



# SELECTION OF THE OPTIMAL SITE FOR LOCALIZATION OF PRODUCTION IN RUSSIA



Moscow – April 2015

# VELES CAPITAL: EXPERIENCED INVESTMENT ADVISOR SINCE 1995



## Equity market

- Assets in access of EUR 300 mn are under management by Veles Capital group of companies as of end of 2014
- TOP-10 investment company in Russia by total turnover of securities (about EUR 216 bn as per 2014 NRA ranking)

Veles Capital Investment Company  
Veles Management  
Veles International Ltd (Cyprus)

## Specialization and expertise

- Target customers – mid-cap companies
- Experience in machinery manufacturing, oilfield services, agriculture, construction materials, pharmaceuticals, health care
- In affiliation with Veles Capital Group we offer services in the capital markets, financial expertise of investment projects, financial audit and commercial risk assessment, private equity funds, legal support of investment activities, land development, analytical support



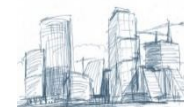
## Private equity and corporate finance

- More than USD 500 mn is the company's total volume of private equity portfolio in Russia, CIS and Europe
- Over 10 projects are currently realized in the field of private equity and management of private equity funds

**Veles Capital Investment Group**  
Veles Capital Investment Company  
Veles Management

## Investment portfolio

- Veles Kaluga industrial park
- Veles Pharma
- Syktyvkar Tissue Group
- Runako
- Smelyansky electromechanical plant
- National Medical Corporation
- Leznikovsky quarry
- Volgo-cement
- Prodalliance
- Basalt research institute of glass plastics and fiber



## Real estate investment

- 28 projects in residential and commercial real estate market segments domestically and abroad
- TOP-15 company by assets volume in closed-end funds by the end of 2014

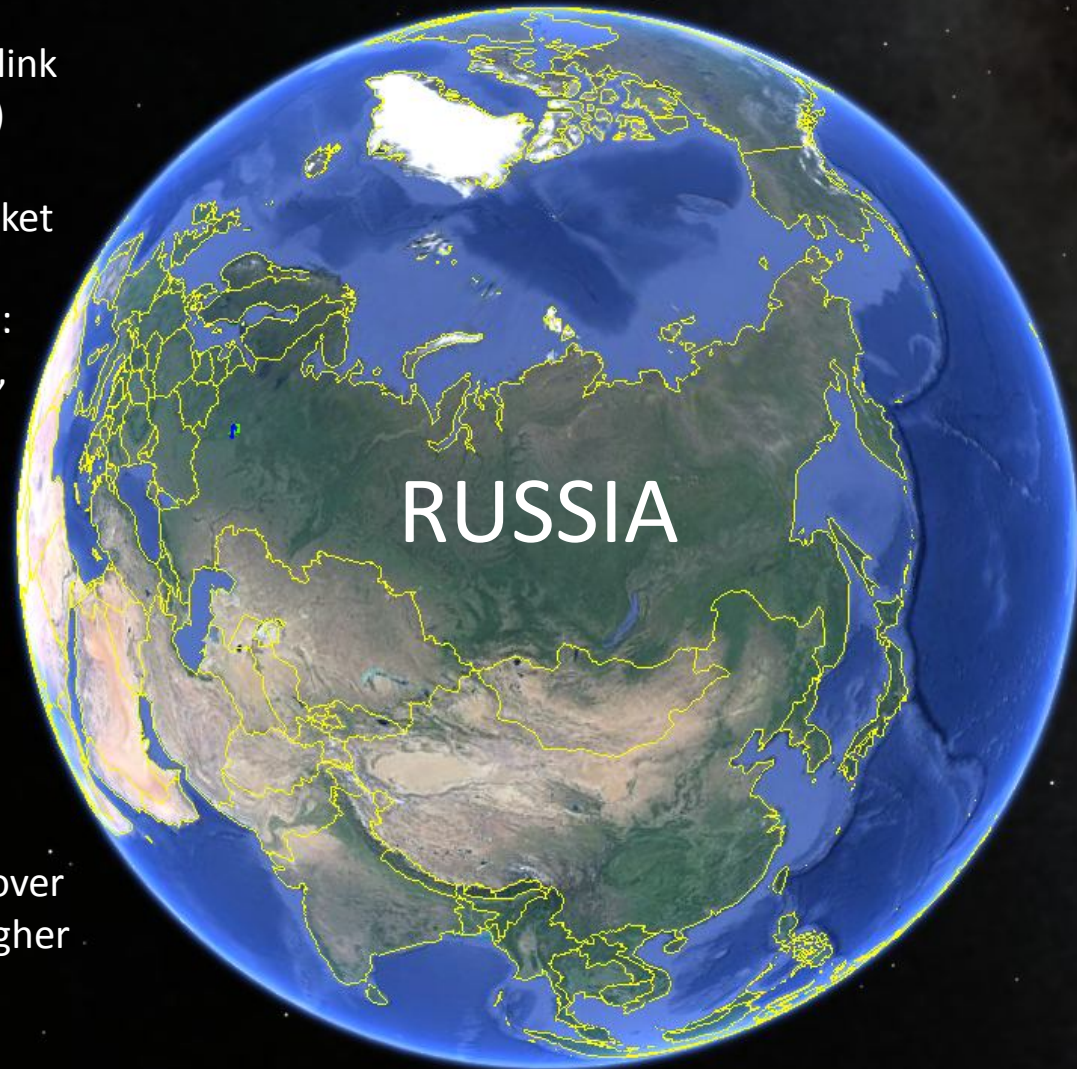
Veles Trust  
Veles Management  
Veles Development

## Management company services

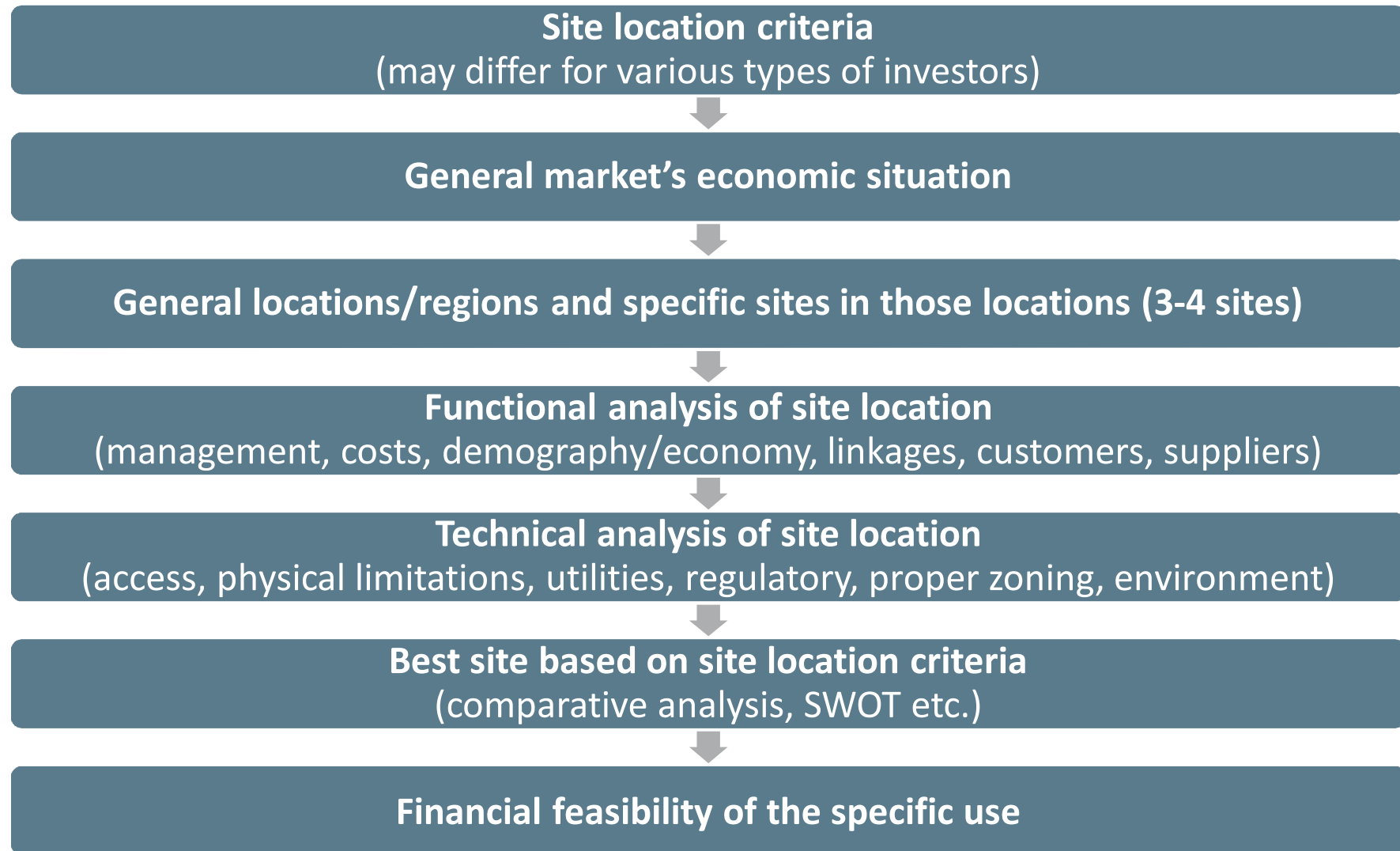
- Land surveying and allocation of land plots, cadastral changes
- Laying of utilities; supply of electricity, gas, water and heat, waste services
- Assistance in obtaining permissions
- Project management and property management, infrastructure maintenance
- Logistics, security, cleaning services and garbage disposal
- Legal, consulting, real estate services and arrangement of financing for construction projects at the industrial park territory

# RUSSIA: APPEALING DESTINATION FOR INDUSTRIAL INVESTMENT

- Unique geographical location (neighboring 16 countries, interlink between the West and the East)
- Huge internal consumption market
- Abundance of natural resources: gas (38%), oil (6%), water (26%), timber (23%)\*
- Developed telecommunication infrastructure
- Relatively low cost of qualified personnel (total – about 76 mn people, 30% highly educated)
- Average ROE – more than 20% over the last 10 years (1,5-2 times higher than that in BRICS)\*



## IDENTIFYING THE RIGHT SITE: GENERAL APPROACH



# GEOGRAPHICAL DISTRIBUTION OF INDUSTRIAL PARKS IN RUSSIA





## SITE LOCATION CRITERIA

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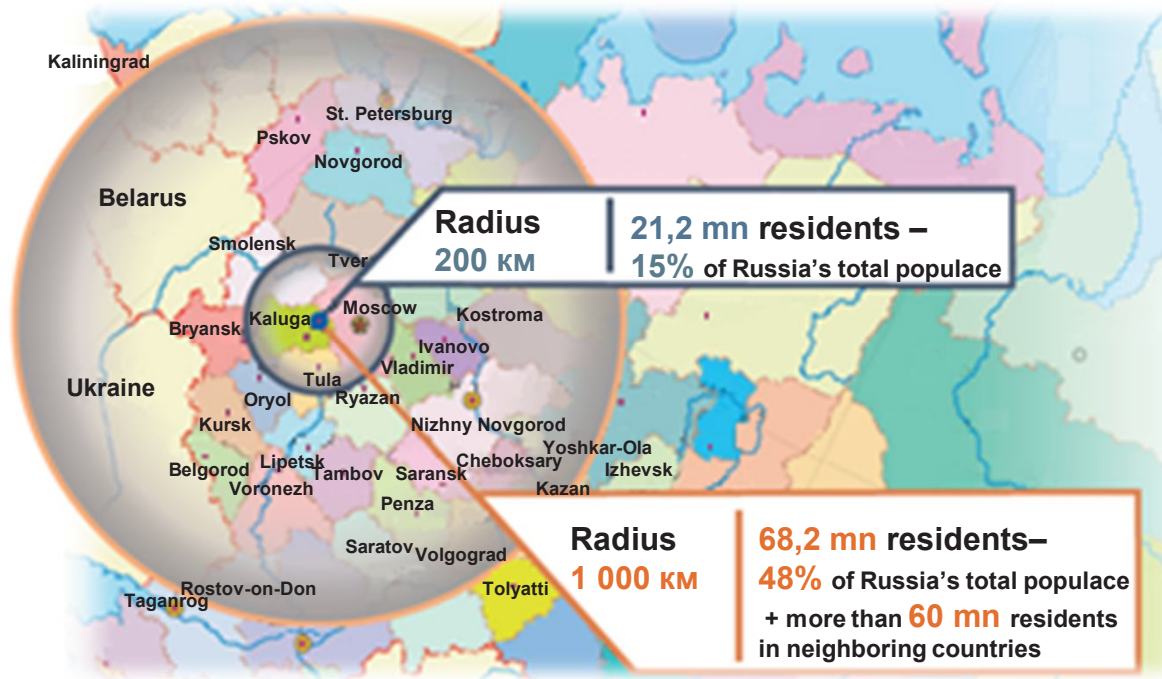


# INFRASTRUCTURE IS CORE FOR INDUSTRIAL DEVELOPMENT



Source: Ministry of Transportation of Russia

# ADVANTAGES OF CENTRAL LOCATION



200 - 1000 KM RANGE	POPULATION, RESIDENTS
Belgorod region	1 532 353
Bryansk region	1 275 354
Vladimir region	1 441 129
Volgograd region	2 607 505
Vologda region	1 201 190
Voronezh region	2 334 809
Ivanovo region	1 060 109
Kostroma region	666 391
Kursk region	1 125 648
Leningrad region	1 718 581
Lipetsk region	1 172 026
Republic of Mary El	695 482
Nizhny Novgorod region	3 307 648
Novgorod region	632 799
Oryol region	785 592
Penza region	1 384 006
Pskov region	671 272
Rostov region	4 275 223
Ryazan region	1 151 838
St. Petersburg	4 899 344
Republic of Mordovia	833 263
Saratov region	2 519 282
Smolensk region	982 887
Tambov region	1 089 700
Republic of Tatarstan	3 787 485
Tver region	1 350 086
Ulyanovsk region	1 290 478
Republic of Chuvashia	1 250 518
<b>Total</b>	<b>47 041 998</b>

200 KM RANGE	POPULATION, RESIDENTS	DISTANCE AND DRIVING TIME TO CITIES WITH CAR PRODUCTION	
Moscow	11 541 101	Kaluga	40 KM 30 min
Moscow region	7 106 215	Moscow	140 KM 2 h
Kaluga region	1 009 191	Nizhny Novgorod	600 KM 8-9 h
Tula region	1 550 330	St. Petersburg	880 KM 12-13 h
<b>Total</b>	<b>21 206 837</b>	Taganrog	1 060 KM 13-15 h
		Tol'yatti	1 100 KM 14-16 h
		Kaliningrad	1 280 KM 17-20 h
		Naberezhnye Chelny	1 300 KM 16-18 h
		Izhevsk	1 450 KM 18-20 h

Source: State Statistics Service, Veles-Capital



## SITE LOCATION CRITERIA (CONTD.)

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# RUSSIAN REGIONAL INVESTMENT CLIMATE INDEX (2014)

Region	Final Grouping (Overall)	Regulatory Environment	Business Institutes	Infrastructure and Resources	Small Business Support
<u>Kaluga region</u>	A	1	1	1	1
<u>Ulyanovsk region</u>	A	2	1	4	1
<u>Krasnoyarsk territory</u>	A	1	2	1	3
<u>Republic of Tatarstan</u>	A	2	3	2	1
<u>Kostroma region</u>	A	2	2	3	2
<u>Tula region</u>	B	2	2	3	3
<u>Krasnodar territory</u>	B	1	4	2	4
<u>Tomsk region</u>	B	3	4	3	2
<u>Altai territory</u>	B	3	1	4	5
<u>Vladimir region</u>	C	4	3	3	4
<u>Rostov region</u>	C	3	4	2	5
<u>Chelyabinsk region</u>	C	4	4	3	2
<u>Leningrad region</u>	C	5	1	2	5
<u>Republic of Sakha (Yakutia)</u>	D	5	4	3	1
<u>Samara region</u>	D	4	4	5	1
<u>Khabarovsk territory</u>	D	5	3	3	3
<u>Moscow</u>	D	5	3	2	4
<u>Sverdlovsk region</u>	E	4	5	2	4
<u>Stavropol territory</u>	E	4	5	4	2
<u>Saint Petersburg</u>	E	5	5	2	3
<u>Primorsky territory</u>	E	5	5	5	5

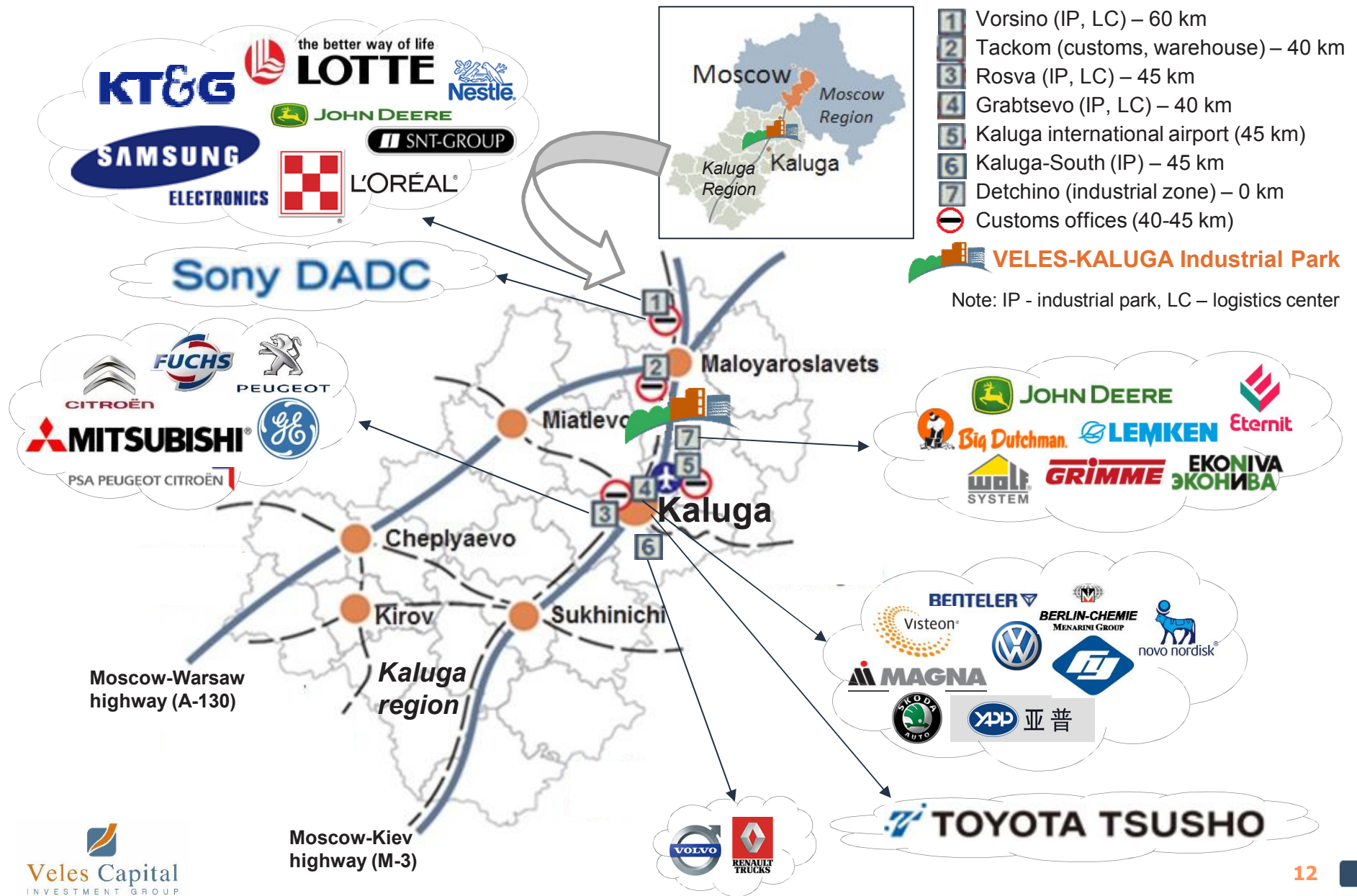
Note: Group A - best performing, Group E – worst performing

Source: Agency for Strategic Initiatives

# FUNCTIONAL ANALYSIS OF SITE LOCATION



# VELES-KALUGA CASE STUDY: FUNCTIONAL CONSIDERATIONS



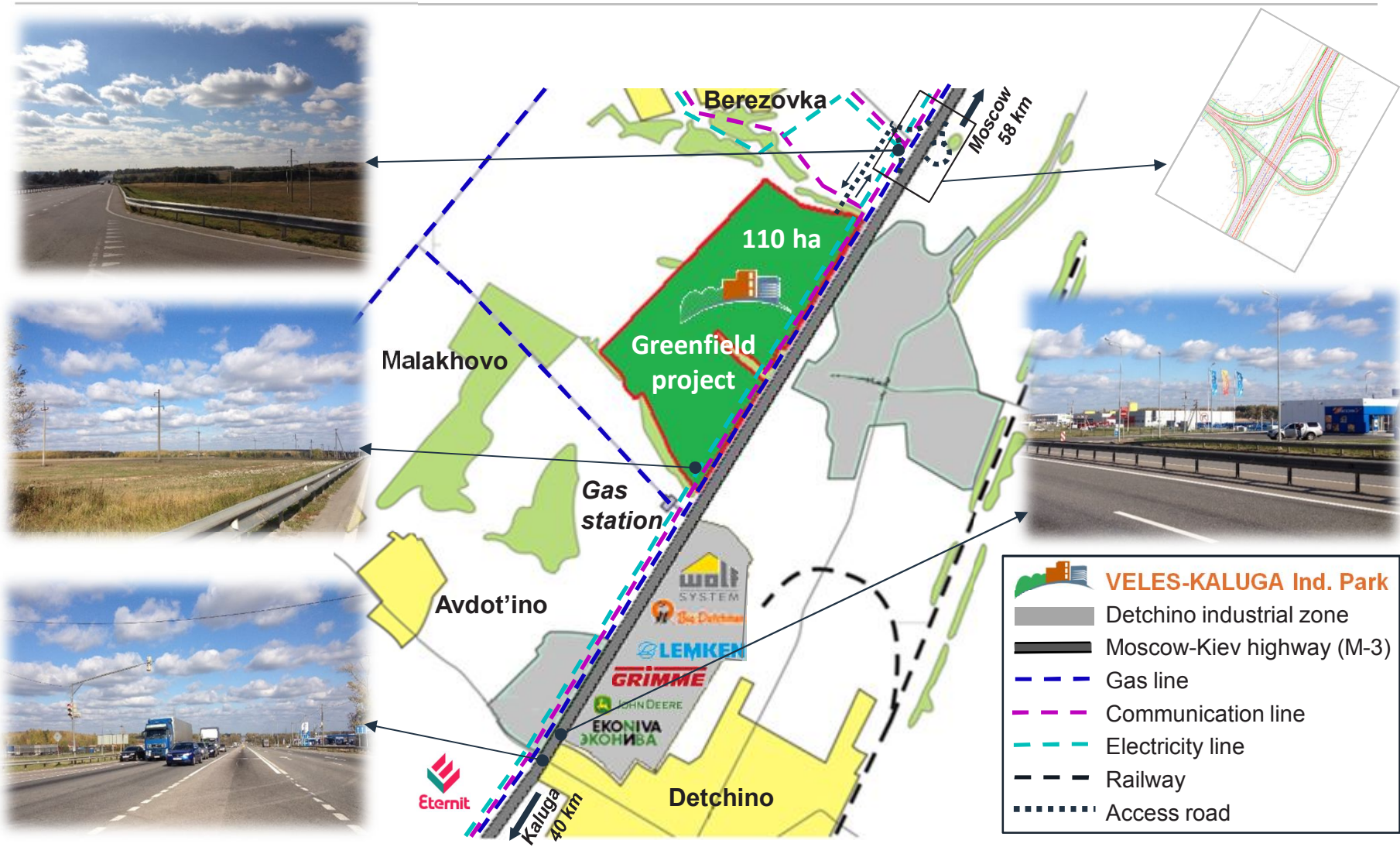


# TECHNICAL ANALYSIS OF SITE LOCATION

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# VELES-KALUGA CASE STUDY: TECHNICAL CONSIDERATIONS





**THANK YOU FOR YOUR ATTENTION!**  
**REMAIN READY TO ANSWER YOUR QUESTIONS.**

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