Investment potential of the Pskov region

Administration of the Pskov region
September 2013
The Administration of the Pskov region offers you to consider the opportunity to set up production of your company in the territory of the region.
Favorable geographic location

Border crossing points

**Automobile:**
- Kunichina Gora (RUS) – Koidula (EST)
- Shumilkino (RUS) – Luhamaa (EST)
- Ubylinka (RUS) – Grebnova (LV)
- Burachki (RUS) – Terehova (LV)
- Ludonka (RUS) – Vientuli (LV)

**Railway:**
- Pechory Pskovskye (RUS) – Orava (EST)
- Posin’ (RUS) – Zilupe (LV)
Developed infrastructure

- Program on development of investment activity infrastructure (5.4 bln RUR)
- Program on modernization of heat power facilities of the region (5.7 bln RUR)
- Program on reconstruction of existing networks and substations and construction of new facilities (6.2 bln RUR)
- Project on integrated reconstruction of Pskov Airport.
- Reconstruction of the main regional roads. Construction of a northern bypass road around Pskov.
Affordable infrastructure

Prices and tariffs for natural gas, power, water supply and disposal

**Cost of power, EUR/kWh**

- Poland: 0.14
- Latvia: 0.11
- Pskov region: 0.09

**Cost of gasoline, EUR/l**

- Gasoline 95: 1.65
- Diesel: 1.5

**Average maximal cost of gas, EUR/1000 m³, net of VAT**

<table>
<thead>
<tr>
<th>Region</th>
<th>Agriculture</th>
<th>Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poland</td>
<td>104.48</td>
<td>104.48</td>
</tr>
<tr>
<td>Latvia</td>
<td>0.47</td>
<td>0.47</td>
</tr>
<tr>
<td>Pskov region</td>
<td>0.47</td>
<td>0.47</td>
</tr>
</tbody>
</table>

**Average tariff for water supply and disposal, EUR/m³**

<table>
<thead>
<tr>
<th>Region</th>
<th>Agriculture</th>
<th>Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poland</td>
<td>0.76</td>
<td>0.75</td>
</tr>
<tr>
<td>Latvia</td>
<td>0.76</td>
<td>0.75</td>
</tr>
<tr>
<td>Pskov region</td>
<td>0.76</td>
<td>0.75</td>
</tr>
</tbody>
</table>

Prerequisites for cooperation
Pskov Region Development Agency provides assistance in search and allocation of land plots for implementation of investment projects. Assistance in search for potential partners, availability of unfinished buildings (upon request).

Works on the site start in 6-8 months.
Raw materials base

Significant peat reserves
329 deposits (reserves of 563.5 mln ton)
101 deposits are ready for extraction
(reserves of 100 mln ton)
292 deposits to be developed in future
(reserves of 181.8 mln ton)

Deposits of non-metallic mineral resources:
Limy earth (reserves of 27 mln m³)
Low-melting clay (reserves of 35 mln m³)
Sand and gravel materials (reserves of 107.2 mln m³)

Forest reserves – 2.4 mln ha.
Rated wood cutting – 5.7 mln m³,
including coniferous trees – 1.7 m³

Prerequisites for cooperation
**Favorable investment climate**

- Individual support of investors at all stages of project implementation
- Special support measures in strategic sectors (tax privileges, subsidies)
- Prompt search for land lots
- Support of SMEs

Tax privileges are provided for 5 years

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**Tax privileges on property tax**

1. Property tax
2. Profit tax

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1. 2,2%
2. 0,01%

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1. 18%
2. 13,5%

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Prerequisites for cooperation
Prerequisites for cooperation

Customs infrastructure

Opportunity to enjoy simplified border-crossing regime, a dedicated lane

- JSC “Rostek-Pskov” temporary storage warehouse
- JSC “TLT Ubylinsky” TSW
- LLC “NSU Logistic” TSW
- JSC “Rostek-Pskov” TSW
- LLC “RUS-SERVIS terminal” TSW
- LLC “Terminal M9” TSW
- LLC “ROSTEK NTB” TSW
- LLC “SPM” TSW
Experience in working with foreign investors

- LLC "Dobruchi 2": Trigon Agri: Ukraine, Russia and Estonia. Dairy farm, 31.25 mln EUR.
- LLC "Idavang": Denmark. Animal breeding, 4.5 mln EUR.
- LLC "RosBioProm": Sweden. Wood processing complex, 60 mln EUR.
- "Tetra Electric" Group: Denmark. Utilities, 8 mln EUR.
- LLC "TANN Nevsky": Austria. Paper production, 25 mln EUR.
- LLC "Dula RU": Germany. Furniture production, 5.7 mln EUR.

Prerequisites for cooperation
Industrial production Special economic zone MOGLINO

Moglino SEZ PPT
Pskov region, Russia
Moglino SEZ general information

Established on: July 19, 2012
Duration: 49 years
Area: 215 ha

Distance to Pskov: 8 km
Management: OAO «SEZ PPT «Moglino>
**Moglino SEZ logistics**

- **Roads:**
  - M9 Moscow – Latvian border (Baltia)
  - M10 Moscow – Saint-Petersburg
  - M20 Saint-Petersburg – Odessa

- **Railroads:**
  - Moscow, Saint-Petersburg, Vilnius, Riga

- **Air connection:**
  - international airport
  - medium-haul aircrafts (up to 250 t)
  - passenger travel Pskov – Moscow

**Border crossing points**

- **Automobile:**
  - Kunichina Gora – Koidula
  - Shumilkino – Luhamaa
  - Ubylinka – Grebnevo
  - Burachki – Terekhovo
  - Ludonka – Vientuli

- **Railway:**
  - Pechory Pskov – Orava
  - Posin – Zilupe

5 customs and logistics terminals
Moglino SEZ management

On June 18, 2013 Moglino SEZ, JSC and Jurong Consultants Pte Ltd signed an Agreement on consultancy, marketing and management services for Moglino SEZ.

September 9-16, 2013
Kick-off visit of Jurong consultants to Pskov to implement the Agreement.
Moglino SEZ integration to urban surroundings

Future multimodal hub: airport, railway station, M20 road

Moglino SEZ

Borisovichi residential area

8 km

Pskov historical center

M20 road

Future multimodal hub: airport, railway station, M20 road
Moglino SEZ key industrial areas

- Logistics
- Railway equipment production
- Communal equipment production
- Agriculture equipment production
- Electrotechnics and consumer electronics production
- Automobile components production
- Construction materials production
- Reserve production area
M oglino SEZ development: Land lots

<table>
<thead>
<tr>
<th>Tenant type</th>
<th>Rental rate, RUR / ha / year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Investor below 400 mln RUR</td>
<td>59 154,0</td>
</tr>
<tr>
<td>2. Investor upward of 400 mln RUR</td>
<td>53 283,6</td>
</tr>
<tr>
<td>3. Investor upward of 800 mln RUR</td>
<td>41 442,8</td>
</tr>
<tr>
<td>4. Investor upward of 1200 mln RUR</td>
<td>29 602,0</td>
</tr>
<tr>
<td>5. Common good infrastructure investor</td>
<td>59,2</td>
</tr>
</tbody>
</table>

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**Diagram:**
- **Original plots**
- **Sub-division of a large lot**
- **Single large lot**
- **2 smaller lots**
Moglino SEZ development: Land lots

Land purchase conditions:
• tenant shall own the facility constructed on the land lot
• the facility is constructed and commissioned

Land lot purchase price calculation formula:

\[ \text{land lot size (m}^2\text{)} \times 296,02 \times 20\% \]

296,02 – cadastral value multiplier (defined by Russian State register)
20% – coefficient (defined by regional legislature)

Land lot purchase price calculation example:

1 ha (10 000 m\(^2\)) \times 296,02 \times 20\% = 592 040 RUR
Moglino SEZ development: Infrastructure

- Infrastructure is constructed at the cost of Federal and Regional budgets
- Every resident is granted with an access to infrastructure while constructing and operating
- Infrastructure access points are at every lot border
- Resource consumption price:

<table>
<thead>
<tr>
<th>Resource type</th>
<th>Price per UM*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Gas, m³</td>
<td>3,83 RUR</td>
</tr>
<tr>
<td>2. Power supply, kWh</td>
<td>3,32 RUR</td>
</tr>
<tr>
<td>3. Water supply, m³</td>
<td>17,56 RUR</td>
</tr>
</tbody>
</table>

* Current consumer rates
### Moglino SEZ development: Infrastructure

<table>
<thead>
<tr>
<th>Infrastructure object</th>
<th>2014</th>
<th>2015</th>
<th>2018</th>
<th>2020</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Power substation 110/10 kV</td>
<td>40 MVA</td>
<td>+ 40 MVA</td>
<td>+ 40 MVA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Gas supply</td>
<td></td>
<td></td>
<td>3100 thous.m³/year</td>
<td>6600 thous.m³/year</td>
<td></td>
</tr>
<tr>
<td>3. Telecommunication</td>
<td></td>
<td></td>
<td>462 N</td>
<td>913 N</td>
<td></td>
</tr>
<tr>
<td>4. Water supply</td>
<td></td>
<td></td>
<td>2600 thous.m³/day</td>
<td>4900 thous.m³/day</td>
<td></td>
</tr>
<tr>
<td>5. Water removal</td>
<td></td>
<td></td>
<td>1700 thous.m³/day</td>
<td>3500 thous.m³/day</td>
<td></td>
</tr>
<tr>
<td>6. Transport infrastructure</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Customs infrastructure</td>
<td>14 lines</td>
<td></td>
<td></td>
<td>10+15 lines</td>
<td>12+18 lines</td>
</tr>
<tr>
<td>8. Business infrastructure</td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>9. Landscaping</td>
<td></td>
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<td></td>
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<tr>
<td>10. Social infrastructure</td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>
## Moglino SEZ taxation policy: Benefits for tenants

<table>
<thead>
<tr>
<th>Tax</th>
<th>Normal rate</th>
<th>Moglino SEZ tenant rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Corporate profit tax</td>
<td>2% to Federal budget 18% to Regional budget</td>
<td>2% to Federal budget 13,5% to Regional budget*</td>
</tr>
<tr>
<td>2. Corporate property tax</td>
<td>2,2%</td>
<td>0%</td>
</tr>
<tr>
<td>3. Land tax</td>
<td>1,5%</td>
<td>0%</td>
</tr>
<tr>
<td>4. Transport tax</td>
<td>2.5-15 RUR per hp</td>
<td>0 RUR per hp</td>
</tr>
<tr>
<td>5. Imported equipment, raw materials and components duties</td>
<td></td>
<td>0%</td>
</tr>
<tr>
<td>6. Equipment, materials and component VAT (excluding Customs union**)</td>
<td></td>
<td>0%</td>
</tr>
<tr>
<td>7. Export duties for ready goods exported beyond Customs union</td>
<td></td>
<td>0%</td>
</tr>
</tbody>
</table>

* The regional component of the Tax may be reduced to 0% which shall be fixed in the Pskov region legislature

** Customs union includes Russian Federation, Kazakhstan and Belarus
SEZ Customs policy regarding goods produced from foreign goods under Free Customs zone regime*, and Customs Union goods

- for tenants registered before January 1, 2012, valid until January 1, 2017
- without duties or taxes

Agreement on free (special) economic zones in the customs territory of the Customs union and customs procedure of customs free zone
June 18, 2010

- goods get a status of ‘foreign goods’
- goods go under a customs procedure for domestic consumption release including payment of duties and taxes

Russian Federation joins WTO
August 22, 2012

* Free Customs zone is a customs procedure which is used to locate and use goods in SEZ without paying customs duties and taxes, as well as without applying non-tariff measures for foreign goods and without bans and restrictions for Customs Union goods
SEZ customs policy: VAT

Goods after processing

Supplier (foreign or Russian) 0% SEZ tenant 18% Buyer (other SEZ tenant or foreign) 0% Russian buyer**

* VAT refund is possible for general business expenditures
** The buyer can apply for VAT refund

Equipment and raw materials for SEZ needs

Foreign equipment imported for SEZ needs is VAT free
Entrance requirements to tenants

- **Legal form:**
  - commercial excluding unitary enterprises;
  - registered as a legal body in the Pskov district of the Pskov region.

- Shall sign a Tripartite agreement with the Ministry of Economic development of RF and Moglino SEZ Management company defining:
  - type of activity (industrial production or logistics only);
  - volume and terms of investment.

- Capital investments upwards of 120 mln RUR (excluding intangible assets), including 40 mln RUR – within first 3 years after Tripartite agreement signing.
Tenant status acquisition order

Step 1: Register the legal body in the Pskov district of the Pskov region

Step 2: Apply to sign a Tripartite agreement with the Ministry of economic development of RF and Moglino SEZ Management company

Step 3: Present the investment project at the Supervisory Board

Step 4: Present the investment project at the Expert Board under the Ministry of economic development of RF

Step 5: Sign a Tripartite agreement with the Ministry of economic development of RF and Moglino SEZ Management company

Application shall include:
- business plan;
- copies of constituent documents;
- copy of the Certificate of incorporation;
- copy of Tax registration certificate.
Thank you and welcome!

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