The Astrakhan Region Special Economic Zone “Lotus”
Logistic Advantages for SEZ «Lotus» Tenants

**Area of the Astrakhan Region** – 52900 km²

**Population** – 1 MLN People

**GRP** – 336,7 BLN RUB.

**Industrial Production Index (2017)** – 137.2%

The Astrakhan Region

**Largest Hydrocarbon Reserves in the European Part of Russia**: > 6 Trillion m³ of Natural Gas & 1.4 Billion Tons of Crude Oil and Condensate

**The Astrakhan Region is an Opportunity to Participate in Eurasian International Transportation Roots, Proximity to the States Which Are the Major Participants of the Caspian Oilfield Development Projects**
Leading Companies of the Astrakhan Region

Extraction and processing of natural resources (salt, gypsum)

Extraction and processing of oil and gas, services, raw materials transportation

Engineering and metallurgy

Shipbuilding & Shiprepairing

Light industry

Industrial Complex of the Astrakhan Region
Industrial Production Special Economic Zone “LOTUS”

The Resolution of the Astrakhan Region Government of 06.04.2015 №123-P "On Establishment of PJSC “SEZ “LOTUS”

Functions of the administration company

- Infrastructure construction and its functioning;
- Attracting tenants and other investors to SEZ;
- SEZ area design;
- Other functions.

SEZ “Lotus” was established according to the Decree of the Russian Federation Government N 1214 of November 18, 2014

- 9,8 mln m² SEZ total area
- 6,3 mln m² Area of the land plots for tenants
- Above 11 bln rub. Planned infrastructure investments until 2024
- 8 companies Number of operating member-companies
- 850 Declared amount of workplaces
- 24,1 bln rub. Declared investments
SEZ “Lotus” Main Areas of Activity

**SHIPBUILDING AND PRODUCTION OF COMPONENTS**
- Production of ship systems
- Production of shipboard equipment
- Production of shipbuilding components

**PRODUCTION OF OIL&GAS EQUIPMENT AND COMPONENTS**
- Production of oil&gas and drilling equipment
- Production of components for oil&gas equipment

**HI-TECH INDUSTRIAL PRODUCTION**
- Mechanical engineering
- Production of crane equipment
- Production of polymers
- Medicine and pharmacology

Access of SEZ “Lotus” tenants to the markets

- United Shipbuilding Corporation (80% of Russia’s shipbuilding)
- Development of the Caspian shelf (Projects of PJSC “Lukoil”, Russia and the Caspian-bordering countries)
- Markets Of Russia, Caspian-bordering and ITC “North-South” participating countries
# Governmental Support for Shipbuilding Market in Russia

## Current situation in shipbuilding
- **Developed drafts of vessels**
- **Increase in domestic tourism as a result of sanctions against the Russian Federation**
- **Access to Iran and ITC “North-South”**
- **80% fleet to be renovated**
- **Shallowing of inland water-ways and slow payoff as a consequence**
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## Governmental support
- **Quota allocation (quota for 20 years – new vessels, processing, storage)**
- **Disposal charge**
- **Credit at preferential rate**
- **Industrial Development Fund**
- **Interest rate subsidization**
- **Federal Law №116 “On Special Economic Zones”**
- **Additional tax preferences**
- **Strengthening of vessel safety requirements**

## Tax preferences
- **Disposal charge**
- **Credit at preferential rate**
- **Industrial Development Fund**
- **Interest rate subsidization**
- **Federal Law №116 “On Special Economic Zones”**
- **Additional tax preferences**

## Administrative action
- **Disposal charge**
- **Credit at preferential rate**
- **Industrial Development Fund**
- **Interest rate subsidization**

## Localization of components production
- **Shipbuilding market**
- **Stagewise foreign components purchase restriction**
- **Work of import substitution Commission**

## Dredging fleet
- **The increase in the amount of dredging operations financed by the Government**
- **The program for dredging fleet renovation requiring adjustment**
- **Absence on dredging equipment production center**

### Fishing vessels
- **Permission on fishery in Russian territorial waters on condition of vessel construction in Russia**

### Passenger vessels
- **Increase in domestic tourism as a result of sanctions against the Russian Federation**

### Ferry vessels, bulk carriers, container ships
- **Access to Iran and ITC “North-South”**

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Advantages for Production of Oil & Gas and Shipbuilding Components

Strategy of the development of shipbuilding industry of the Russian Federation
(Decree of the Russian Federation Ministry of Industry and Trade № 354 from 06.09.07).

Participation in Import Substitution programs For shipbuilding industry
(Decree of the Russian Federation Ministry of Industry and Trade № 661 from 31.03.2015).

Support under the plans of assistance to import substitution.

Contribution of special investment contracts providing purchase of 30% of manufactured goods.

Target loans at reduced rates of Industry Development Fund

The Export Center of Russia support

Participation in shipbuilding cluster projects of the Astrakhan region
(Reimbursement of up to 50% of expenses for joint intra-cluster projects).

Participation in oilfields exploration of the Caspian shelf
(Russia, Azerbaijan, Iran, Kazakhstan, Turkmenistan).
Participation of SEZ “LOTUS” in Establishing Shipbuilding and Oil&Gas Industry Markets

Agreement between JSC “USC” and PJSC “SEZ “Lotus” dated 03.12.15

Forming a list of equipment and components for shipbuilding industry to be localized

SEZ “Lotus” is Russian main production area of equipment and components for shipbuilding industry

JSC “USC” (80% of Russia’s shipbuilding) - main executor of the government program “Development of shipbuilding and offshore equipment 2013–2030”
Types of Equipment for Production Localization in Russia

- **Propulsion diesel-generators**
  - Supplier: Wartsilla (Finland)
  - Supplier: MAN (Germany)
  - Supplier: Other manufacturers

- **Auxiliary diesel-generators**
  - Supplier: Wartsilla (Finland)
  - Supplier: MAN (Germany)
  - Supplier: Other manufacturers

- **Shipboard Cranes**
  - Supplier: Liebherr (Switzerland)
  - Supplier: Other manufacturers

- **Bow thrusters**
  - Supplier: Steerprop (Finland)
  - Supplier: Other manufacturers

- **Radio navigation, communication and monitoring systems**
  - Supplier: USC Tranzas (Russia)
  - Supplier: Other manufacturers

- **Azimuthal propulsion system**
  - Supplier: ABB Marine Oy (Finland)
  - Supplier: Steerprop (Finland)
  - Supplier: Other manufacturers

- **Towing winches**
  - Supplier: Fluidmecanica (Spain)
  - Supplier: Other manufacturers

- **Pumping systems**
  - Supplier: Allweier (Germany)
  - Supplier: Other manufacturers
Import Substitution Trends in Fuel & Energy Complex

**High Level Control Systems**
Suppliers:
- **EMERSON** (USA)
- **Honeywell** (USA)
- Other manufacturers

**Downhole Tractors**
Suppliers:
- **Schlumberger** (USA)
- **Welltec** (Denmark)
- **WWT** (USA)
- Other manufacturers

**Centrifugal Gas Compressors**
Suppliers:
- **DRESSER-RAND** (Germany)
- Other manufacturers

**Offshore Cranes**
Suppliers:
- **Liebherr** (Germany)
- Other manufacturers

**Directional Drilling Equipment**
Suppliers:
- **Schlumberger** (USA)
- **Backer Hughes** (USA)
- **Halliburton** (USA)
- Other manufacturers

**Turbines**
Suppliers:
- **Solar** (Finland)
- **Siemens** (Germany)
- Other manufacturers
# Benefits for SEZ “Lotus” Tenants

## Tax Concessions

<table>
<thead>
<tr>
<th>Tax Type</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income Tax</td>
<td>20% for 10 years from the moment of profit-making. After 10 years the tax is 10%</td>
</tr>
<tr>
<td>Property Tax</td>
<td>2,2% for 12 years starting from the date of registration of the land plot property rights</td>
</tr>
<tr>
<td>Land Tax</td>
<td>1,5% for 5 years starting from the date of registration of the land plot property rights</td>
</tr>
<tr>
<td>Transport Tax</td>
<td>Up to 2.5 Euro for 1 HP for 12 years starting from the date of vehicle registration</td>
</tr>
</tbody>
</table>

## Customs Concessions

<table>
<thead>
<tr>
<th>Type</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Import Charge</td>
<td>0% foreign goods (raw materials, equipment, spare parts) according to laws</td>
</tr>
<tr>
<td>VAT for Import</td>
<td>18% 0% foreign goods (raw materials, equipment, spare parts)</td>
</tr>
<tr>
<td>Export Charge</td>
<td>0% outside the territory of the Customs Union (Russia, Kazakhstan, Belarus)</td>
</tr>
<tr>
<td>VAT for Export</td>
<td>0% outside the territory of the Customs Union (Russia, Kazakhstan, Belarus)</td>
</tr>
<tr>
<td>Duration of Customs Registration</td>
<td>72 hours 3 hours</td>
</tr>
</tbody>
</table>

## Legislation

Acts of the RF legislation on taxes and charges, having bad influence on the SEZ Tenants are not applied.

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**SEZ “Lotus” Tenants have sufficient tax and customs concessions**

**SEZ “Lotus” residents are supplied with technical conditions on engineering infrastructure on the border of their land plots**
Process of Obtaining the SEZ “LOTUS” Tenant Status

**THE SEZ “LOTUS” TENANTS**

**STEP 1** PREPARATION OF INVESTMENT PROJECT BUSINESS PLAN AND ALL NECESSARY DOCUMENTS

**STEP 2** APPLICATION FOR OBTAINING A TENANT STATUS

**STEP 3** THE BUSINESS PLAN IS CONSIDERED BY THE SUPERVISORY AND EXPERT COUNCIL

**STEP 4** CONCLUSION OF AGREEMENT ON PURSUIT OF INDUSTRIAL PRODUCTION ACTIVITY

**STEP 5** OBTAINING SEZ MEMBER COMPANY (TENANT) CERTIFICATE

**READINESS TO INVEST AT LEAST 120 MILLION RUB IN A PROJECT.**

**STATUS OF SEZ «LOTUS» TENANT IS VALID UNTIL 2063**

*INCLUDING 40 MLN RUB. IN THE FIRST 3 YEARS OF IMPLEMENTATION OF THE PROJECT (FEDERAL LAW №116 FROM 22.07.2005)*
<table>
<thead>
<tr>
<th>Company</th>
<th>Industry/Activity</th>
<th>Investments</th>
<th>Workplaces</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Svoyee” LLC.</td>
<td>Production of biodegradable irrigation tubes</td>
<td>491 mln rub.</td>
<td>58</td>
</tr>
<tr>
<td>JSC “Shipyard “Lotos”</td>
<td>Shipbuilding, shiprepair, metal constructions and offshore equipment</td>
<td>490 mln rub.</td>
<td>213</td>
</tr>
<tr>
<td>JSC “ATEF-RUSS”</td>
<td>Electrical machinery production</td>
<td>1117.4 mln rub.</td>
<td>191</td>
</tr>
<tr>
<td>JSC “MedInTech”</td>
<td>Production of medical syringes of the 3rd generation</td>
<td>762 mln rub.</td>
<td>51</td>
</tr>
<tr>
<td>JSC “Gexa-Lotos”</td>
<td>Production of geosynthetic materials for construction sphere</td>
<td>328.9 mln rub.</td>
<td>86</td>
</tr>
<tr>
<td>JSC “MCS”</td>
<td>Production of fiberglass boats</td>
<td>1,556.2 mln rub.</td>
<td>116</td>
</tr>
<tr>
<td>JSC “InProyekt”</td>
<td>Production of Sea drones, creation of information analysis center</td>
<td>191 mln rub.</td>
<td>55</td>
</tr>
<tr>
<td>JSC “Protelux Lotos”</td>
<td>Creation of technological complex for production of bioprotein from natural gas</td>
<td>19,294,2 mln rub.</td>
<td>80</td>
</tr>
</tbody>
</table>
Conditions for Business in the Astrakhan Region

Governmental Support of Business

“One-Stop Shop” Principle

Preparation of Engineering Personnel

Culture and Tourism

Athletics

Healthcare System
Welcome to SEZ «Lotus»!

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