SPECIAL ECONOMIC ZONES

Special economic zones in Russia are a large-scale project, aimed at development of Russian regions by attracting direct Russian and foreign investments in high-tech industries and import-substituting manufacturing.

PROTECTING INVESTOR’S RIGHTS

- **SEZ** — state project, aimed at development of Russian regions
- **Direct investments** in high-tech industries and import-substituting manufacturing.
- **Legal status** with tax and customs preferences
- **49 years** — life-span of preferences (since SEZ’s foundation date)
- **30%** reduction of investor’s expenses
- **FL № 116** — guarantee of investor’s protection (Federal law № 116 from 22.07.2005)
- **up to 120 days** — registration of documents, «one-stop-shop» administrative treatment
- **0 euro** — connection to engineering infrastructure
SVERDLOVSK REGION — ONE OF THE MOST ECONOMICALLY AND INDUSTRIALLY DEVELOPED REGIONS OF RUSSIA

TOP 8 regions by GRP in 2017
Gross regional product by subjects of Russian Federation (Gross added value in basic prices, bln. euros)

- MOSCOW: 14,300
- SAINT PETERSBURG: 3,742
- MOSCOW REGION: 3,565
- KHANTY-MANSIYSK AUTONOMOUS DISTRICT: 3,031
- KRASNOGAR REGION: 2,016
- SVERDLOVSK REGION: 1,978
- YAMALO-NENETS AUTONOMOUS DISTRICT: 1,964
- REPUBLIC OF TATARSTAN: 1,938

Source: Rosstat
*Gross regional product — is a difference between release of goods and services and intermediate consumption. GRP is calculated in current basic and market prices (nominal gross regional product), as well as in comparable prices (real gross regional product).

_PROCESSING INDUSTRY IN SVERDLOVSK REGION IN 2017,%_

- 52.2% Other
- 9.3% Food production
- 8.2% Production of other non-metallic mineral products
- 5.1% Production of machinery and equipment not included in other groups
- 4.8% Production of chemicals and chemical products
- 4.4% Manufacturing of finished metal products, except machinery and equipment
- 2.8% Metallurgical production
- 2.4% Manufacturing of other transport vehicles and equipment
- 2.2% Repair and installation of machinery and equipment
- 2.1% Manufacturing of electrical equipment
- 2.1% Manufacturing of computers, electronic and optical products

Volume of shipped goods of own manufacturing, of executed works and services by own forces of organizations of Sverdlovsk area [data by Sverdlovskstat]

35.8% OF INDUSTRIAL PRODUCTION OF URAL FEDERAL DISTRICT IS PRODUCED IN SVERDLOVSK REGION (ACCORDING TO ROSSTAT IN 2017)

6.9 MLN DOLLARS — VOLUME OF EXPORTS FROM THE SVERDLOVSK REGION IN 2017

$3.7 MLN DOLLARS — VOLUME OF IMPORTS TO THE SVERDLOVSK REGION IN 2017
SPECIAL ECONOMIC ZONE «TITANIUM VALLEY»

We create the best conditions for industrial enterprises at the border of Europe and Asia

Mission of SEZ «Titanium Valley»

1 out of 9 special economic zones of industrial-production type in Russia

The only SEZ of industrial-production type which operates within Ural, Siberia and Far East

2 platforms:
Platform «Salda» (2010), Greenfield type
Platform «Uktus» (2018), Brownfield type

345 mln euros — volume of investments declared by residents*

75 mln euros — volume of investments made by residents*

133 — amount of created jobs*

1,5 mln euros — amount of taxes paid

*as of 01.01.2018

PRIORITY SECTORS OF INDUSTRY

Aircraft construction

Titanium products manufacturing

Components and equipment for metallurgy and machinery engineering

Woodworking

Medical equipment production

Construction materials production
PRIVILEGES FOR INVESTORS OF «TITANIUM VALLEY»

PREFERENTIAL CUSTOMS AND TAX TREATMENT
Special economic zone «Titanium valley» — is a territory with a special legal status, customs and tax preferences, and ready-to-use industrial, commercial and social infrastructure.

<table>
<thead>
<tr>
<th>TAX</th>
<th>CORPORATE INCOME</th>
<th>PROPERTY</th>
<th>LAND</th>
<th>TRANSPORT</th>
<th>IMPORT DUTIES</th>
<th>CUSTOMS VAT (ON IMPORTED GOODS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>RUSSIA</td>
<td>20%</td>
<td>2,2%</td>
<td>1,5%</td>
<td>From X% depends on engine power</td>
<td>From 5% to 20%</td>
<td>From 10% to 18%</td>
</tr>
<tr>
<td>TITANIUM VALLEY</td>
<td>2%*</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

*2% — within 10 years from profit receipt
7% — from the 11th to the 15th year of profit receipt
15,5% — from the 16th year of profit receipt
ILLUSTRATION OF TAX PREFERENCES USE FOR RESIDENTS OF SEZ «TITANIUM VALLEY»

**ENTERPRISE EXAMPLE**
**MACHINERY ENGINEERING PLANT**

30 million euros — volume of investments
10 ha plot area

<table>
<thead>
<tr>
<th>Capital investments</th>
<th>30 million euros</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue per year (planned)</td>
<td>8 million euros</td>
</tr>
<tr>
<td>Payroll budget per year</td>
<td>700 000 euros</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Taxes/ contributions</strong></th>
<th>In SEZ «Titanium Valley»</th>
<th>In Russia</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tax rate</strong></td>
<td><strong>Tax sum</strong></td>
<td><strong>Tax rate</strong></td>
</tr>
<tr>
<td>Income tax</td>
<td>3%</td>
<td>40 000 euros</td>
</tr>
<tr>
<td>Property tax</td>
<td>0%</td>
<td>0 euros</td>
</tr>
<tr>
<td>Insurance contributions/payroll tax</td>
<td>30%</td>
<td>210 000 euros</td>
</tr>
<tr>
<td>Customs VAT</td>
<td>0%</td>
<td>0 euros</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>250 000 euros</td>
<td>770 000 euros</td>
</tr>
</tbody>
</table>

*for machine at the cost of 400 000 euros

**520 000 EUROS A YEAR**
tax savings for resident of SEZ «Titanium Valley»

**ENTERPRISE EXAMPLE**
**PLANT FOR PRODUCTION OF METAL CUTTING TOOLS**

2 million euros — volume of investments
2 ha plot area

<table>
<thead>
<tr>
<th>Capital investments</th>
<th>2 million euros</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue per year (planned)</td>
<td>0,5 million euros</td>
</tr>
<tr>
<td>Payroll budget per year</td>
<td>40 000 euros</td>
</tr>
</tbody>
</table>

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</tr>
<tr>
<td>Property tax</td>
<td>0%</td>
<td>0 euros</td>
</tr>
<tr>
<td>Insurance contributions/payroll tax</td>
<td>30%</td>
<td>12 000 euros</td>
</tr>
<tr>
<td>Customs VAT</td>
<td>0%</td>
<td>0 euros</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>15 000 euros</td>
<td>48 700 euros</td>
</tr>
</tbody>
</table>

*for machine at the cost of 30 000 euros

**33 700 EUROS A YEAR**
tax savings for resident of SEZ «Titanium Valley»
HOW TO BECOME A RESIDENT

REQUIREMENTS FOR INVESTORS

II-V Danger class

Industrial production

High-tech production

From 1,7 million Euros – capital investments

600 000 Euro – capital investments to be done during first three years of project implementation

STEPS NECESSARY TO OBTAIN STATUS OF RESIDENT

1. Approval of Project passport with management of SEZ «Titanium Valley»
   - 10 days

2. Registration of legal entity in the territory of Verkhnyaya Salda urban district
   - Up to 10 days

3. Business plan development and approval – 30-45 days
   - 30-45 days

4. Verification of documents package in the Ministry of Investments and Development of Sverdlovsk region, filing an application for Expert Council
   - 5 days

5. Expert Council
   - 1 day

6. Signing of a tripartite Agreement on execution of industrial and production activities in the territory of SEZ
   - during 3 days from the date of EC

7. Receiving a Certificate of Resident
   - during 13 days from the date of signing the Agreement on execution of industrial and production activities
PLATFORM «SALDA». INFRASTRUCTURE.

Customs checkpoint

Substation «Titan» 110/10 kV

Customs inspection point

Waste treatment facilities
PLATFORM «SALDA». RESIDENTS' PRODUCTION FACILITIES.

Production facilities of Ural Boeing Manufacturing

Production facilities of Zibus

Production facilities of Tooling production Minicut

Production project «STOD-Ural»
SEZ «TITANIUM VALLEY» PLATFORM «SALDA»

YEAR OF FOUNDATION – 2010
LAND AREA – 295,4 HA
TYPE — GREENFIELD
DISTANCE TO EKATERINBURG – 180 KM
TO NIZHNIY TAGIL – 35 KM

PRIORITY SECTORS:
- Titanium products manufacturing
- Components and equipment for metallurgy and machinery engineering
- Construction materials production
- Medical equipment production
- Woodworking

ANCHOR RESIDENT — URAL BOEING MANUFACTURING

The territory of the SEZ «Titanium Valley» is located in direct proximity to the «VSMP0-Avisma» corporation, the world leader in production and processing of titanium alloys. Company is a key supplier for Boeing, Airbus, Goodrich, Embraer, General Electric. Ural Boeing Manufacturing, a joint venture of VSMP0-Avisma and Boeing that carries out processing of titanium stampings for aviation purposes, is also located next to SEZ «Titanium Valley».
MAP OF PLATFORM «SALDA»

OBJECTS OF INTERNAL INFRASTRUCTURE
- Gas
- Power supply
- «Titan» power station, 110 kV, 10 MW
- Drinking water supply
- Industrial and fire-working water supply
- Sewage systems

LAND PLOT STATUS
- On hold
- Designed
- Constructed
- In operation
ANCHOR RESIDENTS OF PLATFORMS «SALDA», «UKTUS»

Ural Boeing Manufacturing

Ural Boeing Manufacturing. Entrance to administrative complex

Ural Works of Civil Aviation. Aircraft assembly shop

Construction of «UWCA» aircraft assembly shop
MORE ABOUT INVESTOR'S PROJECTS

«URAL BOEING MANUFACTURING»
Machining of stampings made of titanium alloys and used for aviation purposes.

«ZIBUS»
Production of medical instruments and implants for neurosurgery with the use of titanium alloys.

«STOD»
High-technology woodworking enterprise. Production of LVL-bars and OSP-slabs.

«TOOLING PRODUCTION MINICUT»
Production of cutting instrument Minicut, re-sharpening of end mills for machining titanium, stainless and structural steels, composite materials.

«MICROMET»
Production of powder from titanium alloys and products produced by additive manufacturing.

«STEP»
Manufacturing of modular transforming substations.

«NORDBAZALT»
Production of basalt composite and engineering center for basalt technologies development.

«RUSMED»
Manufacturing of disposable three-component medical syringes.
SEZ «TITANIUM VALLEY» PLATFORM «UKTUS»

YEAR OF FOUNDATION – 2018

LAND AREA – 95,7 HA

TYPE — BROWNFIELD

DISTANCE TO EKATERINBURG — 15 KM

ADVANTAGES

- Runway on the border with the SEZ (within «Uktus» airport)
- International airport «Koltsovo» is in 18 km to the SEZ
- Ready-to-use production premises of different size

ANCHOR RESIDENT — URAL WORKS OF CIVIL AVIATION

UWCA project is a center of aviation cluster, evolving in the platform «Uktus». Production of aviation vehicles: plane «L-410», plane «Diamond DA42T», «Bell 407GXP» helicopters, Airbus helicopters, unmanned aircrafts «Forpost»

PRIORITY SECTORS

- Production of structural elements for aircraft construction
- Assembly of subunits for aircraft construction
- High-tech production
PROVIDED RESOURCES
Platform «Salda»
- Utility and drinking water supply: 262,8 thousand m³/year
- Fire-fighting and industrial water supply: 383,25 thousand m³/year
- Gas supply: 175,2 mln m³/year
- Power supply: 40 MW

Platform «Uktus»
- Water supply: 131,4 thousand m³/year
- Gas supply: 43,8 mln m³/year
- Power supply: 25 MW

LAND PLOT WITH ALL NECESSARY COMMUNICATIONS
- Communication networks
- Gas supply
- Water supply
- Railway transport
- Heat power
- Internal road network

Platform «Salda»
- RENTAL LEASE: From 256 euros/ha — to 512 euros/ha
- BUY-OUT: 1790 euros/ha (7% of the cadastral value)

Platform «Uktus»
- Rental lease depends on volume of investments, industrial specialization, labor productivity of resident’s enterprise

Power supply
SVERDLOVSK REGION: LOCATION ADVANTAGES

EKATERINBURG — IS A BIG TRANSPORT HUB, THAT CONNECTS EUROPEAN AND ASIAN PARTS OF THE COUNTRY

4 600 km of railways are connected to industrial enterprises of the region.

R 500 km

access to 60% of the country's mineral resource base:
- 95% of vanadium
- 70% of bauxites
- 70% of chrysotile asbestos
- 20% of iron ore
- 20% of fire-clay

30,8 thousand km of highways in Sverdlovsk Region

FEDERAL HIGHWAY
M5 Ural — drive to Ekaterinburg

REGIONAL HIGHWAYS:
R242 Perm — Ekaterinburg
R351 Tyumen — Ekaterinburg
R354 Ekaterinburg — Shadrinsk — Kurgan
R402 Tyumen — Yalutorovsk — Ishim — Omsk
R404 Tyumen — Tobolsk — Khanty-Mansiysk

DIRECTIONS OF RAILWAY COMMUNICATION FROM EKATERINBURG:
- Moscow - Beijing
- Moscow — Petropavlovsk
- Moscow — Vladivostok (Trans-Siberian Railway)
- Moscow - Khabarovsk

DIRECTORS OF RAILWAY COMMUNICATION FROM EKATERINBURG:
- Saint-Petersburg
- Tyumen
- Kurgan
- Perm
- Khanty-Mansiysk
- Novoroisskiy
- Novy Urengoy
- Orenburg
EKATERINBURG IS CITY №1 FOR BUSINESS AND INTERNATIONAL COMMUNICATIONS*

BUSINESS CENTER AND A LARGE HUMAN RESOURCE HUB

1 501 652 population [as of 01.01.2018]

120 000 companies from different business sectors

193 large and medium-sized manufacturing enterprises

30 official representations of foreign states

40 educational institutions of higher professional education

Platform for international events

FIFA worldcup host city

International industrial exhibition Innoprom

International airport Koltsovo World brands of hospitality

*№1 – Ekaterinburg in terms of business tourism and events potential among regional Russian cities (R&G 2017)
SVERDLOVSK REGION. LOGISTICS IN 2017*

**FREIGHT TRANSPORTATION**

**AVIA**
24,5 thousand tons
of cargo shipped
at the Koltsovo airport in 2017
Cooperation with
50 airlines, 120 flight directions

**RAILWAY**
140 million tons
of cargo is shipped at Sverdlovsk railway
in 2017 (11% of all shipped cargo in Russia)
205.7 billion
tariff ton-km — cargo turnover in 2017

**AUTOMOBILE**
32.5 million tons
of cargo is shipped in 2017
3.2 billion ton-km in 2017

**PASSENGER TRANSPORTATION**

**AVIA**
135 directions,
5.3 million passengers
In 2017 from Koltsovo airport

**TOP-10**
of best airports of the world
with passenger traffic up to 5 million people

**TOP-10**
of best airports of the world according
to World Airport Awards, Skytrax
(Passenger’s choice)

Best airport
of the macro-region of Russia and CIS,
**Best regional airport**
of the macro-region of Russia and CIS

**RAILWAY**
30.7 million
passengers are transported
by Sverdlovsk railway in 2017

*Data: Russian railways, Ministry of Economics of Sverdlovsk region, Federal air transport agency
INDUSTRIAL SPECIALIZATION OF THE REGION

SVERDLOVSK REGION IS A KEY INDUSTRIAL REGION OF RUSSIA

SHARE OF SVERDLOVSK REGION IN ALL-RUSSIAN PRODUCTION OF INDIVIDUAL PRODUCTS AND RAW MATERIALS

- **Ti** (100%) Titanium alloys
- **70%** main electric locomotives
- **42%** mainline diesel locomotives of new generation
- **35%** metallurgical equipment
- **90%** drilling rigs
- **60%** alumina
- **40%** transformer steel
- **Cu** (33%) blister copper
- **90%** children incubators
- **51%** universal electric motors from 37.5 W
- **40%** freight wagons
- **28%** oil and gas production equipment
- **25%** steel pipes

Data: Ministry of Industry and Science of Sverdlovsk Region
### Foreign Companies in Sverdlovsk Region

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Turnover of Companies with Foreign Capital, Billion Euro</td>
<td>10,66</td>
</tr>
<tr>
<td>Amount of Mixed-Capital Companies (except Banks, Insurance Companies and Other Financial Companies)</td>
<td>693</td>
</tr>
<tr>
<td>Average Number of Employees, Thousand People</td>
<td>109,7</td>
</tr>
</tbody>
</table>

#### Companies That Operate Within Sverdlovsk Region

- Boeing
- Enviromichemie
- Lhoist
- Praxair
- Hilong
- Coca-Cola
- MAKINO
- Schneider Electric
- GE
- Bosch
- ABB
- Siemens
- Ookuuma
- Novartis
- Bayer
- AstraZeneca
- Johnson & Johnson
- Mazak

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According to Sverdlovskstat,

* In 2017

** As of 01.01.2018
HUMAN POTENTIAL (UNIVERSITIES)

21 licensed universities with state accreditation:

17 state universities

4 non-state universities

5 branches of state federal universities (according to Russian educational supervision as of May, 2017)

6 branches of Ural Federal University

234 ENGINEERING AND TECHNOLOGICAL SPECIALTIES, INCLUDING:

- Metallurgy
- Machine-building production
- Repair and assembling of aero crafts and vehicles
- Wood manufacturing
- Chemical technology
- Materials Science and Materials Technology
- Medical biochemistry and biophysics
- Mechatronics and Robotics
- Nanotechnology and microsystem technology
- Nuclear reactors and materials
- Construction and Metrology

Data: according to Federal service for supervision in education and science as of 01.05.2018
HUMAN RESOURCES POTENTIAL

CITIES WITH PERSONNEL RESOURCES FOR SEZ «TITANIUM VALLEY»

- Krasnouralsk: 23,400 people — population
- Svoobodny: 10,000 people — population
- Nizhnyiy Tagil: 356,800 people — population, 52% — working-age population
- Nizhnyaya Salda: 17,660 people — population
- Verkhnyaya Salda: 45,100 people — population, 55% — working-age population
- Alapaevsk: 43,400 people — population
- Nevyansk: 41,100 people — population, 40% — working-age population
- Ekaterinburg: 1,501,600 people — population, 67% — working-age population

SALARIES LEVEL IN SVERDLOVSK REGION IN ACCORDANCE TO INDUSTRIAL SECTOR, EURO / MONTH

- Metallurgical production: 650 euros
- Manufacturing of finished metal products: 625 euros
- Production of machinery and equipment: 575 euros
- Manufacturing of transport vehicles and equipment: 560 euros
- Production of chemicals and chemical products: 530 euros
- Production of construction materials: 485 euros
- Production of electrical equipment: 475 euros
- Woodworking: 288 euros

*as of 01.01.2018*