposal, heating) in the Udmurt Republic is lower than in 12 out of 13 comparable regions.
 FOOD PRODUCTION	2% Investment as a share of company revenues is at the level of most peer regions.	>80% The share of profitable businesses in the sector in Udmurtia is at the level of comparable leading regions.			

PWC ANALYSIS IDENTIFIED 10 PRIORITY INVESTMENT OPPORTUNITIES TO ATTRACT STRATEGIC INVESTORS TO UDMURTIA

	GENERAL MACHINERY	DEVELOPMENT OF METAL-PROCESSING MACHINES Processing centres: <ul style="list-style-type: none">Metals-processing pressesSmall presses for solid municipal waste processingTurning machines The second stage of the project may include localisation of additional niche products, including industrial robots and 3D printers for handling metal.
	GENERAL MACHINERY	EXPANSION AND LOCALISATION OF PUMP AND COMPRESSOR PRODUCTION <ul style="list-style-type: none">Rotor pumpsScrew compressorsCryogenic pumpsProduct pumpsBlock oil pump stationsOther types of products in accordance with the sectoral plan for import substitution issued by the Ministry of Industry and Trade of Russia for the oil and gas sector
	ELECTRONICS	LAUNCH OF DEVICE AND SENSOR PRODUCTION, INCLUDING SMART CITY SOLUTIONS <ul style="list-style-type: none">Pollutant emission control devices at enterprises (part of automatic emission control systems)Smart city devices and sensors (noise and temperature sensors, smart lighting, smart traffic lights)Smart utility meters (electricity, water, gas)
	ELECTRONICS	LAUNCH OF MEDICAL EQUIPMENT PRODUCTION <ul style="list-style-type: none">Equipment for oncological diagnosticsEquipment for cardiovascular treatmentsMedical robotsPortable medical devicesImplantable items
	CHEMICALS	LAUNCH OF INDUSTRIAL PAINTS AND VARNISHES PRODUCTION Industrial paints and varnishes: <ul style="list-style-type: none">for protection of metals and pipespaints for automobile productionpaints for shipbuildingpaints for furniture productionpaints for rail transport

	GENERAL MACHINERY	LAUNCH OF EQUIPMENT PRODUCTION FOR MUNICIPAL SOLID WASTE PROCESSING AND SORTING <ol style="list-style-type: none">Separators for automatic waste sortingNon-technology-intensive components for waste sorting plants:<ul style="list-style-type: none">ConveyorsHydraulic drivesMetal structures, etc.
	ELECTRICAL ENGINEERING	LAUNCH OF PRODUCTION OF DIGITAL EQUIPMENT AND EXPANSION OF LOW-VOLTAGE DISTRIBUTION EQUIPMENT PRODUCTION <ol style="list-style-type: none">Equipment for digitalisation of electrical grids:<ul style="list-style-type: none">Digital substations with automatic control systemsDigital current and voltage transformersLow-voltage devices (circuit breakers and relays)Low-voltage equipment sets
	ELECTRONICS	LAUNCH OF TELECOMMUNICATION EQUIPMENT PRODUCTION <ul style="list-style-type: none">Traditional telecommunication equipment, including base stations, switches and routersEquipment for 5G new generation networks, including micro- and macrobase stations, 5G modules
	PHARMACEUTICALS	LAUNCH OF PHARMACEUTICAL PRODUCTION WITH SUBSEQUENT DEEPENING OF LOCALISATION AND SUBSTANCES PRODUCTION <ul style="list-style-type: none">AntibioticsHormonal drugsVitaminsInsulin-based drugsOther drugs that are currently imported to Russia The second stage of the project will include production of pharmaceuticals for specified items.
	FOOD PRODUCTS	LAUNCH OF SERUM PRODUCTION FOR DRY INFANT MILK FORMULAS AND CONSTRUCTION OF DAIRY FARMS <ul style="list-style-type: none">Dry infant milk formulas with subsequent deepening of localisation and serum production for dry milk formulas and dry milkCreation of dairy farms that will meet the needs of new projects for processing raw materials

DEVELOPMENT OF METAL-PROCESSING MACHINES

INVESTMENT OPPORTUNITY

OPPORTUNITY DESCRIPTION

Creation of a joint venture by expanding the current production of Kalashnikov Engineering with the involvement of a foreign strategic partner or creating a new production using the AO Bum mash metal processing enterprise. Partners in project development could be attracted, including the Votkinsk plant or OAO NITI Progress.

POTENTIAL PRODUCTS

- processing centres
- metals-processing presses
- small presses for solid municipal waste processing (up to 3 tonnes)
- turning machines

KEY PROJECT PARAMETERS

 **RUB 0.5-3.0 BILLION**
potential investment volume

 **10.7-27.4%**
range of potential profitability

MARKET PREREQUISITES FOR NEW PROJECT IMPLEMENTATION

KEY PROJECT PREREQUISITES

 **RUB 95 BILLION**
Machines market in Russia in 2018.

 **RUB 42.1 BILLION**
Niche market for import substitution in Russia in 2018.

- High moral and physical depreciation of capital assets in Russian machine building (about 50%). Digitalisation of enterprises requires renovation of a vast amount of machines.
- Imported machines accounted for 96% of purchases in 2018.
- Legislation stimulating localisation is being updated, including the import substitution plan of the Ministry of Industry and Trade of Russia as of 2015, soft lending (at 5% rate since 2018) by the Industrial Development Fund for launching machine-tool building projects, and prohibition on purchasing foreign machines if there are Russian analogues (since March 2019).

POTENTIAL MARKET

Consumers of the machines may include enterprises engaged in metalworking, machine building and automobile manufacturing. Udmurtia is favourably located in the Volga Federal District and near the Ural Federal District, which are key engineering centres. In the region, machines are purchased by Kalashnikov Concern, Izhmash Concern, Votkinsk Plant, Izhn e f t e m a s h, Izhs t a l, L A D A I z h e v s k, e t c. In the Volga Federal District and closely located regions in the Ural Federal District, potential consumers include ChTZ, ChTPZ, Uralskaya Kuznitsa (Chelyabinsk Region), Uralmashzavod and Uralvagonzavod (Sverdlovsk Region), AvtoVAZ and RCC Progress (Samara Region), KAMAZ and KVZ (Republic of Tatarstan), and GAZ and Sokol (Nizhny Novgorod Region).

ADVANTAGES OF THE UDMURT REPUBLIC

POTENTIAL STRATEGIC PARTNERS IN THE REGION

Kalashnikov Engineering (part of the Rostec Group) manufactures manufactures its own machines. OAO NITI Progress and the Votkinsk Factory manufacture metalworking machines and parts upon individual orders, including internally-designed machines.

INTEGRATION OF THE NEW PROJECT IN THE REGIONAL ECONOMY

AO Bum mash and Votkinsk Factory	Cast metal parts of machines
Enterprises from the Ural Federal District	Supply of metals to Udmurtia

SITE AND REGIONAL PREFERENCES

The project may be implemented using the production facilities of Kalashnikov Engineering or AO Bum mash, or at the Sarapul or Glazov PSEDA s, with appropriate benefits.

HUMAN CAPITAL

Graduates of Izhevsk State Technical University with a degree in design and technological support for engineering production (1,784 students in 2018), as well as graduates of Votkinsk Industrial and Izhevsk Engineering Schools with a degree in adjuster of machines and equipment in machining (49 and 90 students, respectively, in 2018) could be involved.

Source: PwC analysis based on data from similar investment projects implemented in Russia over the past five years and the profitability of Russian and foreign companies in this industry

LAUNCH OF EQUIPMENT PRODUCTION FOR MUNICIPAL SOLID WASTE PROCESSING AND SORTING

INVESTMENT OPPORTUNITY

OPPORTUNITY DESCRIPTION

The launch of production of separator equipment for automated waste sorting with the involvement of a foreign partner (technology owner). Localisation is possible at facilities operated by Kalashnikov Engineering, AO SEGZ (part of the Rostec Group) and NITI Progress.

The production of non-technology-intensive components on contract for waste sorting facilities is possible at facilities operated by OOO IzhMSK, AO Bummash, OOO Donvard Hydraulic Systems, OAO Izhneftemash, OOO NPO Gidrosistemy, Votkinsk Factory and NITI Progress.

POTENTIAL PRODUCTS

- Separators for automatic waste sorting
- Non-technology-intensive components for waste sorting complexes, including conveyors, hydraulic drives, metal structures, grinders (shafts and knives), presses, tanks and storage containers, etc.

KEY PROJECT PARAMETERS

 **RUB 0.5-5.0 BILLION**
potential investment volume

 **10.0-18.2%**
range of potential profitability

MARKET PREREQUISITES FOR NEW PROJECT IMPLEMENTATION

KEY PROJECT PREREQUISITES

 **70 MILLION TONNES**
the amount of municipal solid waste generated in Russia in 2018

 **220 PLANTS**
for municipal solid waste processing and disposal are planned to be built by 2024 in Russia

- As part of the National Ecology Project, Russia is planning to increase the share of sorted municipal solid waste from 7% to 60% by 2024.
- The Russian Environmental Operator (REO) plans to stimulate localisation of equipment for sorting plants. By 2024, it is planned to achieve reduction in the share of equipment imported to process municipal solid waste from 50% in 2018 to 22% in 2024.
- The REO also plans to stimulate consumption of domestic equipment among regional municipal solid waste operators by providing beneficial loans and leasing.

POTENTIAL MARKET

The territorial distribution of 220 plants is assumed to be proportional to the volume of municipal solid waste generated in the regions. In Udmurtia, the launch of two waste sorting facilities and eight waste sorting stations is expected.

Since separators are expensive products, Russia as a whole and the Volga Federal District in particular may form a market for them.

Udmurtia and neighbouring regions should become a market for non-technology-intensive components, since the production of such components is planned to be concentrated in close proximity to the plant under construction.

¹ Dragunov Izhevsk Industrial College, Izhevsk Polytechnic College, Sadovnikov Votkinsk Engineering College, Glazov Polytechnic College, Sarapul College of Mechanical Engineering and Information Technology, Izhevsk Assembly College and Shutov Radiomechanical College.

ADVANTAGES OF THE UDMURT REPUBLIC

POTENTIAL STRATEGIC PARTNERS IN THE REGION

OOO Spetsavtohohozyaystvo is the regional municipal solid waste management operator responsible for establishing waste sorting facilities in the Udmurt Republic. Kalashnikov Engineering, AO SEGZ and NITI Progress have facilities for tool production and machine building (localisation of separators is possible).

INTEGRATION OF THE NEW PROJECT IN THE REGIONAL ECONOMY

OOO IzhMSK	Conveyors
AO Bummash, Votkinsk Factory	Shaped casting, metal structures, metal processing metal processing
OOO Donvard Hydraulic Systems, OAO Izhneftemash, OOO NPO Hydrosystems	Hydraulic equipment

SITE AND REGIONAL PREFERENCES

Separator production could be implemented at sites operated by Kalashnikov Engineering, AO SEGZ, NITI Progress, or at the Sarapul and Glazov PSEDAs, which offer tax and other benefits.

HUMAN CAPITAL

Graduates of Izhevsk State Technical University with a degree in engineering, technological machinery and equipment, design and technological support for engineering production (2,418 students in 2018) may be involved. Graduates of technical schools with a degree in Engineering Technology (1,075 students in 2018) could also be involved.¹

EXPANSION AND LOCALISATION OF PUMP AND COMPRESSOR PRODUCTION

INVESTMENT OPPORTUNITY

INVESTMENT OPPORTUNITY

Expansion of the current production of pumps, pumping equipment and compressors for the oil and gas and utilities sectors and the localisation of new products using existing enterprises with the participation of a foreign partner (technology owner). Localisation is possible at facilities operated by OAO Izhneftemash, IzhdriI Holding, GP Reduktor, OOO Donvard Hydraulic Systems, NPO Gidrosistemy and OOO ORION.

POTENTIAL PRODUCTS

- Rotor pumps
- Screw compressors
- Cryogenic pumps
- Product pumps
- Block oil pump stations
- Other types of products, in accordance with the sectoral plan for import substitution issued by the Ministry of Industry and Trade of Russia for the oil and gas sector adopted on 16 April 2019 (Order No. 1329)

KEY PROJECT PARAMETERS

 **RUB 0.7-4.1 BILLION**
potential investment volume

 **6.6-28.0%**
range of potential profitability

MARKET PREREQUISITES FOR NEW PROJECT IMPLEMENTATION

KEY PROJECT PREREQUISITES

 **RUB 300 BILLION**
Pumps market in Russia in 2018.

 **RUB 144 BILLION**
Market niche for import substitution in Russia in 2018

- Imports of pumps and compressions accounted for 68% of consumption in Russia in 2018. As regards separate categories of equipment in the oil and gas sector, imports make up 95% of the consumption market.
- In April 2019, the Russian Ministry of Trade adopted a plan for import substitution in the oil and gas sector (selection of enterprises and measures to stimulate localisation are planned).
- The National Ecology Project includes large-scale modernisation of water treatment facilities. As part of the comprehensive plan for Magistral, modernisation of key oil and gas industry infrastructure is planned.

POTENTIAL MARKET

The potential consumers of pumps and pumping equipment may include oil producers in the Republic of Tatarstan, Republic of Bashkortostan and Perm Territory, as well as water treatment companies. Oil production is developed in the Udmurt Republic. The key consumers of pumps and compressors include OAO Udmurtneft (Rosneft), OOO UDS Neft (UDS Group), AO Belkamneft (AO NK Neftisa). High margins would enable the region to send supplies throughout Russia.

ADVANTAGES OF THE UDMURT REPUBLIC

POTENTIAL STRATEGIC PARTNERS IN THE REGION

OAO Izhneftemash, AO Votkinsk Factory, IzhdriI Holding, AO IEMZ Kupol and GP Reduktor produce rotor, drilling and electric pumps, and pumping assemblies. OOO Donvard Hydraulic Systems, NPO Gidrosistemy and OOO ORION produce hydraulic equipment, including pumps and pumping stations.

INTEGRATION OF THE NEW PROJECT IN THE REGIONAL ECONOMY

The above mentioned companies	Components for pumps and compressors
Votkinsk Factory, AO Bum mash	Metal cast
OAO NITI Progress	Equipment for service maintenance and diagnostics of oil production equipment

SITE AND REGIONAL PREFERENCES

The project may be implemented at facilities operated by specified enterprises in the region or at the Sarapul and Glazov PSEDAs with tax and other benefits.

HUMAN CAPITAL

Graduates of Izhevsk State Technical University with a degree in power engineering may be involved (74 students in 2018).

Source: PwC analysis based on data from similar investment projects implemented in Russia over the past five years and the profitability of Russian and foreign companies in this industry

LAUNCH OF PRODUCTION OF DIGITAL EQUIPMENT AND EXPANSION OF LOW-VOLTAGE DISTRIBUTION EQUIPMENT PRODUCTION

INVESTMENT OPPORTUNITY

OPPORTUNITY DESCRIPTION

Launch of production of digital distribution equipment and solutions for smart grids through localisation of foreign technology could be done in partnership with local manufacturers, including AO SEGZ, OOO ETZ Vektor, OOO ENKO Plant of Electrotechnical Equipment and OOO Sarapul Electromechanical Plant, as well as expansion of the current capacity of low-voltage distribution equipment production companies.

POTENTIAL PRODUCTS

- 1. Equipment for electrical grid digitalisation:
 - Digital substations with automatic control systems
 - Digital current and voltage transformers
- 2. Low-voltage devices (circuit breakers and relays)
- 3. Low-voltage equipment sets

KEY PROJECT PARAMETERS

 **RUB 0.6-1.5 BILLION**
potential investment volume

 **19.2-27.8%**
range of potential profitability

MARKET PREREQUISITES FOR NEW PROJECT IMPLEMENTATION

KEY PROJECT PREREQUISITES

 **RUB 269 BILLION**
Electrical equipment market
in Russia in 2018

 **RUB 97 BILLION**
Market niche for low-voltage equipment
import substitution in Russia in 2018

- Imports account for 48% of low-voltage equipment sales in Russia (RUB 27.3 billion) and 77% of low-voltage sets (RUB 69.9 billion). At the same time, low-voltage devices have been included in the import substitution programme under the Ministry of Industry and Trade of Russia (as of 2015)
- By 2030, PAO Rosseti is planning to modernise and digitalise power grids by investing over RUB 1 trillion ("Digital Transformation 2030"), which will create demand for smart transformers and substations.

POTENTIAL MARKET

Low-voltage equipment can satisfy the demand from network companies, power supply network service companies, industrial companies, construction companies in the construction of residential areas and the population in the the Volga Federal District.

Under the digitalisation programme for electric grids, PAO Rosseti and its subsidiaries (in particular PAO FGC UES) may become consumers of equipment for smart grids. AO Udmurtenergo, a branch of PAO IDGC of Centre and Volga Region (a subsidiary of PAO Rosseti), is located in the Udmurt Republic, which could become a pilot training ground for testing and marketing of equipment.

ADVANTAGES OF THE UDMURT REPUBLIC

POTENTIAL STRATEGIC PARTNERS IN THE REGION

AO SEGZ produces electrical equipment, electric motors, etc.

OOO ETZ Vektor and OOO ZETO ENKO are engaged in the production of low-voltage switchgears and transformers.

OOO SEMZ is implementing a project in Sarapul PSEDA on the production of complete transformer substations.

INTEGRATION OF THE NEW PROJECT IN THE REGIONAL ECONOMY

AO IMZ Axion-holding	Automated systems for electro-radio equipment monitoring and diagnostics
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AO IRZ	Production of cable products and winding products
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SITE AND REGIONAL PREFERENCES

The project may be implemented at sites operated by AO SEGZ, OOO ETZ Vektor, OOO ZETO ENKO or OOO SEMZ or at the Glazov and Sarapul PSEDAs with tax and other preferences.

HUMAN CAPITAL

Graduates of the Izhevsk State Technical University and Udmurt State University with a degree in electrical engineering and electrical equipment (633 number of students in 2018) may be involved, as well as graduates of the Izhevsk Assembly and Radio-Mechanical Technical schools may also be involved with specialisations in technical operation of electrical equipment, electrician, and installation and operation of industrial equipment (1,095 people).

Source: PwC analysis based on data from similar investment projects implemented in Russia over the past five years and the profitability of Russian and foreign companies in this industry

LAUNCH OF MEASURING DEVICES AND SENSORS PRODUCTION, INCLUDING SMART CITY SOLUTIONS

INVESTMENT OPPORTUNITY

OPPORTUNITY DESCRIPTION

Launch of measuring device and sensor production, including smart city solutions and ecological instrument engineering. A joint venture may be established in partnership with Izhevsk Radio Plant (IRZ), Sarapul Radio Plant, and AO IMZ Axion Holding.

POTENTIAL PRODUCTS

- Pollutant emission control devices at enterprises (part of automatic emission control systems)
- Smart city devices and sensors (noise and temperature sensors, smart lighting, smart traffic lights)
- Smart utility meters (electricity, water, gas)

KEY PROJECT PARAMETERS

 **RUB 0.1-0.7 BILLION**
potential investment volume

 **20.2-37.7%**
range of potential profitability

MARKET PREREQUISITES FOR NEW PROJECT IMPLEMENTATION

KEY PROJECT PREREQUISITES

 **RUB 120 BILLION**
PAO Rosseti investments in smart meter production through 2022

 **RUB 239 BILLION**
funds for Smart City project in Moscow through 2021

- In January 2019, emission fines were increased by four times and the Ministry of Natural Resources of Russia ordered the largest enterprises to install automatic systems to control pollutant emissions.
- Russia has launched a smart city project that involves the introduction of smart solutions in 58 pilot cities, with an emphasis on Internet of Things technology.
- Starting from 1 July 2020, installation of smart electricity meters will be mandatory. PAO Rosseti will install about 22 million smart meters by 2025.

POTENTIAL MARKET

Pollutant emission control devices: 300 largest enterprises included in the list of the Ministry of Natural Resources of Russia through 2026 and then all first-category pollution facilities (7,406) through 2029.¹
Smart city devices: purchases will be made by Russian regions (implementation is planned in 58 pilot cities, including Sarapul and Izhevsk), as well as by companies that are launching smart city pilot projects (PAO Rostelecom, Rostec GK, Cisco).
Smart electricity meters: PAO Rosseti is planning to independently purchase and install meters (and to invest RUB 120 billion through 2022).

Note. ¹ Russian Ministry of Natural Resources and Ecology Order No. 154 of 18 April 2018.

ADVANTAGES OF THE UDMURT REPUBLIC

POTENTIAL STRATEGIC PARTNERS IN THE REGION

AO Izhevsk Radio Plant (communication and navigation equipment, visual control devices), AO Sarapul Radio Plant (gyrostabilizers, communication equipment), AO Axion Holding IMZ (printed circuit boards, energy-saving technologies) provide an existing manufacturing base for the innovative production of instruments.

INTEGRATION OF THE NEW PROJECT IN THE REGIONAL ECONOMY

OOO AMMOLIT, OOO Izhprest, OOO High Technology Centre, etc.	Software
AO IMZ Axion-holding, AO Elekond, AO IEMZ Kupol, AO Chepetsk Mechanical Plant	Component base

SITE AND REGIONAL PREFERENCES

The project may be implemented at facilities operated by the Izhevsk and Sarapul Radio Plants, AO IMZ Axion-Holding, or at the Sarapul and Glazov PSEDAs with tax and other benefits.

HUMAN CAPITAL

Graduates of Izhevsk State Technical University with a degree in instrumentation may be involved (176 students in 2018), as well as graduates of the Sarapul Technical School of Mechanical Engineering and Information Technology and the Shutov Radiomechanical Technical School with a degree in radio equipment engineering (163 students in 2018).

Source: PwC analysis based on data from similar investment projects implemented in Russia over the past five years and the profitability of Russian and foreign companies in this industry

LAUNCH OF TELECOMMUNICATION EQUIPMENT PRODUCTION

INVESTMENT OPPORTUNITY

OPPORTUNITY DESCRIPTION

Launch of telecommunication equipment production with involvement of a global technological market leader. New production can be organised using existing production capacities at AO Izhevsk Radio Plant, OAO Elekond or AO Sarapul Radio Plant, or established separately. At the initial stage, equipment may be assembled with a subsequent increase in the degree of localisation.

POTENTIAL PRODUCTS

- Traditional telecommunication equipment, including base stations, switches and routers
- Equipment for 5G new generation networks, including micro- and macrobase stations and 5G modules

KEY PROJECT PARAMETERS

 **RUB 0.9-6.3 BILLION**
potential investment volume

 **13.3-25.7%**
range of potential profitability

MARKET PREREQUISITES FOR NEW PROJECT IMPLEMENTATION

KEY PROJECT PREREQUISITES

 **<8%**
Market share of Russian manufacturers in 2018

 **RUB 153 BILLION**
Market niche for import substitution in Russia in 2018

- In 2018, imports accounted for 92% of the telecommunication equipment sold in Russia.
- The key driver of market growth will be the launch of 5G networks. Currently, the Russian Ministry of Communications and the Russian Ministry of Industry and Trade are designing 5G development programmes and incentives for localising production of telecommunication equipment (special conditions for using 5G frequencies for companies operating domestic equipment and software, tax incentives, revision of import duties, restrictions on government procurement of foreign-made radio electronics).
- According to a concept developed by the Rostec Group, by 2030, the share of domestic equipment consumed in Russia should increase from the current 8% to 30%, and up to 50% of equipment for mobile operators core networks.

POTENTIAL MARKET

The expected key equipment consumers for new generation networks in Russia include mobile operators such as PAO VimpelCom, PAO MTS, OOO T2 Mobile and PAO Megafon). Traditional telecommunication equipment may be used to create Wi-Fi networks in public transport (Smart City project). Exports to the CIS and Asian and African countries is also possible.

ADVANTAGES OF THE UDMURT REPUBLIC

POTENTIAL STRATEGIC PARTNERS IN THE REGION

ZAO NPO Telecom manufactures of a wide range of telecommunication equipment on contract. AO Izhevsk Radio Plant produces special communication equipment (DMR standard). AO Sarapul Systems produces switching equipment.

INTEGRATION OF THE NEW PROJECT IN THE REGIONAL ECONOMY

AO Izhevsk Radio Plant, AO Sarapul Radio Plant, OOO Istok, OOO RTC Milya	Component base
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OAO Elekond	Condensers
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AO Chepetsk Mechanical Plant	Rare metals
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SITE AND REGIONAL PREFERENCES

The project may be implemented at facilities operated by the Izhevsk Radio Plant, OAO Elekond or at the Glasov and Sarapul PSEDAs with tax and other benefits.

HUMAN CAPITAL

Graduates of Izhevsk State Technical University with a degree in information technologies and communication systems and radio engineering (463 students in 2018 was 463) may be involved, as well as graduates of the Sarapul Technical School of Mechanical Engineering and Information Technology and the Shutov and Voskresensky technical schools with a degree in radiomechanics or radio equipment engineering (350 students in 2018).

Source: PwC analysis based on data from similar investment projects implemented in Russia over the past five years and the profitability of Russian and foreign companies in this industry

INVESTMENT
OPPORTUNITY

OPPORTUNITY DESCRIPTION

Launch of medical equipment production with involvement of a foreign strategic partner (technology owner). A joint venture may be established with existing companies, including AO Izhevsk Mechanical Plant, AO IMZ Axion-Holding or Kalashnikov GK).

POTENTIAL PRODUCTS

— Equipment for oncology diseases diagnostics


— Equipment for cardiovascular diseases treatment

— Medical robots

— Portable medical devices


— Implantable items

KEY PROJECT PARAMETERS



RUB 0.2-1.7 BILLION

potential investment volume




12.1-20.5%

range of potential profitability


MARKET PREREQUISITES FOR NEW PROJECT
IMPLEMENTATION

KEY PROJECT PREREQUISITES



RUB 281 BILLION

Medical equipment market in Russia in 2018



RUB 219 BILLION

Market niche for import substitution in Russia in 2018

— The market is dynamic, with growth of 5.4% per year between 2011 and 2018.

— At the same time, growth in demand is expected to reach 5.7% on average from 2019 to 2030 following implementation of the National Healthcare Project, which provides for the large-scale upgrading of equipment at medical facilities.

— Imports accounted for 77.8% of the market in 2018. Since 2015, foreign-produced medical devices have faced restrictions in the state procurement process, which has helped to support localisation. The list of equipment affected by such restrictions is constantly expanding.

POTENTIAL MARKET

State procurements currently make up more than 80% of the market, and up to 99% for medical equipment for diagnosis and treatment of cancer and cardiovascular diseases. Sales of portable devices are possible through pharmacy chains and household appliances stores. Transport expenses make up a small share of the cost of medical equipment, so the deliveries may extend beyond 1,000 km.

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MADE IN UDMURTIA

ADVANTAGES
OF THE UDMURT REPUBLIC

POTENTIAL STRATEGIC PARTNERS IN THE REGION

AO Izhevsk Mechanical Plant produces implantable cardiac pacemakers.
AO Izhevsk Motor Plant Axion-Holding produces cardiographs that transmit information over wireless networks, as well as portable defibrillators.
Kalashnikov GK produces single-chamber and two-chamber pacemakers and devices for therapeutic hypothermia.

INTEGRATION OF THE NEW PROJECT IN THE REGIONAL ECONOMY

AO Chepetsk Mechanical Plant

Titanium powders
(component base for implantable devices)

SITE AND REGIONAL PREFERENCES

The project may be implemented at facilities operated by Izhevsk Mechanical Plant, AO IMZ Axion-Holding or at Sarapul and Glazov PSEDAs, with tax and other benefits.

HUMAN CAPITAL

Graduates of the Izhevsk State Technical University and Udmurt State University with a degree in radioelectronic systems and complexes, nanotechnologies and nanosystem engineering, and the design and technology of electrical devices (780 students in 2018) may be involved.

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MADE IN UDMURTIA

Source: PwC analysis based on data from similar investment projects implemented in Russia over the past five years and the profitability of Russian and foreign companies in this industry

LAUNCH OF PHARMACEUTICAL PRODUCTION WITH SUBSEQUENT DEEPENING OF LOCALISATION AND SUBSTANCES PRODUCTION

INVESTMENT OPPORTUNITY

OPPORTUNITY DESCRIPTION

Creation of new medical drugs production by localising a foreign manufacturer in the Udmurt Republic. A joint venture may be established in partnership with ZAO Rester, a manufacturer of infusion solutions. The second stage of the project may include deepening of localisation and launch of pharmaceuticals production to meet the needs of enterprises.

POTENTIAL PRODUCTS

- Antibiotics
 - Hormonal drugs
 - Vitamins
 - Insulin-based drugs
 - Other drugs that account for a significant share of imports to Russia
- At the second stage of the project, pharmaceuticals for specified items will be manufactured.

KEY PROJECT PARAMETERS

 **RUB 0.2-15.5 BILLION**
potential investment volume

 **20.1-43.0%**
range of potential profitability

MARKET PREREQUISITES FOR NEW PROJECT IMPLEMENTATION

KEY PROJECT PREREQUISITES

 **RUB 958 BILLION**
Pharmaceutical market
in Russia in 2018

 **RUB 424 BILLION**
Niche market for import substitution
in Russia in 2018

- The market is characterised by the high share held by imports (66% in 2018).
- At the same time, measures to stimulate localisation came into force in January 2019, for example, 25% price preference in public procurement for domestic producers.
- The industry is also characterised by highly dynamic demand (real aggregate average annual market growth rate was 5.5% in 2008-2018).
- An increase in demand for drugs is expected during implementation of the National Healthcare project (for treatment of cancer, cardiovascular and children's diseases).

POTENTIAL MARKET

The Volga Federal District is the second largest medical drug market in Russia, as it covers 29.9 million people. The District accounted for RUB 12.2 billion of imports (2018) and RUB 16.6 billion of deliveries from other regions (2016). The largest markets include Nizhny Novgorod Region, the Republic of Bashkortostan and the Republic of Tatarstan, which together accounted for 94.6% of imports. Medical drugs are a high-margin product, so all of Russia could be considered a market (the niche for import substitution amounted to RUB 424 billion in 2018).

ADVANTAGES OF THE UDMURT REPUBLIC

POTENTIAL STRATEGIC PARTNERS IN THE REGION

ZAO Rester (a subsidiary of the defence enterprise AO IEMZ Kupol). Production of full-cycle infusion solutions was organised in 2008 jointly with the world leading Fresenius Medical Care. Manufacturing of other dosage forms (tablets, capsules) is one of the priorities for the company.

INTEGRABILITY OF THE NEW PROJECT IN THE REGION'S ECONOMY

AO IEMZ Kupol	Plastic tare, containers and packaging for medical products
Food industry companies	Meat industry waste as a raw material for gelatine capsule production

SITE AND REGIONAL PREFERENCES

The project may be implemented at the Sarapul PSEDA with relevant benefits.

HUMAN CAPITAL

Graduates of Udmurt State University with a degree in pharmaceutical biotechnology, general biochemistry, immunobiotechnology, biotechnology (43 students in 2018) and chemistry (108 people) may be involved. Graduates of higher educational institutions in the Volga Federal District (Perm State Pharmaceutical Academy, Samara State Medical University) may also be involved.

Source: PwC analysis based on data from similar investment projects implemented in Russia over the past five years and the profitability of Russian and foreign companies in this industry

LAUNCH OF INDUSTRIAL PAINT AND VARNISH PRODUCTION

INVESTMENT OPPORTUNITY

OPPORTUNITY DESCRIPTION

Launch of industrial varnish and paint production with participation of a foreign company (technology owner) in partnership with existing manufacturers in the Udmurt Republic or as a separate plant.

POTENTIAL PRODUCTS

Industrial paints and varnishes:

- for metal and pipe protection
- for automobile production
- for shipbuilding
- for furniture production
- for rail transport

KEY PROJECT PARAMETERS

 **RUB 0.5-2.0 BILLION**
potential investment volume

 **22.0-29.3%**
range of potential profitability

MARKET PREREQUISITES FOR NEW PROJECT IMPLEMENTATION

KEY PROJECT PREREQUISITES

 **RUB 112 BILLION**
Industrial paint and varnish market in Russia in 2018

 **RUB 50 BILLION**
Market niche for industrial paint and varnish (import substitution) in Russia in 2018

- In 2014–2017, the industrial paint and varnish market grew by 8.8% per year, which could drive dynamic growth for the project in the future.
- Localisation of production takes place mainly in the decorative paint segment, while industrial paints and varnishes account for almost all imports. In 2018, imports account for 10% of the decorative paint market and up to 45% of the industrial paint market.
- Industrial paints are more expensive and marginal, with the cost per tonne exceeding the cost of decorative paints by a factor of three or four.

POTENTIAL MARKET

Key consumers of industrial paints and varnishes in Udmurtia included machine-building and metallurgical enterprises such as Izhevsk Automobile Plant, Pruzhina PNTs, Izhstal, Axion-Holding, Izhevsk Mechanical Plant, Izhevsk Plant of Plastics, SEGZ and ChMZ. Enterprises located in the Volga and Ural Federal Districts may also constitute a market, including AvtoVAZ (automobile production), KAMAZ (truck manufacturing), Ural-WagonZavod (railway engineering), ChTPZ (pipe industry), MMK (metallurgy), and aviation enterprises in Tatarstan and the Ulyanovsk and Sverdlovsk regions.

ADVANTAGES OF THE UDMURT REPUBLIC

POTENTIAL STRATEGIC PARTNERS IN THE REGION

OOO Nort: production of paints and varnishes for corrosion and fire protection of wood and concrete.
OOO Novy Dom: production of decorative paints and varnishes.
Stena GK: production of innovative paints and varnishes with its own R&D centre. The company’s paint produced with nanoparticles was the only one in its niche to receive approval from Roskachestvo.

INTEGRABILITY OF THE NEW PROJECT IN THE REGION’S ECONOMY

OOO Arteko	Colorants and industrial pigment concentrates
OOO Novy Dom	Colorants and pigment pastes

SITE AND REGIONAL PREFERENCES

The project may be implemented at facilities operated by OOO Nort, OOO Novy Dom and Stena GK, or at Sarapul PSEDA with tax and other benefits.

HUMAN CAPITAL

Graduates of Udmurt State University with a degree in chemistry, as well as in chemistry, physics and mechanics of materials (214 students in 2018) may be involved.

Source: PwC analysis based on data from similar investment projects implemented in Russia over the past five years and the profitability of Russian and foreign companies in this industry

LAUNCH OF SERUM PRODUCTION FOR DRY INFANT MILK FORMULAS AND NEW DAIRY FARMS IN THE REGION

INVESTMENT OPPORTUNITY

OPPORTUNITY DESCRIPTION

Launch of production of demineralised serum and dry milk for dry infant formula in partnership with a foreign company to localise production of breast milk substitutes (BMS) in Russia.

Creation of dairy farms to provide raw materials for new milk processing projects in the Udmurt Republic expected to be implemented in 2019-2028.

POTENTIAL PRODUCTS

- Demineralised serum D90 for dry infant formulas
- Dry milk
- Dry infant milk formulas
- Raw milk for further processing

KEY PROJECT PARAMETERS


 **RUB 8.7-10.0 BILLION**
potential investment volume

 **19.8-36.6%**
range of potential profitability

* launch of serum production for dry infant milk formulas

MARKET PREREQUISITES FOR NEW PROJECT IMPLEMENTATION

KEY PROJECT PREREQUISITES

 Imports account for a **>90%** share of dry milk formulas in 2018 in Russia

 **+180,000 TONNES** increase in demand for raw milk in the Udmurt Republic by 2021

More than 90% of breast milk substitutes on the Russian market are imports. A number of measures to stimulate localisation in Russia is expected:

- In November 2018, a Russian Government Decree was issued on providing compensation of up to 20% of the costs to construct BMS plants in Russian regions
- Since June 2019, proposals to increase import duties from 5% to 15% on formulas have been under consideration.

In Udmurtia, the demand for raw milk is expected to grow by 23% (180,000 tonnes) by 2021, with a subsequent increase due to new processing projects in the region:

- Construction of a plant for dry dairy products (OOO DMS Vostok) in 2019-2028
- Construction of a dairy production plant (OOO Uva-Moloko) in 2018-2021
- Modernisation of four OAO MILKOM processing facilities in 2018-2024

POTENTIAL MARKET

One of the key consumers of D90 serum would be the potential investor and BMS producer in Russia. The total niche market for BMS import substitution in Russia is RUB 15.2 billion.

The target market is CFD (99% of imports).

The key raw milk consumers include several new projects involving OAO MILKOM, OOO DMS Vostok, OOO Uva-Moloko and the D90 serum production project.

ADVANTAGES OF THE UDMURT REPUBLIC

POTENTIAL STRATEGIC PARTNERS IN THE REGION

The Udmurt Republic is the third largest milk-producing region in Russia and one of the largest milk processors.

KEY CONSUMERS OF RAW MILK:

OAO MILKOM (Sarapul-moloko, Izhmoloko, Glazov-moloko)	Milk processing
OOO Uva-Moloko and OOO DMS Vostok	Processing Milk

POTENTIAL MANUFACTURERS OF D90 SERUM:

PP Glazov-Moloko (OAO MILKOM)	Dry milk, D70 serum
OOO Uva-Moloko and OOO DMS Vostok	Dry milk products

SITE AND REGIONAL PREFERENCES

The project could be implemented at the Glasov and Sarapul PSEDAs with relevant tax benefits.

HUMAN CAPITAL

Graduates of the Izhevsk State Agricultural Academy with a degree in technology of production and processing of agricultural products and in the technology of production and organisation of food production (625 students in 2018 was 625 people) may be involved. Graduates of the Izhevsk Trade and Economic College and the Sarapul Industrial College with a degree in Technology of Milk and Dairy Products (69 people) may also be involved.

Source: PwC analysis based on data from similar investment projects implemented in Russia over the past five years and the profitability of Russian and foreign companies in this industry

UDMURTIA IS ONE OF THE 20 LEADING REGIONS IN TERMS OF PPP MATURITY, WITH TESTED INVESTOR SUPPORT MEASURES AND A SUCCESSFUL PPP TRACK RECORD

PPP IN UDMURTIA IN NUMBERS



BEST PRACTICES

Heating supplies in Izhevsk

Thanks to a city-wide project Izhevsk, all residential buildings and public buildings are connected to centralised heating and hot water. The frequency of downtimes in heating networks and other public utilities has been reduced. The total investment in the centralised heating system is RUB 5.16 billion.

— In 2018, the Russian Ministry of Construction of recognised this project as one of the most effective in the country

Nephrology and dialysis departments in Izhevsk and Sarapul

A project has made dialysis services more accessible to the public. Next generation services are provided under OHI (obligatory health insurance) policies. A total of RUB 90m was raised in private investments.

— This project won the Best PPP Healthcare Infrastructure Project from the Ministry of Health of the Russian Federation

A sports centre with a swimming pool in the village of Pirogovo

This sports centre has a swimming pool, gym, athletics track and cafeteria. The 25-metre pool was built in compliance with FINA standards. The centre’s capacity is 2,500 people per day. A total of RUB 200m in private investments was raised.

MAKSIM TKACHENKO

Executive Director of ANO PPP National Centre



“The Udmurt Republic is one of the leaders in terms of development of its PPP institutional, regulatory and legal framework. In particular, the region has enacted a comprehensive and extensive PPP project support system for all project stages. Under this system, functions are allocated between dedicated structures. The Ministry of Economics coordinates and monitors PPP projects on an interdepartmental level; the Development Corporation provides comprehensive PPP project support and the Investment Activity and Competition Policy Council makes decisions on PPP projects and developments. In addition, a wide range of private investor support measures has been adopted in Udmurtia, and the regional administration has a highly qualified team of PPP subject-matter experts.

According to the PPP development rating of Russian regions as at 2019, 36 PPP projects with a total of RUB 21.8bn (including 17.8bn in private investments) in investments are underway in Udmurtia. Social infrastructure projects raised RUB 1.1bn in private equity, including three sports facilities (RUB 800m) and three dialysis centres (RUB 200m). Most projects are focused on utilities infrastructure, with 25 raising a total of RUB 6bn in private investments.”

A large white number '2' is centered on a red background. Behind the number is a white outline map of Udmurtia, showing its internal administrative divisions. The number '2' is positioned over the central part of the map.

2

REGIONAL SUPPORT FOR INVESTORS IN UDMURTIA

UDMURTIA OFFERS A WIDE RANGE OF TAX PREFERENCES AND OTHER BENEFITS TO INVESTORS, INCLUDING SPECIAL TAX INCENTIVES FOR INVESTORS IN PRIORITY SOCIAL AND ECONOMIC DEVELOPMENT AREAS (PSEDAS)

CATEGORIES OF REDUCED RATE RECIPIENTS

TAX TYPE	STANDARD REGIME	INVESTMENT PROJECTS	PPP	INDUSTRIAL PARKS	PSEDA ⁴
Income tax	20% including: 2% federal 3% until 2020	0% under federal special investment contracts		Standard regime	0% years 1-10
	18% regional 17% until 2020	10% under regional investment contracts 13.5% under special investment contracts 12.5% until 2020	13.5% over five tax periods (for PPPs involving social and cultural facilities, no more than 10 tax periods) 12.5% to 2020		5% for five tax periods 10% for the following five tax periods
Land tax	1.5%	Standard regime	Standard regime	Standard regime	0% for the first ten years
Insurance contributions	30% 22% for the Pension Fund, 2.9% for the Social Insurance Fund and 5.1% for the Medical Insurance Fund	Standard regime	Standard regime	Standard regime	7.6% for the first ten years
Property tax	2.2%	0% from the beginning of the tax period, in which the company was included in the register of regional investment projects’ participants for the project payback period, but no longer than 10 years	0% from the beginning of the tax period in which the investment contract is concluded for the project payback period, but no more than five years (for social and cultural projects and/or utility projects: no more than for 10 years; for social and cultural projects and/or utility projects: no more than for 10 years)	0% for five years (property on the balance sheet of the resident/ management company located at the park)	0% years 1-5 up to 1.1% (additional years)
MET	5.5% (rock, sand, clay)	Standard regime	Standard regime	Standard regime	up to 0.8% (rock, sand, clay)
Transport tax	—	—	—	0% five years (for residents, excluding cars manufacturers)	—
Investment tax deduction	—	No more than 90% of fixed asset acquisition, construction, manufacturing, delivery, additional equipping, reconstruction, upgrade or technical re-equipping costs in the current period. The threshold value is defined in the difference between →	the assessed tax to be paid to the regional budget for the tax (reporting) period at a 17% rate and the assessed tax to be paid to the regional budget at a 5% tax rate.	—	—

Source: PwC analysis based on federal and regional laws, April 2019.

TYPE OF BENEFIT	LARGE INVESTMENT PROJECTS	INSTALLATION OF SOCIAL, CULTURAL OR UTILITY FACILITIES
Land plot lease without bidding	Application criteria (minimum investment volume): <ul style="list-style-type: none">— Agriculture, forestry, hunting, fishing and fish farming: from RUB 3 to 10 million.¹— Food production and Beverages production: from RUB 10 to 50 million.²— Other types of activities: from RUB 10 to 100 million.³	Application criteria (falls under one of the following categories): <ul style="list-style-type: none">— Social and cultural infrastructure (healthcare, culture, education, etc.)— Utility infrastructure (electricity, gas, etc.)
TYPE OF BENEFIT	INVESTMENT PROJECTS	PPP
Reduced-rate rent for use of land plots and real estate	Land Plots: 75% of the annual rent amount from the date of the decision to provide the benefit until the date of the commissioning permit Real estate: Preferential rental rate for the payback period of the investment project, but no more than five years from the date of the decision	Land Plots: 75% of the annual rent amount from the date of the decision to provide the benefit until the date of the commissioning permit

¹ RUB 3 million for municipal districts; RUB 50 million for Izhevsk, Glazov, Votkinsk, Sarapul, Mozhga and Kambarskoye
² RUB 10 million for municipal districts (except for Zavyalovsky District); RUB 50 million for the cities of Izhevsk, Glazov, Votkinsk, Sarapul and Mozhga and the municipal settlements of Kambarskoye and Zavyalovsky
³ RUB 10 million for municipal districts (except for Zavyalovsky District); RUB 50 million for the cities of Glazov, Votkinsk, Sarapul and Mozhga and the Zavyalovsky District municipal settlement; RUB 100 million for Izhevsk



glazov-gov.ru/city/economy/TOSER



adm-sarapul.ru/city/invest/toser-sarapul/index.php

⁴ There are two PSEDAs in Udmurtia (Glazov and Sarapul) and the support measures are similar. See the list of permitted activities in PSEDAs on p. 76-77.

OVER THE LAST THREE YEARS, UDMURTIA-BASED COMPANIES
HAVE RECEIVED MORE THAN RUB 2.5BN FROM COLLABORATIONS
BETWEEN THE REGIONAL GOVERNMENT AND FEDERAL SUPPORT
INSTITUTES

* Programme 1764 provides reduced-rate loans to SMEs in accordance with Russian Government Resolution No. 1764 of 30 December 2018. The programme is overseen by the Russian Ministry of Economic Development together with the SME Corporation.

FEDERAL SUPPORT INSTITUTIONS

ORGANISATION	SUPPORT MEASURES	CATEGORY OF RECIPIENT	RESULTS			PLANS
SME Corporation and SME Bank	<ul style="list-style-type: none">— Loan and guarantee support for SMEs— Implementation of Programme 1764*— Implementation of a reduced-rate leasing programme— Measures aimed at increasing the share of purchasing from SMEs, including a programme to cultivate large suppliers— Property support for SMEs— Educational programmes	Small- and medium-sized enterprises	RUB 1.5 BN In loans received in 2016-2019 with guarantee support from the SME Corporation	RUB 21.4 BN in leasing support received by SMEs	+10% annual growth in the quantity of property transferred	Include three more SMEs in the large supplier cultivation programme
Federal Industry Development Fund	<ul style="list-style-type: none">— Financing for industrial projects in cooperation with the Udmurtia Fund for Entrepreneurship Development	Small- and medium-sized enterprises	RUB >1.1 BN in financial support for regional companies			Collaboration with the Industry Development Fund to implement the national Productivity and Employment Support programme
Foundation for the Development of Single-Industry Cities	<ul style="list-style-type: none">— Fundraising to co-finance the construction and renovation of infrastructure— Interest-free loans for project implementation	Investors (PSEDA resident investors)	7 co-financing projects	11 interest-free loan projects	RUB 240M of total co-financing	Raise investments from the Foundation for the Development of Single-Industry Cities to develop infrastructure in Votkinsk, Glazov and Sarapul in 2019-2022

ALEXANDER MALAKH

Regional Project Leader, RDIF
(Russian Direct Investment Fund)
& Director, Centre for Attracting
Investment to Russian Regions



“The regional administration understands that the state may not always be the most efficient owner and is actively exploring growth areas and existing assets that can be further developed and enhanced. The regional administration is strongly committed to supporting investment and expects investors to be a key resource for the republic’s development. The administration is open to any form of mutually beneficial cooperation, be it privatisation, PPP or support of private investment projects.”

ROMAN PETRUTSA

Head of the Industry
Development Fund



“Companies in Udmurtia work extensively with the Industrial Development Fund to obtain reduced-rate loans. As of today, the fund has financed eight projects for a total of RUB 850m. An additional RUB 1.5bn in private equity has been raised for these projects. The total volume of private equity investment in the Republic will be more than RUB 2.3 billion. The implementation of projects funded by the Industrial Development Fund will create more than 300 jobs and more than RUB 1.6bn in tax payments. Three enterprises have already launched new manufacturing lines enabled by loans from the Industrial Development Fund.

Our achievements have been a collective effort. However, a significant role was played by the governor and regional administration. They have worked hard to find high-potential projects and raise awareness about the opportunities offered by the Industrial Development Fund among producers. The governor’s team has placed a particular focus on developing manufacturing and raising investments in the region.

We strongly believe that Udmurtia’s manufacturing sector and regional administration will continue their intense and fruitful cooperation with the Industrial Development Fund.”

IRINA MAKIEVA

Deputy Chair, VEB.RF & CEO,
Foundation for the Development
of Single-Industry Cities



“MONOGORODA.RF has a reliable partner in Udmurtia. Our joint efforts have resulted in two large investment projects that have created more than 400 jobs in Udmurtia. I have no doubt that the region can easily scale up similar projects. The region has an appealing business climate, with two Priority Social and Economic Development Areas (PSEDAs) that provide investors with key benefits. Supported by the region’s expert team, these zones are a colossal resource for fuelling Udmurtia’s development.”

OVER THE PAST THREE YEARS, UDMURT-BASED COMPANIES
HAVE RECEIVED MORE THAN RUB 2BN IN REGIONAL AND MUNICIPAL
SUPPORT

REGIONAL SUPPORT INSTITUTIONS

ORGANISATION	SUPPORT MEASURES	CATEGORY OF RECIPIENT	RESULTS		PLANS FOR 2020
Udmurtia Fund for Entrepreneurship Development (UFED)	<ul style="list-style-type: none">Reduced-rate financing for entities through microloans at rates from 3%Acts as a regional industrial development fund in cooperation with the Federal Industrial Development Fund	Small- and medium-sized enterprises	RUB 714.5m Amount of microloans issued from the year start to 18 November 2019	530 The number of microloans granted from the year start to 18 November 2019	Issue microloans for RUB 900m
			3RD PLACE in Russia by the volume of microloans	RUB 1.13 BN Loan portfolio as of 18 November 2019	
			2% Share of overdue payments		
Guarantee Fund for SME Lending Support of the Udmurt Republic	Providing guarantees for liabilities of SMEs at a rate of 1% per year	Small- and medium-sized enterprises	RUB 3.9 BN In guarantees from the beginning of 2010 to 18 November 2019	RUB 10.4 BN raised by SMEs from beginning of 2010 to 18 November 2019	Additionally capitalise the Guarantee Fund for SME Lending Support from the budget for RUB 25m for the purpose of guarantee support provision
			13TH PLACE in terms of issued guarantees among 85 regional guarantee organisations	9x growth in the guarantees portfolio since 2012	

MUNICIPAL SUPPORT INSTITUTIONS

ORGANISATION	SUPPORT MEASURES	CATEGORY OF RECIPIENT	RESULTS		STATUS
Municipal small businesses support funds	Soft-term financing of SMEs located in the municipality	Small- and medium-sized enterprises	RUB 655 m in microloans issued in 2016–2018	929 The number of microloans issued in 2016–2018	Since 2019, municipal support institutions have become standalone departments of the Udmurtia Fund for Entrepreneurship Development (became part of the Udmurtia Fund for Entrepreneurship Development)

Source: Ministry of Economy of the Udmurt Republic

UDMURTIA IS WORKING TO REDUCE THE ADMINISTRATIVE BARRIERS TO OBTAINING CONSTRUCTION PERMITS

48
MADE IN UDMURTIA

SUPPORTED PARTY	MEASURE
Investors applying for a construction permit	Reduce the time required to obtain a construction permit in terms of: <ul style="list-style-type: none">— obtaining a development plan for a land plot from 20 business days to 15 business days— undergoing an expert evaluation from 40-55 calendar days to 22 business days— obtaining a construction permit from 7 business days to 5 business days
Investors applying for utility connections	Reduce the time required for utility connections: <ul style="list-style-type: none">— gas from 40 business days to 25 business days— electricity less than 20 business days— water and waste disposal from 44 business days to 25 business days— heating and hot water from 30 business days to 20 business days

67 DAYS = { 15 DAYS + 25 DAYS + 22 DAYS + 5 DAYS }

land plot devel-utilityGosekspertizaConstruction
opment planconnectionAssessmentpermit

THE TIME REQUIRED TO COMPLETE THE PROCEDURES FOR OBTAINING A CONSTRUCTION PERMIT IS LESS THAN 67 DAYS (SUBJECT TO CONCURRENT UTILITY CONNECTIONS)

Source: Ministry of Construction of the Udmurt Republic

CEO & Chairman of the Management Board PAO Rosseti



The estimated target time for these procedures is based on the following parameters:

- The length of networks under construction is less than 200 metres; network construction does not entail land disputes on routing feasibility;
- The client ensures provision of documents and materials required for the procedures in the full amount;
- The facility is connected to the electric lines for the first time;
- Connection to the lines via an individual tariff is not required;
- Construction of a transformer substation is not required for connecting the facility.

“Forming an effective collaboration with the regional administration and corporate and individual consumers, Rosseti is investing significant funds in network infrastructure development. Rosseti and Udmurtia have signed a regulatory agreement providing for long-term planning and increased investments to renovate the region’s electricity grids. Upgrading and developing Udmurtia’s electricity grids will be carried out using state-of-the-art technology to enable a successful digital transformation. In 2019, our investments in developing the region’s grid infrastructure will exceed RUB 1.2 billion. Starting on 1 January 2019, Rosseti Central and Volga Region’s branch, Udmurtenergo, overtook operational management and technical support of AO Izhevsk Electrical Networks grids and facilities. This deal – the largest electricity network asset consolidation deal in Russia – is a clear example of how operating the region’s grid under the banner of Russia’s largest grid company provides clear benefits to the public.”

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MADE IN UDMURTIA

TIMELINE FOR INTRODUCING CHANGES IN LAND-USE PLANNING DOCUMENTS IN UDMURTIA’S MUNICIPALITIES HAS BEEN CONSIDERABLY REDUCED

INTRODUCTION OF CHANGES TO MUNICIPAL MASTER PLANS

REVIEW STAGE	DEADLINE UNTIL 1 OCTOBER 2019	DEADLINE FROM 1 OCTOBER 2019
Request reviewed by the Administration, directive to prepare draft changes to Master Plan prepared*	66 days	25 days
Draft changes to Master Plan prepared	The term is set in the contract with the contractor	
Project materials uploaded to the Federal State Territorial Planning Information System, access provided, public hearings conducted	90 days (less term to remedy noted flaws)	
Draft Master Plan approved and signed-off	41 working days	18 working days
Total days	225 DAYS	145 DAYS

* Provided that there is public financing for the specified work or non-public funds raised (at the requester’s expense)

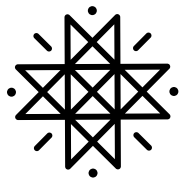
INTRODUCTION OF CHANGES TO MUNICIPAL ENTITY LAND USE AND DEVELOPMENT RULES*

REVIEW STAGE	DEADLINE UNTIL 1 OCTOBER 2019	DEADLINE FROM 1 OCTOBER 2019
Request reviewed by the Administration, Instruction to prepare draft changes to Land Use and Development Rules prepared	66 days	25 days
Draft changes to Land Use and Development Rules prepared	The term is set in the contract with the contractor	
Public hearings conducted	120 working days	70 working days
Draft Land Use and Development Rules compliance checked, draft changes to Land Use and Development Rules approved and signed-off	41 working days	18 working days
Total days	232 DAYS	125 DAYS

Source: Ministry of Construction of the Udmurt Republic

INVESTORS AND THEIR PROJECTS RECEIVE TURN-KEY SUPPORT IN UDMURTIA ACROSS KEY AREAS, LARGELY FREE OF CHARGE

ORGANISATIONS SPECIALISED IN ATTRACTING INVESTMENT



Development Corporation of the Udmurt Republic

INVESTOR SUPPORT MEASURES

- Provide a one-stop shop to support investor engagement with government agencies.
- Facilitate engagement of investors and project initiators with investment and venture funds, financial organisations, etc.
- Organise investors meetings with the Head of the Udmurt Republic and Head of the Udmurt Republic Government.
- Selection of a land plot, buildings or premises to locate a project upon the investor’s specification.
- Interaction with public authorities and network organisations regarding allocation of land plots, receiving construction permits, connection to networks.

RECOVERABLE INVESTOR SUPPORT MEASURES

- Organise, carry out and participate in business missions, conferences and festivals.
- Help to draft applications for co-financing from the Industry Development Fund, the Foundation for the Development of Single-Industry Cities, SME Corporation and other development institutes.
- Set up investment project delivery arrangements based on PPPs, including concession agreements.
- Provide advisory services on financial, economic and legal matters.



Investors



3

BENEFITS FOR INVESTORS IN UDMURTIA

UDMURTIA IS AN ATTRACTIVE INVESTMENT TARGET AND IS AMONG THE 30 MOST INNOVATIVE RUSSIAN REGIONS, WITH EXTENSIVE EXPERIENCE IMPLEMENTING PPPS

IZHEVSK

Capital

42,100 KM²

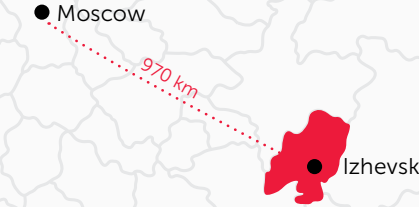
Total area

1.5 M

Population

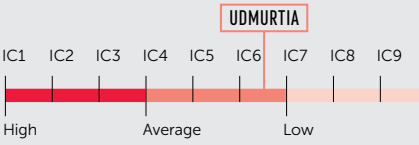
72.5 YEARS

Average life expectancy
(72.9 in Russia on average)



INVESTMENT ATTRACTIVENESS SCORE

Investment attractiveness rating of the Russian regions, National Rating Agency (2018)



Sources: Rosstat (2013-2018), National Rating Agency (NRA), PPP Development Centre, Association of Innovative Regions of Russia (AIRR), RIA Rating, Appendix to the Report to the President of the Russian Federation – 2019 by the Presidential Commissioner for Entrepreneurs’ Rights; Administrative Pressure Index – 2019

PPP DEVELOPMENT RATING OF RUSSIAN REGIONS 2018-2019:

19TH PLACE/85

assessment of the current performance of PPPs in Russian regions, project implementation experience, development level of the institutional environment

RANKING OF RUSSIAN REGIONS BY SOCIOECONOMIC STATUS, RIA RATING 2019

38TH PLACE/85

the assessment covers the size of the economy, economic performance, budget indicators and social indicators

RATING OF INNOVATIVE REGIONS OF RUSSIA, AIRR 2018*:

29TH PLACE/85

reflects positive change in the development of regional innovation ecosystems

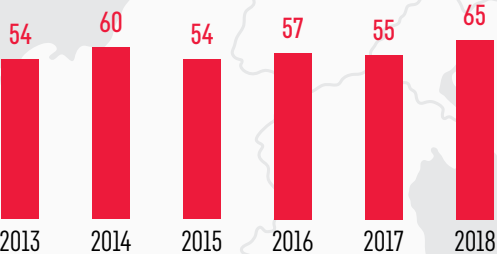
ADMINISTRATIVE PRESSURE INDEX – 2019

1ST PLACE/81
BY MINIMUM ADMINISTRATIVE LOAD

indicators of control and supervisory activities are evaluated by Rospotrebnadzor, Rostekhnadzor, Rosprirodnadzor, Rosselkhozadzor, EMERCOM, Housing and Public Utilities, transportation

54
MADE IN UDMURTIA

CAPITAL INVESTMENT PER CAPITA, RUB THOUSAND / PERSON



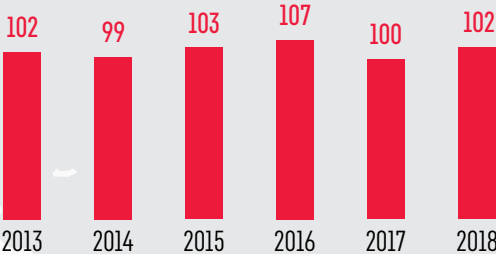
701,000 PEOPLE

Average annual number of those employed

RUB 31,800

Average monthly salary
(rub 43,700 in Russia on average)

INDUSTRIAL PRODUCTION INDEX



4.8 %

Unemployment rate
(4,8% in Russia on average)

RUB 622.7 BN¹

Gross regional product (GRP)

¹ Preliminary data for 2018, Ministry of Economy of the Udmurt Republic

*INNOVATION HUBS IN UDMURTIA

- 1. Regional Engineering Centre of the Udmurt Republic**
Works to enhance the technical capacity of small- and medium-sized companies to help them develop innovative products.
- 2. IzhSpetsTech Engineering Centre (Kalashnikov Izhevsk State Technical University)**
Provides a full range of engineering services for the manufacturing industry; commercialises R&D output of the university; supports an institutional environment and tools to implement complex technical projects; promotes innovative solutions and technologies.
- 3. Engineering Centre of Innovative Research and Expert Review, Udmurt State University**
Provides engineering, advisory and expert services, develops and implements projects, facilitates the rapid commercialisation of market-oriented projects; conducts employee trainings for institutions, organisations and enterprises and fosters the establishment of new SMEs.
- 4. Technology Transfer Centre, Udmurt State University**
Enables the development and promotion of innovative projects; conducts expert reviews of the innovative potential of projects and prepares expert opinions; helps to find financing for innovative projects.
- 5. Technology Transfer Centre, Izhevsk State Medical Academy**
Conducts patent research and provides advice on patentability; prepares applications for inventions; performs expert reviews of innovation proposals; prepares innovation proposal certificates.
- 6. Centre for Shared Instrument Use, Udmurt State University**
Offers shared use of expensive instruments, technical and process equipment and measurement techniques.
- 7. Share Use Centres, Kalashnikov Izhevsk State Technical University**
- 8. Centre for Share Use of Scientific Equipment Centre of Physical and Physicochemical Analysis Methods, Investigation of Properties of Surfaces, Nanostructures, Materials and Products, Udmurt Federal Research Centre, Ural Branch of the Russian Academy of Sciences**
Conducts fundamental and applied research; develops and implements new experimental techniques.

55
MADE IN UDMURTIA

THE CONSUMER MARKET AROUND UDMURTIA IS RUB 2.24 TRILLION

MOSCOW

✈️

2 hours

🚆

17 hours

🚗

18 hours — 1,200 km

NIZHNY NOVGOROD

🚆

14 hours

🚗

10.5 hours — 780 km

KAZAN

🚆

5 hours

🚗

5.5 hours — 390 km

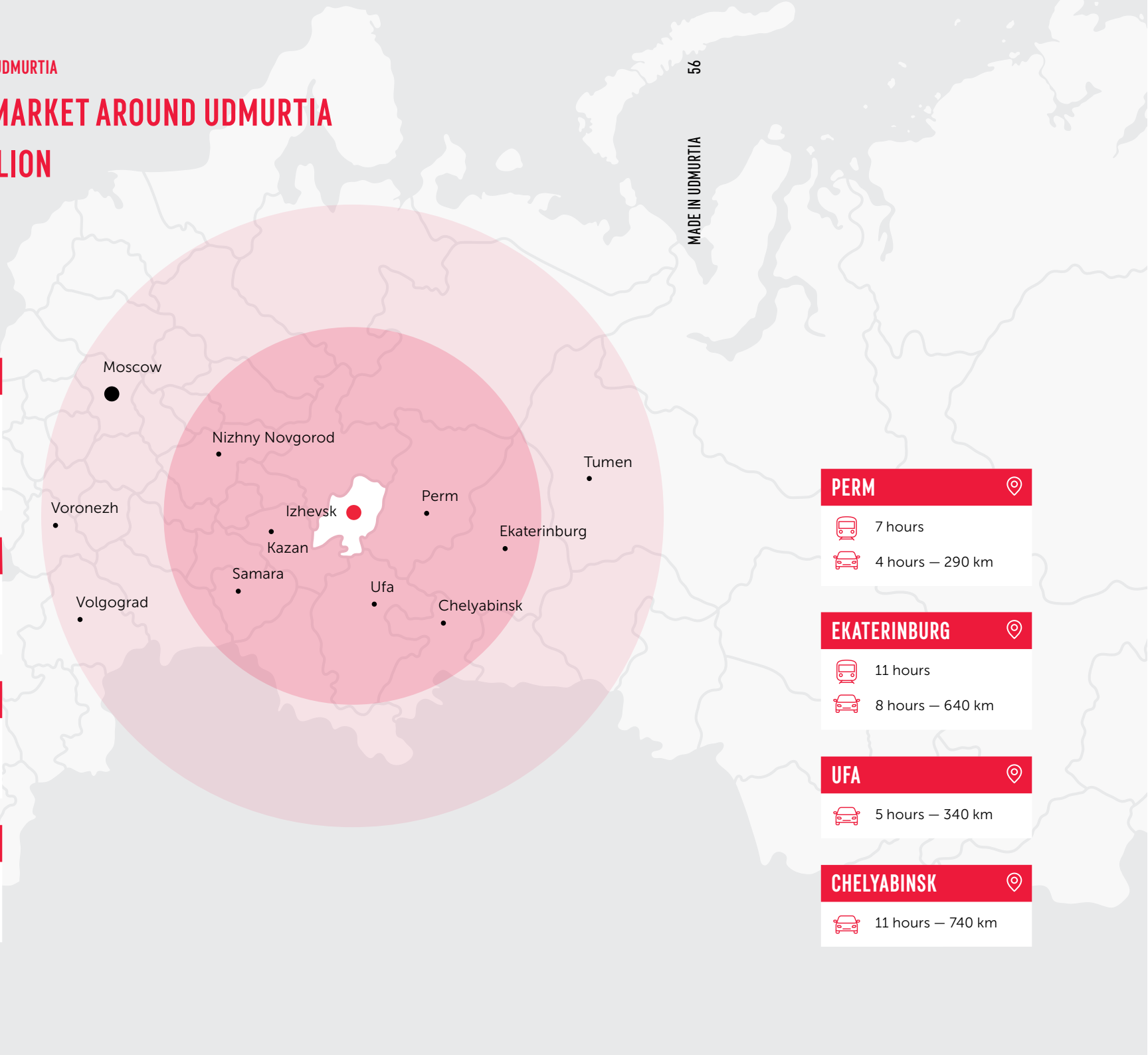
SAMARA

🚆

23 hours

🚗

8 hours — 560 km



PERM

🚆

7 hours

🚗

4 hours — 290 km

EKATERINBURG

🚆

11 hours

🚗

8 hours — 640 km

UFA

🚗

5 hours — 340 km

CHELYABINSK

🚗

11 hours — 740 km

LARGE RUSSIAN CITIES CLOSEST TO UDMURTIA	POPULATION, MILLION PEOPLE
Moscow	12.6
Ekaterinburg	1.4
Nizhny Novgorod	1.3
Kazan	1.2
Chelyabinsk	1.2
Samara	1.2
Ufa	1.1
Perm	1.1

WITHIN 600 KM
FROM IZHEVSK

44 MILLION
permanent residents

7 CITIES
cities with a million-plus
population

RUB 904 BN
per month spent by the local
population on consumer goods
and services


WITHIN 1000 KM
FROM IZHEVSK


88 MILLION
permanent residents

10 CITIES
cities with a million-plus
population


RUB 2.24 TRILLION
per month spent by the local
population on consumer goods
and services


THE TRANSPORT INFRASTRUCTURE IN UDMURTIA OFFERS SIGNIFICANT ADVANTAGES TO INVESTORS

 Izhevsk Federal Airport can land Embraer, Sukhoi Superjet 100, Airbus A-319, Airbus A-320, Airbus A-321 and all lighter aircraft. Passenger traffic in 2018 was 352,000 passengers, with 885 tonnes of cargo traffic.

 Major transport corridors connect Udmurtia to neighbouring regions:


- The P242 Perm-Ekaterinburg federal highway connects Udmurtia to the Urals.
- The P320 Yelabuga-Izhevsk regional highway connects Izhevsk to other large cities in the Volga Region via the M7 Volga Federal Highway, which is part of the European E22 route.


 The region has direct access to the Trans-Siberian Railway, with a large railway hub in Glazov. In 2017, a total of 2,098.000 tonnes of goods were shipped by rail.

 The region's river routes are 180 km long, enabling access to the Baltic Sea, the Black Sea and the Caspian Sea via the Kambarka Cargo Port. The port facilitates shipments to Turkey, Romania, Bulgaria and further to Central and Western Europe. The total volume of cargo shipped in 2017 was 373,000 tonnes.

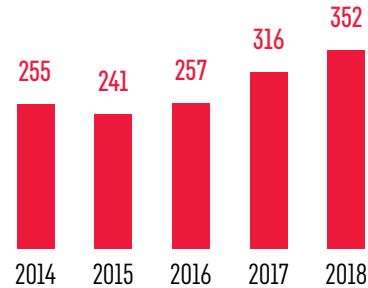
PROJECTS IN UDMURTIA TO DEVELOP AND MODERNISE THE TRANSPORT INFRASTRUCTURE ARE IMPROVING THE REGION'S ACCESSIBILITY


 The airport is undergoing a major overhaul to be able to land new types of aircraft (Boeing) By 2024, the Izhevsk Airport will have been renovated, including the runway, and a new terminal will have been built. The federal budget allocated RUB 3.4 billion to renovate the airport.

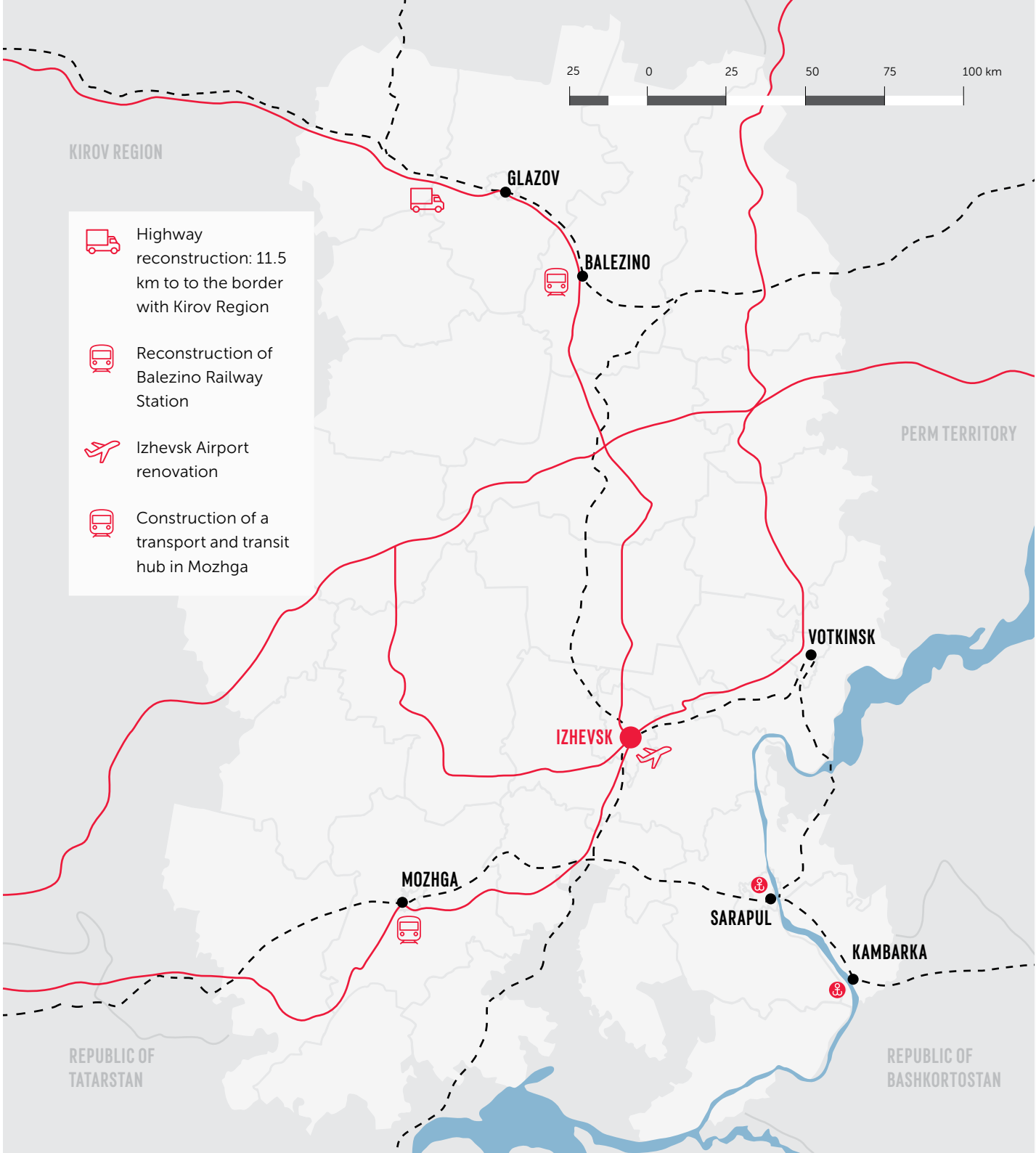
 By 2021, 35 km of roads will have been built and renovated including reconstruction of the highway to Kirov Oblast (to be completed in 2020). Total funds are RUB 252m.

 By 2020, the city of Mozhga will see a new transport interchange hub that will link the existing railway station to the bus hub, enhancing the region's transport accessibility and commuting possibilities. Investment: RUB 300m with co-financing from the regional budget and OAO RZD By 2024, the Balezino Station will have been renovated (Trans-Siberian Railway Network), improving throughput capacity by 50%. The total investment is RUB 4bn including OAO RZD funds.

IZHEVSK AIRPORT PASSENGER THROUGHPUT CAPACITY, THOUSAND PEOPLE



— major highways
- - - railways
 river port



UDMURTIA HAS HIGHLY EDUCATED POPULATION TO REALISE INVESTMENT PROJECTS: THERE ARE 7 HIGHER EDUCATIONAL INSTITUTIONS AND 9 BRANCH CAMPUSES...

KEY EDUCATION AND SCIENCE INDICATORS

16

higher education institutions in Udmurtia, including 9 university branches, offer education programmes and training (incl. 9 university branches)

30

students per 1,000 residents (29 in Russia on average)

Distribution of university students across fields of study



85%

of graduates from Udmurt universities are employed within one year upon graduation

TOP THREE AMONG PEER REGIONS**

67%

of regional university graduates stay to work in Udmurtia

* Students from state universities
** Peer regions are the following 15 regions: Irkutsk Region, Astrakhan Region, Republic of Tatarstan, Orenburg Region, Perm Territory, Samara Region, Lipetsk Region, Voronezh Region, Kaliningrad Region, Volgograd Region, Saratov Region, Tver Region, Leningrad Region, Rostov Region and Republic of Bashkortostan

... IN THE REPUBLIC THAT TRAIN SPECIALISTS IN ALL AREAS OF ECONOMIC ACTIVITY, 67% OF GRADUATES WORK IN THE REGION

KEY HUMAN CAPITAL INDICATORS

67%

Employment rate in Udmurtia (65,5% in Russia on average)

LEADER AMONG PEER REGIONS**

3

Specialists involved in R&D per 1,000 employees (10 in Russia on average)

Distribution of employed individuals across economic sectors



Source: Udmurtstat (2018)

12%

of mining, manufacturing and energy companies in Udmurtia are engaged in innovation (11.5 % in Russia on average)

18%

Share of innovative goods, work and services among all goods, work and services in Udmurtia (in the mining, manufacturing and energy industries) (8 % in Russia on average)

INVESTMENT PLATFORMS IN UDMURTIA

No.	ADDRESS	TYPE OF PROPERTY	AREA	ACCESS WAYS	ELECTRICITY SUPPLY	GAS SUPPLY	WATER SUPPLY AND WATER DISPOSAL	TYPE OF OWNERSHIP	COST	USE CASES
1	Izhevsk									
No.1	8, ulitsa Promyshlennaya	Property portfolio (5 items)	S (land area): 50,000 m² S (GBA): 61,100 m²	M-7: 2 km Izhevsk Station: 7 km	⊕ Ⓢ 2 MW	Ⓜ Capability to connect to networks (gas pipeline across the plot)	⊕ Central water supply	Private	Ⓢ / Ⓢ *	Any type of production activity
No.2	101, ulitsa Lenina	Property portfolio (113 items)	S (land area): 150,000 m² S (GBA): 100,000 m²	M-7: 3.5 km Izhevsk Station: 10 km	⊕ Ⓢ 5 MW	Gas pipeline will be extended to the borders of the plot by end 2019	⊕ Central water supply and on-site wells	Private	Ⓢ / Ⓢ *	Any type of production activity
No.3	77, ulitsa Poyma	Property portfolio (15 items), 1 overhead crane	S (land area): 100,000 m² S (GBA): 15,000 m²	M-7: 2.5 km Izhevsk Station: 5 km	⊕ Ⓢ 2 MW	Ⓜ Capability to connect to networks (gas pipeline across the plot)	⊕ Central water supply	Private	Ⓢ RUB 120m	Any type of production activity
No.4	5, ulitsa Avtozavodskaya	Property portfolio (2 items) 9 overhead cranes	S (land area): 33,231 m² S (production shop): 12,000 m² S (office building): 3,000 m²	M-7: 7 km Izhevsk Station: 15 km	Ⓜ Capability to connect ↔ 300 m	Ⓜ Capability to connect to Avtozavod's networks ↔ 300 m	Ⓜ Capability to connect ↔ 300 m	Private	Ⓢ / Ⓢ *	Any type of production activity, metalworking
No.5	170, Votkinskoye shosse	Building (non-residential, 1 floor) 6 overhead cranes	S (land area): 20,789 m² S (GBA): 12,000 m²	M-7: 18 km Izhevsk Station: 15 km	⊕ Ⓢ 300 kW, capability to increase capacity	Ⓜ Capability to connect	Ⓜ Capability to connect to water supply networks	Private	Ⓢ RUB 12,000/m² Ⓢ RUB 200/m²	Any type of production activity, logistics
No.6	22, ulitsa Ukhtomskogo	Health centre building	S (land area): 3,533 m² S (GBA): 3,115 m²	M-7: 5 km Izhevsk Station: 15 km	⊕ Ⓢ 301 kW	The facility is connected to city heat supply networks Ⓜ Capability to connect ↔ 400 m	⊕ Ⓢ 315 m³/day	Municipal	Ⓢ RUB 31m	Office, hotel, health centre
No.7	26, ulitsa Ukhtomskogo	Health centre building	S (land area): 7,842 m² S (GBA): 3,036 m²	M-7: 5 km Izhevsk Station: 15 km	⊕ Ⓢ 301 kW	The facility is connected to city heat supply networks Ⓜ Capability to connect ↔ 300 m	⊕ Ⓢ 315 m³/day	Municipal	Ⓢ RUB 40m	Office, hotel, health centre
No.8	74a, ulitsa Gorkogo	Group of buildings	S (GBA): 1,151.3 m² S (land plot): 2,281 m²	M-7: 10 km Izhevsk Station: 5 km	⊕ Ⓢ 150 kW	—	⊕ Central water supply	Municipal	Ⓢ RUB 28.6m	Any type of commercial activity
No.9	9, ulitsa Nagovitsina	2 cafeteria buildings	S (GBA): 119 m² and 120 m² S (land plot): 1,548 m²	M-7: 12 km Izhevsk Station: 6 km	⊕ Ⓢ 150 kW per each cafeteria	Ⓜ Capability to connect, the cost of work is RUB 1.8m	⊕ Central water supply	Municipal	Ⓢ Estimated cost is RUB 8.4m	Food production
No.10	6a, ulitsa Kirzavodskaya	Group of buildings	S (GBA): 3,211 m² S (land plot): 5,446 m²	M-7: 6 km Izhevsk Station: 3 km	⊕ Ⓢ 300 kW	⊕ Gas boiler house for 300 kW	⊕ Central water supply	Private	Ⓢ RUB 23m	Office, production activity

SUPPORT MEASURES:

- The regional administration will provide assistance in preparing the full package of documents for commissioning (No.11)
- Reduced-rate lending from the Udmurtia Fund for Entrepreneurship Development (No.1–7)
- T PSEDА (No.12–17, 19–22)

- Ⓢ Sale
- Ⓢ Lease
- Ⓢ Cadastral value of the land plot
- Ⓢ Capacity
- Ⓢ Capacity range
- ↔ Distance to connection point
- Ⓜ Capacity to connect
- ⊕ The site is connected

* Upon the investor's request, a valuation can be conducted on the asset.

PROPERTY (1/3)

INVESTMENT SITES IN UDMURTIA

No.	Address	Type of Property	Area	Access Ways	Electricity Supply	Gas Supply	Water Supply and Water Disposal	Type of Ownership	Cost	Use Cases
2 Sarapul										
No.11	5 letter A, ulitsa Krasnaya ploshchad	Building (residential, 2 floors) The building is a cultural heritage site	S (land area): 2,125 m² S (GBA): 493,6 m²	M-7: 55 km Sarapul Station: 5 km	Capability to connect 100 kW 200 m	Capability to connect 50 m³/h 700 m	Capability to connect to water supply networks 15,000 m³/day 55 m Capability to connect to water disposal networks 8,000 m³/day 20 m	Municipal	RUB 5.3m*	After the facility is reclassified as non-residential, it can be used for commercial purposes
No.12	49, ulitsa Truda	Administrative and service building (a five-floor administrative building and a three-floor production facility)	S (land area): 52,001 m² S (structures): 12,053.3 m²	M-7: 55 km Sarapul Station: 6 km	Capability to install a substation and connect it to 6 kV cable 10 m	Capability to connect 300 m	Capability to connect to water supply networks 5 m	Private	RUB 10.1m*	Any type of production activity, woodworking
No.13	49, ulitsa Truda	Building (non-residential, three floors, production facility)	S (land area): 9,238 m² S (GBA): 11,638 m²	M-7: 55 km Sarapul Station: 6 km	The site is connected 150 kW	Capability to connect 200 m	The site is connected 30 m³/day	Private	RUB 4.4m*	Any type of production activity
No.14	40, ulitsa Gogolya, building 7	Building (non-residential, 3 floors)	S (land area): 4,962 m² S (GBA): 1,452.7 m²	M-7: 55 km Sarapul Station: 6 km	up to 1,000 kVA, 50 m TP-3 with a capacity of 2*1,000 kVA	Capability to connect	Water supply 100 m Water drainage 100 m	Private	RUB 2.6m*	Any type of production activity
No.15	15 ulitsa Elektro-zavodskaya	Building (non-residential, 2 floors)	S (land area): 3,500 m² S (GBA): 5,543 m²	M-7: 54 km Sarapul Station: 3 km	Capability to connect 1.5 MW TP-21: 30 m TP-22: 80 m	Capability to connect 300 m	Capability to connect to water supply networks 15 m Capability to connect to water disposal networks 10 m	Private	RUB 2.2m*	Any type of production activity
No.16	30 letter BB, ulitsa Industrialnaya	Building (non-residential, 8 floors)	S (land area): 2,519 m² S (GBA): 9,417.7 m²	M-7: 55 km Sarapul Station: 6 km	Capability to connect 1,136 kW/h	Capability to connect 205.75 m³/h	Capability to connect to water supply networks 213 m³/day Capability to connect to water disposal networks 109 m³/day	Private	/ *	Any type of production activity

SUPPORT MEASURES:

- The regional administration will provide assistance in preparing the full package of documents for commissioning (No.1, No.9)
- Reduced-rate lending from the Udmurtia Fund for Entrepreneurship Development (No.1–7)
- PSEDA (No.10 –15, 17–20)

PROPERTY (2/3)

- Sale
- Lease
- Cadastral value of the land plot
- Capacity
- Capacity range
- Distance to connection point
- Capacity to connect
- The site is connected

* Upon the investor’s request, a valuation can be conducted on the asset.

INVESTMENT SITES IN UDMURTIA

NO.	ADDRESS	TYPE OF PROPERTY	AREA	ACCESS WAYS	ELECTRICITY SUPPLY	GAS SUPPLY	WATER SUPPLY AND WATER DISPOSAL	TYPE OF OWNERSHIP	COST	USE CASES
No.17	1A, ulitsa Goncharova	Production property portfolio (48 items)	S (land area): 108,018 m² S (GBA): 23,633.6 m²	M-7: 54 km Sarapul Station: 3 km	1.8 MW TP-1 — 545 m TP-2 — 300 m	Capacity to connect 250 m	Water supply 30 m³/day 300 m Drainage 30 m³/day (drainage pumping station on the premises)	Federal	RUB 59.4m*	Any type of production activity, production of reinforced concrete structures
3 Votkinsk										
No.18	19A, ulitsa Dekabristov	Building (non-residential, 1 floor)	S (land area): 40,576 m² S (GBA): 7,000 m²	M-7: 60 km Votkinsk Station: 4 km	235.05 kW	51,400 m³/year	27 m³/day	Private	RUB 60/m²	Any type of production activity, logistics
4 Glazov										
No.19	AO ChMZ Site No 1, 7, ulitsa Belova	UAT land plot and property portfolio (22 items)	S (land area): 54,679 m² S (GBA): 11,880.2 m²	M-7: 83 km Glazov Station: 0.5 km	Substation PS-13 Transformers 6/0.4 kV 2x630 kVA Substation PS-14 Transformers 6/0.4 kV 2x320 kVA Current utilisation ≈ 600 kVA	Heat supply and hot water supply 2 Gcal/h	Compressed air 8 m³/h Service and drinking water supply 20 m³/h Technical water 15 m³/h Storm water drain 50m³/h Service drainage 80 m³/h	Private	RUB 19.26m*	Any type of production activity except food production
No.20	AO ChMZ Site No 2, 7, ulitsa Belova	Land plot with an unclad concrete structure Detached structure	S (GBA): 18,025.9 m²	M-7: 83 km Glazov Station: 0.05 km	38 MW	Heating supply 80 Gcal/h	Service and drinking water supply 13 тыс m³/day Technical water 130,000 m³/day	Private	RUB 49.32m	Any type of production activity except food production
No.21	AO ChMZ Site No 3, 7, ulitsa Belova	Pre-production site (17 items)	S (land area): 44,618 m² S (GBA): 16,768 m²	M-7: 83 km Glazov Station: 0.1 km	Substation PS-13 Transformers 6/0.4 kV 2x630 kVA Substation PS-14 Transformers 6/0.4 kV 2x320 kVA Current utilisation ≈ 600 kVA	Heat supply and hot water supply 1.5 Gcal/h	Service and drinking water supply 20 m³/h Service drainage 100 m³/h	Private	RUB 19.75m	Any type of production activity except food production
No.22	69, ulitsa Dragunova	OAO Glazov.Elektron production site complex (9 items)	S (land area): 21,839 m² S (GBA): 10,000 m²	M-7: 78 km Glazov Station: 0.5 km	300 kW within the land plot	Capacity to connect 100 m³/h	The site is connected 60 m³/day	Other (Public Organization)	RUB 300/m²	Any type of production activity except food production
No.23	Yakshur-Bodyinsky district, quarter 49 of Yakshur-Bodyinsky forestry	Berezova Roshcha Recreation Camp	S (land area): 126,500 m²	M-7: 0.2 km	The camp has sufficient electricity supply	Gas connection is available with gas boiler house	Borehole, pumping station, treatment facilities	Private	RUB 100m	Recreation camp

SUPPORT MEASURES:

- The regional administration will provide assistance in preparing the full package of documents for commissioning (No.1, No.9)
- Reduced-rate lending from the Udmurtia Fund for Entrepreneurship Development (No.1–7)
- PSEDA (No.10–15, 17–20)

PROPERTY (3/3)

- Sale
- Lease
- Cadastral value of the land plot
- Capacity to connect
- Capacity
- Capacity range
- Distance to connection point
- The site is connected

* Upon the investor’s request, a valuation can be conducted on the asset.

INVESTMENT SITES IN UDMURTIA

No.	Address	Area, ha	Access ways	Permitted use type	Electricity supply	Gas supply	Water supply and water disposal	Type of ownership	Cost
1 Izhevsk									
No.24	Intersection of Obyeznaya and Galyansky Trakt	30	M-7: 25 km Izhevsk Station: 27 km	Land for multifunctional public and business facilities. For deployment of an industrial facility or warehouses	2 MW onsite	2000 m³/h on site	Capability to drill a well to facilitate onsite operations. Water-bearing layer depth: 30 m	Private	RUB 5m per hectare
No.25	198, ulitsa Kamarskaya	9.8	M-7: 6 km Izhevsk Station: 15 km	For public and business facilities. For deployment of public and business facilities or a shopping centre	Technical specifications not received, networks go along the border of the plot	Networks go along the border of the plot	Networks go along the border of the plot	Private	RUB 262.1m
No.26	11, ulitsa Teplichnaya	7	M-7: 9 km Izhevsk Station: 18 km	Farming	1 MW onsite	Networks go along the border of the plot	Technical specifications not received, networks go along the border of the plot	Private	Search for an investor to build an agribusiness park
No.27	Izhevsk, ulitsa 50 let VLKSM	7,060 m²		D1-1 Zone: Multi-functional public and business development zone in a multi-storied structure	Technical specifications received	Technical specifications received	Technical specifications received	Private	RUB 29m
2 Sarapul									
No.28	ulitsa Industrialnaya (plot in the process of formation)	6.7	M-7: 62 km Sarapul Station: 7 km	Production and utility infrastructure zone for public and business buildings and utility infrastructure servicing the zone. For deployment of production and utility facilities and public and business buildings	Capability to connect 150 кВт 50 m	Capability to connect 20 m³/h 50 m	Capability to connect to water supply networks 2,500 m³/day 55 m Capability to connect to water disposal provided a drainage pumping station is built 2,500 m³/day 51 m	Municipal	/ RUB 32.0m*
No.29	177p, ulitsa Azina	1.1	M-7: 57 km Sarapul Station: 4 km	Deployment of capital construction production facilities: construction materials (brick, sawed timber, concrete, fixture materials), service and construction gas and plumbing equipment, lifts and hoists, carpenter products, pre-fabricated houses or parts thereof and other similar products	Capability to connect 100 kW 300 m	Capability to connect 100 m³/h 100 m	Capability to connect to water supply networks 2,500 m³/day 1,60 m Capability to connect to water disposal networks 2,500 m³/day 70 m	Municipal	/ RUB 7.9m*
No.30	1, ulitsa Leningradskaya	5.24	M-7: 62 km Sarapul Station: 5 km	For deployment of industrial facilities	Capability to install a substation and connect it to 6 kV cable 10 m	Capability to connect 300 m³/h	Capability to connect 4,200 m³/day	Private	/ *RUB 17.8m*

LAND CATEGORY

– Land for production, energy industry, transport, communications and other special purposes (No.22, 31–33)

– Settlement lands (No.23–30)

SUPPORT MEASURES:

– For lease without bidding. PSEDA (No.25, 27, 30)

– For lease without bidding (No.26, 28, 29, 33)

- Sale
- Lease
- Cadastral value of the land plot
- Capacity to connect
- Capacity
- Capacity range
- Distance to connection point
- The site is connected

* Upon the investor’s request, a valuation can be conducted on the asset.

LAND PLOTS (1/2)

INVESTMENT SITES IN UDMURTIA

NO.	ADDRESS	AREA, HA	ACCESS WAYS	PERMITTED USE TYPE	ELECTRICITY SUPPLY	GAS SUPPLY	WATER SUPPLY AND WATER DISPOSAL	TYPE OF OWNERSHIP	COST
3 Votkinsk									
No.31	160, ulitsa Pugacheva	2.6	M-7: 62 km Votkinsk Station: 4 km	For deployment of industrial facilities	(KTP-19) ≈120 m 100 kW	300 m	Main water supply pipeline HC-2 step-up: 346.78 m3/hour Sewage treatment facilities' inlet chamber: 5,000 m (sewage treatment facilities) 69.92 m³/h	Non-delineated federal properties	RUB 8.1m*
No.32	14, ulitsa Promyshlennaya	1.425	M-7: 80 km Votkinsk Station: 5 km	For deployment of industrial facilities	(STP-268) 400 m 52 kW	500 m	Main water supply pipeline 1,500 m Water drainage 1,500 m	Municipal	RUB 14.1m*
4 Glazov									
No.33	pereulok Gvardeisky/ ulitsa Kuibysheva	7.6	M-7: 80 km Glazov Station: 5 km	To build class IV-V hazard industrial facilities	300 m	150 m	Water supply 0.1 km Water drainage 0.25 km	Municipal	RUB 67m*
5 Zavyalovsky Area									
No.34	Zavyalovsky Area	2.7	M-7: 27 km Izhevsk Station: 26 km	Current: public and business facilities. For deployment of an industrial facility, warehouses or car dealership	Capability to install a gas generator to facilitate onsite operations	1,000 m³/h on site	Capability to drill a well to facilitate onsite operations. Water-bearing layer depth: 30 m	Private	RUB 5m per hectare
No.35	Zavyalovsky Area	8	M-7: 27 km Izhevsk Station: 26 km	Current: public and business facilities. For deployment of an industrial facility, warehouses or car dealership	Capability to install a gas generator to facilitate onsite operations	1,000 m³/h on site	Capability to drill a well to facilitate onsite operations. Water-bearing layer depth: 30 m	Private	RUB 5m per hectare
6 Mozhginsky District									
No.36	900 m west of the village of Chumoitto, MO Gornakskoye	71.3	near the M-7 Mozhga Station: 7 km	Food production. Option to change the type of permitted use to business administration, car service, subsoil use, consumer goods industry, construction industry, warehouses, agriculture support, production support or communications	4.5 MW on site	1,000 m³/day	6,000 m³/year	Municipal	RUB 137.1m*

LAND CATEGORY

– Land for production, energy industry, transport, communications and other special purposes (No.22, 31–33)

– Settlement lands (No.23–30)

SUPPORT MEASURES:

– For lease without bidding. PSEDA (No.25, 27, 30)

– For lease without bidding (No.26, 28, 29, 33)

- Sale
- Lease
- Cadastral value of the land plot
- Capacity
- Capacity range
- Distance to connection point
- Capacity to connect
- The site is connected

* Upon the investor’s request, a valuation can be conducted on the asset.

INDUSTRIAL PARKS IN UDMURTIA

		IZHEVSK PLANT	METALLURGIC	SYNERGY
	Address	Deryabin Proezd, Izhevsk	298, Votkinskoye Shosse, Izhevsk	27, Novoazhimova Street, Izhevsk
	Management company	ООО Izhevsk Plant Razvitie		
	Website	www.most-dvlp.ru, www.паркразвитие.рф	www.most-dvlp.ru, https://инметаллпарк.рф	https://most-dvlp.ru/ nashi-obekty/synergy/
	Focus	Processing industry		Industrial and logistics centre
1 Basic services of the management company				
	Sale of land plots	⊗	⊗	✓
	Lease of land plots	✓	✓	✓
	Lease of finished production facilities	⊗	✓	✓
	Construction of turn-key industrial buildings	⊗	✓	✓
	Provision of specialised equipment	✓	✓ CNC machines and heavy-duty crane equipment	✓
2 Additional services of the management company				
	Logistics, recruitment, maintenance and operation of common use facilities, security, legal, consulting, IT, cleaning of grounds and garbage removal	✓	✓	✓
3 Transport accessibility				
	Distance to the nearest federal highway, km	2	0.03	2
	Nearest road, name	Deryabin Proezd	Votkinskoye Shosse	Novoazhimova Street
	Nearest motor road, distance, km	0.01	0	0.15
	Length of road network in the park, km	2.5	3.5	2
	Railway connection	✓	⊗	✓
	On-site railway tracks in the park	✓	⊗	✓
	Name of the nearest discharge terminal	Industrial park	Izhevsk Station	Izhevsk Station
	Distance to the nearest railway discharge terminal, km	0.2	8	8
	Distance to the nearest international airport, km	220		

		IZHEVSK PLANT	METALLURGIC	SYNERGY
4 Park infrastructure, land plot				
	Total territory in the park, hectares	76.90	52.10	14.40
	Permitted hazardous facility class	Class II	Class IV-V	Class IV-V
5 Real estate (Industrial, Office)				
	Existing production facilities designated for placement of residents, sq m	260,420	50,110	18,020
	Total office floor size for placement of residents, sq m	32,400	1,098	600
6 Resources				
	Electricity	✓	✓	✓
	Available capacity, MW	20	4	6
	Tariff for residents, RUB/kWh	4.85	4.74	4.74
	Park gas supply	✓	✓	✓
	Heat supply	✓	✓	✓
	Park water supply	✓	✓	✓
	Water disposal in the park and storm sewage treatment facilities	✓	✓	✓
	Communications (telephone and fibre optic Internet)	✓	✓	✓
7 Accessibility for employees				
	Availability of transport connection from residential areas to the park	✓ permanent public transport routes		
8 Investments and residents				
	Total investments in park infrastructure, RUB million	632.5	184.49	315.88
	Total investments of park residents, RUB million	121.84	23.42	12.04
	Number of jobs created in the park, units	788	168	13

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INFORMATION ON AVAILABLE AGRICULTURAL LAND

91,100 HA 100 11,800 HA

available agricultural land

land plots have already been assigned cadastral numbers

have been assigned cadastral numbers

DISTRICT	NUMBER OF AGRICULTURAL LAND PLOTS (WITH ASSIGNED CADASTRAL NUMBERS)	TOTAL AREA OF LAND PLOTS AVAILABLE FOR SALE/LEASE, HA	MINIMUM AND MAXIMUM AREA OF LAND PLOTS AVAILABLE FOR SALE/LEASE, HA	AVERAGE COST OF ANNUAL LAND PLOT LEASE (WITHOUT BIDDING), RUB*	MINIMUM AND MAXIMUM COST OF ANNUAL LEASES ON LAND PLOTS AVAILABLE FOR SALE/LEASE, RUB
Kiyasovsky	16	3,632.2	⬇️ 12 ⬆️ 848	13,561.9	⬇️ 640 ⬆️ 45,235
Mozhginsky	2	391.0	⬇️ 72 ⬆️ 319	12,424.8	⬇️ 4,571 ⬆️ 20,278
Sarapulsky	13	1,333.4	⬇️ 6 ⬆️ 356	13,642.8	⬇️ 935 ⬆️ 66,372
Seltinsky	8	169.8	⬇️ 8 ⬆️ 37	682.1	⬇️ 171 ⬆️ 1,237
Uvinsky	7	115.1	⬇️ 6 ⬆️ 43	637.4	⬇️ 241 ⬆️ 1,738
Yukamensky	34	5,375.6	⬇️ 2 ⬆️ 1,317	10,087.1	⬇️ 152 ⬆️ 71,798
Yarsky	19	782.0	⬇️ 0.2 ⬆️ 512	2,360.2	⬇️ 11 ⬆️ 29,332

⬇️ Minimum ⬆️ Maximum

*0.4% of the cadastral value (rate for agricultural land established by Udmurt Republic Government Resolution No. 172 of 6 November 2007)

Note: Depending on the project and investor's requirements, the location and size of the plot may be determined individually.

Source: Development Corporation of the Udmurt Republic

LEASE

Land plots are leased out for 49 years without bidding, provided that an investment project will be implemented there.

SALE

- After three years of lease, a land plot may be purchased without bidding at its cadastral value.
- For farming purposes, land plots are provided without bidding, provided that the lessee has published the project and is participating in a regional state programme.
- In other cases, there is an auction with the starting price determined following an appraisal.



PERMITTED ACTIVITIES IN THE GLAZOV AND SARAPUL PSEDAS

GLAZOV

1. Food production

2. Textiles

3. Clothing

4. Wood and wood products, except furniture; straw and plaited goods

5. Rubber and plastic items

6. Non-metallic mineral products

7. Fabricated metal products, except machinery and equipment

8. Computers, electronic and optical devices
9. Electrical equipment

10. General machinery and equipment

11. Furniture

12. Finished goods

13. IT

14. Health care

15. Libraries, archives, museums and other cultural facilities

16. Sports, recreation and entertainment

SARAPUL

1. Plant growing and cattle breeding, hunting and provision of related services in these areas (except for auxiliary activities in the field of crop production and post-harvest processing of agricultural products, hunting, capture and shooting of wild animals, including provision of services in these areas)

2. Fisheries

3. Stone, sand and clay

4. Food production (except for drinking milk and drinking cream, production of grain crops flour, production of bread and baked goods, cakes and pastries with short shelf-lives)

5. Soft drinks and mineral water

6. Textiles
7. Clothing

8. Leather and related products

9. Wood and wood products, except furniture; straw and plaited goods

10. Paper and paper products

11. Chemicals and chemical products

12. Basic pharmaceutical products and medical devices

13. Rubber and plastic items

14. Non-metallic mineral products (except for cement, lime and plaster)

15. Metallurgy

16. Finished metal products, except for machines and equipment (except for weapons and ammunition)

17. Computers, electronic and optical products (except for elements of electronic equipment and printed circuits, and communication equipment)

18. Electrical equipment (except for the production of electric motors, electric generators and transformers)

19. General machinery and equipment

20. Motor vehicles, trailers and semi-trailers

21. Other vehicles and equipment

22. Furniture

23. Finished goods

24. Waste processing and disposal

25. Sorted materials disposal

26. Warehousing and storage

27. Freight transport processing

28. Provision of temporary accommodation

29. Telecommunications

30. Software development, consulting services in this area and other related services

31. IT

32. Research and development

33. Other professional, scientific and technical activities (except for professional, scientific and other technical activities not included in other groups)

34. General education

35. Additional education

36. Health care
37. Provision of care with accommodation on site

38. Creative sector, art and entertainment

39. Sports, recreation and entertainment

A white outline map of Udmurtia is centered on a solid red background. The map shows the internal district boundaries of the republic. Overlaid on the map is the large white text '4.1'.

4.1

APPENDIX 1: SUCCESS STORIES IN UDMURTIA

AO KALASHNIKOV CONCERN

YEAR OF ESTABLISHMENT	<p>The Izhevsk Mechanical Plant was founded in 1807 following a decree issued by Alexander I.</p> <p>The Iz mash Production Association was set up in 1975.</p> <p>AO NPO Izhmash was renamed as AO Kalashnikov Concern in 2013 based on Rostec Corporation Decision No. 122-ROAO of 23 May 2013</p>
CORE TYPES OF CIVILIAN PRODUCTS	<ol style="list-style-type: none">1. Civilian-use small weapons (sports and hunting weapons, tactical weapons, signal guns, air guns, dummy guns, non-lethal weapons and replica weapons)2. Unmanned aerial vehicles (copters and planes)3. Shipbuilding (civilian multifunctional and commercial boats, civilian ships, compound civilian boats, patrol crafts, guided missile boats, speedboats and assault boats)4. Clothing and accessories5. Electric transport
KEY COMPETITIVENESS DRIVERS	<ul style="list-style-type: none">— Strong brand— Continuous implementation of R&D and advanced technologies to enhance the product line— Manufacturing of a wide range of high-demand and competitive products— Extensive experience in the industry and highly qualified engineers— Rostec Corporation, which includes more than 700 entities that work to unleash Russia’s technological and scientific potential, holds a 25% share in AO Kalashnikov Concern.



DMITRY TARASOV
General Director
AO Kalashnikov Concern



“OVER THE PAST FIVE YEARS, WE HAVE MADE A GREAT LEAP FORWARD IN PRODUCING CIVILIAN-USE PRODUCTS. IN 2018, YEAR-ON-YEAR REVENUE FROM CIVILIAN-USE PRODUCTS INCREASED THREEFOLD.

We are recognised as a Russian leader in the digitalisation of manufacturing. At Kalashnikov, we have built an IT ecosystem that serves as a model for other Russian manufacturing enterprises.

The regional administration provides key assistance in engaging with development institutes.”

PROMISING AREAS OF DEVELOPMENT

Goal: increase the share of civilian-use goods and services in total revenues to 30%

1. Kalashnikov Engineering* products:

1.1 Machine tool building:

- 1.1.1 CNC lathe mills
- 1.1.2 Screw-cutting lathes IZh 250ITVM
- 1.1.3 CNC turning mills
- 1.1.4 Hybrid welding and milling machining centres (combination of additive technologies and mechanical metal-working)
- 1.1.5 Special metal working machines and technological equipment built to customer’s specifications
- 1.1.6 Rolling screws and nuts (ball-and-screw units)
- 1.1.7 Gear production machinery

1.2 SERVICE 360 contract (a production service mix representing an efficient approach to business management and enabling a considerable reduction of production losses along with improvement of the enterprise performance).

1.3 Manufacturing of complex geometric parts using MIM technology

STATE SUPPORT EXPERIENCE

- Participation in programmes operated by the Industrial Development Fund. About the programme: debt financing is provided to enterprises in the military-industrial complex aimed at manufacturing high-tech civilian- and/or double-purpose products
- Participation in the subsidy programme under Russian Government Resolution No. 1312 of 30 December 2013 “On Approving the Rules of Granting Subsidies from the Federal Budget to Russian Entities to Reimburse a Share of R&D Costs in Priority Fields of Civil Industry as Part of Implementing Comprehensive Investment Projects by Such Entities”

- 1.4 Forgings
- 1.5 Precision casting: steel, special alloys, grey pig iron and Ni-resist
- 1.6 Tool-making facilities
- 1.7 IT products for production digitalisation (in-house developed MES, SCADA, PLM)
- 2. Kalashnikov Engineering* services:
 - 2.1 SERVICE 360 contract (a production service mix representing an efficient approach to business management and enabling a considerable reduction of production losses along with improvement of the enterprise performance).
 - 2.2 Process Laboratory Training Centre (staff training and implementation of global best practices in production and business systems)
 - 2.3 Kalashnikov Development (civil engineering services)
 - 2.4 Engineering Centre (enterprise modernisation, development and operating efficiency improvement services)
 - 2.5 Technological equipment and spindle assembly repair and maintenance

*Kalashnikov Engineering is a brand of Kalashnikov Concern, which develops products and provides services for the civilian sector’

000 KOMOS GROUP



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MADE IN UDMURTIA

YEAR OF ESTABLISHMENT	2003
CORE ACTIVITIES	<ul style="list-style-type: none">— Milk processing (2nd largest Russian producer of UTH milk)— Poultry farming (5th in egg production)— Pig-breeding and meat processing (23rd in pork production)— Meat processing— Crop and dairy farming— Animal feed production— Fish processing
PRODUCTION MODERNISATION AND DEVELOPMENT	<ul style="list-style-type: none">— The strategic goal of KOMOS GROUP is to become the leading milk processing company in Russia by reaching processing volumes of 1 million tonnes. For this purpose, the agricultural holding is conducting large scale reconstruction projects on a regular basis. In particular, the holding is currently implementing the MILKOM 2020 investment project, which is aimed at modernising production facilities and adopting modern technology for waste water processing at the Kezskiy Cheese Factory.— In the near future, the Ministry of Agriculture and Food of the Udmurt Republic and OAO MILKOM plan to sign a special investment contract that will facilitate the project, provided that OAO MILKOM receives tax benefits. Total investments to reconstruct the Kezskiy Cheese Factory will exceed RUB 2bn.— From 2005 to 2018, the holding invested RUB 23.2bn in the agribusiness sector in Udmurtia, Tatarstan and Perm.

KEY COMPETITIVENESS DRIVERS

- KOMOS comprises 17 companies in Udmurtia, Tatarstan, Perm and Bashkortostan.
- KOMOS operates branded retail outlets and the KOMOS-Logistika transportation company, which delivers the holding’s products across Russia.
- KOMOS collaborates with the Selo Zelenoe chain (the brand’s projected sales for 2019 will be RUB 10bn).

STATE SUPPORT EXPERIENCE

- In 2018, the Foundation for the Development of Single-Industry Cities approved the application of the Udmurt Republic in relation to the investment project “Reconstruction of Sarapul Meat-Processing Plant of 000 Vostochny of KOMOS GROUP agricultural holding”. As part of the investment project, several shops have been repaired, new production equipment has been launched and infrastructure is being developed. Completing the project will enhance production volumes and create 100 new jobs.

SALES GEOGRAPHY

- KOMOS delivers products to 72 Russian regions.
- In April 2019, Sarapul-Moloko shipped the first batch of dairy products to China as part of an international contract signed in March between the agricultural holding and Li Hua Economic and Co.Ltd.Suifenhe (Suifenhe, People’s Republic of China). The expected trade volume will be at least 500 tonnes of dairy products and 40 tonnes of ice cream per month.

Managing Shareholder
000 KOMOS GROUP



“TODAY, GOODS UNDER OUR SELO ZELENOE, MOLOCHNAYA RECHKA, TOPTYZHKA, TOBE AND OTHER BRANDS ARE SOLD ACROSS A VARIETY OF NATIONAL AND LOCAL CHAINS IN RUSSIA AND NEIGHBOURING COUNTRIES. WE HAVE STARTED TO EXPORT OUR PRODUCTS TO CHINA.

Udmurtia has become part of the global world. This is not just a slogan. The regional administration has taken important measures to promote products made in Udmurtia. We highly appreciate the efforts of the regional administration to enhance the investment appeal of our territory and support local producers. All of this helps to promote a positive image of Udmurtia.”

OOO IZHEVSK HEATING EQUIPMENT FACTORY

YEAR OF ESTABLISHMENT

2007

CORE PRODUCTS

- Thermal equipment:
- Heat guns, thermal curtains
 - Infrared electric and gas heaters, electric convectors
 - Gas lamps with an electronic control unit, water fan heaters

THE FACTORY'S MILESTONES

- In 2008, an assembly site was launched at NPP Kupol.
- In 2011, the factory moved to new production facilities. The factory launched the following: mechanical metal-working, press-forming, powder painting and assembling conveyors.
- The factory introduced the Lean Production Programme.
- In 2014, the factory opened new production facilities in Kirzhach, Vladimir Region. CE certified. A belt conveyor, bending machine, laser machine and profiling line are in place.
- In 2015, the factory obtained a Quality Management System certificate in accordance with ISO 9001 standards.



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MADE IN UDMURTIA

VASILY PERMYAKOV
Director of OOO Izhevsk Heating Equipment Factory



“UDMURTIA IS A LONG ESTABLISHED INDUSTRIAL REGION WITH PRODUCTION EXPERTISE, STRONG COLLABORATIONS AND HIGH LEVELS OF HUMAN CAPITAL.

In combination with state support, all of these factors create excellent conditions to develop existing production facilities and attract new investment.”

KEY COMPETITIVENESS DRIVERS

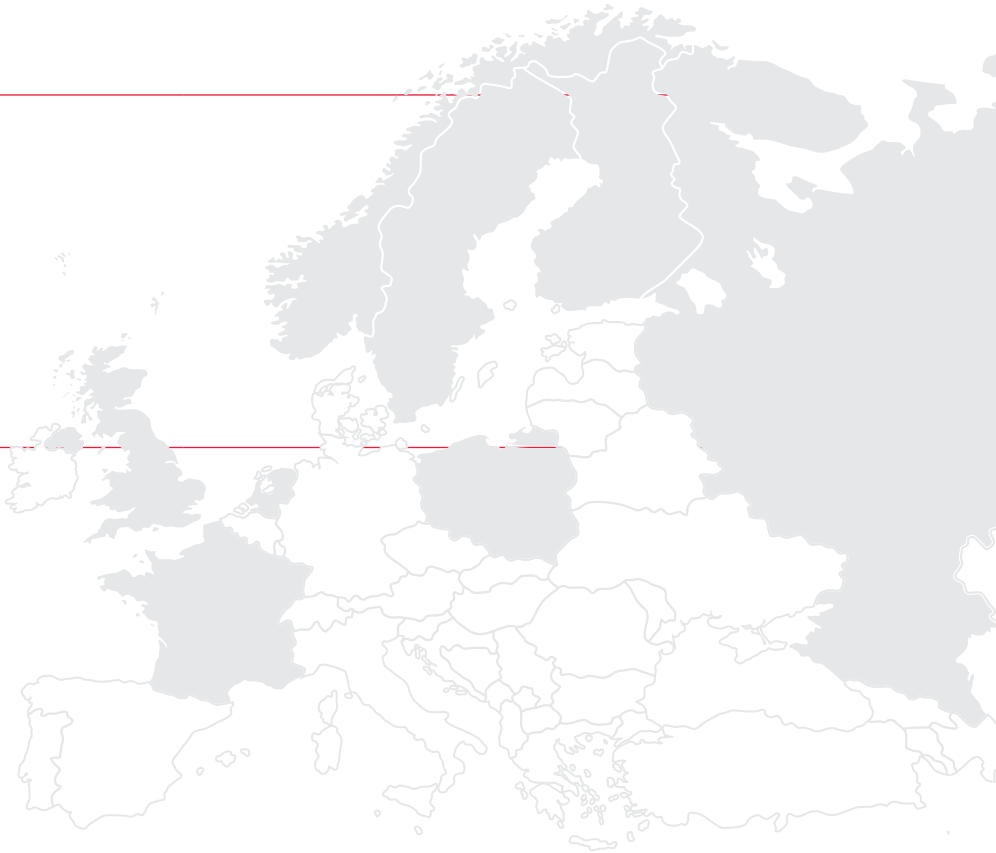
- Modern automatic equipment from Germany, Italy, Japan, Turkey and Switzerland and sufficient material and technical resources
- Highly trained and skilled personnel
- Wide range of high-quality products
- Internal network of authorised service centres
- High quality standards
- Collaboration with leading Russian and European universities, laboratories and institutes

KEY ACCOUNTS

- BalLu
- Zanussi
- Electrolux
- ZUBR
- Interskol
- Russian Railways (RZD)
- Moscow Metro
- Sberbank

SALES MARKETS

- Russia and CIS
- Norway
- Finland
- Sweden
- Holland
- England
- France
- Poland



85
MADE IN UDMURTIA

000 ORION

YEAR OF ESTABLISHMENT	2010
COMPANY MILESTONES	<div><div></div><div>In 2005, the company sold veneer stock and fire wood to a forest combine.</div></div> <div><div></div><div>In 2010, the company bought equipment from Uvadrev Holding and started lato-flex production.</div></div> <div><div></div><div>In 2012, the company started producing veneers of various thickness.</div></div> <div><div></div><div>In 2018, an up-to-date high-output sawmilling line was launched.</div></div>
CORE PRODUCTS	<div><div></div><div>Birch veneer products, including veneer, caul, panels.</div></div>
PROMISING AREAS OF DEVELOPMENT	<div><div></div><div>Wood trim from soft and hard wood including floor and roofing board, rectangular timber, weatherboard, casing molding</div></div>
KEY COMPETITIVENESS DRIVERS	<div><div></div><div>Using cutting-edge, energy-efficient wood processing equipment made in Taiwan, Finland and Brazil</div></div> <div><div></div><div>Efficient use of state support</div></div>

STATE SUPPORT EXPERIENCE

- In 2013-2016, the company received subsidies from the regional and federal budgets.
- The company received a reduced-rate forest resource lease under a forest development priority investment project ("Technical re-equipment of veneer and sawmilling production, forest harvesting operations set-up") in 2015.
- The company raised funds via the Industry Development Fund for an investment project ("11-section veneer roller dryer with automated independent temperature control for each gas burner, veneer hot presses and compactors") in 2017.
- The company received a 106.6m loan against a guarantee issued by the SME Corporation under Programme 6.5 to carry out modernisation and purchase raw materials.

SALES GEOGRAPHY

- Russian Federation
- Finland
- Azerbaijan
- Czech Republic
- Italy
- Germany
- Egypt
- Canada
- Estonia

ALEKSANDR SHTUMF
Director OOO ORION



“STATE SUPPORT RECEIVED AT THE REGIONAL LEVEL FROM THE GUARANTEE FUND GAVE THE COMPANY ADDITIONAL RESOURCES TO DEVELOP NEW LINES OF BUSINESS AND ENTER NEW DISTRIBUTION MARKETS.”



AO IEMZ KUPOL

YEAR OF ESTABLISHMENT	1957	
KEY STAGES OF CIVILIAN-USE PRODUCT MANUFACTURING	<ul style="list-style-type: none">— In 1997, the first fan heater was manufactured laying the foundations for a fully fledged climate control equipment production line.— In the 1990s-early 2000s, as part of the Conversion Programme, a pharmaceutical manufacturing facility (Rester) and civilian-use products manufacturing plant (TNP Meteor) were built.— In 2008, Rester worked with FRESENIUS MEDICAL CARE Deutschland GmbH to launch the production of solutions for peritoneal dialysis; the opening ceremony was attended by Walter Jürgen Schmid, the German Ambassador to Russia.	
MAIN CIVILIAN-USE PRODUCTS AND SERVICES	<p>Climate control equipment:</p> <ul style="list-style-type: none">— Fan heaters— Air curtains— Infra-red heaters— Heat guns— Heat exchangers for ventilation and air conditioning systems <p>High-tech products:</p> <ul style="list-style-type: none">— Metal-carbon composites and corrosion inhibitors— Highly purified material <p>Energy and resource efficiency:</p> <ul style="list-style-type: none">— Gas infra-red heating elements— Light gauge steel framing (LGSF)	<p>Machinery products and fuel and energy complex:</p> <ul style="list-style-type: none">— NPP equipment— Edge rolling-off— Oilfield equipment <p>Environment and health:</p> <ul style="list-style-type: none">— stay•safe® solutions for peritoneal dialysis— Plastic manufacturing (containers, packaging for containers, confectionery, medicine)



ALEKSEI ZLOBIN
Manufacturing and Technical
Products Director AO IEMZ
KUPOL



“WE FEEL SUPPORTED BY THE GOVERNOR AND REGIONAL ADMINISTRATION AND THE ALMAZ-ANTEY CONCERN.

We have developed gas-powered radiant heating systems that enable large industrial sites to cut their energy costs in half. And this is a fact.

We provide turn-key purification facilities, including designing the technical and construction blueprint. We also build, commission, train and set up work schedules for purification facilities.”

HIGH-POTENTIAL GOODS AND SERVICES

- Energy efficient gas-fired radiant heating systems
- Turn-key industrial waste water treatment solutions (galvanics)
- Solid state wave gyroscopes
- Two-component solutions for peritoneal dialysis

KEY COMPETITIVENESS DRIVERS

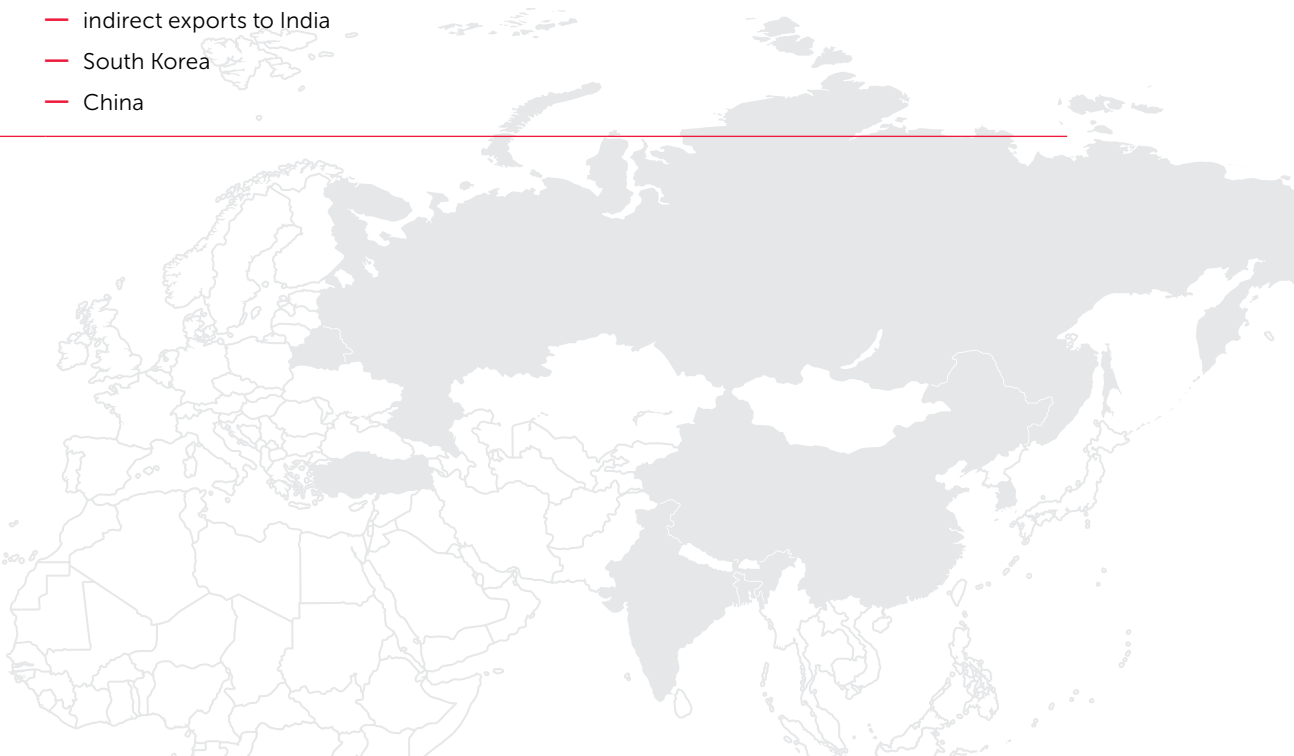
- Project management principles
- Successful experience in production conversion, diversification, technology development
- Organisation of joint projects with foreign partners (a joint venture with FRESENIUS MEDICAL CARE Deutschland GmbH)

STATE SUPPORT EXPERIENCE

- Industrial Development Fund: funding finned pipe rolling-on production (ongoing approval procedure)
- Russian Ministry of Industry and Commerce: subsidised interest rates

SALES GEOGRAPHY

- Russian Federation
- Belarus
- Turkey
- Bangladesh
- indirect exports to India
- South Korea
- China



000 HIGH TECHNOLOGY CENTRE

YEAR OF ESTABLISHMENT	2000
CORE ACTIVITIES	— Developing tailored solutions for e-commerce, media and manufacturing enterprises
TECHNOLOGIES OFFERED BY THE COMPANY	— Augmented reality and virtual reality — Computer vision — Monitoring systems for robots and manufacturing equipment
STATE SUPPORT EXPERIENCE	— Federal tax benefit for companies registered in the Register of Certified IT Companies
KEY ACCOUNTS	— Samsung — ivi.ru — IEMZ Kupol — Alfa Bank — Rosatom — Tinkoff — STS Media
AWARDS	— Top 100 production developers and top 50 web developers according to Tagline — Second place at Tagline Awards 2018 in the Best Smart TV App nomination — Winner of the Golden App Awards 2018 — Third place at Tagline Awards 2018 in the Best AR/VR App nomination

Source: 000 High Technology Centre

OLEG VYLEZHAGIN

CEO 000 High Technology Centre



“IN OUR REGION, WE CALL IT COMPANIES OUR COLLEAGUES, NOT OUR COMPETITORS. OVERALL, THE ENVIRONMENT IS VERY FRIENDLY.

Many important annual events are organised by the regional administration and the Ministry of Informatisation and Communications, as well as by individual companies.”

000 ELMA

YEAR OF ESTABLISHMENT	2006
CORE PRODUCTS	— Projects+ (project management) — CRM+ (sales management) — ECM+ (electronic workflow) — BPM (business process management) — KPI (performance indicators management)
PROMISING DEVELOPMENT AREAS	— ELMA.IA (RPA, AI) — ELMA365 (a cloud-based system for SME automation)
STATE SUPPORT EXPERIENCE	— The company is registered in the Udmurt Republic’s Export-Focused SME Register
KEY COMPETITIVENESS DRIVERS	— High speed of adoption — Low entry threshold and visual clarity — Low-code support — Adaptive outer look, user-friendly interface — Wide integration capabilities and quick adaptation to company infrastructure — Affordable implementation cost and low cost of ownership and roll-out — Smart automation solutions support
SALES GEOGRAPHY	— Russia — China — UK — Netherlands — Poland — Ukraine — Guatemala — Kazakhstan — Azerbaijan



Source: 000 Elma

ALEKSEI TREFILOV

CEO 000 Elma



“WE ARE HEAVILY ENGAGED IN TRANSFORMING TRADITIONAL COMPANIES INTO INNOVATIVE ONES AND IN HELPING OUR CLIENTS START PROCESS-FOCUSED BUSINESS TRANSFORMATIONS.”

IN MANY HIGH-POTENTIAL DEVELOPMENT AREAS, UDMURTIA
ALREADY HAS OPERATIONS SUPPORT FACILITIES...

UNMANNED SYSTEMS



Product description

Reconnaissance unmanned systems to ensure state border protection, carry out reconnaissance and rescue missions and monitor high-risk sites.

www.zala.aero

Launch date

2004

Key success factors

Synergy with the Kalashnikov Concern (part of the Concern since 2015) aimed at driving military and industrial areas conversion.

Did you know?

- 2% of the world’s UAVs are manufactured in Udmurtia.
- Udmurtia is a leader in aerial monitoring service provision for the fuel and energy industry in Russia. UAVs annually inspect over 5 million kilometres of fuel and energy infrastructure making over 20,000 flights.
- Zala Aero Group’s unmanned systems are used to monitor forest fires and other emergency situations.
- Key accounts: Roskosmos, Rosatom, Transneft, Gazprom, Rostelekom and defence and law enforcement agencies.

Source: AO Kalashnikov Concern

MEDICAL EQUIPMENT



Product description

Portable automated external defibrillators including monitor defibrillators and defibrillators with thermal printers.

www.axion.ru

Launch date

1991 (defibrillators).
2011 (DKI-N-11).

Key success factors

Conversion of military technology into civilian manufacturing, collaboration in product design with medical and R&D centres.

Did you know?

- Up to 2004, all first aid and ambulance teams were equipped with DKI-N-04 defibrillators.
- The enhanced DKI-N-11 monitor defibrillator is the only device in its class manufactured in Russia.
- DKI-N-11 defibrillators were used during FIFA World Cup 2018 in Ekaterinburg, Rostov-on-Don, Kaliningrad, Samara, Saransk, Nizhny Novgorod and Volgograd.

Source: AO Izhevsk Motor Plant Axion Holding

... AND R&D, AND A NUMBER OF SUCCESS STORIES IN HIGH
TECHNOLOGY AND SCIENCE-DRIVEN MANUFACTURING

LIFT WINCHES



Product description

Lift winches and worm-and-worm wheel (equipment for lift winches).

www.segz.ru

Launch date

2018

Key success factors

Conversion of military and industrial areas, high import substitution potential.

Did you know?

- Russia’s first domestic lift winch manufacturing facility was launched in the region.
- As part of this process, the Industry Development Fund issued a reduced-rate loan in the amount of RUB 249 million.
- Key accounts: major Russian lift manufacturers: OTIS, Shcherbinsky Lift Plant, Karacharovsky Mechanical Engineering Plant.
- Direct-drive winches are under development to extend the product range of localised production facilities.

Source: OAO Sarapul Electricity Generator Plant

NANOMATERIALS



Product description

A range of varnishes and paints with nano-sized components with antiseptic properties and bactericidal effects.

www.stena18.ru

Launch date

1994 (incorporation)
2009 (PAINTTECH nanopaint)

Key success factors

Partnership with Rosnano since 2012.

Did you know?

- Silver Nano is Russia’s only paint with silver nanoparticles certified by Independent Russian Product Quality Assurance and Certification Agency.
- Silver Nano is used in healthcare facilities, kindergartens and schools, the Ministry of Defence and the Penal Correction Department facilities and also other congested locations.
- This paint is designed to prevent the spread of disease.

Source: Stena Group of Companies



4.2

APPENDIX 2: ADVANTAGES OF INVESTING IN THE FIVE INDUSTRIES SELECTED FOR AN IN-DEPTH AUDIT



DAIRY FARMING: ADVANTAGES OF SS INVESTING IN UDMURTIA (1/2)

ECONOMIC PERFORMANCE

11%
17%
Average for Russia

Share of private equity in livestock revenues

Source: Rosstat (2017)

4%
0.7%
Average for Russia

Livestock accounts for a higher share of regional company revenues in comparison with the national average

16 RUB BN

Total investments in livestock for 2013–2017

HUMAN CAPITAL

28,000

people employed in farming and livestock breeding

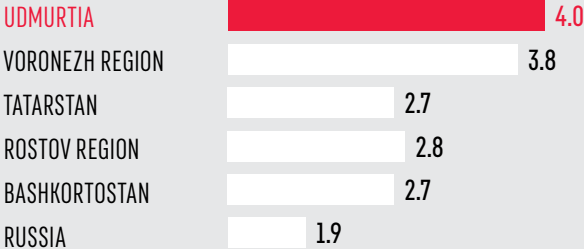
4%

Share of farming and livestock in regional employment

RUB 876 IN REVENUE PER EMPLOYEE

in the agricultural industry (estimate)

THE AGRICULTURAL SECTOR ACCOUNTS FOR A HIGHER SHARE OF EMPLOYMENT IN UDMURTIA COMPARED WITH THE NATIONAL AVERAGE AND PEER REGIONS (%)



PRODUCTIVITY

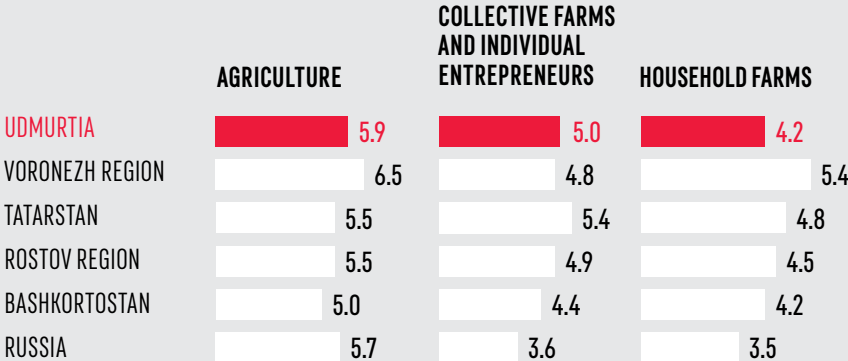
757 K TONNES

Raw milk production in 2017

~93%

Marketability of milk produced in Udmurtia (2018)

MILK YIELD PER COW BY ENTERPRISE CATEGORY IN 2017 (TONNES)



Sources: Dairy News (2018), Rosstat (2017)

IZHEVSK STATE AGRICULTURAL ACADEMY



100%

of students majoring in agriculture, forestry and fishery (code 35.00.00) in Udmurtia study in the academy

5

programmes were recognised as the best programmes according to the Best Educational Programmes of Innovative Russia Programme for 2018

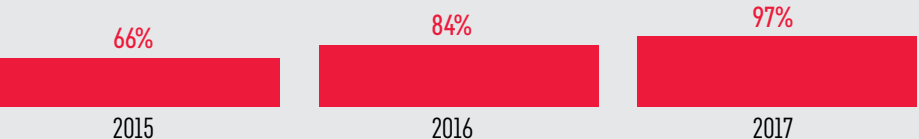
130

companies offer internships to the academy's students

56

average EGE (Uniform State Exam) score among students enrolled in all programmes

SHARE OF GRADUATES UNDER CODE 35.00.00 WHO ARE EMPLOYED (%)

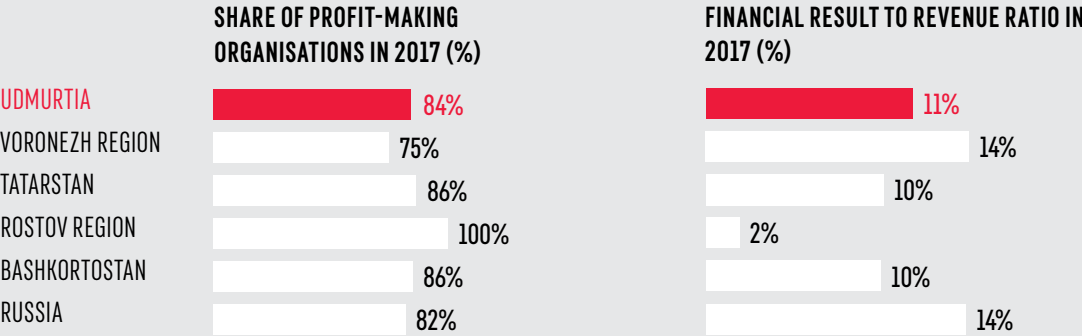


Sources: Main Information and Computer Centre



DAIRY FARMING: ADVANTAGES OF SS INVESTING IN UDMURTIA (2/2)

FINANCIAL PERFORMANCE



EXPECTED BUSINESS COSTS OF CAPITAL CONSTRUCTION

RUSSIAN REGION	CONSTRUCTION* price advantage vs the average for Russia (p.p.)	LAND** RUB/sq m
UDMURTIA	14 p.p.	1.2
VORONEZH REGION	16 p.p.	5.8
TATARSTAN	15 p.p.	60.0
ROSTOV REGION	23 p.p.	2.6
BASHKORTOSTAN	25 p.p.	3.5

* The cost of construction advantage is calculated as the difference between the Russia's average construction cost index and the regional construction cost index. For example, a 10 p.p. advantage means the construction cost index in the region is 10 p.p. lower than the average for Russia.

** The cadastral value of agricultural lands for the most recent year of cadastral assessment in the region.

UDMURT AGRIBUSINESS SUPPORT FROM THE FEDERAL AND REGIONAL BUDGET

2 RUB BN

Total funding in the Udmurt agribusiness sector in 2019



MAJOR SUPPORT PROGRAMMES IN 2019:

750 M RUB

Programme to increase the productivity of dairy cattle. Udmurtia has allocated an additional RUB 300m above the agreed co-financing amount.

90 M RUB

Partial compensation of costs to acquire young dairy cattle.

153 M RUB

Measures to achieve the output of one million tonnes of milk (fully from the regional budget).

100 M RUB

Subsidy for compensation of costs to acquire and modernise plant and equipment for agribusiness enterprises and organisations (fully from the regional budget).

The PSEDA in Sarapul includes livestock breeding in its list of approved economic activity.

RUSSIAN REGION	UTILITY CONNECTIONS Power (%) Water (%) Heat (%) Total (RUB million)			
UDMURTIA	1%	81%	19%	5
VORONEZH REGION	2%	53%	45%	4
ROSTOV REGION	1%	58%	40%	7
BASHKORTOSTAN	2%	55%	44%	8
TATARSTAN	2%	92%	6%	9

Sources: Co-Invest (2017), regional laws and regulations on tariff setting, Rosstat (2017), PwC analysis



WOOD: ADVANTAGES OF INVESTING IN UDMURTIA (1/2)

RAW MATERIALS

9%
15%
Average for Russia

Share of private equity in wood industry revenues

Source: Rosstat (2017)

1.3%
0.2%
Average for Russia

Share of the wood industry in the total revenue of regional companies

4.8 RUB BN

Total investments in the wood industry for 2013–2017

HUMAN CAPITAL

3,300

Number of persons employed in the woodworking industry

Source: Rosstat (2017)

0.5%
0.3%
Average for Russia

Share of the wood industry in the total revenue of regional companies

2,169,000 RUB/PERS.

Revenue per employee in the woodworking industry (estimate)

MADE IN UDMURTIA 100

UDMURTIA'S LIMITED TIMBER RESERVES ARE OFFSET BY HIGHLY EFFICIENT PRODUCTION METHODS

	TIMBER RESERVE (CUBIC METRES) PER SQUARE METRE OF FOREST FUND LAND, 2017	% OF FOREST FUND LAND	ROUGH TIMBER (THOUSAND CUBIC METRES) PER PERSON EMPLOYED IN THE INDUSTRY
UDMURTIA	57	48%	3.1
TVER REGION	62	57%	3.0
LENINGRAD REGION	60	57%	0.9
IRKUTSK REGION	72	89%	2.8
PERM KRAI	71	63%	1.7

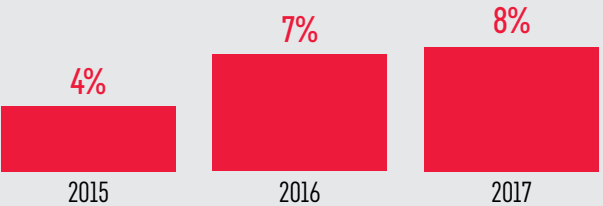
Source: Rosstat (2017)

IZHEVSK STATE AGRICULTURAL ACADEMY

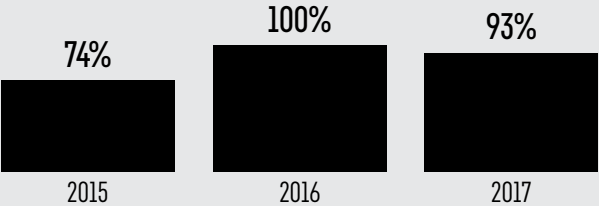


IzhGSKha offers higher education programmes in the forest and woodworking industry

SHARE OF FORESTRY GRADUATES AMONG IZHGSKA GRADUATES



SHARE OF FORESTRY GRADUATES WHO ARE EMPLOYED IN THEIR AREA OF EDUCATION



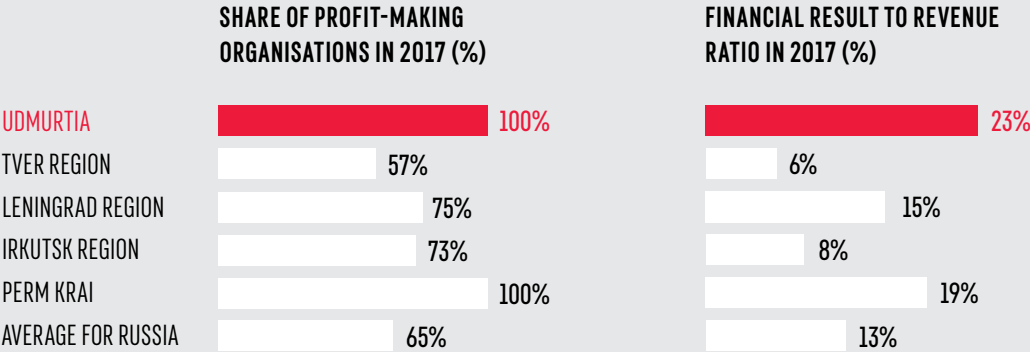
Source: IzhGSKha

MADE IN UDMURTIA 101



WOOD: ADVANTAGES OF INVESTING IN UDMURTIA (2/2)

FINANCIAL PERFORMANCE



Source:
Rosstat (2017)

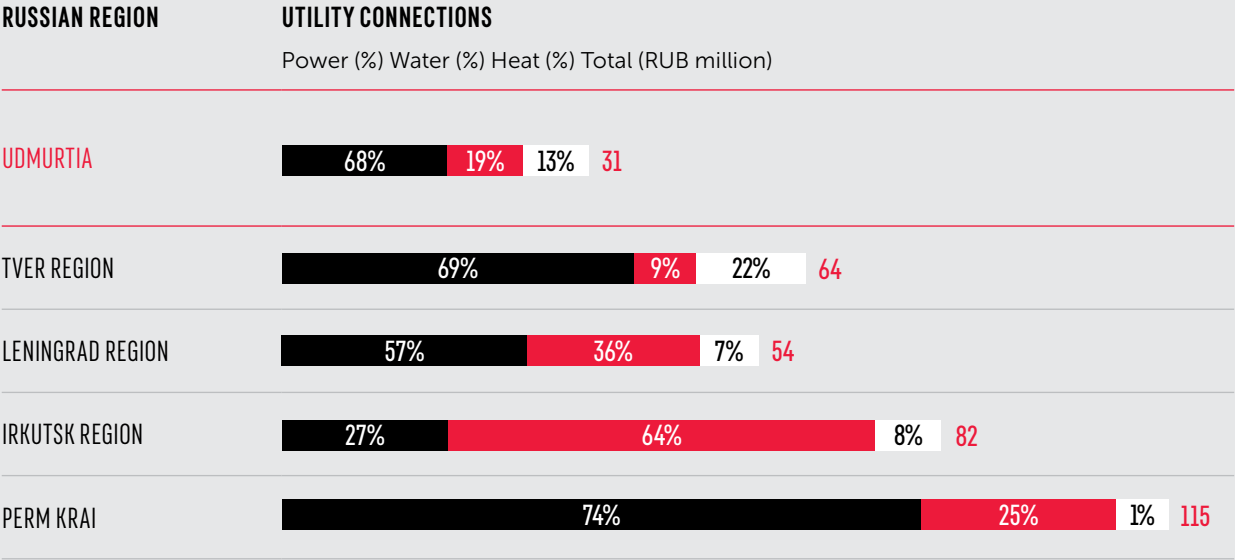
EXPECTED BUSINESS COSTS OF CAPITAL CONSTRUCTION

RUSSIAN REGION	CONSTRUCTION* price advantage vs the average for Russia (p.p.)	LAND** RUB/sq m
UDMURTIA	14 p.p.	189.8
TVER REGION	17 p.p.	284.6
LENINGRAD REGION	5 p.p.	349.8
IRKUTSK REGION	5 p.p.	194.5
PERM KRAI	22 p.p.	231.3

* The cost of construction advantage is calculated as the difference between the Russia's average construction cost index and the regional construction cost index. For example, a 10 p.p. advantage means the construction cost index in the region is 10 p.p. lower than the average for Russia.

** The cadastral value of industrial land plots is specified for the last year of cadastral evaluation in the region (permitted use type 2 applied — land plots for construction of production and administrative facilities).

Wood processing is on the list of permitted types of economic activity in the Sarapul and Glazov PSEDAs



Sources: Co-Invest (2017), regional laws and regulations on tariff setting, Rosstat (2017), PwC analysis



MACHINERY: ADVANTAGES OF INVESTING IN UDMURTIA (1/2)

MADE IN UDMURTIA 104

ECONOMIC PERFORMANCE

4 %
5%
Average for Russia

Share of private equity
in machinery revenues

Source: Rosstat (2017)

2.1 %
0.6%
Average for Russia

Share of the machinery industry
in the total revenue of regional
companies

**1.7 RUB
BN**

Total investments in the
machinery industry for
2013–2017

HUMAN CAPITAL

6,000

Number of persons employed
in the machinery industry

Source: Rosstat (2017)

1 %
0.3%
Average for Russia

Machinery industry's share of
regional employment

**1,949,000 RUB/
PERS.**

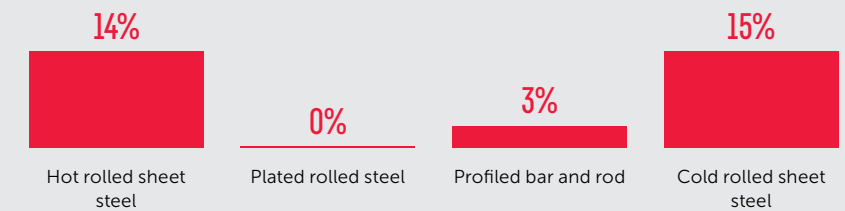
Revenue per employee in the
machinery industry

RAW MATERIALS

The Volga Federal District (VFD) produces more than 10% of Russia's hot-rolled sheet steel and rod
(used as raw materials for metal cutters)

SHARE OF THE VFD IN RUSSIAN PRODUCTION OF CERTAIN TYPES OF ROLLED STEEL IN 2017 (%)

Source: Rosstat (2017)



KALASHNIKOV IZHEVSK STATE TECHNICAL UNIVERSITY



65 %

of students in Udmurtia
who major in machine
building study at the
university

12

companies have signed
special education
contracts with the
university

498

companies provide
internships for students
from the university

8

small enterprises created
by the university

Source: Rosstat (2017)

MADE IN UDMURTIA 105



MACHINERY: ADVANTAGES OF INVESTING IN UDMURTIA (2/2)

FINANCIAL PERFORMANCE



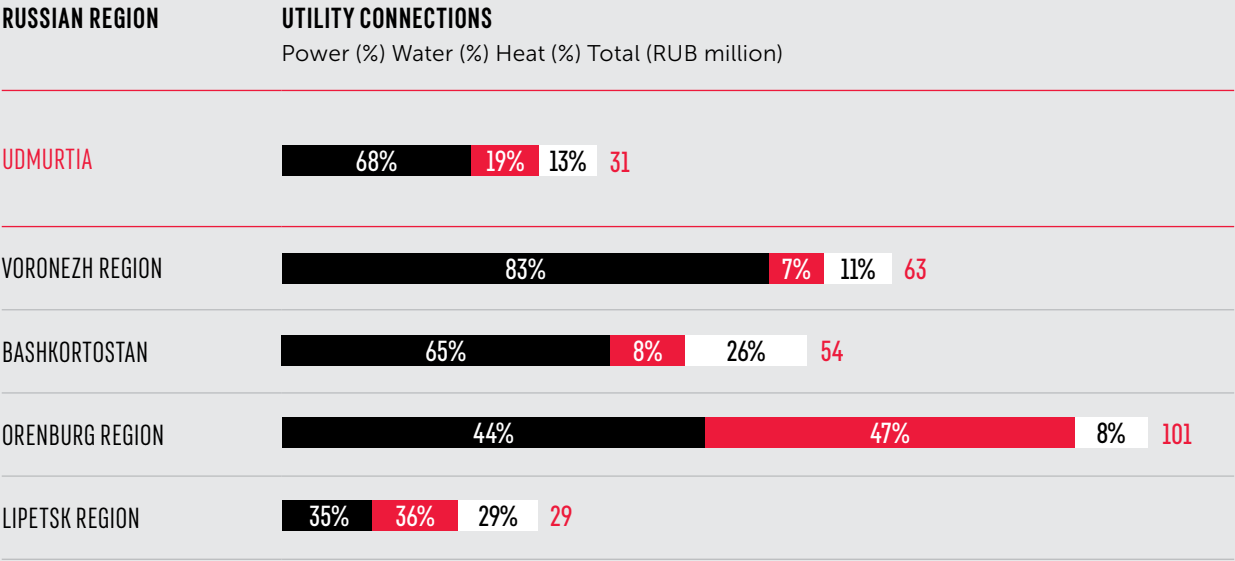
EXPECTED BUSINESS COSTS OF CAPITAL CONSTRUCTION

RUSSIAN REGION	CONSTRUCTION* price advantage vs the average for Russia (p.p.)	LAND** RUB/sq m
UDMURTIA	14 p.p.	189.8
VORONEZH REGION	16 p.p.	378.9
BASHKORTOSTAN	25 p.p.	201.3
ORENBURG REGION	23 p.p.	412.6
LIPETSK REGION	19 p.p.	219.3

Source:
Rosstat (2017)

* The cost of construction advantage is calculated as the difference between the Russia’s average construction cost index and the regional construction cost index. For example, a 10 p.p. advantage means the construction cost index in the region is 10 p.p. lower than the average for Russia.

** The cadastral value of industrial land plots is specified for the last year of cadastral evaluation in the region (permitted use type 2 applied — land plots for construction of production and administrative facilities).

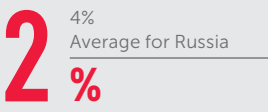


Sources: Co-Invest (2017), regional laws and regulations on tariff setting, Rosstat (2017), PwC analysis



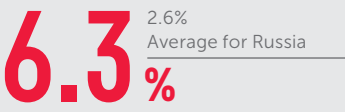
FOOD PRODUCTION: ADVANTAGES OF INVESTING IN UDMURTIA

ECONOMIC PERFORMANCE



Share of private equity in food production revenues

Source: Rosstat (2017)



Share of the food production industry in the total revenue of regional companies



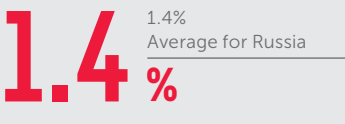
Total investments in the food production industry for 2013–2017

HUMAN CAPITAL



Number of people employed in the food production industry

Source: Rosstat (2017)



Food production industry's share of regional employment

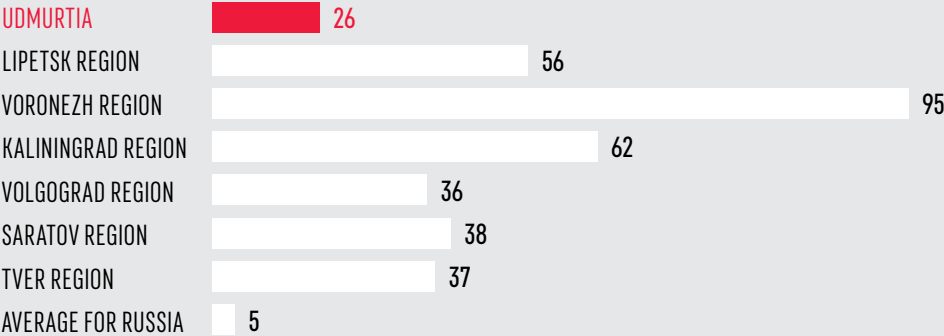


Revenue per employee in the food production industry (estimate)

PRODUCTIVITY

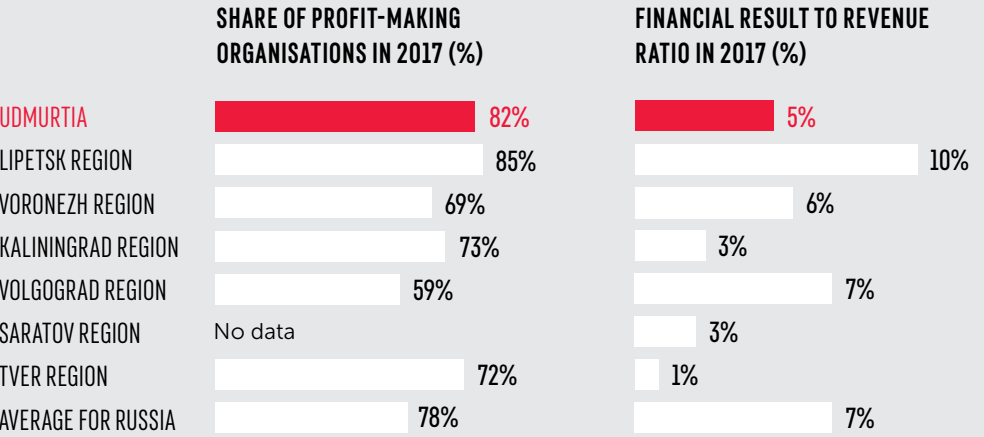
AGRICULTURAL OUTPUT PER PERSON EMPLOYED IN THE INDUSTRY IN 2017 (RUB MILLION /PERSON)

Source: Rosstat (2017)



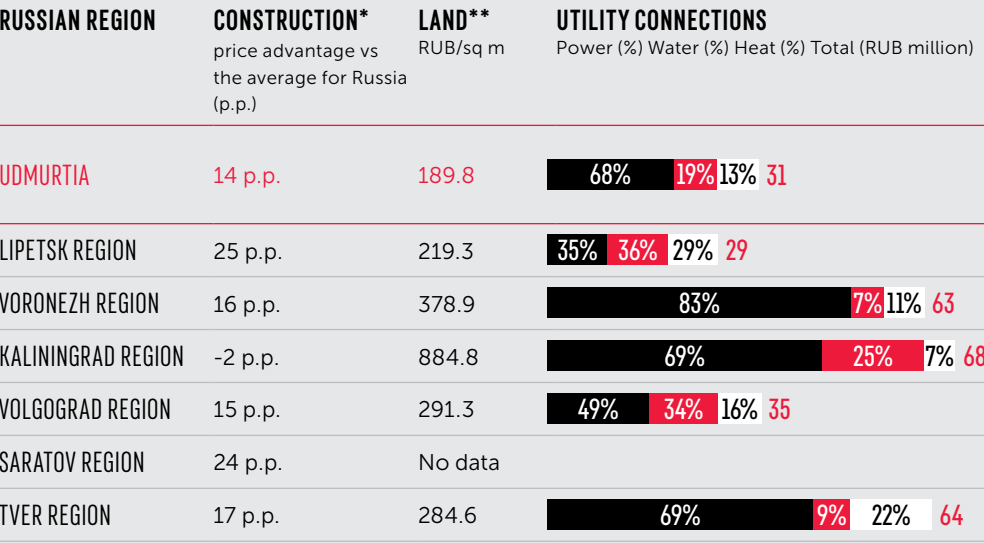
MADE IN UDMURTIA 108

FINANCIAL PERFORMANCE



Source: Rosstat (2017)

EXPECTED BUSINESS COSTS OF CAPITAL CONSTRUCTION



* The cost of construction advantage is calculated as the difference between the Russia's average construction cost index and the regional construction cost index. For example, a 10 p.p. advantage means the construction cost index in the region is 10 p.p. lower than the average for Russia.

** The cadastral value of industrial land plots is specified for the last year of cadastral evaluation in the region (permitted use type 2 applied — land plots for construction of production and administrative facilities).

Sources: Co-Invest (2017), regional laws and regulations on tariff setting, Rosstat (2017), PwC analysis

MADE IN UDMURTIA 109



PETROLEUM REFINING ADVANTAGES OF INVESTING IN UDMURTIA

110

MADE IN UDMURTIA

RAW MATERIALS

11^M
TONNES

Approximate annual crude oil production in Udmurtia

Source: Rosstat (2017)

79^M
M³

Approximate annual associated petroleum gas production in Udmurtia

IN 2021

LUKOIL PERM is going to launch oil production at two new fields in Udmurtia: Polushkinskoye and Bykovskoye

EXPECTED BUSINESS COSTS OF CAPITAL CONSTRUCTION

RUSSIAN REGION	CONSTRUCTION*	LAND**	UTILITY CONNECTIONS			
	price advantage vs the average for Russia (p.p.)	RUB/sq m	Power (%)	Water (%)	Heat (%)	Total (RUB million)
UDMURTIA	5 p.p.	189.8	68%	19%	13%	31
IRKUTSK REGION	7 p.p.	194.5	27%	64%	8%	82
ASTRAKHAN REGION	21 p.p.	137.7	41%	42%	17%	45
TATARSTAN	13 p.p.	279.2	86%	12%	2%	87
ORENBURG REGION	20 p.p.	412.6	44%	47%	8%	101
PERM KRAI	20 p.p.	231.3	74%	25%	1%	115
SAMARA REGION	24 p.p.	393.1	51%	43%	7%	67

Sources: Co-Invest (2017), regional laws and regulations on tariff setting, Rosstat (2017), PwC analysis

* The cost of construction advantage is calculated as the difference between the Russia's average construction cost index and the regional construction cost index. For example, a 10 p.p. advantage means the construction cost index in the region is 10 p.p. lower than the average for Russia.

** The cadastral value of industrial land plots is specified for the last year of cadastral evaluation in the region (permitted use type 2 applied — land plots for construction of production and administrative facilities).

GUTSERIEV OIL AND GAS INSTITUTE (OGI)



69

Average passing score

20

Cooperation agreements with employers

77%

of students in Udmurtia who major in applied geology, mining, oil and gas engineering and geodesy study at OGI

27

training practice contracts for OGI students

OGI ALUMNI

- CEO of Belkamneft
- CEO of Ulyanovsk Neft
- CEO of Orenburg-Gazprom Neft, etc.

EMPLOYEES FOR GRADUATES



Source: Main Information and Computer Centre (GIVTs), Higher Education Monitoring, 2018, OGI

111

MADE IN UDMURTIA

A faint, light-colored outline map of the Udmurt Republic is visible in the background, showing its internal administrative divisions. The map is centered on a solid red background.

4.3

APPENDIX 3. INVESTMENT PROJECTS IN THE UDMURT REPUBLIC PROPOSED FOR JOINT IMPLEMENTATION

MODERNISATION OF THE IZHGET ELECTRIC TRANSPORT FLEET IN IZHEVSK



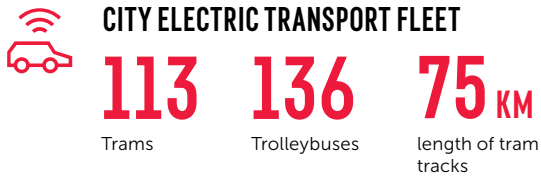
The project entails updating the fleet of electric vehicles and modernising the tracks in Izhevsk. Total wear of the equipment is 80%. About 10% of tram tracks require major repairs, and 40% current repairs.

Modernising the electric vehicle fleet will increase efficiency and significantly reduce operating costs. The project also aims to preserve the existing route network.

The depot and tracks are managed by IzhGET Municipal Unitary Enterprise, which is considered the project operator. MUE engages in transportation and maintenance of the route network and rolling stock. Repairs of rolling stock are carried out on a regular basis. In recent years, seven new trams that were newly made from modern materials and components in IzhGET workshops as part of an in-depth overhaul were rolled out. Specialists at IzhGET MUE helped to develop a prototype of experimental production of modernized trolleybuses based on existing obsolete designs.

The last purchase of trolleybuses was carried out in 2010. (2 pcs.) Also, articulated tram cars from Germany have appeared on the line in recent years.

KEY PROJECT PARAMETERS



All vehicles in running condition



CURRENT STATUS

Structuring the project and developing the financial model. In addition to modernising the tram tracks, there is an option to extend the trolleybus network along Kalashnikov Avenue.

PROPOSAL

Participation in the project (direct investment/lending/leasing).

MODERNISATION OF THE WATER SUPPLY IN THE CITY OF IZHEVSK



The project entails the modernisation of the water supply and water disposal systems operated by Izhvodokanal, a municipal company in Izhevsk. Izhvodokanal supplies more than 600,000 residents of Izhevsk with drinking water, collects wastewater from the population and industrial enterprises, and transports and treats wastewater.

At the moment, depreciation of fixed assets (networks) is 50–55% (in 2016, depreciation was 60%), while equipment depreciation was at 45%.

The following activities are planned under the project:

Water supply

- Reconstruction of pumping stations, siphons, water supply.
- Construction of a water supply system, on-site networks.
- Installation of a pressure regulator.
- Water supply loopback.
- Phasing out and dismantling of old water supply facilities.

Water disposal

- Collector reconstruction.
- Modernisation of treatment facilities.
- Construction of additional water disposal facilities.

KEY PROJECT PARAMETERS



CURRENT STATUS

Currently, investment programmes for developing the Izhevsk water supply and water disposal systems have been approved by an order issued by the Ministry of Construction, Housing and Utilities and Energy of the Udmurt Republic on 30 October 2018. A financial model is being developed to structure the project with engagement of funding organisations.

PROPOSAL

Project financing (crediting/leasing).



The project provides for the development and implementation of a single concept to enhance the sports cluster in Izhevsk. The territory includes high-level sports grounds that can host international competitions.

The project contributes to the development of the sports potential of the Republic by creating high-quality sports infrastructure and enhancing the urban environment. Priority measures include reconstruction of the Izhstal Ice Palace, construction of a 50-metre pool and other enhancements.

Izhstal Ice Palace is one of the main sports facilities in Izhevsk and serves as the home arena of the Izhstal Hockey Club. The arena was opened in 1971, and today the facility requires major repairs. The arena is 11,000 sq m with a capacity of 3,900 seats.

The facilities will meet accessibility requirements for people with limited mobility.

KEY PROJECT PARAMETERS



VOLUME OF INVESTMENTS

RUB ~650 M

Ice Palace



COMMISSIONING

2022



EXPECTED ATTENDANCE FOLLOWING COMMISSIONING OF ALL SPORTS VENUES AND IMPROVEMENT OF THE QUARTER

800,000 PEOPLE A YEAR

CURRENT STATUS

A concession agreement on pool construction has been signed. The project is at the implementation stage. The Ice Palace reconstruction project is at the structuring stage (a technical examination of the Ice Palace building has been carried out, a financial model has been developed, a concession agreement has been drafted and a design organisation has been selected).

In the nearest future, a design layout of the new concept is expected.

PROPOSAL

Participation in the project (crediting/concession agreement)



Currently, an oncology centre built in 1963 operates in Izhevsk, with buildings located in different parts of the city.

Construction of a modern oncology centre with a hospital and diagnostic departments is planned. The centre will provide high-tech specialised cancer care, including with nuclear medicine.

KEY PROJECT PARAMETERS



IMPLEMENTATION TERM

10-15 YEARS



INVESTMENTS FOR PROJECT IMPLEMENTATION

RUB 2.5 BILLION

(Philips proposal)

CURRENT STATUS

A decision from the Udmurt Republic leadership on the optimal organisational and legal structure of the project (PPP) is expected. A medical technical specification has been developed.

PROPOSAL

Participation in the project (crediting/concession agreement)



The project involves the establishment and construction of new modern hospitals in the Udmurt Republic. The buildings of the newly erected hospitals are expected to be high-rise, which will make it possible, among other things, to free up inefficiently used areas.

HEALTHCARE FACILITIES PLANNED FOR CONSTRUCTION IN 2020–2023

IZHEVSK	Construction of a modern medical complex at the Budgetary Healthcare Institution at Udmurt Republic City Clinical Hospital No. 2
IZHEVSK	Republican Tuberculosis Hospital of the Ministry of Health of the Udmurt Republic in Izhevsk
IZHEVSK	Construction of a general hospital with an inpatient emergency department in Izhevsk
IZHEVSK	Construction of a new building for the Republican Clinical Oncology Centre in Izhevsk
IZHEVSK	Acquisition of premises for prenatal clinic at the Udmurt Republic City Clinical Hospital No. 7 under the Ministry of Healthcare of the Udmurt Republic in the Stolichny residential area
VOTKINSK	Construction of a clinic in Votkinsk at Mira St 132
MOZHGA	Construction of a children’s polyclinic in Mozhga

CURRENT STATUS

The project is at the initiation stage. A medical technical specification has been developed.

PROPOSAL

Participation in the project (crediting/concession agreement/leasing).




Establishment of the production of parts for equipment used in the extraction and processing of mineral raw materials with a longer life cycle compared with standard products (from 3 to 5 times) by casting.


The project will be implemented in the city of Glazov by a resident of Glazov PSEDA.

Planned production output is 3,060 tonnes a year.


The project was initiated by AO Chepetsk Mechanical Plant.

KEY PROJECT PARAMETERS

**IMPLEMENTATION TERM**
1.5 YEARS
facility construction and launch of production

**TOTAL INVESTMENTS**
RUB 1.8 BN **RUB 0.9 BN**
total volume of investments from AO TVEL (parent company of AO CMP)

RUB 0.9 BN
loans

**WILL CREATE**
110
new jobs

CURRENT STATUS

- Obtaining a resolution from the investment committee at AO TVEL.
- Obtaining residency status at the Glazov PSEDA.
- Search for a co-investor (project financing).
- or acquiring a share with subsequent redemption of the share by the project initiator).

PROPOSAL

- Participation in the project (project financing; or acquiring a share with subsequent redemption of the share by the project initiator).
- Project debt financing in the amount of RUB 0.9 billion.



KEY PROJECT PARAMETERS

 TOTAL INVESTMENTS
RUB 700 M

CURRENT STATUS

The project is at the initiation stage.

PROPOSAL

- Participation in the project as IT Park operator and investor.
- Project financing.



KEY PROJECT PARAMETERS

 IMPLEMENTATION TERM
2020–2021

 LOANS FOR THE PILOT PROJECT
RUB 300 M

CONSTRUCTION IN MOZHGA
WILL COST ABOUT

RUB 1 BN
according to the preliminary estimate

CURRENT STATUS

Documentation and development of the design estimate for the pilot project is underway. A land plot suitable for construction of a 17-floor building with the total area of 9,500 sq m has been allocated.

- The remaining projects are in the concept formation and land plot allocation phases.
- A cooperation agreement with DOM.RF is in development.

PROPOSAL

Project financing of construction.

CONSTRUCTION OF LARGE LOGISTICS CENTRES AT HUB RAILWAY STATIONS



Creation of logistics centres to process cargo container transports by rail towards China and by water towards Central Asia. The logistics centres will contribute to development of export potential of Udmurtia and neighbouring regions.

Currently, two projects are being developed:

- Construction of the Sarapul universal container terminal.
- Construction of a large logistics centre at the Glazov hub railway station.

KEY PROJECT PARAMETERS

THE PROJECT INITIATOR IS OOO INERT-MASTER+

PROJECT COST

RUB 300 M RUB 50 M RUB 250 M
own funds Financing sources

PRODUCT CONSUMERS

INDUSTRIAL, AGRICULTURAL, TRADE ENTERPRISES
AND PRIVATE INDIVIDUALS

PLANNED LAUNCH

2020

attainment of
projected capacity

CREATION OF

22

new jobs

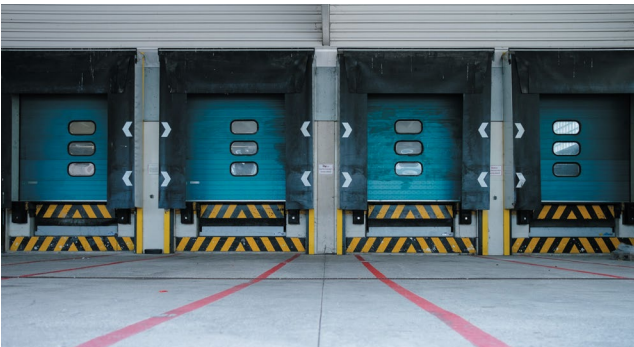
CURRENT STATUS

- The land plot has been registered (lease for 49 years).
- The financial model and business plan, as well as construction documentation, are being developed.
- The question of investment memorandum is being worked on with the regional administration.

PROPOSAL

Participation in the project as a co-investor.

CONSTRUCTION OF LARGE LOGISTICS CENTRES AT HUB RAILWAY STATIONS



Creation of logistics centres to process cargo container transports by rail towards China and by water towards Central Asia. The logistics centres will contribute to development of export potential of Udmurtia and neighbouring regions.

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KEY PROJECT PARAMETERS

PROJECT INITIATOR

DEVELOPMENT CORPORATION
OF THE UDMURT REPUBLIC

PROJECT COST

NOT DETERMINED

CURRENT STATUS

- OAO Russian Railways representatives have visited Glazov to discuss the project and explore prospective sites.
- The prospective sites are currently under consideration.
- A meeting was held with Rostransmodernization to discuss the possibility of including the site.
- in the "General Scheme for Developing Transport Logistics Centres in the Russian Federation".

PROPOSAL

Participation in the project as a co-investor.

PROGRAMME OF TO REPLACE OLD LIFTS NEW ONES BUILT UNDER THE #MADEINUDMURTIA BRAND



Under the project, 2,380 lifts will be replaced in Izhevsk apartment blocks by 2020.

Lift winches will be produced by AO SEGZ and cabins by AO IMZ Axion.

A lift production plant was built in 2018. A portfolio of contracts was formed with 16 Russian regions as of 2019.

After the lifts are replaced, ownership is handed over to the residents.

KEY PROJECT PARAMETERS

⌚ IMPLEMENTATION TERM
2019–2020

💰 FINANCING REQUIRED TO ACHIEVE PLANT UTILISATION RATE OF 100%
RUB 1 BN A YEAR

CURRENT STATUS

A financing mechanism for special accounts owners (lift buyers) is being developed. The Housing and Civil Codes prohibit the application of lease financing and common lending schemes for this type of project.

PROPOSAL

- Raising a bond-secured loan by a leasing company or a subsidiary of OOO Axion Corporation to provide unsecured loans or factoring
- Trade project financing

IZHEVSK POND EMBANKMENT



The project entails the completion of the reconstruction of the northern section of the Izhevsk Pond Embankment and adoption of an unused part of city lands to connect the improved embankment area with the city centre, Kirov Park. Under the project, sites will be arranged to hold various events, descents to the water with terraces will be built, piers will be created, boat rental and sailing and rowing schools will be organised. The construction of children's playgrounds, bikeways and a skateboard park is also planned.

The area will be visited by about 1.5 million people a year.

The total area to be improved is 6.3 ha.

KEY PROJECT PARAMETERS

⌚ IMPLEMENTATION TERM
2020–2022

💰 TOTAL INVESTMENTS
RUB 1 BN

CURRENT STATUS

The architectural concept was developed by Strelka KB as part of the DOM.RF 40 Cities project. The project is on the list of priority public space projects according to a public voting held by the Formation of a Comfortable Urban Environment project.

Tools:

- revise the project concept developed earlier;
- elaborate the economic component of the project and residents;
- develop working documentation.

PROPOSAL

Attraction of debt financing



The project provides for the reconstruction and transformation of the Main Building and into a cultural and educational complex. It combines the functions of a modern museum, exhibition space and creative cluster.

Construction of the main building of the arms plant began in 1808. The building is a recognised cultural heritage site. The main building is one of the few remaining examples of an admiralty-type factory. There are only four: the main building of the Izhevsk factory, the main building of the Votkinsk factory, the Admiralty in St. Petersburg and the Izhora factory on the banks of the Neva.

Audience outreach: The facility is a symbol of the city, a symbolic place for all its residents, as well as a tourist attraction. The forecasted attendance is 0.8–1 million people a year.

The renovation project will enhance the prestige of the city and provide a new centre of attraction for different groups of the population.

KEY PROJECT PARAMETERS



VOLUME OF INVESTMENTS

RUB 50 M to hold architectural competition

RUB 3–4 BN to reconstruct the facility



IMPLEMENTATION PERIOD

2019–2024



AREA

21,044.9 M²

CURRENT STATUS

An association of citizens concerned with the dilapidated state of the main building of the Izhevsk arms plant addressed the Governor of the Udmurt Republic with a request to takeover and renovate the building. The initiative was supported by the Governor. An agreement was signed to transfer the building for free use to the National Museum of the Udmurt Republic. Agreements were reached with patrons and enterprises to establish a fund of 40 million roubles for comprehensive research and development of the renovation project. The Centre for the Development of Design, Urban Environment and Energy Saving of the Udmurt Republic is the operator of the project. The project is planned to be included in the Federal Targeted Investment Programme.

PROPOSAL

Attraction of investments for renovations



KEY PROJECT PARAMETERS



LAND PLOT AREA

9,000 M²



PREMISES AREA

3,000 M²

CURRENT STATUS

The process of developing the concept was launched. This will help to define the optimal composition of functions and identify potential residents even before the building renovation.

PROPOSAL

Participation in the project as an investor or resident in the creative space. Possibility to sign a concession agreement.

A former printing office located in the central part of Izhevsk is part of the cultural quarter that is currently under development.

Renovations are planned for parts of the printing office not currently in use to enrich this space with new functions.

The printing office may become the first creative cluster in Izhevsk, a multifunctional space that includes modern exhibition spaces that can also be used as conference and event halls. Offices, cafes and shops are also planned to be located in the building with a general focus on art, design and architecture.

The media offices located around the perimeter will create an attraction point for events and residents in the field of modern media, culture and art, and proximity to the busiest streets and traffic intersections will direct the necessary flow of visitors there.

INTERREGIONAL AGRO-INDUSTRIAL PARK

128



The project provides for construction of a multifunctional agro-industrial park.


An agricultural terminal (warehouse logistics, an agricultural products storage, preparation and transportation centre) is planned to be located on the first land plot (20 ha).


The following items will be located on the second land plot (151 ha):


- refrigeration terminal;
- production terminal;
- centre of agricultural equipment;
- hothouse complex.

The project initiator is OOO AgroSetInvest.

KEY PROJECT PARAMETERS

**IMPLEMENTATION TERM**
2020–2027

**TOTAL INVESTMENTS**
RUB 45 BN

**CREATION OF**
1,920
new jobs

CURRENT STATUS

- The business plan and financial model of the investment project have been prepared.
- The land plots to be formed are under consideration. The administration of Sarapul initiated amendments to town planning regulations, as well as applied to the Ministry of Construction, Housing and Utilities and Energy of the Udmurt Republic to adopt a decision on preparing amendments to the existing Sarapul Land Use and Development Rules.
- Development of a project for preparing the territory and a project for construction organisation is scheduled for September 2019.
- The constructor is expected to begin territory planning operations in December 2019.
- The development of design estimates is scheduled for completion by March 2020.
- Documents are being prepared to include the building in the register of residents of Sarapul PSEDA.

PROPOSAL

Participation in the project as an investor.

AGRICULTURAL COMPLEX FOR CATTLE BREEDING AND MILK PRODUCTION


129




The project provides for creation of a modern agro-industrial complex for breeding livestock and milk production in the Sarapul district. The project involves the creation of a large dairy farm for 1,200 dairy cows and 1,200 young animals using robotic technologies for milking and milk quality control, as well as keeping cows.

The project initiator is Niva SPSSPK.

KEY PROJECT PARAMETERS

**IMPLEMENTATION TERM**
2020–2022

**TOTAL INVESTMENTS**
RUB 1.13 BN **RUB 0.23 BN** **RUB 0.9 BN**
Private funds Loans

CURRENT STATUS

Design and estimate documentation has been developed, state expert reviews and technical audits have been carried out, and a land plot for rent has been registered.

PROPOSAL

Participation in the project as a co-investor.




HudWay offers professional solutions for projecting information on car windshields (HUD, Head-Up Display).

Investments are required to implement the company's development plan:

- development of B2B/B2G segments;
- development and conclusion of more than 30 agreements with B2B/B2G companies and structures through 2021;
- software improvement for customers' needs;
- team strengthening;
- entry into Chinese, CIS and Indian markets.

The project initiator is OOO RIT Innovations.

KEY PROJECT PARAMETERS



TOTAL INVESTMENTS

RUB 100 M

RUB 50 M

RUB 50 M

Potential investor

VEB Ventures (preliminary)

- CURRENT STATUS
- Preinvestment studies: business plan development, market determination.
 - Search for a second co-investor for financing. RUB 50 million by acquiring a share in the company's capital (holding negotiations with venture funds).
 - The deal structuring is expected in September 2019.

PROPOSAL

Participation in the project as co-investor by acquiring an RUB 50 million share in the company's charter capital (VEB Ventures is ready to buy out RUB 50 million more).



Site location: resident of Sarapul PSEDA

Planned plant capacity:


- 12,000 tonnes of cheese a year
- 5,800 tonnes of dry cheese whey
- Milk processing capacity:
- 150,000 tonnes of milk a year

OOO Neva Milk:

- The company is the project offtaker and buys out the whole volume of manufactured products. The line of food products is represented by such brands as Tsyacha Ozer, Sirtaki, Chislo Mu, Zoloto Evropy, Gorod Syra and Dolce Granto.


The company is responsible for finding a contractor to build the plant, adjust technological processes, recruit staff and manage production management.

KEY PROJECT PARAMETERS



VOLUME OF INVESTMENTS

RUB 1.5 BN



REVENUE

RUB 34.3 BN

EBITDA: RUB 4.9 BN

Net profit: RUB 3.7 BN

Project NVP: RUB 1 BN

Project IRR: 40%

Project payback period: 4 years

CURRENT STATUS

At the moment, a site for project implementation has been determined, design documentation and a list of necessary equipment have been prepared.

The project's success will be ensured by the region's high raw material supply, comfortable prices for dairy raw materials, favourable business conditions and positive consumption trends.

Availability of an off-taker with strong sales channels represented by OOO Neva Milk.

OOO Neva Milk's experience in the construction and implementation of such projects.

More than 20% of the cheese market is held by imported cheese. The potential for import substitution is more than 100,000 tonnes a year.

PROPOSAL

Credit/leasing, expected scope of participation in the project is RUB 0.5 billion.

CREATION AND DEVELOPMENT OF GLAZOV INNOVATIVE COMPLEX (FORESTRY PARK) IN THE SINGLE-INDUSTRY CITY OF GLAZOV. THE ANCHOR PROJECT IS CONSTRUCTION OF A PLANT FOR THIN EXTRA HIGH DENSITY FIBERBOARD PRODUCTION



Site location: resident of Glazov PSEDA

Planned capacity of the anchor project: 160,000 cubic meters of EHD fibreboard a year (2–18 mm thick, density up to 1,100 kg/m3)

Infrastructure construction is planned at the expense of the Foundation for the Development of Single-Industry Cities.

It is responsible for finding a contractor to build the plant, adjust technological processes, recruit staff and manage production management.

The project provides for deep and complete processing of raw timber (up to 98% biomass) into products with high added value, including laminated, painted veneered EHD/ MDF boards, floor laminates, fabricated door and furniture parts, fuel pellets, timber and timber products.

KEY PROJECT PARAMETERS

TOTAL INVESTMENTS
RUB 7.165 BN

FORECAST
2022–2029

REVENUE
RUB 62.6 BN

EBITDA: RUB 14 BN
EBITDA Profitability: 22%
EBIT: RUB 7 BN
EBIT Profitability: 11%
Net profit: RUB 6.9 BN
Profitability by net profit: 11%
Project payback period: 6 years

CURRENT STATUS

In the course of work on the investment project, a business idea was formulated, a list of budgeted costs for launching production was determined, technological equipment was selected and suppliers were identified, equipment was associated with the existing industrial buildings and EIA was carried out.

As of today, a business plan for the investment project has been prepared. A specialised site with buildings and engineering infrastructure is available. ООО Elekond-Service is the operator of the investment project;

the company is part of the Elekond Group of Companies. RUB 220 million has been invested in production development on the site.

The company has experience in launching a line for laminating MDF/EHD boards, individual workshops for the production of products from MDF/EHD boards.

PROPOSAL

Credit/leasing, expected scope of participation in the project is RUB 3 billion.

ESTIMATED COST OF PROJECT LAUNCH	RUB BILLION
Engineering	0.1
EHD production plant	3.081
Tar production workshop for board materials	0.11
Floor laminate production workshop	1.024
Fuel pellets production lines	0.885
Timber sawing line	0.3
Forestry machines and equipment	1.008
Intrasite infrastructure facilities	0.657
TOTAL project costs	7.165

CREATION OF SOLAR ENERGY INDUSTRIAL CLUSTER



Export-oriented products, equipment and parts for renewable energy sources are planned to be manufactured as part of an industrial cluster. This is a comprehensive project that includes creation of concentrator solar power plants and components, silicon solar panels with an extended temperature range, flowing energy storage devices and wind and solar energy farms.

Site location: resident of Glazov PSEDA, Sarapul PSEDA.

KEY PROJECT PARAMETERS



TOTAL INVESTMENTS

RUB 7.1 BN

- RUB 2.5 BN on concentrator solar power panels
- RUB 0.7 BN on silicon solar panels with an extended temperature range
- RUB 0.9 BN on flowing energy storage devices
- RUB 0.5 BN on wind farms
- RUB 2 BN on photoconverter production to provide 200 MW of concentrator solar power plants
- RUB 0.5 BN on the co-generation unit for the OAO Elekond production site



PAYBACK PERIOD

7 YEARS

IRR 27%, NPV RUB 3.3bn at a rate of 12.9%

CURRENT STATUS

To date, research and development has been completed and experimental (small-scale) production has been launched.

There is a production site with the required infrastructure.

There are agreements on the supply of raw materials and accessories.

The project initiator, OAO Elekond, is a leading Russian manufacturer of capacitors and supercapacitors, as well as energy storage devices.

PROPOSAL

Credit/leasing, expected scope of participation in the project is RUB 7 billion.



INVESTORS MAY CONTACT THE RELEVANT REPRESENTATIVES IN THE REGIONAL GOVERNMENT DIRECTLY

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