Investment potential of the Pskov Region
Distinctive features of the Region

- Western gateway To Russia
- Proximity to the major markets of Russia-Moscow and Saint-Petersburg
- Proximity to the Baltic Sea ports
- Proximity to major markets of European Union
- Comfortable transport accessibility
- Affordable infrastructure
- Comfortable conditions for life
- Availability of human resources
- High potential for business development
- Federal project of SEZ IPT “Moglino”
Comfortable transport accessibility

Unique location

- Tallinn - Pskov 360 km
- Riga - Pskov 300 km
- St. Petersburg - Pskov 280 km
- Moscow - Velikie Luki 450 km
- Moscow - Pskov 750 km
- Moscow - Velikie Luki 450 km
- Moscow - Pskov 750 km

Key:
- Federal highways
- Federal roads
- Railways
- Customs checkpoints
- Cities
Pskov has excellent accessibility to developed ports of Tallinn, Riga, Helsinki, connecting Russia with the rest of Europe and can play a major role in traffic.
Within a radius of 1200 km
> 174,4 million people

In the CF district
> 10 500 enterprises

In NWFD is
> 4 200 enterprises

Key markets

Pskov
50 km 280 km

95 km 750 km

Moscow

European Union

Republic of Belarus

Ukraine

Санкт-Петербург
06 Structure of economy

**Structure of gross regional product**
- Agriculture: 6.3%
- State management: 12.2%
- Transport and communication: 13.5%
- Trade: 18.7%
- Manufacturing: 17.1%
- Other: 32.2%

**Structure of industrial sector**
- Food processing: 30.8%
- Electrical, electronic and optic equipment: 33.2%
- Machinery and equipment: 7.3%
- Metallurgy: 4.8%
- Textile: 2.5%
- Other: 21.4%

**Development priorities of the Region**
- Electrical industry
- Food processing industry
- Mechanical engineering
- Agro industrial complex
- Construction
- Timber complex
- Tourist and Logistic

**Dynamics of GDP, billion USD**
- 2010: 1.4
- 2011: 1.6
- 2012: 1.7
- 2013: 1.8
Agriculture development

Indices of agricultural production, %

- 2009: 101.9%
- 2010: 100.3%
- 2011: 105.3%
- 2012: 105.8%
- 2013: 112.8%
- 2014: 120.5%

- 2246 thousand ha of agricultural land (56.7% of all land);
- 252.6 thousand ha of unoccupied agricultural land

Agricultural products by farm category

- 56.2% Agricultural organizations
- 41.2% Farms of the population
- 2.6% Peasant farms

Agriculture breakdown

- 32.5% Plant growing
- 67.5% Animal breeding
External economic and investment activities

**Trade and economic relations with 110 countries**

- **Imports from 35 courtiers**
  - Leaders on imports:
    - Baltic States
    - China
    - Italy
    - Cyprus
    - Germany

- **Exports to 75 counties**
  - Leaders on export:
    - Baltic States
    - Poland
    - Iceland
    - Finland

**Operates 188 foreign enterprises**

**Foreign trade operations > 400 enterprises**

**Structure of foreign investments by types of economic activity**

- Manufacturing 24,9%
- Wholesale and retail 30,7%
- Agriculture 23,4%
- Transport and communications 20,3%

**Foreign trade turnover**

Pskov region (2014), mln.

- 834,7
- 774,8
- 41,3

**For the period 2009-2014 implemented -**

- **47 investment projects**
  - that were on the support,
  - with total investments -
  - 265 million USD.
Favorable conditions for business operations: support, tax preferences

<table>
<thead>
<tr>
<th>Tax type</th>
<th>Turkey</th>
<th>Russia</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Company tax</td>
<td>30%</td>
<td>2% in FB, 13.5-18% in RB</td>
</tr>
<tr>
<td>2. Property tax</td>
<td>0.3-0.6%</td>
<td>0.01-2.2%</td>
</tr>
<tr>
<td>3. Insurance contributions</td>
<td>33.5%</td>
<td>30.4%</td>
</tr>
<tr>
<td>(social tax)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. VAT</td>
<td>18%</td>
<td>10%, 18%</td>
</tr>
<tr>
<td>5. PIT</td>
<td>15-40%</td>
<td>13%</td>
</tr>
</tbody>
</table>

Individual support of an investor at all stages of project implementation

Special support measures in strategic sectors (tax privileges, subsidies)

Support of small and medium enterprises (subsidizing, microloans, sales support)

Provision of infrastructure (opportunity to join investment programs in the housing and utility sector)

Quick search for land plots
Logistic infrastructure

Imported goods:
- Machinery and equipment
- Agricultural production
- Textile
- Chemical products

Exported goods:
- Timber
- Machinery and equipment
- Agricultural production
- Foodstuffs

The flow of foreign goods through the region 8.2 million Tones

32% international freight transport of the NWFD

Pskov is well connected with the EU - Availability of key crossing points on the border with Estonia, Latvia and Belarus

The concept of transfer of customs clearance «Green Corridor»

Clearance time - 15 minutes

Electronic system - a simplified procedure for the movement of goods and vehicles from the border crossing points (without payment of customs duties)
Available infrastructure

**Price for technological connection to power supply grid, USD**

- St Petersburg: 530 USD
- St Petersburg region: 270 USD
- Tver: 180 USD
- Pskov: 140 USD

**Gas tariff, USD/1000m³**

- Kaluga: 80 USD
- Lipetsk: 75 USD
- Pskov: 70 USD

**The tariff for cold water**
285 USD/1000 m³

**The price of electricity (110kV)**
50 USD MBt/ч

**The tariff for thermal energy**
20 USD/Gcal
Availability of human resources

Total amount of students – 27,126 people.

3,000 graduates every year

30% of graduates at engineer specialization
30% labouring specialization

Main areas of professional training:
- Energy, Power Engineering and Electrical Equipment
- Metallurgy, Machine-building and Materials Processing
- Architecture and Construction
- Technology of Food Products and Consumer Goods
- Economics and Management
- Services Sector

Professional education:
- 22 Institutes of secondary professional education,
- 12 Institutes of higher education,
- Number of specialties - 80

Average annual salary, USD

<table>
<thead>
<tr>
<th>City</th>
<th>Engineer-technologist</th>
<th>Working specialties</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pskov</td>
<td>530</td>
<td>410</td>
</tr>
<tr>
<td>Tolyatti</td>
<td>670</td>
<td>625</td>
</tr>
<tr>
<td>Kaluga</td>
<td>750</td>
<td>650</td>
</tr>
<tr>
<td>Lipetsk</td>
<td>875</td>
<td>760</td>
</tr>
<tr>
<td>St. Petersburg</td>
<td>950</td>
<td>700</td>
</tr>
</tbody>
</table>
Tourism

Profile of the region

Purpose of the trips
- 6.1% Treatment and prevention
- 36.5% Business
- 50.3% Leisure and Entertainment
- 6.0% Others
- 1.1% Pilgrimage

Number of tourists, thousand people

<table>
<thead>
<tr>
<th>Year</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>304</td>
</tr>
<tr>
<td>2011</td>
<td>317.1</td>
</tr>
<tr>
<td>2012</td>
<td>324.5</td>
</tr>
<tr>
<td>2013</td>
<td>350.5</td>
</tr>
</tbody>
</table>

A major project to build tourism and recreation cluster "Pskovsky":

- realizing 27 investment projects, volume of investment – 92.8 million USD.
- In the following areas:
  - Hotel Business
  - Construction of cultural and entertainment institutions
  - Construction of business-centers
  - Construction of sport facilities
- Implemented 6 projects, Volume of investment – 29.2 million USD

Availability of the investment sites such as "greenfield", "brownfield" for business activity in the spheres of:

- Hotel business
- Restaurant business
- Rural business
- Establishment campsites
Pskov - the oldest city in Russia, the historical and cultural center

Cultural and historical sights – 4333

Leisure and entertainment -355

10 reasons to visit Pskov region :

1. To join the great history (it was here where Russian statehood)
2. To see the powerful ancient Pskov fortresses (Pskov-1111 years, Izborsk - 1150 years)
3. To visit Holy places (Pskov-caves monastery, where there are unique icons and frescoes)
4. Take a stroll through the medieval streets of the old city of Pskov (the medieval architecture, the diversity of Pskov churches)
5. Enjoy traditional Russian cuisine
6. Look in Pskov museums
7. To go to the edge, which inspired famous writers and composers Pushkin, Mussorgsky, Rimsky-Korsakov.
8. To visit the largest Russian festivals and reconstructions ("battle on the Ice", "Isabel", "Iron town", "national pancake day")
9. To attend the balloon festival in Velikie Luki
10. Enjoy the pristine Northern wilderness
Comfortable conditions for life

- **Pskov is an ancient Russian city, historical and cultural center:**
  - On the territory of Pskov region is located over 500 tourist attractions
  - Traditional tour itinerary – Pechory, Izborsk, Pushkinskiye Gory

- **One of the most environmentally clean region of North-West Russia**
  Developed ecological and rural tourism

- **Availability of quality healthcare:**
  - Each district of region is provided with hospitals, medical and obstetric centers, offices of general practice doctors.
  - Realizing large projects (construction of a perinatal center, hemodialysis center, cancer center)

- **Availability of education of high quality:**
  - 22 secondary education school and 12 higher education universities
  - Total amount of professional development programs – 80

- **Center of active and cultural leisure:**
  - 18 sport complexes
  - 15 swimming pool
  - 10 ski resorts
  - Carting
  - 5 cinemas
Opportunities for industrial cooperation
Prospects of electronics and electric engineering production market in Russia

Market capacity of electronics and radiotechnics in Russia (2014) – $25 billion

Manufacturing capacity of electric engineering in Russia (2014) - $8 billion

The main directions of the import substitution

- Disconnect device... 70%
- Lead cable 110 - 500... 40%
- Switchgear gas-... 10%
- Surge protection 110-... 50%
- Ammeter... 40%
- Switch 110-500 Kw 30%
- Potential transformer 30%

Volume ratio of domestic and import production of market

- Domestic production 15%
- Import 85%

Structure of electrical system consumption in different economic sectors in Russia

- Transport complex 8.40%
- Municipal infrastructure 14.9%
- Other 26.2%
- Defense industry 11.9%
- Fuel and energy complex 19.8%
- Agroindustrial complex 18.8%
Prospects of household electronics and computers market in Russia

Market capacity of household electronics and computers in Russia (2014) — $11-13 billion

Manufacturing capacity of household electronics and computers (2014) — $2,9 billion

TOP 10 of import household electronics (The main directions of the import substitution), %

<table>
<thead>
<tr>
<th>Product</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Laptop</td>
<td>27</td>
</tr>
<tr>
<td>Goods for cellular</td>
<td>25</td>
</tr>
<tr>
<td>Photo and video equipment</td>
<td>9</td>
</tr>
<tr>
<td>Audio equipment</td>
<td>6</td>
</tr>
<tr>
<td>Gas-stove and electric cooker</td>
<td>4</td>
</tr>
<tr>
<td>TV set</td>
<td>4</td>
</tr>
<tr>
<td>Washing-machine</td>
<td>4</td>
</tr>
<tr>
<td>Small consumer electronics</td>
<td>4</td>
</tr>
<tr>
<td>Refrigerators</td>
<td>3</td>
</tr>
<tr>
<td>Vacuum cleaner</td>
<td>2</td>
</tr>
</tbody>
</table>

Volume ratio of domestic and import production of market

- Domestic production: 40%
- Import: 60%

Structure of household appliances and electronics market

- Audio and video equipment: 8.1%
- Major appliances: 36.4%
- Small appliances: 38.1%
- Photo equipment: 17.4%
Opportunities for cooperation in field of electronics, electrical and household appliances

Production of marshalling cabinets, high-tension switch, electrical boxes, light boards, furniture dolly, prefabricated greenhouses

Production of the relay for motor vehicles

Manufacture of AC motors, DC motors

Production of alkaline accumulator, alkaline batteries, automotive starters

Manufacture of electrical equipment for electric trains, subway cars, low-voltage equipment, and consumer goods.

Production of elektrocomplex devices, consumer goods, low-voltage equipment

Manufacturing of drive technology for engineering industry, cylindrical and planetary abridger.

Development and mass production of a wide range of cable products

Manufacturer of insulators
Market construction materials in Russia

Market capacity of production of construction materials (2014) $ 22.5 billion

CAPACITY CONSTRUCTION MATERIALS MARKET IN RUSSIA (2014) $ 9.5 billion

The main directions of the import substitution

- floor coverings: Domestic production 20%, Imports 80%
- ceramic tile: Domestic production 65%, Imports 35%
- gypsum plasterboard: Domestic production 80%, Imports 20%
- wallpaper: Domestic production 22%, Imports 78%
- paintwork material: Domestic production 80%, Imports 20%
- heat-insulating: Domestic production 95%, Imports 5%
- dry construction mixes: Domestic production 90%, Imports 10%
- brick: Domestic production 75%, Imports 25%
- cement: Domestic production 90%, Imports 10%

Volume ratio of domestic and import production of market

- Domestic production: 30%
- Imports: 70%

Structure of consumption of construction materials 2013

- Construction companies: 30%
- Construction and maintenance crews: 60%
- Private customers: 10%
Opportunities for business location in the production of construction materials

- Production of panels and other designs for large-panel housing
- Production of ceramic bricks
- Manufacture of ceramic tiles
- Production of precast concrete structures and parts
- Manufacture of metal products, steel, iron, non-ferrous metals, alloys
- Manufacture of wooden frame-panel block
- High-level processing production
Prospects for the development agricultural machinery market in Russia

Market capacity of agricultural machinery in Russia (2014) $315,3 billion

The production volume of the market of agricultural machinery in Russia (2014) – $3 billion

The main directions of the import substitution

- Machinery for forage: 23%
- Machines for harvesting: 31%
- Machinery and equipment: 43%
- Machines for plant: 30%
- Machines for fertilizing: 47%
- Machines for sowing: 40%
- Machines for the: 35%
- Machines for harvesting: 45%
- Tractors: 50%

Volume ratio of import and domestic production

- Domestic production: 36%
- Imports: 64%

Structure of the market of agricultural machinery in Russia (the major players),%

- Global foreign agricultural producers
- Russian companies
- Ukrainian producers
- The producers of the Republic of Belarus
Opportunities for business location in the production of agricultural machinery

Production of manipulative auto-loaders

Manufacture of special trucks, tractor trailers, reversible plough

Manufacture of machinery products for forestry and forest industry

Production of tillage equipment

Delivery of agricultural machinery to manufacturers from production plants (LLC "Permagromash" Absheron plant "Lesselmash", JYMPA, Technoservice, Kharkiv Tractor Plant, "Gomselmash" Minsk Tractor Works "Bobruiskagromash", "Lidmelmash", JSC "Orshaagroprommash")

Maintenance of agricultural machinery and special purpose equipment

Manufacture of mounted plows for tractors low and medium capacity, and for powerful tracked and wheeled tractors (T150)
Opportunities for cooperation in the sphere of automotive components and engineering

**Production:**
- Wiring for Hyundai

**Production:**
- Reducers, gear motors, drum motors, drives

**Production:**
- Mobile lifting machinery
  - Hydraulic manipulator
  - Hiab truck
  - Timber truck
  - Short log truck
  - Truck mounted material handler

**Production:**
- Electrical equipment for cars, trucks, agricultural machinery:
  - Relay
  - Fuses
  - Switches, electronic products

**Production:**
- Castings of carbon and alloy steels and special gray cast iron

**Production:**
- Equipment for the forest industry
industrial production
special economic zone

Pskov region, Russia
Established in October 2012

Duration: 49 years

Area: 215 ha

Jurong Consultants, Singapore prepared Moglino SEZ development plan

Government investments 51.4 mln. USD
Non-government investments 70.4 mln. USD
27. Urban integration

- New residential area Borisovich
- Proximity to railway station and airport
- Direct access to the federal highway St Petersburg – Riga
- 50 km to the border on EU
- 14 km to Pskov city center
- 8 km to Moglino SEZ

Moglino SEZ
28. Land use plan

Railway

Reserve area
Communal equipment
Construction materials
Automotive equipment
Gas distribution station
Customs
Agriculture equipment
Electrical equipment
Sewerage pumping
Logistics
Water intake

Area, ha

215

A212 Highway
St Petersburg-Riga
29. Moglino SEZ Logistics cluster

Logistic zone with storage warehouses, container freight stations and truck parking

Moglino Industrial Park (close proximity)

Industrial processing zone (custom zone)
30. Land lots

Land lease rates in SEZ and IP, usd / ha / year

<table>
<thead>
<tr>
<th>Region</th>
<th>Land lease rate, USD / ha / year</th>
</tr>
</thead>
<tbody>
<tr>
<td>St Petersburg region</td>
<td>4800</td>
</tr>
<tr>
<td>Kaluga region</td>
<td>1400</td>
</tr>
<tr>
<td>Lipetsk region</td>
<td>1200</td>
</tr>
<tr>
<td>Pskov region</td>
<td>950</td>
</tr>
</tbody>
</table>

Land lease rate based on investment value, USD / ha / year

- > USD 33 mln: 810 USD / ha / year
- > USD 22 mln: 1135 USD / ha / year
- > USD 11 mln: 1460 USD / ha / year
- < USD 11 mln: 1620 USD / ha / year
### 31. Infrastructure development

<table>
<thead>
<tr>
<th>Service</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water supply</td>
<td></td>
<td>4,900 m³/ day</td>
<td></td>
</tr>
<tr>
<td>Gas supply</td>
<td></td>
<td>6,600 thous. m³/ year</td>
<td></td>
</tr>
<tr>
<td>Telecom</td>
<td></td>
<td>913 N</td>
<td></td>
</tr>
<tr>
<td>Power supply</td>
<td></td>
<td>80 MVA</td>
<td></td>
</tr>
<tr>
<td>Roads</td>
<td></td>
<td>10.13 km</td>
<td></td>
</tr>
<tr>
<td>Customs infrastructure</td>
<td></td>
<td>2.5 thous. m²</td>
<td></td>
</tr>
<tr>
<td>Landscaping</td>
<td></td>
<td>40.1 ha</td>
<td></td>
</tr>
</tbody>
</table>

**Free connection to infrastructure objects for tenants**

**Logistics zone with storage terminals, container yard and truck parking lots**
## 32. Taxation policy

<table>
<thead>
<tr>
<th>Tax</th>
<th>Common rate</th>
<th>Moglino SEZ tenant rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Corporate profit tax</td>
<td>2% to Federal budget 18% to Regional budget</td>
<td>2% to Federal budget to Regional budget: 0% in 2013-2019 3% in 2020-2021 10% in 2022-2023 13.5% in 2024 onwards</td>
</tr>
<tr>
<td>2. Corporate property tax</td>
<td>2.2%</td>
<td>0% for 10 years</td>
</tr>
<tr>
<td>3. Land tax</td>
<td>starting from 1.5%</td>
<td>0% for 5 years from the registration date</td>
</tr>
<tr>
<td>4. Vehicle tax</td>
<td>2-12 euro per hp</td>
<td>0 for 10 years from the registration date</td>
</tr>
<tr>
<td>5. Duties on equipment, raw materials and components imported from abroad</td>
<td></td>
<td>0%</td>
</tr>
<tr>
<td>6. VAT on imported equipment and raw materials (apart from Customs Union countries**)</td>
<td></td>
<td>0%</td>
</tr>
<tr>
<td>7. VAT and export duties for finished products for export through the borders of the Customs Union</td>
<td></td>
<td>0%</td>
</tr>
<tr>
<td>8. Rates of insurance payments for tenants who signed technical innovation agreement***</td>
<td>30.2%</td>
<td>14% until 2017</td>
</tr>
</tbody>
</table>

** The Customs Union includes the Russian Federation, Republic of Kazakhstan and Republic of Belarus (VAT for import from these countries can be recovered)

*** The tenant shall implement technical and technological innovations
Payments when equipment, raw materials and components enter and leave Moglino SEZ under ‘free customs zone’ regime

- **Entering**: 0% VAT, 0% Import Duty, 0% Excise*
  - Custom duty – 8 - 480 usd

- **Leaving**: 18% VAT, 0% Excise
  - Import Duty following customs tariffs**
  - Custom duty – 8-480 usd

* Except for passenger cars with 90 hp capacity and motorcycles with 150 hp capacity
** Excluding prices for Customs union goods

*CUSTOMS UNION INCLUDES RF, KAZAKHSTAN, BELARUS
34. Social infrastructure

- Tenants can rent a land lot with ready infrastructure for residential construction.

**Average cost for housing at primary market, USD per 1 m²**

<table>
<thead>
<tr>
<th>Location</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>St Petersburg region</td>
<td>1177</td>
</tr>
<tr>
<td>Tver</td>
<td>1090</td>
</tr>
<tr>
<td>Novgorod</td>
<td>995</td>
</tr>
<tr>
<td>Smolensk</td>
<td>880</td>
</tr>
<tr>
<td>Pskov</td>
<td>650</td>
</tr>
</tbody>
</table>

**Tenants** can rent a land lot with ready infrastructure for residential construction.
<table>
<thead>
<tr>
<th>Tenant</th>
<th>Agreement of intent</th>
<th>At the stage of obtaining the tenant status:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pontarolo (Erel Group) (Italy)</td>
<td>«Pskovgeocabel» (Russia)</td>
<td></td>
</tr>
<tr>
<td>Production of permanent EPS formwork</td>
<td>Production of cables</td>
<td></td>
</tr>
<tr>
<td>Amount of investment: 3,2 mln. usd</td>
<td>Amount of investment : 6,3 mln. usd</td>
<td></td>
</tr>
<tr>
<td>Expected production level: 320,000 building blocks (eq.)</td>
<td>Expected production level:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cables for first 5 years: 3 421 km</td>
<td></td>
</tr>
<tr>
<td>Number of jobs: 14</td>
<td>Number of jobs: 200</td>
<td></td>
</tr>
</tbody>
</table>

**Potential tenants:**

- **Brix & Kamp A/s**
- **Tecnologia Metalloros**
- **Лго**
- **Normaali**
- **Amtek**
- **Termo Potok**
- **Waste**
- **General Satellite**
36. Moglino SEZ key benefits

- Advanced management
- Convenient logistics
- Tax privileges for residents
- Free custom zone regime
- Affordable infrastructure
- Developed land sites
- Investment grade office space
- Pre-built factories
37. Tenant status acquisition order

1. Registration
   Register the legal body in the Pskov district of the Pskov region

2. Business plan presentation
   Present the business plan to the Supervisory and the Expert Board

3. Agreement signing
   Sign a tripartite agreement with the Ministry of Economic Development and Moglino SEZ, JSC

Application shall include*:

- business plan
- copies of constituent documents;
- copy of the Certificate of incorporation;
- copy of Tax registration certificate.

*Investors will be supported by the Management Company at every stage

Investment requirements

Capital investments upwards of 1.9 mln USD (excluding intangible assets)

0.6 mln USD – within the first 3 years after Tripartite Agreement signing.
Thank you for your attention!