Smolensk Region: The Place Offering Great Opportunities!
Prospects

A large number of consumers having high and average standard of wages

60 mln. people living within a radius of 500 km
Close Proximity to Target Markets

- There is an opportunity to sell the manufactured products both in Moscow and Europe
- A land plot can be provided on the border with the Moscow Region
Favorable Geographical Location

Smolensk is located in close proximity to two capitals.
Available Logistics Centres

35% of Russian goods are carried through the territory of the Smolensk Region

75% of goods pass from Europe to Russia
Well-Developed Transport Network

Construction of an international route from Shanghai to Hamburg is expected in the short term.
- Energy cost – 0.07 € per 1 KWh
- Gas cost – 0.08 € per 1 m³

High Energy Supply

25 bln KWh generated per year,
20 bln KWh exported

11 times cheaper than in Europe
<table>
<thead>
<tr>
<th>Investment amount</th>
<th>Availability of jobs</th>
<th>Property tax</th>
<th>Income tax paid to the regional budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>≥625-3 750 ths. €</td>
<td>+</td>
<td>0% ≤5 years</td>
<td>13.5% ≤5 years</td>
</tr>
<tr>
<td>≥3 750 ths. €</td>
<td>+</td>
<td>0% ≤10 years</td>
<td>13.5% ≤10 years</td>
</tr>
<tr>
<td>≥37 500 ths. €</td>
<td>≥ 200</td>
<td>0% ≤10 years</td>
<td>0% ≤10 years</td>
</tr>
</tbody>
</table>

**Tax Benefits for Investors**

Big investors are granted easy tax terms
Three-party special investment contract between investors, regional authorities and state government:

- **5%** – income tax
- **0%** – property tax
- **10 years**

**Additional benefits:**
- Access to public contracts
- Status of a Russian manufacturer
- Accelerated capital depreciation
- Land plot granted without bidding
Industrial enterprises are granted easy loans at 5% interest rate

Loan amount:
- Not less than **250** ths. €
- Not more than **50%** of the project cost
There are 2 Industrial Parks in the Smolensk Region. Launch is expected in 2018.

- 0% Transport tax
- 0% Land tax
- 0% Property tax
- 16.5% Income tax for the period of 10 years.
No Land Fee for the Period of Construction

0 € free land use until the start of production
Average monthly income of a software programmer

- Smolensk: €600
- Russia: €1,100
- Moscow: €1,700
- USA: €6,500

Moderate Salary Expectations of Smolensk Employees

The standard of wages is lower than the average level in Russia.
Assistance in Search and Recruitment of Specialists

Educational organizations respond to the demands of employers
Priority Social and Economic Development Area (PSEDA) arranged in the monotown of Dorogobuzh is offering special terms of doing business for investors.

Opportunity to borrow a loan amounting from 1,250 ths. to 12,500 ths. € at the rate of 5% per annum for a period of 8 years.

The land plot is provided without bidding for 0% rent.
Prospective industries:

- Aircraft engineering
- Machine-tool building
  (import amounting to more than 90%)
- Heavy engineering
- Mechanic engineering for food and processing industries
- Textile manufacture
- Electronic industry
- Medical industry and drug manufacturing
- Dairy farming and milk processing, dairy production
- Greenhouse facilities and vegetable processing
- Flax growing and processing
- Oil crops processing
- Beverage production

- Medium and high density fiberboards
- Fuel pellets
- Furniture

- Paint and coatings
- Rubber and plastics articles

- Distribution centres
- Storage infrastructure
1 mln. ha of vacant agricultural lands

Agriculture

Agribusiness is rapidly developing within the region, providing for 7% GRP
Milk production and processing – priority growth areas for the Smolensk Region, where the most conductive investment environment is provided.

Dairy Farming

Amount of state support is one of the highest in the Central Federal District and is similar to the benefits provided by the regions which take the lead in investing into the dairy industry.

A well-developed logistics network ensures transport connection within a distance of 400km to reach the regions which face the shortage of 1.2 mln. tons of raw materials as well as to get to 12 largest milk-processing enterprises in Russia.
Raising Funds in Food Industry

In 2017 the region produced 200 ths. tons of milk, 30% of which were exported.
Amount of vegetables, grown in the region in 2017 was nearly 60% of the normal rate.

Greenhouse Facilities

- Construction of greenhouse complexes is a promising trend
- More than 40 ths. tons of vegetables are supplied to the region every year

To cover the supply of the region in vegetables, the amount produced should be increased up to 120 ths. tons.
Starch Industry

- Launch of the potato deep processing plant and starch production facility
- Processing capacity - 330 tons a day
- Total project cost – 9.9 mln. euros

In 2020 starch sales will approximately amount to 270 ths. tons

Amount of potato produced in the region:
- in 2017 – over 46 ths. tons
- in the long run – 600 ths. tons
“Following recent negotiations with A. Ostrovsky, Governor of the Smolensk Region, we have come up with a decision to implement a new project on extending the operating production facility within the region.”

Michael Egger,
EGGER Group Owner
“We see that the Administration of the Smolensk Region keeps an open mind to the new investors and renders comprehensive assistance in their ideas.”

Olaf Metzger,
CEO,
Rhenus Freight Logistics LLC
Assistance Rendered to Investors by the Local Government

The Regional Administration comes to the rescue in case of any troubles.
smolinvest.com

For more information on the region and measures of state support, please visit our website.

Competitive advantages for residents of the industrial parks:

- 0% land tax and property tax;
- 0 rubles transport tax;
- 16.5% profit tax;
- 0.01 rubles per 1 ha – rental rate for a land plot for the period of construction.
THANK YOU FOR YOUR ATTENTION!

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