Vologda region
Advantageous geographical location of the Vologda region

Legend:
- Motor roads
- Railways
- Water ways
- Airport
- River harbour

Narva (Estonia) 800 km 650 km
St. Petersburg 650 km
Vologda 650 km
Nizhniy Novgorod 1570 km
Yekaterinburg
Moscow 850 km
Kazan
Yaroslavl
Cherepovets
General information about the region

Area: 144.5 ths.km²
Population: 1.2 million people

Main cities:
- Vologda
- Cherepovets
- Veliky Ustyug

Legend:
- Motor roads
- Railroads
- Water ways
- Airport
- River harbour
- Air corridor "Europe-Asia"
System of investors’ state support

Tax preferences for 5 years:
- transport tax exemption
- reduction of profit tax rate till 13.5% (regional part of the tax)
- reduction of property tax rate or property tax exemption

Investment tax credit for 5 years
- for property tax, transport tax and profit tax
- Interest for loans – ½ of the refinancing rate of the RF Central Bank

Subsidies:
- for partial compensation of expenses for payment interest on loans received from banking institutions
- for partial compensation of expenses on leasing contracts, which allows to compensate initial leasing payment and payments on financial lease contracts

Grants for activities aimed at commercialization of initiatives in the field of investment and innovative regional potential

State regional guarantees
Main directions of work:

Project management;
Investment activity;
Mortgage activity;
State property management company.

Organization of work aimed at attraction of investments to the territory of the regional municipality:
- assistance in agreement procedures and connection to infrastructures;
- assistance in sites choosing;
- control over project implementation;
- monitoring and passportization of the municipality investment potential.

The corporation portfolio:
- 112 investment projects
- 120 business ideas
- 1.4 billion euro – volume of investments
- 10 foreign states-partners
- regional property in the sum of 7.8 million euro
Investment activity

Capital investments behavior (2013), % to the previous year in comparable prices

<table>
<thead>
<tr>
<th>Industry</th>
<th>Investments (million €)</th>
<th>Increase (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forestry</td>
<td>14.2</td>
<td>210%</td>
</tr>
<tr>
<td>Metal goods production</td>
<td>11.8</td>
<td>160%</td>
</tr>
<tr>
<td>Production of machinery and equipment</td>
<td>7.1</td>
<td>153%</td>
</tr>
<tr>
<td>Metallurgical production</td>
<td>243</td>
<td>147%</td>
</tr>
<tr>
<td>Pulp and paper production</td>
<td>14.2</td>
<td>142%</td>
</tr>
<tr>
<td>Food production</td>
<td>47.2</td>
<td>118%</td>
</tr>
<tr>
<td>Woodworking</td>
<td>37.8</td>
<td>105%</td>
</tr>
<tr>
<td>Chemical production</td>
<td>125.2</td>
<td></td>
</tr>
<tr>
<td>Production and distr. of energy, gas, water</td>
<td>137</td>
<td></td>
</tr>
<tr>
<td>Transport and connection</td>
<td>281.2</td>
<td></td>
</tr>
<tr>
<td>Gross regional product, 2013</td>
<td>8.4 billion</td>
<td></td>
</tr>
</tbody>
</table>

Main projects of 2014:

- Project of construction of a new energy efficient ammonia production (at the site of OJSC “PhosAgro-Cherepovets”) with the capacity of 220 t/day (760 ths. tons per year). Total volume of investments - € 709 million. 300 workplaces are planned to be organized.

- Project of construction of a sulfate pulp mill. Volume of investments - € 1.4 billion.

- 17 investment projects are included in the list of priority projects in forest exploitation for the sum of € 323.7 million. (€ 168 million are assimilated as of 01.01.2014)

- Construction of two plants, processing forest berries, vegetables, fruit and mushrooms (“Vologda berry”, Ltd.) with the total volume of investments equal to € 142 million and organization of more than 600 new workplaces.
Development of small and medium enterprises

- Guarantee fund
- Fund of resource support

Support in credit granting
- Consultative support

Institutional support
- Direct financial support
- Subsidies
- Grants

Regional centres of entrepreneurship support:
- Euro Info Correspondent Centre
- Support centre for small and medium export-oriented enterprises
- Centre of the region cluster development
- Business-incubator
- Business ombudsman

Budgeting financing for SME development in 2013
- 13.5 million €

Number of small enterprises

<table>
<thead>
<tr>
<th>Year</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>10 010</td>
</tr>
<tr>
<td>2013</td>
<td>10 627</td>
</tr>
</tbody>
</table>

Turnover of goods (services), produced by small enterprises, including micro companies and private entrepreneurs

2012
5 billion €

2013
5.6 billion €

Share of small business turnover in the total turnover

2012
28.7%

2013
31.3%

+2.6%
The institutions of higher education prepare specialists in the sphere of economics, finance, management, law, IT, engineering, innovations, sciences, electronic engineering.

18 institutions of higher education:
- 35 ths. students
- 92 professions

18 institutions of higher education:
- 35 ths. students
- 92 professions

Scientific and technical as well as innovative infrastructure is mostly represented by institutions of higher education. There are 116 Doctors of Science and 641 Candidates of Science, there are more than 80 post-graduate professions for more than 450 young specialists.

- 4 state federal institutions of higher education
- 7 affiliates of state federal institutions of higher education
- 1 non-state institution of higher education
- 6 affiliates of non-state institutions of higher education

Study directions:
- 83 – bachelors
- 32 - masters

- Multiprofile resource centre of continuous professional education
- Experimental engineering practice ground
- Chemical and technological practice ground
Forestry

- Furniture production
- Veneer and board production
- Wooden houses construction
- Paper, cardboard and pulp production

- 11.5 million ha forest resources of the region
- 68% timber processing in the region
- 29 million m$^3$ rated wood cutting
- 1.6 billion m$^3$ total forest standing volume
Mineral and raw-material base

- **Peat**: 2.6 billion tons, 6 out of 364 deposits are being explored
- **Sand and gravel material**: 278 million m³, 32 out of 199 deposits are being explored
- **Clay**: 230 million m³, 5 out of 71 deposits are being explored

- **Building sand**: 215 million m³, 15 out of 133 deposits are being explored
- **Calciferous raw materials for metallurgy**: 202 million tons, 1 out of 5 deposits is being explored
- **Calciferous materials for liming**: 55 million tons, 1 out of 49 deposits is being explored

- **Decay ooze**: 12.1 million tons
- **Glass sand / dry sand**: 14.4 / 1.4 million tons
- **Calciferous materials for building**: 66.3 million tons
- **Fresh underground water**: 113.1 ths. m³/day
- **Mineral underground water**: 291 ths. m³/day
Investment fillips

Favourable investment climate:

- Activities of the Agency For Strategic Initiatives Standard

Guarantee of investors’ rights captured in Investment declaration of the Vologda region

Comprehensive business support:

- Full project progress tracking in “single window” mode, including “manual project management”
- Activity of regional institutions of development (OJSC “Vologda region development corporation”)
- Reduction of administrative barriers (simplification of agreement procedures)
- Price affordability of land plots (rent from 4 руб/м²)

Variants of location:

1. Industrial park “Sheksna” (certificate of Association of industrial parks)
2. Industrial park “Sokol”
3. Industrial park “Vologda-Vostok”
4. Industrial park “Cherepovets”

- 5. Investment sites of the region
- 6. Special economic zone of industrial type (planned to be organized in 2014)

Total area of free land sites 2.2 ths. ha
Industrial park “Sheksna”

The first residents of the park:

<table>
<thead>
<tr>
<th>Project Description</th>
<th>Investments, million euro</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Severstal pipe plant – Sheksna”, Ltd.</td>
<td>113.4</td>
</tr>
<tr>
<td>3AO “NPO Severny Standart (Northern Standard)”- biotechnological plant</td>
<td>15.3</td>
</tr>
<tr>
<td>APK “Vologodchina” – plant producing medical cotton</td>
<td>18.4</td>
</tr>
<tr>
<td>“Severkomplektstroy”, Ltd. – plant of metals hot galvanizing</td>
<td>8.0</td>
</tr>
</tbody>
</table>

Land rent: from 0.01 euro/m²

Land buying out: from 0.18 euro/m²

49.1 million € investments in engineering infrastructure

172 million € total volume of investments from the projects of the park residents
Industrial park “Sokol”

The first residents of the park:

<table>
<thead>
<tr>
<th>Plant Description</th>
<th>Investments, million euro</th>
</tr>
</thead>
<tbody>
<tr>
<td>CISC “Zemlya Resource”, - pellets producing plant</td>
<td>14.2</td>
</tr>
<tr>
<td>“Ustyeles”, Ltd. – veneer producing plant</td>
<td>7.9</td>
</tr>
<tr>
<td>“ELK Sokol-Vytegra”, Ltd. – biooil producing plant</td>
<td>89.7</td>
</tr>
</tbody>
</table>

- Investments in infrastructure: 6.9 million €
- Total volume of investments from the projects of the park residents: 111.8 million €
- Land rent: from 0.08 euro/m²
- Land buying-out: 0.18-0.63 euro/m²
Industrial park “Vologda-Vostok”

Projects of the park residents:

<table>
<thead>
<tr>
<th>Project Description</th>
<th>Investments, ths. €</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction of the window producing plant</td>
<td>7000</td>
</tr>
<tr>
<td>Aerated concrete producing plant</td>
<td>7000</td>
</tr>
<tr>
<td>Non ferrous casing workshop and production of concrete products</td>
<td>827</td>
</tr>
<tr>
<td>Chilling machinery producing unit</td>
<td>709</td>
</tr>
<tr>
<td>Construction of business centre</td>
<td>590.7</td>
</tr>
<tr>
<td>Production of composite reinforcement</td>
<td>472.5</td>
</tr>
<tr>
<td>Production of components for electric transport</td>
<td>260</td>
</tr>
<tr>
<td>Construction of gas boiler house</td>
<td>236.2</td>
</tr>
<tr>
<td>Construction of a warehouse</td>
<td>236.2</td>
</tr>
<tr>
<td>Production of equipment for food industry</td>
<td>165.4</td>
</tr>
<tr>
<td>Production of sawn timber</td>
<td>330.8</td>
</tr>
<tr>
<td>Expansion of pipes production</td>
<td>708.8</td>
</tr>
</tbody>
</table>

Working plants of the park

- Construction of the window producing plant: 7000 €
- Aerated concrete producing plant: 7000 €
- Non ferrous casing workshop and production of concrete products: 827 €
- Chilling machinery producing unit: 709 €
- Construction of business centre: 590.7 €
- Production of composite reinforcement: 472.5 €
- Production of components for electric transport: 260 €
- Construction of gas boiler house: 236.2 €
- Construction of a warehouse: 236.2 €
- Production of equipment for food industry: 165.4 €
- Production of sawn timber: 330.8 €
- Expansion of pipes production: 708.8 €

Land rent from 0.2 euro /m²

Land buying - out up to 0.82 euro /m²

Investments in engineering infrastructure: 3.8 million €

Total volume of investments from the projects of the park residents: 18.6 million €
Projects implemented in the region

Cooperation with Air Liquide

CJSC “Air Liquide”
- joint venture of OJSC “Severstal” and Air Liquide

Project: Construction of air separation units

Производство:
- Liquid oxygen, nitrogen and argon – 3 000 tons per day
- Gaseous bulk oxygen of high pressure – 2 000 tons per day

Project budget: 106.3 million €

Cooperation with Arcelor

Cherepovets Steel mill

Project: Line for production of high quality hot deep galvanized steel for external and internal parts of automobiles under trademark Extragal

Project budget: 132.3 million €

Production:
- More than 50 types of hot deep galvanized steel
- About 95 ths. tons of automobile body sheet were produced in 2013, that exceeds the level of 2012 by 44%.
- About 86% of hot deep galvanized automobile body sheet are being exported
Projects implemented in the region

Cooperation with CJSC “PhosAgro AG”

OJSC “PhosAgro-Cherepovets”

**Project:** Construction of carbamide unit

**Production:** Carbamide – 1,500 tons per day

Cooperation with Mitsubishi Heavy Industries

OJSC “PhosAgro-Cherepovets”

**Project:** Construction of a new energy efficient ammonia unit

**Production:** Ammonia – 2,200 tons per day

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Project budget

168.2 million €

590.7 million €
Expansion of variety of milk porridge from 14 to 19 articles, of non-milk porridge from 6 to 8 articles.

Increase of the production volume from 9 000 tons to 40 000 tons by 2020.

Projects implemented in the region

Cooperation with Thales Optronics

OJSC “Vologda optical and mechanical plant”

Production: The centre of licensed production of thermal imagery cameras «Catherine XP» is organized on the basis of OJSC “Vologda optical and mechanical plant”.

3.6 million €

Project budget

Cooperation with Nestle

“Nestle Russia”, Ltd.

Project: Construction of a number of buildings of the baby food producing plant in the city of Vologda

35.4 million €

Project budget

Production:
- Expansion of variety of milk porridge from 14 to 19 articles, of non-milk porridge from 6 to 8 articles.
- Increase of the production volume from 9 000 tons to 40 000 tons by 2020.