Guide to Investment
Chelyabinsk Region

2014
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Dear partners and readers,

We are proud to present this Investment Guide published to commemorate the 80th anniversary of the Chelyabinsk Region.

The Southern Urals, which borders between Europe and Asia, is one of the most attractive Russian regions for investors. Its advanced transport and energy infrastructure, ample resources, educational and HR potential allow for production of virtually any profile, from mining and machine building to construction to IT and food production.

The region is well positioned for developing a huge transport and logistics hub that will attract both Russian companies and foreign businesses, as well as become a key link in the international trade chain between Russia, Kazakhstan, China and Europe.

The region has recently seen the launch of new production facilities and enterprises, including projects involving foreign capital. These include global brands such as Rexam (UK), Rockwool (Denmark), SMS Group, Knauf (Germany), Carbo Ceramics, Emerson, Terex (USA), and Fortum (Finland).

Furthermore, international rating agencies have assigned high long-term credit ratings for the Chelyabinsk Region. We are open to successful and winning projects. I hope that this guide will help you identify new partnership opportunities.

Welcome to the Southern Urals!

B. A. Dubrovsky
Acting Governor of the Chelyabinsk Region
Dear friends,

In your hands is the Chelyabinsk Region Investment Guide, dedicated to one of the most favourable regions for investing in Russia.

The Chelyabinsk Region is a large industrial region and a major Russian centre for manufacturing. The region is abundant in natural resources (mineral and recreational resources), has a strong multi-industry profile (ferrous and non-ferrous metals, machine building, agriculture, and food production), advanced energy and transport infrastructure, a lot of scientific potential and a high educational level.

The many international investment projects which have been implemented across various industries in the region confirm its favourable investment climate. These projects include establishing modern casting and forging production (ZAO Konar and Chividale Group), constructing new generating capacity (Fortum), manufacturing rock wool boards (Saint Gobain, Rockwool), producing cans for beverages (Rexam), etc.

The region has also seen rapid development of its agricultural industry, infrastructure for ecotourism, alpine skiing facilities and health resorts.

It is important to note that the Chelyabinsk Region today is one of the Russian regions, which has provided venues for international sports events. In autumn 2014 and 2015, the Chelyabinsk Region will host the World Judo Championship and the World Taekwondo Championship, which will involve more than 1,500 athletes from over 150 countries.

Over recent years, the Chelyabinsk Region has been actively developing its investment infrastructure. For more than two years, the region has been operating a start-up office for foreign investors, the Agency for Investment Development of the Chelyabinsk Region. Furthermore, the region has introduced special statutory tax, administrative and economic conditions for companies involved in investment projects.

This Guide is intended for potential investors to reasonably assess investment opportunities and the competitive advantages of the Chelyabinsk Region, as well as identify local opportunities for business development.

We believe that this publication will be an invaluable asset to potential investors in their projects. We would like to wish the authorities of the Chelyabinsk Region further success in the region’s development. The region is sure to become a prosperous one!

David Gray
Managing Partner
PwC Russia
The Chelyabinsk Region has one of the most developed economies in Russia. It can boast of a high level of business, cultural and public activity and is a very attractive region for investors. The region was established on 17 January 1934 and its current borders were defined on 6 February 1943.

- The total area comes to 88,500 sq. km
- The population is 3.5 million people (82% living in urban areas)
- The regional centre is the city of Chelyabinsk. Its total area is 530 sq. km and its population is 1.169 million people. The city is located 1,919 km from Moscow.
- Other major cities: Magnitogorsk, Zlatoust, Miass, and Kopeysk
- Mineral resources: iron and copper-zinc ore, gold, plumbago, magnesium carbonate, talcum and dolomite.
- The regional economy is based on metallurgy, machine building and agriculture.
- GRP of the Chelyabinsk Region in all-Russia GDP in 2012 – 1.7%.

Key competitive advantages of the Chelyabinsk Region

- Sustainable economic growth.
- High investment potential and favourable investment climate.
- Favourable geographical location.
- Ample and diverse minerals and raw materials (deposits of iron and copper-zinc ore, gold, fire-resistant materials, talcum, plumbago, and quartz).
- Large and strong multi-industry complex (ferrous and non-ferrous metals industry, motor-vehicle manufacture, machine-tool manufacture, instrument engineering, metal processing, construction, agriculture, and food industry).
- Advanced energy and transport infrastructure.
- Proximity to large markets.
- Favorable conditions for development both large holdings and small businesses.
- Well-developed business infrastructure.
- High scientific potential and educational level.
- Qualified workforce.
- Large consumer market.
- Abundant recreational resources.
The Chelyabinsk Region is located in the Southern Urals, bordering between Europe and Asia. The region borders on Bashkortostan, as well as the Kurgan, Orenburg and Sverdlovsk Regions.

The southern border of the region goes along the frontier between Russia and Kazakhstan.
Economic strength

Gross regional product (GRP)

According to the Russian Federal State Statistics Service, the GRP of the Chelyabinsk Region in 2013 was RUB 885 billion or 101.5% of the 2012 level in comparable prices.

Manufacturing industry
Structure of industrial production in 2013, %

- Manufacturing: 89.1%
- Electricity, gas and water production and distribution: 8.2%
- Mining: 2.7%
The Chelyabinsk Region is one of the oldest mining areas of Russia. Chelyabinsk’s mineral resources have been surveyed and extracted for over 250 years. About 300 fields have been explored and evaluated in the region, with the most significant being deposits of iron and copper-zinc ore, gold, fire-resistant materials, talcum, plumbago and quartz. The region has 24 iron ore fields, 11 copper-zinc ore fields, seven gold ore deposits and 35 gravel gold deposits. Over 150 enterprises are involved in production and processing. The major companies include OAO Magnitogorsk Iron and Steel Works (MMK) (iron ore), ZAO Yuzhuralzoloto (gold) and ZAO Uralgrafit (plumbago).
Successful exploitation of natural resources is clearly demonstrated by copper ore processing project such as the Mikheevsky mining processing plant. The plant ranks among the top-50 copper deposits of the world.

Marble deposits in the Chelyabinsk Region are also world famous. The reconstructed Cathedral of Christ the Saviour in Moscow, Moscow Metro and sports venues in Sochi are faced with marble produced in Chelyabinsk. The region’s marble products are also supplied to the CIS and other countries.
The Chelyabinsk Region ranks eighth in Russia for output in the processing industry.

Manufacturing in the region is dominated by metals and machine building (57% and 13.4%, respectively).

### Structure of manufacturing in 2013, %

<table>
<thead>
<tr>
<th>Industry</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metals industry</td>
<td>57.0</td>
</tr>
<tr>
<td>Instrument engineering, machine-tool manufacture, manufacture of special purpose vehicle, carrier vehicle and vehicle components</td>
<td>13.4</td>
</tr>
<tr>
<td>Other production</td>
<td>11.3</td>
</tr>
<tr>
<td>Food production, including beverages and tobacco</td>
<td>10.2</td>
</tr>
<tr>
<td>Production of other non-metallic minerals</td>
<td>8.1</td>
</tr>
</tbody>
</table>

In the ferrous metals industry, the region is second to none in Russia. It is home to major metal works (OAO Magnitogorsk Iron and Steel Works (MMK), OAO Chelyabinsk Metallurgical Plant), and ferrous alloy and steel tube production plants (OAO Chelyabinsk Electric Steel Works, OAO Chelyabinsk Tube Rolling Plant). Non-ferrous metallurgy is represented by the production of copper (ZAO Kyshtym Electrolytic Copper Plant, ZAO Karabashmed), zinc (OAO Chelyabinsk Zinc Plant) and nickel (OAO Ufaley Nickel). The metals industry also includes the production of refractory products from magnesium carbonate (OAO Magnezit Plant).

### Share of the Chelyabinsk Region in overall production in Russia in 2013, %

<table>
<thead>
<tr>
<th>Product</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Refractories</td>
<td>42</td>
</tr>
<tr>
<td>Rolled steel</td>
<td>27</td>
</tr>
<tr>
<td>Steel</td>
<td>26</td>
</tr>
<tr>
<td>Steel tubes</td>
<td>11</td>
</tr>
</tbody>
</table>
Machine building in the Chelyabinsk Region relies on local metallurgical facilities. The region builds tractors and cranes (OOO Chelyabinsk Tractor Plant – Uraltrak, ZAO Nyazepetrovsk Crane Plant, OOO Chelyabinsk Crane Plant), trucks (OAO Automobile Plant URAL), tram cars (FGUP Ust-Katavsky Car Building Plant), processing equipment, aerospace machinery (OAO Academic V.P.Makeyev State Rocket Centre) and electrical products (PG Metran, OOO Chelyabinsk Electrical Products Plant, OAO Chelyabinsk Radio Plant «Polet», OAO Katav-Ivanovsk Instrument-Making Plant).

In addition, several nuclear enterprises are based in the Chelyabinsk Region that study and test materials, constructions and devices required for that industry. They also produce radioactive isotopes used in fields such as medicine, and manufacture devices for the nuclear industry.

### Production of certain industrial products in the Chelyabinsk Region in 2013

<table>
<thead>
<tr>
<th>Product</th>
<th>Quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Steel production, million tonnes</td>
<td>17,1</td>
</tr>
<tr>
<td>Production of finished steel, million tonnes</td>
<td>14,7</td>
</tr>
<tr>
<td>Steel pipe manufacturing, million tonnes</td>
<td>1,1</td>
</tr>
<tr>
<td>Cement production, million tonnes</td>
<td>2,8</td>
</tr>
<tr>
<td>Construction brick manufacture, million pieces</td>
<td>188,9</td>
</tr>
<tr>
<td>Truck production, thous. units</td>
<td>6,5</td>
</tr>
</tbody>
</table>
Major industrial enterprises of the Chelyabinsk Region:

OAO Magnitogorsk Iron and Steel Works (MMK) is the largest Russian iron and steel works, a metallurgical complex with full-cycle production, from iron ore raw materials processing to advanced ferrous metals processing. It is the only Russian producer of high-quality cold rolled strips and tinplates.

OAO Chelyabinsk Tube Rolling Plant is the largest Russian producer of steel tubes. The plant is integrated in ZAO ChTPZ Group and is one of the Big-8 pipe plants. In 2010, the plant launched the largest investment project in the regional and national metals industry, Vysota 239 — a state-of-the-art LDP rolling mill constructed to manufacture single-seam welded LDP for trunk pipelines.

OAO Chelyabinsk Metallurgical Plant is one of the largest Russian industrial enterprises and part of leading Russian mining and metals company Mechel. It manufactures a wide range of products including cast iron, rolled steel, semi-finished rolled products from carbon steel, alloy steel and corrosion-resistant steel.
OAO Chelyabinsk Zinc Plant is a leading producer of Special High Grade (SHG) zinc and SHG-based alloys in Russia.

OAO Chelyabinsk Electric Steel Works is the largest Russian ferrous alloy producer and is able to fully satisfy demand in the Russian metals industry.

OOO Chelyabinsk Tractor Plant – Uraltrak is a major designer and manufacturer of wheeled and caterpillar road construction machinery (bulldozers, pipe rackers, front loaders, mini-tractors), as well as internal combustion engines, spare parts and other high-tech machine building products. The plant is a part of OAO Research and Production Corporation Uralvagonzavod.

OAO Chelyabinsk Mechanical Plant is a recognised leader in production and service maintenance of motor cranes in Russia and the CIS.

OAO Automobile Plant URAL is a leader on the Russian market for all-wheel drive heavy vehicles. The enterprise is a member of GAZ Group and the key asset in its Trucks division.

FGUP Ust-Katavsky Car Building Plant is a large producer of tram cars and other machine building products.

OAO Magnezit Plant is the largest full-cycle producer of refractory products and the only producer of dead-burned magnesite grain in Russia.

OAO Urals Stampings Plant is the largest Russian producer of stampings from specialty steels, heat-resistant and titanium alloys for the aerospace industry, oil and gas, heavy machine building, railway transport, energy and other industries.

OAO Ufaleynickel is Russia’s second largest nickel producer. The enterprise’s share out of total metal nickel sold is 15% for the domestic market and 1% for the global market.
The Chelyabinsk agriculture sector in the region is developing rapidly as 80% of the region’s territory is available for agricultural activities. The total output across all agricultural categories came to RUB 88.5 billion in 2013. More than 50% of the region’s demand for meat, eggs, butter, milk, sugar and grain is covered by the local producers.

About 20 poultry and livestock farming projects are being implemented in the region while 30 breeding farms are in operation, including 16 beef-breeding farms (Hereford and Simmental).

For example, 2013 saw the launch of poultry farms in the Kunashaksky and Nagabaksky Districts (OOO Urals Meat Company and OOO Nagabaksky Poultry Complex) with the total capacity for 120,000 tonnes.

In summer 2013, OAO Ariant Agrocompany opened two new pig farms in Kamensky and Berezovsky villages in the Uvelsky District (50,000 head each). In addition, one of the biggest pig farms in Russia was upgraded in the village of Krasnogorsky and a meat producing unit was built in the village of Fedorovka. When the agro-holding fully implements its plans, its pig stock will increase up to 500,000 head, making the Chelyabinsk Region the second largest meat producer in Russia.

Furthermore, the Chelyabinsk Region has the following ratings in Russian agro-industry:

- **Largest pasta production region;**
- **Third largest poultry producing region;**
- **Sixth largest egg producing region**
Large-scale crop production projects are underway in the Chelyabinsk Region. One example is OOO Agrocomplex Churilovo, a top player in the Russian market for protected greenhouses. In 2012, the company's greenhouse facilities were upgraded. This project involved the introduction of Dutch vegetable growing technologies and the installation of modern equipment, as well as gas reciprocating units able to generate heat and electricity. Current annual capacity at the complex is 24.4 ha, where 16,800 tonnes of organic products (50 items) can be grown. These vegetables are supplied throughout the Urals Federal District.

### Crop products, thous. tonnes

<table>
<thead>
<tr>
<th>Year</th>
<th>Gross grain harvest</th>
<th>Gross potato harvest</th>
<th>Gross vegetable harvest</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>1880</td>
<td>266</td>
<td>859</td>
</tr>
<tr>
<td>2008</td>
<td>1688</td>
<td>298</td>
<td>826</td>
</tr>
<tr>
<td>2009</td>
<td>1453</td>
<td>311</td>
<td>917</td>
</tr>
<tr>
<td>2010</td>
<td>1007</td>
<td>259</td>
<td>563</td>
</tr>
<tr>
<td>2011</td>
<td>2219</td>
<td>297</td>
<td>692</td>
</tr>
<tr>
<td>2012</td>
<td>689</td>
<td>249</td>
<td>543</td>
</tr>
<tr>
<td>2013</td>
<td>714</td>
<td>269</td>
<td>1031</td>
</tr>
</tbody>
</table>

### Livestock products

<table>
<thead>
<tr>
<th>Year</th>
<th>Meet production (live weight, thous. tonnes)</th>
<th>Milk production (thous. tonnes)</th>
<th>Egg production (million eggs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>232</td>
<td>596</td>
<td>268</td>
</tr>
<tr>
<td>2008</td>
<td>1284</td>
<td>621</td>
<td>268</td>
</tr>
<tr>
<td>2009</td>
<td>1315</td>
<td>621</td>
<td>621</td>
</tr>
<tr>
<td>2010</td>
<td>1361</td>
<td>585</td>
<td>307</td>
</tr>
<tr>
<td>2011</td>
<td>1306</td>
<td>561</td>
<td>331</td>
</tr>
<tr>
<td>2012</td>
<td>1322</td>
<td>525</td>
<td>373</td>
</tr>
<tr>
<td>2013</td>
<td>1404</td>
<td>421</td>
<td>497</td>
</tr>
</tbody>
</table>
The largest agro-industrial enterprises in the Chelyabinsk Region:

**OAO Makfa** is a major pasta producer in Russian and Eastern Europe. It ranks among the Top-5 global pasta producers.

**OAO Soyuzpischeprom** is a large producer of pasta, cereals, and all types of flour, cereal products, eggs and poultry. Soyuzpischeprom includes the following enterprises: OOO Ob'edineniye Soyuzpischeprom, OAO Varna Bread Plant, OOO Chebarkulskaya ptitsa and OOO Pavlovskoye Farm Firm.

**OAO Khlebprom** is a large producer and distributor of confectionery, as well as a pioneer in the use of deep freeze technology in Russia. The company owns eight trademarks: Mirel, Russkaya Niva, Usladov, Private Gallery, Dr. Korner, Merba, Elmarino and Uniservis.

**OAO Chelyabinsk City Milk Plant No. 1** is a major producer of dairy products in the South Urals. The plant produces over 50 different products branded as Pervy Vkus (“First Taste”).

**OOO Ariant Agrocompany** is a leader in meat production in the Urals Federal District. This group of companies is unique in that they have implemented a full production cycle, from establishing its own supply of raw materials to the sale of finished meat products to end-users. They offer an assortment of more than 300 types of high-quality meat, sausages and gourmet foods produced exclusively from the company's own raw materials. The production process involves 5,200 people.

**OOO Centre of Food Industry – Ariant** is a major producer of alcohol and alcohol-free beverages in the Southern Urals. Its products are supplied to regions across the country.

**ZAO «Kombinat khleboproduktov “Zlak” and ООО Resurs** are production companies which processes grain into high quality groats and cereal flakes using advanced technologies. The company’s products are marketed under the Uvelka brand. The company was a pioneer in implementing technologies for the production of groats in boil-in-bags, having opened this production line in 1998. The company’s sales geography covers all of Russia’s regions, the CIS and foreign countries.
Building and construction industry

The Chelyabinsk Region is the ninth largest region in Russia for new housing development. The region's construction industry includes over 3,500 building and installation companies performing all types of work, both simple and complex. Annually, over 1.5 million square metres of housing space is commissioned in the region. For instance, in 2013 the region commissioned 1.8 million square metres of residential space and completed RUB 76.1 billion in construction work.

More than 400 construction enterprises in the region manufacture construction and wall materials, as well as reinforced concrete products and metal structures. The building industry in the region relies on the local mining sector. Furthermore, there is a demand within and outside the region, both in the European and Urals-Siberian territories of Russia, for materials produced in the region.

ООО Chelyabinsk Plant of Reinforced Concrete Products № 1 is one of the most stable and modern construction companies in the country, ready to offer wide variety of reinforced concrete products to its customers.

ООО Autoclaved Concrete Plant is a large company involved in the design, production and turn-key construction of buildings and structures. The company is part of the INCI Group of plants.

ООО Miass Ceramic Plant is a ceramic lining brick manufacturer. The plant is located close to rich deposits of clay, and the structure of this clay is useful in the production of ceramic bricks with high physical and mechanical rates.

ZAO Koelgamramor is a leader in the white marble production and processing sector in Russia in terms of capacity.

ZAO Katavsky Cement is a major enterprise equipped with the state-of-the-art domestic and foreign production facilities. It is a member of UEROCEMENT Group, a large holding group which includes cement enterprises from Russia, Ukraine and Uzbekistan.
In 2013, the economically active population of the region was 1.876 million people, including 1.763 million people engaged in the region’s economy. In 2013, 374,200 worked in the region’s industrial complex, or 33.3% of the total number of people involved in the region’s industries.

### Employment structure by type of business activity in 2013, %

<table>
<thead>
<tr>
<th>Type of Business Activity</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>23.5</td>
</tr>
<tr>
<td>Wholesale and retail trade</td>
<td>16.5</td>
</tr>
<tr>
<td>Education</td>
<td>8.5</td>
</tr>
<tr>
<td>Transport and communications</td>
<td>8.0</td>
</tr>
<tr>
<td>Construction</td>
<td>7.9</td>
</tr>
<tr>
<td>Agriculture, hunting and forestry</td>
<td>7.5</td>
</tr>
<tr>
<td>Real estate transactions, leasing and service provision</td>
<td>6.7</td>
</tr>
<tr>
<td>Healthcare and social services</td>
<td>6.5</td>
</tr>
<tr>
<td>Other activities</td>
<td>6.4</td>
</tr>
<tr>
<td>Public administration and military security</td>
<td>4.8</td>
</tr>
<tr>
<td>Electricity, gas and water production and distribution</td>
<td>2.6</td>
</tr>
<tr>
<td>Mining</td>
<td>1.1</td>
</tr>
</tbody>
</table>
The Chelyabinsk Region has a robust higher and vocational education system. A total of 44 higher and 68 secondary vocational institutions operate in the region.

**Southern-Urals State University** (in 2010, the University was assigned the status of the National Research University) is one of the largest educational institutions in the Urals and the largest in the city of Chelyabinsk. Southern-Urals State University is rightfully considered to be a centre of education, science, culture and sports in the region. It carries out scientific research and develops innovative solutions in the wide range of scientific and technological areas. New knowledge in non-linear optics, nanostructures, liquid and gas mechanics developed by researchers and post-graduates in the university’s laboratories is used in the exploration of complex processes and phenomena using the Supercomputer Centre's modelling system. There are 50,000 students and over 5,000 staff, including more than 360 professors and approximately 1,200 lecturers, at the university. It also has 32 departments. In 2014, Expert RA agency included the university on its list of the best higher educational institutions in CIS, where it was rated as D-class (acceptable level of graduate competence).

**Chelyabinsk State University** is a large university with more than 27,000 students. The university also has 12 departments and six academic institutes involved in educational and scientific activities, while also employing 2,000 people in teaching and scientific work (65% of whom have an academic degree).

**Chelyabinsk State Pedagogical University** is one of the oldest pedagogical higher institutions in Russia. It employs a very knowledgeable teaching staff consisting of 570 regular lecturers (including 60 doctors of sciences and professors and 354 masters of sciences) who are responsible for training in 15 departments, two institutes and 54 sub-departments.
The region is rich in skilled people with expertise in advanced areas such as high performance computing and engineering modelling. In addition, these professionals are engaged in developing the potential and economic processes of the entire Urals Federal District in addition to the Chelyabinsk Region.

The Chelyabinsk Region is attractive in terms of the value of its human resources, not just their availability. In 2013, the average monthly nominal accrued salary in the Chelyabinsk Region came to RUB 25,648. This is much lower than in other developed areas. For example, this figure is RUB 56,262 in Moscow and RUB 37,594 in St Petersburg.

The region can also boast of its strong academic capabilities. There are currently 30 scientific and research centres operating in the Chelyabinsk Region, employing over 12,000 researchers, more than 700 doctors of sciences and 3,500 masters of sciences. In addition, more than 40 dissertation councils have been established and operate under these scientific and research institutes.

The following assets have been established in the Chelyabinsk Region:

- **Two accredited innovation technology parks**: OOO Tekhnopark Novator and ZAO Chelyabinsk Plant of Production Tools;
- **Four business incubators** where 60 innovative start-ups are in development: Municipal State-Financed Establishment of the Chelyabinsk Region “Innovation Business-Incubator”, Municipal State-Financed Establishment “Magnitogorsky Innovation Business-Incubator”; Municipal State-Financed Establishment of the Ozersky Municipal District “Ozersky Innovation Centre – Business-Incubator”, “City of Snezhinsk” Autonomous Municipal Education Establishment “Multipurpose Centre for State and Municipal Services”.

Innovation-oriented enterprises have also been established under higher educational institutions (70 enterprises as of the end of 2013) and are involved in the commercialisation of research and development results using innovation infrastructure earlier created at the region’s leading higher educational institutions (Southern Urals State University – centres for consulting and innovation, intellectual property management, innovation marketing, research and development; Nosov Magnitogorsky State Technical University – technological cluster for nano technologies, new materials and efficient use of energy and resources).
The Chelyabinsk Region has provided RUB 29.6 million. It is subsidies to 36 entities involved for innovation projects. As a result, in 2013, 180 new jobs were created while 1,113 jobs were retained and delivery of innovative product came to around RUB 92.8 million. In addition, 20 emerging small businesses received grants for business start-up and implementation of new projects worth a combined RUB 10.0 million while five entities, residents of innovation business incubators, received RUB 2.5 million in total support.
The Chelyabinsk Region is a major Russian transportation hub. It is located at intersections of motorways and railways extending from North to South and from West to East. The Trans-Siberian Railway runs through the region, crossing the European and Asian continents.

**Transport infrastructure**

Federal highways M5 Urals (Moscow – Chelyabinsk), M36 (Ekaterinburg – Kazakh border) and M51 Baikal (Chelyabinsk – Chita) run through the Chelyabinsk Region. The length of public roads in the region is 10,100 km, and 97.4% are hard-surface roads. The percentage of upgraded roads in the length of public hard-surface roads is 72.9%.

**Rail transport**

The Southern Urals Railway (a branch of OAO Russian Railways) is one of the best railways in Russia. The working mileage of this railway exceeds 4,800 km and the track mileage comes to over 8,000 km. In 2013, haulage on the Southern Urals Railway came to 85.4 million tonnes while cargo turnover was 212.3 billion tonnes per km. In addition, the Southern Urals Railway’s suburban system provided transport to 8.2 million passengers.

**Automotive transport**

The Chelyabinsk Region is a major Russian transportation hub. It is located at intersections of motorways and railways extending from North to South and from West to East. The Trans-Siberian Railway runs through the region, crossing the European and Asian continents.
Air transport

There are two international airports in the region, in the cities of Chelyabinsk and Magnitogorsk.

**Chelyabinsk International Airport** is part of a network airport project implemented by OOO Novaport (a member of the AEON Corporation group of companies). The airport has air connections with major cities in Russia, the CIS and foreign countries.

Domestic destinations include Moscow, St Petersburg, Novosibirsk, Kazan, Nizhny Novgorod, Sochi, Anapa, Gelendzhik and Irkutsk. International destinations include Dubai and Sharjah (UAE), Dusseldorf (Germany), Bourgas (Bulgaria), Barcelona (Spain), Goa (India), Heraklion and Rodos (Greece), Paphos (Cyprus), Bangkok and Phuket (Thailand), Antalia and Dalaman (Turkey), Sharm el-Sheikh and Hurghada (Egypt) and Cam Ranh (Vietnam).

CIS destinations include Baku (Azerbaijan), Tashkent (Uzbekistan), Erevan (Armenia), Dushanbe and Khujand (Tadjikistan).

Equipped with one of the best runways in Russia (able to accept air planes of any type), the airport is in compliance with ICAO (International Civil Aviation Organisation) category I standards.

In 2013, passenger flow through Chelyabinsk Airport reached a record 1.2 million people. Based on 2013’s results, passenger flow went up by 18% for domestic destinations and 27% for international flights. In addition, in 2013, the airport provided services to flights by 22 airlines operating on 49 routes in Russia and abroad, of which 17 routes were available to the region’s population for the first time.

**Magnitogorsk Airport** is the second largest airport in the Chelyabinsk Region, with the annual passenger flow of 700,000 people (2012). It is a leading regional airport in Russia.

In 2013, total freight transportation by roads was 11.9 million tonnes and freight turnover was 2.535 billion tonnes per km. In the Chelyabinsk Region, passenger traffic via public roads came to 188.8 million people in 2013.
Energy infrastructure

As of 1 January 2014, total installed capacity at power plants in the Chelyabinsk Region was 5,300 MW. The largest generating plants in the region’s energy system are the Troitskaya GRES, Southern Urals GRES, Chelyabinskaya CHP-1, CHP-2 and CHP-3, Argayashskaya CHP and Chelyabinskaya GRES.

The region’s energy system can cover 70% of its total demand for electricity, and half of electricity supply is consumed by manufacturing sector, in particular by metallurgical plants. The energy deficit is covered through balancing interchange power flows from other regions.

Projects for large scale energy infrastructure development are under way. Their implementation is integrated with major industrial investment projects, including: the construction of a new sheet rolling shop of OAO Ashinsky Metallurgical Works; the construction of a complex for cold-rolled mill products, coated products and auto parts, including the cold-rolling mill 2000 at OAO MMK; the development of the national sports and tourism park Turgoyak; the construction of Mikheevsky and Tominsky mining and refining plants by ZAO Russian Copper Company; the construction of Suroyamsky mining and metals plant by OOO LexElecta; the commissioning of Stage I of the construction of Bereznjakovsky mining and refining plant by OAO Yuzhuralzoloto Group of Companies.

There are also plans to develop thermal power plants (TPP) with total capacity of 2,958 MW within the Chelyabinsk Region’s energy system by 2020. For example, by 2015, OAO INTER RAO-Electrogeneratsiya plans to commission two 400 MW units at the territory of Southern Urals GRES-2, which is currently under construction. Also, OAO Fortum plans to put two 44 MW gas turbine units into operation at ChCHP-1 and, in addition, to construct two 250 MW power generating units at Chelyabinskaya GRES by 2014. OAO WGC-2 plans to commission a 660 MW power generating unit at Troitskaya GRES by the end of 2015. The upgrading of Troitskaya GRES is the most expensive investment project in the industry (with total cost going above RUB 47 billion).

The region is also developing its electrical grids. Chelyabenergo’s investment programme for the period from 2012 until 2017 provides for reconstruction and construction of electrical grid facilities aimed at increasing grid transmission capacity, removing power supply limitations to existing consumers and creating possibilities for connections to grids. Chelyabenergo also plans to upgrade or reconstruct 25 facilities and construct 11 new ones.

Recently, the Chelyabinsk Region introduced the Map of Available Capacity at Chelyabenergo, a Branch of OAO MRSK of the Urals. This map will help the members of the business community assess the capabilities of any territory in the Chelyabinsk Region when choosing a location for any potential commercial activity. It will also allow for more efficient planning of their business development for the coming years. At present, the map is publicly available on the website of the Investment Portal of Chelyabinsk Region.
The Chelyabinsk Region’s foreign trade turnover was USD 5.6642 billion for 2013 (88.7% against 2012). According to expert estimates, the region’s foreign trade turnover, including trade with countries in the Customs Union, was USD 8.610.3 billion (89.2% against 2012).

**Foreign trade turnover, USD billion**

<table>
<thead>
<tr>
<th>Year</th>
<th>Foreign trade turnover</th>
<th>Export</th>
<th>Import</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>9.4</td>
<td>6.7</td>
<td>2.7</td>
</tr>
<tr>
<td>2008</td>
<td>11.7</td>
<td>7.5</td>
<td>3.9</td>
</tr>
<tr>
<td>2009</td>
<td>7.5</td>
<td>5.0</td>
<td>2.5</td>
</tr>
<tr>
<td>2010</td>
<td>7.8</td>
<td>5.1</td>
<td>2.7</td>
</tr>
<tr>
<td>2011</td>
<td>7.5</td>
<td>5.5</td>
<td>2.0</td>
</tr>
<tr>
<td>2012</td>
<td>6.4</td>
<td>4.6</td>
<td>1.8</td>
</tr>
<tr>
<td>2013</td>
<td>5.7</td>
<td>3.8</td>
<td>1.8</td>
</tr>
</tbody>
</table>

The decrease in foreign trade turnover was due to falling prices for metal products on the global market, increased metals production in China and reduced imports of rolled steel by European states which are partners of the Chelyabinsk region, including Germany, Belgium, the Netherlands and Italy.

Exports of goods came to USD 3.8159 billion (82.8%), and the import of goods was USD 1.8483 billion (104.2%).

In the foreign trade turnover, the proportion of exports was 67.4% while imports counted for 32.6%. The export surplus came to USD 1.9676 billion.

**Structure of foreign trade turnover, %**

<table>
<thead>
<tr>
<th>Year</th>
<th>Import from foreign countries, other than CIS</th>
<th>Export to foreign countries, other than CIS</th>
<th>Import from CIS</th>
<th>Export to CIS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>11.7</td>
<td>14.8</td>
<td>16.3</td>
<td>18.2</td>
</tr>
<tr>
<td>2008</td>
<td>52.2</td>
<td>48.1</td>
<td>50.7</td>
<td>52.5</td>
</tr>
<tr>
<td>2009</td>
<td>16.7</td>
<td>18.1</td>
<td>17.6</td>
<td>16.1</td>
</tr>
<tr>
<td>2010</td>
<td>19.4</td>
<td>19.0</td>
<td>15.4</td>
<td>13.2</td>
</tr>
<tr>
<td>2011</td>
<td>15.4</td>
<td>11.1</td>
<td>11.1</td>
<td>14.9</td>
</tr>
<tr>
<td>2012</td>
<td>14.9</td>
<td>18.9</td>
<td>3.5</td>
<td>3.5</td>
</tr>
<tr>
<td>2013</td>
<td>18.9</td>
<td>18.9</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The prevailing elements of the export commodity structure are primary metals (86.1%) and engineering products (6.6%). Major imports include engineering products and machinery, primary metals and petrochemical products.

**Chelyabinsk Region's export pattern in 2013, %**

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metals and metal products</td>
<td>86.1%</td>
</tr>
<tr>
<td>Machines and equipment, carrier vehicle, special purpose vehicle, vehicle components</td>
<td>5.6%</td>
</tr>
<tr>
<td>Other (consumer goods, food products, etc.)</td>
<td>6.6%</td>
</tr>
<tr>
<td>Mineral products</td>
<td>1.7%</td>
</tr>
</tbody>
</table>

**Chelyabinsk Region's import pattern in 2013, %**

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Machines and equipment, carrier vehicle, special purpose vehicle, vehicle components</td>
<td>67.6%</td>
</tr>
<tr>
<td>Metals and metal products</td>
<td>3.3%</td>
</tr>
<tr>
<td>Petrochemical products</td>
<td>3.9%</td>
</tr>
<tr>
<td>Consumer goods</td>
<td>4.6%</td>
</tr>
<tr>
<td>Mineral products</td>
<td>9.3%</td>
</tr>
<tr>
<td>Other</td>
<td>11.3%</td>
</tr>
</tbody>
</table>

The following companies are the region's largest exporters and importers:
- OAO Magnitogorsk Iron and Steel Works (MMK),
- OAO Chelyabinsk Metallurgical Plant,
- OAO Chelyabinsk Electric Steel Works,
- OAO Chelyabinsk Zinc Plant,
- OAO Chelyabinsk Tube Rolling Plant,
- ZAO Kyshtym Electrolytic Copper Plant,
- OAO Ufaleynickel,
- OOO Iveko-AMT,
- OAO Magnezit Plant.

**Largest international trading partners of the Chelyabinsk Region**

- Kazakhstan
- Belgium
- China
In addition, 2013 saw 106 international events in the region (more than half of them were aimed at expanding the region’s foreign trade relations), including:

- 36 visits by official delegations of the Chelyabinsk Region to foreign states, including nine delegations led by the region’s dignitaries (visits to Germany, Italy, Korea, Sweden, Denmark, China, Kazakhstan);
- 28 receptions for official delegations of foreign states by the authorities of the Chelyabinsk Region (officials) (UK, Italy, Germany, Iran, China, Korea, Poland, USA, Finland, France, Czech Republic, Vietnam, Denmark, Belorussia, etc.);
- more than 30 meetings to discuss how to attract investment held with representatives of foreign companies from Europe, USA, China, Korea, Japan and Kazakhstan.

In 2013, the region established the Agency for Investment Development aimed at attracting investments to the local economy. In addition, an Italian visa centre was opened and now operates in Chelyabinsk (more than 3,000 visas have been issued since the start of 2013).

The following three main entities operate in the Chelyabinsk Region with activities aimed at developing the region’s foreign trade relations: the Southern Urals Chamber of Commerce and Industry, Chelyabinsk Centre of Foreign Trade and International Centre for Business Cooperation. Their functions also include searching for partners, establishing economic ties among entities in the Chelyabinsk Region and those of other countries, and providing a wide range of services to companies in the region (translation, market research, lease services, valuation, arbitration, etc.).
One indicator of the maturity of the region’s business infrastructure is the local presence of representative offices of large multinational corporations, as well as head offices of major Russian companies. The following well-known foreign companies have offices in the region: Rexam (UK), Rockwool (Denmark), CMC Group and Knauf (Germany), CARBO Ceramics, Emerson, Terex (USA) and Fortum (Finland). Chelyabinsk and Magnitogorsk are also home to the head offices of such well-known Russian companies as OAO Magnitogorsk Iron and Steel Works, OAO Chelyabinsk Tube Rolling Plant and OAO Chelyabinsk Metallurgical Plant.

The maturity of the region’s business infrastructure is also evidenced by the scope and scale of exhibitions and similar events. In 2013, exhibition centres and the Southern Urals Chamber of Commerce and Industry, with the support of Chelyabinsk Region governmental agencies, held 120 exhibition and congress events. The following were the most significant events:

- **Urals Industrial and Economic Week** is the largest annual industrial exhibition for the Southern Urals, which has been held since 2000. This event has historically attracted the most powerful metals industry players of Russia, the CIS and foreign countries (approximately 60 companies and over 1,000 industry experts in 2013).

- **Exhibition Energy: Energy Efficiency** is a unique forum for dialogue between scientists, energy specialists, partners and consumers while also providing the best opportunity to present new engineering solutions and innovative technologies in the energy sector. In 2013, the exhibition was held for the fifth time and brought together more than 120 companies from all over Russia. The exhibition’s participants had an opportunity to learn about innovative equipment for electricity generation, transmission, distribution and consumption, which can also be used for ensuring safe and reliable operation of diagnostic tools and maintenance checks.

- **Urals Construction Week** is the largest construction exhibition in the Southern Urals dedicated to enhancing and expanding partnerships among developers, producers and users of equipment and materials for construction, research and development, as well as advanced construction technologies. In 2013, the exhibition was held for the 13th time and brought together approximately 50 companies across the Russian construction industry.

- **Forum-Exhibition BUSINESS IN MOTION** is a major exhibition project featuring a number of conferences in various areas such as logistics, machine building and road construction. Forum-Exhibition BUSINESS IN MOTION 2013 was attended by approximately 50 large companies from all over Russia and there were 705 registered visitors. In addition, the total number of exhibitors came to 43 while the number of registered mass media organisations at the event totalled 15.
The Southern Urals’ mature office, exhibition and hospitality infrastructure are important and valuable assets for the region.

The city of Chelyabinsk has:

• **Three specialised exhibition centres** (OOO First Exhibition Association, OOO Centre for International Trade Chelyabinsk, OOO Southern Urals Congress and Exhibition Centre EXPOCHEL);

• **Approximately 20 business centres**, including six A-class business centres – Chelyabinsk City Business Centre, BIPR Business Centre, Arkaim Plaza Business Centre, Vidgof Business Centre, Petrovsky Business Centre, and Bovid Business Hall with office spaces of varying sizes, from small (approximately 50 sq. metres) to large open-plan office spaces.

• **More than 40 hotels** with different number of stars, including Grand Hotel Vidgof 5*, Beryozka 5*, Holiday Inn Chelyabinsk-Riverside 4*, Radisson Blu 4*, ParkCity 4*. Several hotels in the city offer comfortable and spacious conference rooms.

A well-developed financial sector makes the region even more attractive for doing business.

The Chelyabinsk Region has:

• **Eight regional banks** including OAO CHELINDBANK, OAO CHELYABINVESTBANK, ZAO TAUROS BANK, OAO Snezhinsky Bank, OAO BANK RESERVE, OAO KUB, OAO URALPROMBANK, OAO Uglemetbank;

• **35 branches of banks from other regions** including ZAO UniCreditBank, OAO Baltiysky Bank, OAO MDM-Bank, OAO NOMOS-BANK, OAO URALSIB, ZAO AKB Absolute Bank, OAO KB AGROPROMCREDIT, etc.;

• **Branches of foreign banks** including UniCredit Bank (Austria), Uniastrum Bank (Cyprus), OTP Bank (Hungary), OAO NBK-Bank (Kazakhstan), etc.;

• **Front offices and POS loan desks of foreign banks** including Intesa Bank (Italy), GE Money Bank (USA), Home Credit and Finance Bank (Czech Republic), etc.

Credit institutions have a wide network of additional offices, front offices and loan desks. There are more than 1,000 operating points of service in the region’s banking sector.

The insurance sector of the region is represented by 35 companies providing a wide range of insurance services to individuals and legal entities, protecting them against various risks. The largest players on the insurance market in the Chelyabinsk Region are branches of ОOO Rosgosstrakh, ОАО Alfastrakhovanye and ОOO Insurance Company YUZHURAL-ASKO.

The region’s market for leasing services is actively developing and now there are about 40 organisations (OOO Baltiysky Leasing, ZAO Sistema Leasing 24, OOO UralPromLeasing, OOO Leasing House, OOO INVEST-Leasing, OOO ChellIndLeasing, ZAO Leasing Centre, etc.).
The Southern Urals is not only a strong industrial region but a big cultural and recreational centre of Russia.

**Cultural activities**

The Chelyabinsk Region is rightfully considered a theatrical region. There are 14 theatres, including the Chelyabinsk Opera House, Chelyabinsk State Academic Drama Theatre, Magnitogorsk Drama Theatre, Chelyabinsk Municipal Theatre “Mannequin”, the Chelyabinsk Region Theatre of Puppets, Magnitogorsk Theatre of Puppets “Buratino”, Chelyabinsk Chamber Theatre, Zlatoust Theatre “Omnibus”, Chelyabinsk Youth Theatre and many other professional and amateur theatre groups.

There are 53 museums operating in the region, the largest of them being Chelyabinsk Regional Local History Museum, which has a unique stock of rare books, as well as collections of ethnographic materials, paintings and porcelain.

The Southern Urals is also famous thanks to the products of the Zlatoust weapon-smiths and Kaslinsky casters. The Museum's collection of Urals ornamental arts includes the most complete and fascinating collections of Kaslinsky artistic iron castings and Zlatoust steel-plate engraving.

The Chelyabinsk Region also has a unique zoo located in the forest and park zone of Chelyabinsk. Its area of 30 ha provides habitat for more than 110 animal species, of which 80 species have been included into the Red Book of Endangered Species.
Environmental assets and recreational resources

The Chelyabinsk Region has a unique historical, cultural and natural heritage, including archaeological monuments, picturesque lakes, forests, caves and natural healing springs.

There are 170 conservation areas in the region, of which the most well-known are:

- **Ilmensky State Reserve**, globally known as the “Minerals heaven”;
- **Historical Landscape Museum-Reserve “Arkaim”**, which is recognised as the most important archaeological discovery of the century;
- **Ignatyev Cave**, with primitive drawings by early humans;
- **Zyuratkul National Park**, which includes such natural monuments as the high altitude Lake Zyuratkul, Kalagaza and Berezyak Rivers, the Zyuratkul Columns, Ulmaceae Grove;
- **Taganai Park**, one of the youngest national natural parks in Russia. The park is so beautiful that it is often compared to the famous Alpine landscapes and called the “Russian Switzerland”.

Total conservation area is 1,000 ha (11% of the region’s territory).
The Chelyabinsk Region is also called the “land of lakes”. There are 3,170 lakes in the region covering a combined area of 2,125 sq. km. The most well-known lakes are:

- Turgoyak is the Baikal’s “junior brother”, as this lake has been included on the list of the most valuable lakes in the world and is also considered to have the most beautiful landscape in the country;
- Uvildy is the jewel of the Southern Urals and one of the largest and cleanest lakes in the Chelyabinsk Region.

The region has many salt water lakes, as well as lakes rich in various balneological resources (organic and mineral muds and alkaline water). Health resorts, vacation houses and recreation camps have been developed near the lakes. Southern Urals resorts are well-known and popular in Russia as they have taken top positions in ratings of Russian resorts. In total, there are 150 sanatorium-resort or recreation organisations operating in the region. The most well-known health resorts include Kisegach, Uvildy, the Urals, Karagaisky Pine Wood and sanatoriums Sunny, Sungul, and Jewel of the Urals, as well as the Turgoyak holiday centre.

The region’s favourable geographic location offers unique opportunities for the development of mountain skiing tourism. In total, there are 15 mountain skiing complexes in the Chelyabinsk Region. The largest resorts, such as Adjigardak, Zavyalikh, Sunny Valley, Abzakovo, Bannoye and Minyar, meet the highest international standards and are very popular among Russian and foreign tourists. The infrastructure of these complexes allows for combining active skiing with outdoor recreation.
Sports infrastructure is very well developed in the Chelyabinsk Region, with international level sports events held regularly, such as world championships in curling, European championships in judo and water polo, the World Cup series in speed skating and many other major sports events.

The following international sports events will take place here in the near future:

- **From 25 to 31 August 2014**, Chelyabinsk will host the World Judo Championship, which will involve 1,500 athletes from 150 countries;
- **From 16 to 23 September 2015**, Chelyabinsk will host the World Taekwondo Championship, which will involve 1,300 athletes from 170 countries.
**Investment climate**

**Chelyabinsk Region in independent ratings**

The Chelyabinsk Region is one of Russia’s most promising regions with high investment attractiveness, which is confirmed by ratings assigned to the region by both Russian and international rating agencies.

In 2013, two international rating agencies assigned credit ratings to the Chelyabinsk Region:

- **Standard & Poor**’s rating agency confirmed the Chelyabinsk Region’s international rating at BB+, national rating at ruAA+ and its credit outlook as “Stable”;

- **Fitch Ratings** increased the Chelyabinsk Region’s ratings in foreign and national currency from BB+ to BBB-, its long-term national scale rating from AA (rus) to AA+ (rus) and short-term rating in foreign currency from B to F3, with the forecast for long-term ratings as “Stable”.

According to the 2013 Investment Attractiveness Rating by **Expert RA**, the Chelyabinsk Region was awarded a 2B rating: “medium potential – moderate risk”. The region also placed 12th in terms of investment potential among Russia’s regions.

**Investment activity**

The Chelyabinsk Region has garnered the following investment ratings in Russia:

- **Seventh** largest region by volume of foreign investments;
- **16th** largest region by volume of capital investments.

In 2013, capital investments totalled RUB 211 billion (103.2% in comparable prices against 2012).

---

### Capital investments from all financing sources

<table>
<thead>
<tr>
<th>Year</th>
<th>RUB billion</th>
<th>As % against previous year in comparable prices</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>181.0</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>145.4</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>151.1</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>176.6</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>179.7</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>211.0</td>
<td></td>
</tr>
</tbody>
</table>
In 2013, capital investments totalled RUB 211 billion (103.2% in comparable prices against 2012). Throughout that year, according to municipal entities, the region commissioned 265 new projects on its territory, including 75 industrial assets, 44 social and cultural assets and 146 small business assets (shopping facilities, community service facilities, etc.), thereby creating 4,882 new jobs. In 2013, foreign investments came to USD 3 billion (111.3% against 2012).

**Foreign investments, USD billion**

<table>
<thead>
<tr>
<th>Year</th>
<th>Foreign investments</th>
<th>OAO Fortum</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>1.3</td>
<td></td>
</tr>
<tr>
<td>2008*</td>
<td>1.9</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>2.5</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>3.3</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>3.8</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>2.7</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>3.0</td>
<td></td>
</tr>
</tbody>
</table>

*strong growth due to Fortum’s (Finlad) purchase of controlling stake in TGU-10 (USD 1.9 billion)*

To date, more than 100 companies with foreign equity have implemented investment projects in the Chelyabinsk Region. The working capital operating in the region includes money from 50 states. In addition, more than 20 joint projects have been carried out at various implementation stages in the Chelyabinsk Region, including:

- **Emerson** (USA) implemented a project to develop a global engineering centre and engineering system, as well as establish a shared services centre for clients in the CIS.
- **Chividale Group** (Italy) was involved in a project to establish (jointly with ZAO Konar) modern casting and forging production.
- **SMS Siemag Group** (Germany) implemented a project for developing an additional production centre for technical maintenance, repair and restoration of coating of copper slabs which are necessary for metals manufacturing.
- **Fortum** (Finland) developed heat and electricity production.
- **Rexam** (UK) implemented a project to produce cans for beverages.
- **Rockwool** (Denmark) has set up the manufacture of rock wool boards.
- **RM-Terex** (USA) developed SKD assembly of 100-tonne rock haulers.
- **Saint Gobain** (France) set up the manufacture of rock wool boards.

Two wood conversion and shoe-making enterprises were established jointly with Chinese investors and are growing fast. In addition, international centres for Russian-Chinese cooperation were opened and are now operating in Chelyabinsk and Harbin (China).
A core aim of the Chelyabinsk Region's government is to create a favourable investment climate and encourage investment activity.

A legal and regulatory framework was created to provide state protection and support to Russian and foreign investors, as well as develop partnerships with them. This included the adoption of laws to stimulate investment activities, develop public and private partnerships, provide state guarantees and establish regional income and property tax benefits, including:

- Law of the Chelyabinsk Region No.175-ZO “On stimulating investment activities in the Chelyabinsk Region” of 28 August 2003;
- Law of the Chelyabinsk Region No.297-ZO “On providing state guarantees in the Chelyabinsk Region” of 28 August 2008;
- Law of the Chelyabinsk Region No. 189-ZO “On corporate property tax” of 27 November 2003;

The website [www.oblinvest74.ru](http://www.oblinvest74.ru) (in English and Russian) operates in the region and contains information on existing investment opportunities and a list of available land plots, construction in progress and industrial sites.

In addition, Order of the Chelyabinsk Region No. 138-RP of 26 July 2013 adopted the Investment Strategy of the Chelyabinsk Region until 2020, which allows investors to see where the region is heading.

Since December 2011, the Chelyabinsk Region has been operating a **start-up office for foreign investors** (as part of the Chelyabinsk Region's Ministry of Economic Development). The key functions of this office are:

- Providing consulting services;
- Providing office space for representatives of foreign companies;
- Providing support to investors in respect to arranging meetings and interpreting during negotiations with organisations and departments;
- Collecting and processing data on investors, creating a database of investors and investment projects in the Chelyabinsk Region;
- Providing actual information on the operations of foreign investors for placement on the official site of the Chelyabinsk Region's Ministry of Economic Development.

The independent non-profit **Agency for Investment Development of the Chelyabinsk Region** has been operating in the region since July 2013. The key areas of the Agency's work include:

- Providing «one-stop-shop» support in investor communications with government agencies;
- Assisting in creating project teams to support and implement “turn-key” investment projects;
- Promoting the region's investment opportunities, as well as projects in Russia and abroad (through conferences, exhibitions, forums, etc.);
- Cooperating with private equity firms and venture capital funds, banks, foreign governmental investment agencies, specialised financial institutions, Russian and foreign development institutions in order to tap their potential and capabilities for financing and providing support to investments in the region;
- Representing the interests of the region as a constituent subject of the Russian Federation in the public and private partnership projects.

**Tax preferences for investors**

There is provision of tax benefits (on a competitive basis) for five tax periods for:

- Income tax – reduced to 13.5%
- Property tax – reduced to 1.1%
- Reduction of rent payments for land
The scheme of governmental support for investment projects

1. **Planning**
   - **INITIATOR OF INVESTMENT PROJECT (IP)**
   - **APPLICATION BY INITIATOR OF IP**
     - Chelyabinsk Region’s Ministry of Economic Development or Agency for Investment Development of the Chelyabinsk Region
   - **Agreement on terms and forms of cooperation**
   - **Determining IP Coordinator**

   **Notification of the Coordinator’s appointment**
   - **Contractual relationship or free-of-charge consulting**

2. **Support**
   - **Preparation, conciliation and permission procedures required for implementing the investment project**
   - **Preparation, conciliation and permission procedures during selection and execution of title documents for land plots required for implementing the investment project**
   - **Preparation, conciliation and permission procedures during the building of new capital construction assets or reconstruction of existing assets as covered by the investment project**
   - **State support in financial form**
   - **State support of an administrative nature**

3. **Control**
   - **Control of timeframe for preparation, conciliation and permission procedures during the implementation of the investment project and the project’s financial performance**
Investment infrastructure

The Chelyabinsk Region has two priority projects dedicated to the development of investment infrastructure, i.e. Industrial Innovations Park “Malaya Sosnovka” and TLK Yuzhnouralsky.

**Industrial Innovations Park “Malaya Sosnovka”** is located 2 km from the city limits of Chelyabinsk in the Malaya Sosnovka settlement of the Sosnovsky Municipal District.

At present, preparations of the area for the placement of new production facilities and the construction of required transport and engineering infrastructure is underway at «Malaya Sosnovka». Furthermore, an agreement has been signed with Danieli (Italy) for the construction of a service plant and negotiations with several other investors are also underway. In addition, a list of companies/potential residents that are ready to carry out investment projects in the industrial park has been compiled.

Industrial Innovations Park “Malaya Sosnovka” will be managed by the independent non-profit Agency for Investment Development of the Chelyabinsk Region.

The key requirements for investors interested in setting up production within the park are provided here: [http://oblinvest74.ru](http://oblinvest74.ru)

**TLK Yuzhnouralsky** - A Private Industrial Park at the Yuzhnouralsky Transport and Logistics Centre in the Uvelsky Municipal District.

The park was mainly created for assembly operations, processing of agricultural products and food production. Residents at the park will be offered production facilities, warehouses and office space.

Establishing production in at TLK Yuzhnouralsky, a developed industrial and economic zone, can offer certain advantages to its residents:

- Developed logistics and transport accessibility (location close to federal highways, Trans-Siberian Railway, regional centre, international airport);
- Availability of infrastructure (gas, water, and electricity supply, and water disposal);
- Administrative support to investors during project implementation;
- Proximity to cities where skilled labour is available (Chelyabinsk, Yuzhnouralsk, Korkino, Emangelinsk, etc.);
- Customs point (at Yuzhnouralsky Transport and Logistics Centre), etc.
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