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Investment potential of Russia

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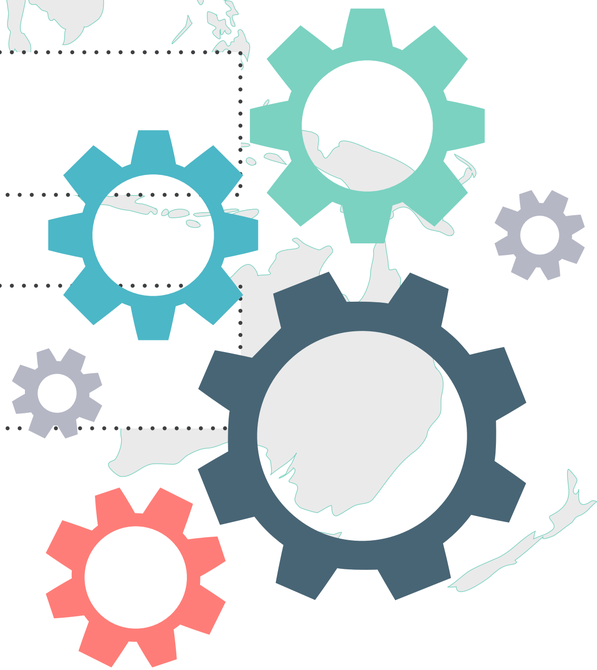
Investment potential of Russia

In January-April 2017 total machinery imports amounted to **$ 1.1 billion**
(19% more than the same period in 2016)

In January-April 2016 total machinery imports amounted to **$ 948 million**

Share of machinery imports in total imports in 2016 was **42%**

Share of machinery imports in total imports in 2015 was **49.7%**



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Russian-Italian cooperation and investment projects

Russian-Italian cooperation in the industrial sphere goes beyond export-import operations.
In our asset there are significant cooperation and investment projects.

Most upcoming industries:

- **Aviation industry**
- **Pharmaceutical Industry**
- **Transport Machinery**
- **Metallurgy**

cooperation on the
Sukhoi Superjet 100 project

in May-June this year was reached an agreement to establish an aviation cluster with components production location in Venice

- *currently **about 500** Italian companies are represented on the Russian market*
- ***70** of them (just under 20%) have their own production*

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Russian-Italian investment projects

Many common investment projects are also implemented in other high-tech industries: machine tool building, oil-and-gas machinery and power engineering.

We are interested in expanding the range of machine tools and agricultural machinery products produced on the territory of Russia.

Domestic consumption of machine tools reached **85.7 billion roubles** in 2016.
(-3.7% of value in 2015)

Domestic production of machine tools reached **7.7 billion roubles** in 2016.
(+4% of value in 2015)

In the medium term there is a need for a wide range of machine tools:
measuring equipment, high-precision machine tools class A (grinders, polishing machine tools), high-production machines, machines with NC systems, bridge machines, turning mills, gear production equipment e.t.c.

There is a need for production localisation of full range of spare parts and components:
cabin components, motors, transmission gears, hydraulics, axles.

There is also a need for localisation of fabrication, assembly and paint shops.

We are also interested in localisation of complete cycle production facilities in other industries.

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Development of high-tech industries

Development of high-tech industries are implemented through **6** relevant state programs

State programs are aimed at development following industries:

- **Aviation industry**
- **Shipbuilding Industry**
- **Electronic Industry**
- **Radioelectronic Industry**
- **Pharmaceutical Industry**
- **Medical Industry**

→ renewal of fixed capital assets

→ adoption of modern manufacturing technologies

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Special Investment Contracts (SPIC)

Special Investment Contract - important tool for development of high-tech industries

SPIC is an agreement between an industrial investor and the state which sets forth

- the guarantees for stable tax and regulatory conditions and provision of incentives in the industrial sector
- the obligations of the investor to create (or modernize) industrial production facilities and set up production within the timeframe stipulated by the contract

Duration of the SPIC = time for the project to become operationally profitable + 5 years (but not more than 10 years)

State's benefits from the SPIC:

- production localization
- adoption of the best manufacturing technologies
- job creation

Investors's benefits from the SPIC:

- stable tax and regulatory business conditions
- special federal and regional incentives for the SPIC parties

A special investment contract is an agreement between the investor and the state under which the investor undertakes to create or modernize production facilities for the manufacture of industrial products in Russia, and the state undertakes to provide the investor with incentives for production activity

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Signed Federal SPIC

- **MAZDA SOLLERS Manufacturing Rus LLC – *Primorye Territory***
Establishment of a plant for production of motor vehicle engines for export
- **CLAAS LLC – *Krasnodar Territory***
Modernization of the CLAAS agricultural machinery plant in Krasnodar
- **DMG MORI AG Group – *Ulyanovsk Region***
Construction of the Ulyanovsk machine-tool plant
- **HMS Livgidromash JSC – *Orel Region***
Localization of production of pumps for oil refining
- **Tomskie Technologii Mashinostroeniya LLC – *Tomsk Region***
Setting up serial production of domestic blowoff and control valves, electric drives and electric devices
- **EuroChem-VolgaKaliy LLC – *Volgograd Region***
Potash processing plant with a capacity of 2.3 mln t per annum of 95% KCL from the Gremyachinskoe deposit
- **EuroChem UKK LLC – *Perm Territory***
Establishment of ammonia industrial production: Usolskiy Potash Complex
- **Mercedes-Benz RUS JSC – *Moscow Region***
Establishment and development of industrial production of "Mercedes Benz" wheeled vehicles
- **Transneft – Siberia JSC – *Tyumen Region***
Mastering the manufacture of equipment for the operation of trunk oil pipeline facilities

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Tax Incentives

Non-application of those provisions of legislation on taxes and charges which deteriorate conditions for parties to a SPIC before the SPIC expiry date / before the expiry dates of privileges stipulated as of the date of entry into the SPIC

Application of this incentive is possible for those investors only who have signed the SPIC with the Russian Federation

An opportunity to reduce the rate of the profit tax to be credited to the federal budget and budgets of constituent entities of the RF down to 0%

Application of the preferential rate is possible for those investors only who have signed the SPIC with the Russian Federation and a constituent entity of the Russian Federation (subject to appropriate regulations to be enacted by the region)

Reduced to 0% profit tax rate to be credited to the federal budget and budgets of constituent entities of the RF

Application of the preferential rate is possible for those investors, whose sales income of products manufactured under a SPIC being no less that 90% of the total income considered for the determination of the investor's tax base

For purchasers of products: accelerated depreciation (equalling index 2 at the most) to fixed assets manufactured in accordance with conditions of a SPIC and included into depreciation groups 1 to 7

The manufacturer has the right under the SPIC to issue certificates to purchasers of its products manufactured under the SPIC for the application of accelerated depreciation

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Special Investment Contracts (SPIC)

Implementation of the SPIC will achieve following indicators

- The total volume of declared investments in industry within these projects - not less than **265 billion roubles** within the SPIC - not less than **150 billion roubles**
- Production volume will exceed **1 000 billion rubles**
- Sales volume will exceed **1 500 billion rubles**

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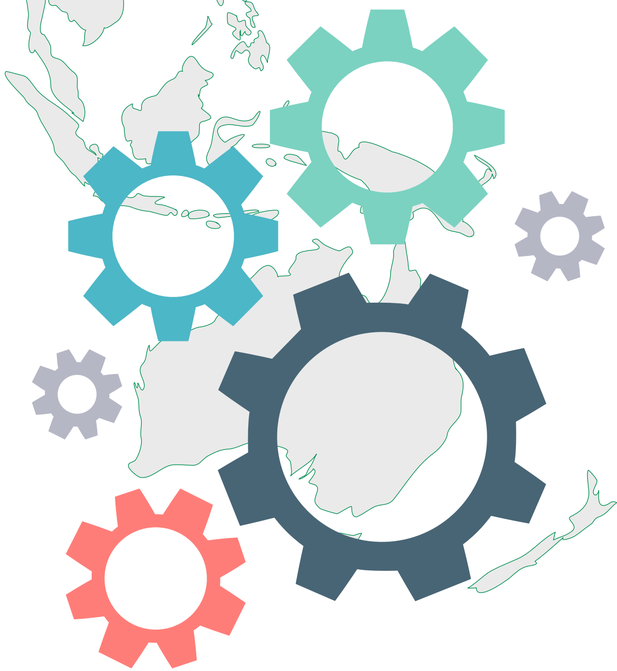
Thank you for your attention!