Investment Guide to the Republic of Bashkortostan

Ufa 2017
Dear Friends,

Welcome to the Investment Guide to the Republic of Bashkortostan! Bashkortostan is among the leading and dynamically developing regions of Russia. Its location at the intersection of main traffic arteries, abundant resource potential, well-developed industry and infrastructure, as well as highly skilled labor force, attract investors to our region.

In terms of total investment to subjects of the Russian Federation, Bashkortostan today remains in the top ten. A comfortable business environment has been created in our region. We have undertaken massive work to improve the investment climate in terms of the development of local legislation, and to ensure that investors receive top quality service. Apart from the traditional measures of financial support, there are also special incentives in place in Bashkortostan. Land plots are leased out to investors without tenders, while costs of building infrastructure are reimbursed. We have created a pledge fund that provides collateral security upon receipt of investment loans.

Federal mechanisms of investment activity development are used extensively. There is effective cooperation with Vnesheconombank and the Monocity Development Fund aimed at diversifying the economy of the single-industry regions of the republic, as well as increasing the investment inflows to them. One significant event of 2016 was the creation of social and economic development areas in such monocities as Belebey and Kumertau, where additional business support tools are used.

We are interested in developing cooperation in order to implement the most ambitious and large-scale projects in the republic. We guarantee investors an optimal business environment and prompt solutions to all emerging issues. We are ready for dialogue and the creation of mutually profitable partnerships.

Best regards,

Rustem Khamitov
Head of the Republic of Bashkortostan
Greetings from
Dmitriy Chaban,
Managing Partner
of Deloitte Ufa

Dear Colleagues,

We are pleased to present the fourth issue of the Investment Guide to the Republic of Bashkortostan prepared by Deloitte CIS jointly with the Ministry of Economic Development of the Republic of Bashkortostan and the Development Corporation of the Republic of Bashkortostan. This guide contains information on the region’s competitive advantages, priority areas for investment, measures of government financial and non-financial support, and innovation activity in the republic.

For the third year in a row, the Republic of Bashkortostan has acted as the organizer of an international small business forum for SCO and BRICS countries, where representatives of large businesses and the expert community, together with the heads of the respective government agencies and regional authorities of the SCO and BRICS countries, discuss prospects and strategies for small businesses.

We support the initiatives of the government of the Republic of Bashkortostan and the Development Corporation of the Republic of Bashkortostan aimed at improving the regional investment climate. We have a positive outlook on the prospects of our cooperation in terms of supporting investment projects and developing the regional economy in general.

We are confident that the Investment Guide to the Republic of Bashkortostan will be a useful source of information for investors and for all those who see significant potential in the region for the completion of their projects.

Yours sincerely,
Dmitriy Chaban
Managing Partner,
Deloitte Ufa
Dear Friends and Partners,

On behalf of the Development Corporation of the Republic of Bashkortostan, I am pleased to welcome you to the Investment Guide to the Republic of Bashkortostan!

Our team supports investment projects in the Republic of Bashkortostan at all implementation stages: from the concept development stage to the commissioning of facilities. Our specialists’ expertise allows us to start working on an investment project at any stage and complete all tasks efficiently. We are ready to provide comprehensive support to all investors seeking to develop their business in the Republic of Bashkortostan. We would be pleased to cooperate with you on a long-term basis. I am confident that the Republic of Bashkortostan will open new horizons for you!

Best regards,

Oleg Golov
General Director, Development Corporation of the Republic of Bashkortostan

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General information about the Republic of Bashkortostan

Capital: Ufa
Population of Ufa: 1.1 million
Rank among Russia’s cities with a population of over 1 million people cities: 11th
Total area: 143,000 sq. km, (0.8 percent of the total area of Russia)

Population of the Republic of Bashkortostan: 4.07 million people
Proportion of urban population: 61.91 percent
Population density: 28.4 people per sq. km

Time zone: 2 hours ahead of Moscow

Official languages: Russian and Bashkir

Ethnic composition: more than 100 ethnicities. The predominant ethnic groups are Russians (36.1 percent), Bashkirs (29.5 percent) and Tatars (25.4 percent).

Climate: continental, with warm, humid summers and moderate winters. Average temperature: −15°C in January +18°C in July
Seven reasons for doing business in the Republic of Bashkortostan

Favorable location
The Republic of Bashkortostan lies at the intersection of Europe and Asia, at the crossing of the most important waterways, rail, pipelines and highways that connect the European part of Russia with the Urals, Siberia and Central Asia. The following transportation and logistics factors create favorable conditions for the import and export of raw materials, fuel and finished goods, and for the development of economic ties with other countries:

• The Trans-Siberian railway, passing through the territory of the republic, connects the central part of Russia with Siberia, the Far East and the countries of Central Asia.

• The republic has access to five seas (Caspian, Azov, Black, Baltic and White) via the Belaya, Kama, and Volga rivers.

• The M5 Ural and M7 Volga highways, as well as P-240 Ufa—Orenburg road connect Ufa with many industrial centers of Russia and the CIS countries.

• Ufa international airport with a total capacity of 800 passengers per hour serves Russian and international flights. Runways are suitable for large cargo and passenger aircrafts including Boeing 747 and Boeing 777. The flight time to Moscow is approximately two hours.
Rich raw materials base and land resources
The territory of the Republic of Bashkortostan is rich in minerals, with more than 60 types of minerals in total. There are about 3,500 mineral deposits in the republic, including 250 oil fields.

In terms of natural resources, Bashkortostan is among the leading regions in Russia:
• **Largest** producer of rock salt
• **Second-largest** oil refiner
• **Ninth-largest** oil producer

The land area of the Republic of Bashkortostan is over 14 million hectares. There are gray forest soils (along the right bank of the Belaya River, below the mouth of the Sim River), soddy-podzolic soils (northern part of Bashkortostan), black soils (on the left bank of the Belaya River and in the Bashkir Trans-Urals Region), and mountain soils.

Tourism attractiveness
Rich hydrological resources, diverse and unique flora and fauna, attractive natural landscapes, natural areas of preferential protection and areas with a conservation status, historical, cultural and natural monuments of national and international importance provide investors with broad opportunities to develop tourism and recreational activities in the region.

The Republic of Bashkortostan is one of the leading Russian regions for health and medical tourism, as well as a major center for mountain sports and skiing (Olympic Park, Abzakovo, Ak-Yort, Arsky Kamen, Assy-Tau, Kandyry-Kul, Kush-Tau, Metallurg-Magnitogorsk, Mratkino, Pavlovsky Park, etc).

There are about 300 solutional caves, 600 rivers, 800 lakes, mountain ranges, 3 national parks, more than 3,000 historical, art, cultural and archaeological monuments, more than 30 sanatorium-resort centers (Zelenaya Roscha, Krasnousolski, Yumatovo, Yakty-Kul, Yangan-Tau, Talkas, Assy, Tany, Yubileyniy, Karagai, Ai, etc.) within the territory of the republic.

Reasons for tourism attractiveness:
• Picturesque natural scenery
• Cultural heritage (Lake Kandyrykul, Shulgan-Tash nature reserve and Kapova cave, which are part of the Bashkir Ural biosphere reserve)
• Well-developed transportation infrastructure

There is a wide range of accommodation options, including international hotel chains, present in the region (Sheraton, Holiday Inn, Hilton Garden Inn, Iremel, Hampton by Hilton Ufa, Azimut, Bashkiria, Tan, AMAKS Hotels & Resorts, President Hotel, etc.).

High scientific and technological potential
The higher educational system in Bashkortostan is one of the most developed in the Russian Federation. There are about 25 multidisciplinary institutions including Ufa State Petroleum Technological University (the main higher education institution), Ufa State Aviation Technical University, Bashkir State University, Bashkir State Medical University, M. Akmullah Bashkir State Pedagogical University (the leading higher education institution in the humanities, specializing in the advancement of the Russian language in the SCO countries) in Bashkortostan.

There are 74 research and development institutes in the republic. The scientific personnel numbers more than eight thousand people, approximately half of whom are researchers. More than 60 percent of Bashkir scientists are specialists in engineering sciences. New technologies that were developed by research institutes and centers of the republic over the past years are being used in the petroleum, refining and petrochemical industries, as well as in medicine, engineering and agriculture.

Ufa Science Center of the Russian Academy of Science and technoparks established with the support of the republic’s universities play an important role in scientific and technical development. These institutions specialize in such fields as oil and gas, chemicals, IT, ecology and geodesy.
High industrial potential
The Republic of Bashkortostan's industrial production includes mining, manufacturing, production and distribution of electricity, gas and water.

The manufacturing sector accounts for 80 percent of industrial production. The republic is Russia's leading crude oil refiner. Machine-building complexes account for about 10 percent.

Bashkortostan is the largest producer of the following industrial products in the Russian Federation:

- Sodium carbonate: No.1 producer
- Thermally polished glass: No.1 producer
- Polymeric materials for floor, wall and ceiling finishing: No.1 producer
- Mobile concrete pumps: No.1 producer
- Cement mixers: No.1 producer

Well-developed financial infrastructure
There is a well-developed local banking network in the Republic of Bashkortostan:

- 74 banking institutions, five of them are regional
- 17 branches of banking institutions from other regions

The Republic of Bashkortostan's banks are the second-largest issuers of debit cards in the Volga Federal District and the seventh-largest in the country. In terms of access to banking services, it occupies seventh place among the Russian regions.

The total amount of issued loans as of the end of 2016:

- Individuals: RUB 177.1 billion
- Legal entities and individual entrepreneurs: RUB 457.0 billion

Effective system of comprehensive investment support
The Republic of Bashkortostan enjoys a high credit rating and is among the least risky regions in the Russian Federation for investment.

According to the long-term rating of the republic by Fitch Ratings, it is in the top ten Russian regions with the highest investment potential.

By the end of 2016, Bashkortostan found itself among the top ten regions of Russia in terms of investments in fixed capital.

According to Expert-RA's 2016 investment attractiveness rating, the Republic of Bashkortostan belongs to the group of Russian regions with average potential and moderate risk. According to this rating, the republic takes top positions in the nomination “Minimal Economic Risks”. It ranks 17th among the regions with minimal economic risks and 11th among the region with the maximum investment potential.

Since 2015 the Republic of Bashkortostan has been implementing a system of best practices based on the National Rating of the Investment Climate in the Regions of the Russian Federation, elaborated on by the Agency for Strategic Initiatives to Promote New Projects. In 2016 the republic ranked 20th in the rating among all regions of the Russian Federation (in 2015 — 40th place).

The Development Corporation of the Republic of Bashkortostan provides services supporting public-private partnerships (hereinafter, PPP) and investment projects in the frame of concession agreements with the participation of the Republic of Bashkortostan. By the end of 2016, the Republic of Bashkortostan ranked seventh among the regions of Russia in the public-private partnerships development rating; it rose by four points from the previous year.
<table>
<thead>
<tr>
<th>Year</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Placement in the rating of PPP development in the regions*</td>
<td>51</td>
<td>16</td>
<td>11</td>
<td>11</td>
<td>7</td>
</tr>
</tbody>
</table>

*According to the data of the association of PPP participants “Public-Private Partnerships Development Center”

Major spheres of PPP/concession development are:

- Transportation infrastructure, including public transportation;
- Public utilities infrastructure (possible only under a concession agreement);
- Healthcare;
- Education, culture, sports, tourism;
- Social welfare of the population;
- And ecological infrastructure in terms of solid waste treatment, utilization, neutralization and disposal.

The Republic of Bashkortostan guarantees all investors the protection of their rights in carrying out investment activities, as well as publicity for the discussion of investment projects, regardless of the form of property.

Over a short period, the republic managed to create one of the most efficient entrepreneurship support systems in Russia. There are three business incubators for investors in addition to the Business Support Center, the Regional Integration Center of the Republic of Bashkortostan, The Center for Innovation in the Social Sphere of the Republic of Bashkortostan, seven technoparks, nine industrial parks, three technology transfer centers, the Venture Fund of the Republic of Bashkortostan, twenty-two innovation enterprises under higher education and scientific institutions, three common use centers, two prototyping centers and the Regional Engineering Center of the Republic of Bashkortostan.

Providers of information in the sphere of gas distribution are PAO Gazprom Gazoraspredelenie Ufa and OOO Gazprom Mezhregiongaz Ufa.

Providers of information in the electric power industry include local grid operators responsible for connections to 110-35 kW power grids, OOO Bashkirenergo, MUP Chyshmyenergoservis, the Sibay branch of the Uchalinsky Mining and Processing Plant, OOO Energoengineering, ZAO Electroset, OOO Bashkirskaya Setevaya Kompaniya, OOO Energostroyservice, and OOO Gazprom Energo.

Actions to improve the business climate in the Republic of Bashkortostan are carried out in accordance with the principles of project management.

The Public Council on the Improvement of the Investment Climate under the Head of the Republic of Bashkortostan was established in order to encourage investment activity and attract investments to the economy of the region, as well as to implement the operational standard of government agencies of the Republic of Bashkortostan aimed at improving the investment climate.

The Project Office was established in order to immediately solve the problems and issues of the business community arising in the course of investment and entrepreneurial activities, as well as to realize measures on the implementation of the best mechanisms for the creation of a favorable business environment. Furthermore, the Project Office carries out activities within the scope of the Republic of Bashkortostan's participation in the National Rating of the Investment Climate in the Regions of the Russian Federation.

The work is performed as part of the action plan for the realization of the republic's potential, which allows it to occupy a high place in the National Rating of the Investment Climate in the Regions of the Russian Federation.

As of today:
1. The terms of issuing construction permits is 90 days.
2. The terms of state cadastral records on keeping real estate in the republic is 70 days.
3. The terms of state registration of rights on the applications of legal entities is seven business days. The period for the consideration of applications for state registration of rights submitted in electronic form is reduced to one or two business days.
4. The average time for connection to a power grid is 43 days (including the completion of three procedures).
5. Small and medium-sized enterprises (hereinafter, SMEs) positively assess:
   - State financial support initiatives
   - Investment infrastructure objects
   - The quality of road networks and telecommunications services
   - The availability of real estate required for business and lease procedures
Top-priority sectors for development

**Extraction and processing of natural resources**

The Republic of Bashkortostan is one of the oldest oil-producing regions in the country, accounting for **three percent** of Russia’s total oil production, including gas condensate. Among the Russian regions, it is ranked **ninth** by production volumes and **second** by primary crude oil processing.

Bashkortostan is the main producer of light oil products in the country: 1/8 of all petrol and 1/9 of all diesel fuel in Russia is made here.

The oil conversion ratio in Bashkortostan stands at **86.1 percent** compared to the Russian average of **79.2 percent**.

Increasing the oil conversion ratio, improving the quality of fuel produced and ensuring the environmental safety of production processes are the key growth areas for this industry.

**Chemical and petrochemical industry**

Russia’s largest manufacturing complex producing organic and non-organic chemical products is located in Bashkortostan.

In terms of chemicals production, Bashkortostan is one of the leading producers in the following categories:

- **No. 1 producer** of sodium carbonate and benzol
- **No. 2 producer** of plastics in primary forms, ethylene, xylene, and synthetic rubbers
- **No. 3 producer** of caustic soda and sulfur

The fine chemical industry is the main growth area for this sector.
**Woodworking industry**

Bashkortostan is rich in forest resources:

- **5.7 million** hectares (or 40 percent of the total area) are covered by forests.

- **760.3 million** cubic meters of growing forest stock; birch, oak, maple and conifer trees are prevalent in regional forests.

- **69.2 percent** percent of the total volume of wood stock listed in the forests is classified as exploitable.

The republic is home to Russia's largest lime tree areas; limes have the largest nectar capacity for beekeeping.

Advanced timber processing and the creation of new enterprises for processing low-grade wood and timber waste are among the key growth areas for the industry.

**Transportation and logistics**

Transportation is a highly developed sector of the regional economy, which plays a key role due to Bashkortostan's geographic location.

Work on upgrading Ufa International Airport's infrastructure was completed in 2015. A new international terminal was built, boosting the capacity from 200 to 800 people per hour. Due to the opening of a second runway, the airport can now accommodate wide-body aircrafts. The updated air terminal was the winner of “Best Airport of 2016” (category: international airport, up to 4 million passengers annually), and was awarded first prize in the Air Gateway of Russia national award.

The Republic of Bashkortostan has the longest road network of all the regions in the Volga Federal District.
Agricultural sector
Bashkortostan is a large region with a well-developed agricultural industry. The region is among the seven largest agricultural producers in Russia. The republic is a leading Russian region as may be seen from the following key agricultural production indicators:

- **Largest** cattle population
- **Second-largest** milk producer
- **Second-largest** horse population
- **Seventh-largest** producer of cattle and poultry for slaughter (on a live weight basis)

The republic's farmland totals **7.1 million** hectares, or **three percent** of Russia's agricultural land. Cultivated land accounts for **3.6 million** hectares, and **1.6 million** people, or over **38 percent** of Bashkortostan's population, live in the countryside.

Bashkortostan's key agricultural products include grain, sugar beet, oilseeds, vegetables, fodder, and meat and dairy products.

**Key areas of development for this sector:**

- The use of new technologies in grain farming, the improvement of the fodder base structure and the production of oil seeds;
- Projects in animal husbandry: stockbreeding, artificial insemination, pig farming and aviculture, production of balanced feedstuffs;
- Construction of plants to store and process horticultural produce and potatoes, as well as to produce canned food;
- Manufacturing products with medicinal and preventive properties, as well as baby food.
Internal tourism

In terms of the value of tourism services, the republic ranks second in the Volga Federal District, and seventh in the Russian Federation.

In terms of the value of services provided by hotels and other types of accommodation, Bashkortostan ranks first in the Volga Federal District and fifth countrywide.

In terms of the value of spa and sanatory services, the republic ranks first in the Volga Federal district, and sixth in the Russian Federation.

Key development areas for this sector:

- Ecotourism and extreme tourism (horseback riding, trekking, snowmobile driving, rafting)
- Additional development of more traditional recreational and health activities and winter sports
- Investment in the hospitality business and health care

Mechanical engineering

Bashkortostan remains the only producer of concrete pumps in the country and is one of the leading producers of transit concrete mixers (88.6 percent share in Russia), truck trailers (47 percent share), and cabin cruisers (41.4 percent share). Bashkortostan is Russia’s third-largest producer of cistern trailers for oil products, water and other liquids (14.7 percent) and is one of the top four bus manufacturers (2.1 percent). The republic is Russia’s second-largest producer of chain blocks and hoists.
Government support initiatives for investors

1. Government support initiatives for investment activities in the form of capital investments

1.1. Tax incentives

Corporate income tax relief
The tax rate has been reducing gradually by 4.5 percent for the period from 2017-2020 and starting from 2021 it will be reduced by 3.5 percent (in implementing priority investment projects for the period of 10 years depending on the amount of investments):

- From RUB 100 million to RUB 300 million inclusive — for 1 year
- From RUB 300 million to RUB 700 million inclusive — for 2 years
- From RUB 700 million to RUB 1.5 billion inclusive — for 3 years
- From RUB 1.5 billion to RUB 2 billion inclusive — for 4 years
- From RUB 2 billion to RUB 5 billion inclusive — for 5 years
- Over RUB 5 billion — for 10 years
- From RUB 10 million to RUB 700 million inclusive — for three tax periods to investors implementing priority investment projects in the municipalities of the Republic of Bashkortostan included in the comprehensive programs of social and economic development of the republic’s municipalities, approved by the government of the Republic of Bashkortostan.

Corporate property tax relief
Exemption from property tax in amount of 2.2 percent in case of the implementation of priority investment projects for the period of 10 years depending on the amount of the investment.

1.2. Collateral
Property owned by the Republic of Bashkortostan is provided as a pledge to secure the obligations of investors to banking institutions and other debtors.

1.3. Preferential lease of land plots
Land plots owned by the Republic of Bashkortostan or its municipalities as well as land plots without the delineation of state property rights are provided for lease without tendering in case of the implementation of large-scale investment projects included in the list of priority investment projects of the Republic of Bashkortostan.

Terms of land plot provision: available financing sources for an investment project of at least 50 percent of its value and compliance with one of the following criteria:

- The investment project provides for the construction of facilities or an industrial park that will increase the number of job opportunities in the municipality where they are located
  - At least 50 jobs within a municipality with a population of up to 20 thousand people
  - At least 100 jobs within a municipality with population from 20 thousand to 100 thousand people
  - At least 150 jobs within a municipality (excluding Ufa city) with a population of more than 100 thousand people
  - At least 250 jobs on the territory of the City of Ufa Urban District of the Republic of Bashkortostan

- The investment project intends to construct facilities or an industrial park that will increase the annual revenues
from taxes to the consolidated budget of the Republic of Bashkortostan by at least RUB 25 million, including the tax payments by the residents of the industrial park of the Republic of Bashkortostan.

- The investment project intends to construct individual residential buildings or apartment blocks, for which the ownership or social rent contracts will be transferred to people who lost their housing as a result of an emergency.

2. Government support initiatives for investors implementing projects in non-diversified municipalities

2.1. Support initiatives provided on the territories of priority social and economic development

The list of non-diversified municipalities of the Russian Federation includes six monocities of the Republic of Bashkortostan.

- The first category includes Belebey and Kumertau;
- The second category includes Neftekamsk and Beloretsk;
- The third category includes Uchaly and Blagoveschensk.

On 29 December 2016 the government of the Russian Federation signed resolutions on the creation of territories of priority social and economic development (hereinafter, TPSED) in Kumertau and Belebey.

With respect to the TPSED, Federal law No. 473-FZ “On the Territories of Priority Social and Economic Development of the Russian Federation” as of 29 December 2014 sets up a specific legal regime for entrepreneurial activities, which provides tax and other preferences to investors.
### 2.2. Benefits for TPSED residents

<table>
<thead>
<tr>
<th>Benefit type</th>
<th>Standard</th>
<th>TPSED</th>
<th>Benefit term</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Corporate income tax:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal budget</td>
<td>3%</td>
<td>0%</td>
<td>First 5 years</td>
</tr>
<tr>
<td>Regional budget*</td>
<td>17%</td>
<td>5%</td>
<td>First 5 years</td>
</tr>
<tr>
<td></td>
<td>10%</td>
<td>Following 5 years</td>
<td></td>
</tr>
<tr>
<td>Corporate property tax*</td>
<td>2,2%</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td><strong>Insurance contributions by employers:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>30% of payroll</td>
<td>7.6% of payroll</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pension Fund</td>
<td>22%</td>
<td>6%</td>
<td>10 years</td>
</tr>
<tr>
<td>Social Security Fund</td>
<td>2,9%</td>
<td>1,5%</td>
<td></td>
</tr>
<tr>
<td>Obligatory Medical Insurance Fund</td>
<td>5,1%</td>
<td>0,1%</td>
<td></td>
</tr>
<tr>
<td><strong>Land tax</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0,3%-1,5%***</td>
<td>0%**</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Reduction factor for mineral extraction tax calculation</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>None</td>
<td>0</td>
<td>First 2 years</td>
<td></td>
</tr>
<tr>
<td></td>
<td>0,2-1</td>
<td>From the 3rd to 10th year it proportionately increases every two years (by 0.2)</td>
<td></td>
</tr>
</tbody>
</table>

* Relevant laws of the Republic of Bashkortostan are adopted by the National Assembly (Kurultai) of the Republic of Bashkortostan on 22 February 2017

** Set by the municipality

*** Depending on the purpose
2.3. Support initiatives by the Monocity Development Fund (hereinafter, the Fund)

Support initiatives by the Monocity Development Fund

1. Construction (reconstruction) of infrastructure facilities

- Fund — up to 95 percent of investments
- Budget — from 5 percent of investments

Conditions of investment project implementation:
- The fund allocates RUB 400,000 to 800,000 for the creation of one job
- One ruble invested by the fund requires the attraction of three rubles from outward investments

2. Loan to implement an investment project

- From RUB 100 million to 1 billion
- 5 percent per annum
- Up to 8 years

Activities on the creation of favorable living conditions for the population are carried out at the federal level along with financial mechanisms to support monocities. In particular, the priority program “Comprehensive Development of Monocities”, providing the improvement of the monocities environment, has been implemented.

3. Government support initiatives for investors implementing projects in the framework of public-private partnerships

As part of public-private partnerships development, work in the republic is performed in three areas:
- Regulatory support of PPPs
- Institutional environment development
- Implementation and information-methodological support of PPP projects

A PPP management system has been created in the republic. The Ministry of Economic Development of the Republic of Bashkortostan is the authorized body for PPP mechanisms administration. Sectoral executive authorities of the Republic of Bashkortostan are responsible for the development of concession agreements and the consideration of proposals from entities intending to conclude such agreements on relevant areas of activity.

The Development Corporation of the Republic of Bashkortostan is in charge of PPP investment projects support in the Republic of Bashkortostan.

The main financial instrument for the preparation and implementation of PPP projects is the Investment Fund of the Republic of Bashkortostan.
Law No. 386-z of the Republic of Bashkortostan “On the participation of the Republic of Bashkortostan in public-private partnerships projects”

The procedure for inter-agency interaction in terms of the consideration of proposals from entities intending to conclude concession agreements
Resolution No.56 of the Government of the Republic of Bashkortostan of 21 February 2017

Regulation on the Interagency Commission responsible for the preparation and implementation of investment projects under PPPs
Resolution No.103 of the Government of the Republic of Bashkortostan of 23 March 2017

The procedure for inter-agency interaction in terms of the preparation and implementation of PPP projects in the Republic of Bashkortostan
Resolution No.336 of the Government of the Republic of Bashkortostan of 16 August 2017

The procedure for inter-agency interaction of EA of RB* in the course of the compilation and approval of the list of objects that are objects of concession agreements
Resolution No.56 of the Government of the Republic of Bashkortostan of 21 February 2017

The procedure for inter-agency interaction of EA of RB* in terms of the preparation and implementation of concession projects initiated by EA of RB*
Resolution No.56 of the Government of the Republic of Bashkortostan of 21 February 2017

Authorized bodies for the development of concession agreements — Sectoral executive authorities of the Republic of Bashkortostan

Investment project support — AO Development Corporation of the Republic of Bashkortostan

Authorized body for PPP mechanisms administration — Ministry of Economic Development of the Republic of Bashkortostan

Authorized bodies for the development of concession agreements — Sectoral executive authorities of the Republic of Bashkortostan

Investment project support — AO Development Corporation of the Republic of Bashkortostan

Authorized body for PPP mechanisms administration — Ministry of Economic Development of the Republic of Bashkortostan

* EA of RB — executive authorities of the Republic of Bashkortostan
Potential areas of PPP mechanisms application in Bashkortostan are:

- Social services
- Healthcare
- Tourism
- Transportation
- Utility services

4. Government programs for financial support to SMEs in the Republic of Bashkortostan

4.1. As part of the government program for agricultural development and agricultural produce, material and food market regulation for 2013-2020, subsidies are granted to:

- Partially reimburse the expenses for purchasing elite seeds;
- Partially reimburse the expenses for uprooting old, non-producing gardens and land rehabilitation;
- Partially reimburse the expenses for planting and handling perennial fruit and berry plants;
- Partially reimburse the interest rates on short-term loans granted for the development of crop farming, processing and selling of crop products;
- Partially reimburse the interest rates on investment loans granted for the development of crop farming market infrastructure and logistics;
- Partially reimburse the insurance premium costs paid by crop producers under agricultural insurance contracts;
- Support crop producers;
- Support livestock breeding;
- Support milk cattle breeding;
- Sell and/or ship each kilogram of self-processed milk;
- Partially reimburse the expenses for increasing breeding sheep and goat stock;
- Partially reimburse the expenses for increasing breeding reindeer, deer and horse stock;
- Support economically important regional livestock breeding programs;
- Partially reimburse the interest rates on short-term loans granted for the development of livestock breeding, processing and selling of livestock products;
- Partially reimburse the interest rates on investment loans granted for the development of livestock breeding, modernization and development of livestock market infrastructure and logistics;
- Partially reimburse the insurance premium costs paid by livestock producers under agricultural insurance contracts;
- Support meat cattle breeding;
- Partially reimburse the interest rates on investment loans granted for the construction and modernization of meat cattle breeding facilities;
- Support farming newcomers;
- Develop family cattle farms;
• Partially reimburse the interest rates on long-term, medium-term and short-term loans granted to small businesses;
• Obtain government grants to agricultural consumer cooperatives for the development of material and technical facilities;
• Partially reimburse the interest rates on short-term loans granted for the development of milk cattle breeding;
• Partially reimburse the interest rates on investment loans granted for the construction and modernization of milk cattle breeding facilities;
• Partially reimburse the interest rates on short-term loans granted for the processing of crop and livestock products;
• And to develop and modernize greenhouse facilities and purchase equipment for government subsiding purposes.

https://agriculture.bashkortostan.ru/
The Ministry of Agriculture of the Republic of Bashkortostan

4.2. As part of the government program to develop and support the SMEs in the Republic of Bashkortostan, subsidies are granted to:
• Partially reimburse the expenses incurred by the SMEs in connection with the acquisition of commodity (work, service) production facilities and equipment;
• Partially reimburse the education and training expenses incurred by the SMEs (training, refresher training, and professional improvement);
• Partially reimburse the expenses incurred by social businesses;
• Partially reimburse the expenses incurred by the SMEs for the participation in international and interregional exhibitions and congresses;
• Perform research and development activities;
• Partially reimburse the expenses incurred by the SMEs for the establishment and/or development of child day care centers and other similar childcare facilities;
• Partially reimburse the expenses incurred by infrastructure development organizations for the implementation of SME support projects in the Republic of Bashkortostan;
• Cover guarantee costs of the guarantee fund;
• Lease fixed assets;
• and to obtain microloans.

https://biznestur.bashkortostan.ru/activity/18221/
The State Committee for Entrepreneurship and Tourism of the Republic of Bashkortostan
Fostering innovation

Technology parks, industrial parks, clusters and territories of priority social and economic development (TPSED) in the Republic of Bashkortostan

- Existing industrial parks (brownfield)
- Existing industrial parks (greenfield)
- Projected industrial parks (greenfield)
- Territories of priority social and economic development (TPSED)
- Technology parks
- Clusters

4 number, if more than one
**Industrial parks**

**Existing industrial parks**

<table>
<thead>
<tr>
<th>Name</th>
<th>Year of establishment</th>
<th>Number of residents</th>
<th>Total area</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Prikamye Industrial Park</strong></td>
<td>2010</td>
<td>19</td>
<td>100 ha</td>
</tr>
<tr>
<td><strong>Construction materials</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>of Bashkortostan Industrial Park</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Salavat Industrial Park</strong></td>
<td>2011</td>
<td>3</td>
<td>14.5 ha</td>
</tr>
<tr>
<td><strong>ChemTerra Industrial Park</strong></td>
<td>2012</td>
<td>1</td>
<td>27 545 sq. m</td>
</tr>
<tr>
<td><strong>Ufimsky Industrial Park</strong></td>
<td>2013</td>
<td>9</td>
<td>298.5 ha</td>
</tr>
<tr>
<td><strong>First Urals Industrial Park</strong></td>
<td>2014</td>
<td>3</td>
<td>13.6 ha</td>
</tr>
<tr>
<td><strong>Promcenter Industrial Park</strong></td>
<td>2014</td>
<td>16</td>
<td>58 600 sq. m</td>
</tr>
<tr>
<td><strong>GlavBashStroy Industrial Park</strong></td>
<td>2014</td>
<td>3</td>
<td>56.9 ha</td>
</tr>
<tr>
<td><strong>Zubovo Industrial Park</strong></td>
<td>2015</td>
<td>-</td>
<td>37.3 ha</td>
</tr>
<tr>
<td><strong>Veles Industrial Park</strong></td>
<td></td>
<td>24</td>
<td>8.3 ha</td>
</tr>
<tr>
<td><strong>BashInvest Industrial Park</strong></td>
<td>2016</td>
<td>-</td>
<td>10 646 sq. m</td>
</tr>
</tbody>
</table>
## Projected industrial parks

<table>
<thead>
<tr>
<th>Name</th>
<th>Location</th>
<th>Total area</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Industrial Park in Salavat</strong></td>
<td>The site is located at the south-western boundary of Salavat, cadastral unit 02:59:060202</td>
<td>29 ha</td>
</tr>
<tr>
<td><strong>Vorotynovsky Industrial Park</strong></td>
<td>The site is located close to Kumertau, cadastral numbers: 02:00:000000:1680 and 02:60:00:000000:1681</td>
<td>219 ha</td>
</tr>
<tr>
<td><strong>Industrial Park in Chishmy District</strong></td>
<td>The site is located 20 km from Ufa on the territory of Chishmy District</td>
<td>60 ha</td>
</tr>
<tr>
<td><strong>Industrial Park in Iglino District</strong></td>
<td>n/a</td>
<td>8 ha</td>
</tr>
<tr>
<td><strong>Davlekanovo Industrial Park</strong></td>
<td>The site is located in Davlekanovo (north-west of the city)</td>
<td>626.2 ha</td>
</tr>
<tr>
<td><strong>Industrial Park in Sterlitamak District</strong></td>
<td>The site is located at the boundary of the city of Sterlitamak. Adjacent to borders of the site are AO Bashkir Sodium Company and Novo-Sterlitamakskaya Power Plant</td>
<td>207.96 ha</td>
</tr>
</tbody>
</table>
## Territories of priority social and economic development (TPSED)

<table>
<thead>
<tr>
<th>Monocity</th>
<th>Current status</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Existing TPSED</strong></td>
<td></td>
</tr>
<tr>
<td>Kumertau</td>
<td>Resolution on creation of TPSED in Belebey and Kumertau monocities was signed by the Russian Government on 29 December 2016</td>
</tr>
<tr>
<td>Belebey</td>
<td>Resolution on creation of TPSED in Belebey and Kumertau monocities was signed by the Russian Government on 29 December 2016</td>
</tr>
<tr>
<td><strong>Projected TPSED</strong></td>
<td></td>
</tr>
<tr>
<td>Uchaly</td>
<td>Application in progress</td>
</tr>
<tr>
<td>Blagoveschensk</td>
<td>Application in progress</td>
</tr>
<tr>
<td>Beloretsk</td>
<td>Application in progress</td>
</tr>
<tr>
<td>Neftekamsk</td>
<td>Application in progress</td>
</tr>
</tbody>
</table>

## Technology parks

<table>
<thead>
<tr>
<th>Management Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research and technology park of GUP Oil and Petrochemical Refining Institute of the Republic of Bashkortostan</td>
</tr>
<tr>
<td><a href="http://www.inhp.ru/">http://www.inhp.ru/</a></td>
</tr>
<tr>
<td>Ufa</td>
</tr>
<tr>
<td>GUP Oil and Petrochemical Refining Institute of the Republic of Bashkortostan</td>
</tr>
<tr>
<td>NPA Aviation Technology Park</td>
</tr>
<tr>
<td><a href="http://technopark-at.ru/">http://technopark-at.ru/</a></td>
</tr>
<tr>
<td>Ufa</td>
</tr>
<tr>
<td>NPA Aviation Technology Park Members of the Association: PAO UMPO, FGBOU VO UGATU, AO UfaAvia-Gaz, AO BETO, OOO AviaPromLeasing</td>
</tr>
<tr>
<td>Ecoline Technology Park</td>
</tr>
<tr>
<td><a href="http://ecoline-rb.ru/">http://ecoline-rb.ru/</a></td>
</tr>
<tr>
<td>Meleuz</td>
</tr>
<tr>
<td>OOO Ecoline</td>
</tr>
<tr>
<td>Medtekhnika Technology Park</td>
</tr>
<tr>
<td><a href="http://www.ormed.ru/">http://www.ormed.ru/</a></td>
</tr>
<tr>
<td>Ufa</td>
</tr>
<tr>
<td>OOO Research and Development Enterprise Orbita</td>
</tr>
<tr>
<td>Ufa Aviation Institute Self-Sustaining Creative Center Technology Park</td>
</tr>
<tr>
<td><a href="http://rosoil.ru/">http://rosoil.ru/</a></td>
</tr>
<tr>
<td>Ufa</td>
</tr>
<tr>
<td>OOO Ufa Aviation Institute Self-Sustaining Creative Center</td>
</tr>
<tr>
<td>Bashkiria Technology Park</td>
</tr>
<tr>
<td><a href="mailto:technoparkmgutu@mail.ru">technoparkmgutu@mail.ru</a></td>
</tr>
<tr>
<td>Meleuz</td>
</tr>
<tr>
<td>ZAO Meleuz Milk Canning Plant</td>
</tr>
<tr>
<td>Inmash Technology Park</td>
</tr>
<tr>
<td><a href="http://inmash.org/">http://inmash.org/</a></td>
</tr>
<tr>
<td>Sterlitamak</td>
</tr>
<tr>
<td>OOO KIT STAR</td>
</tr>
</tbody>
</table>
Clusters

<table>
<thead>
<tr>
<th>Clusters</th>
<th>Innovative infrastructure facilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Radioelectronic Cluster</td>
<td><strong>Center for creating production prototypes for radioelectronic equipment:</strong></td>
</tr>
<tr>
<td></td>
<td>Laboratory for online technology and robotics</td>
</tr>
<tr>
<td></td>
<td>Communication network testing laboratory</td>
</tr>
<tr>
<td></td>
<td>Laboratory for protection covering and radioelectronics testing</td>
</tr>
<tr>
<td></td>
<td>Project development laboratory</td>
</tr>
<tr>
<td></td>
<td>Radioelectronics design and modelling laboratory</td>
</tr>
<tr>
<td></td>
<td>Laboratory for creating production prototypes for microelectronics</td>
</tr>
<tr>
<td></td>
<td>Training class</td>
</tr>
<tr>
<td></td>
<td>Pilot and experimental production</td>
</tr>
<tr>
<td>Low-Tonnage Petroleum Chemistry Cluster</td>
<td><strong>Center for creating production prototypes for petrochemicals:</strong></td>
</tr>
<tr>
<td></td>
<td>Spectrochemical analysis</td>
</tr>
<tr>
<td></td>
<td>Element analysis of non-organic and organic petrochemical products</td>
</tr>
<tr>
<td></td>
<td>Chromatographic research methods</td>
</tr>
<tr>
<td></td>
<td>Thermal research methods</td>
</tr>
<tr>
<td></td>
<td>X-ray research methods</td>
</tr>
<tr>
<td></td>
<td>Cloud designing</td>
</tr>
<tr>
<td>Biotechnology Cluster</td>
<td><strong>Regional engineering center:</strong></td>
</tr>
<tr>
<td></td>
<td>Fungi unit</td>
</tr>
<tr>
<td></td>
<td>Unit for product recovery and purification</td>
</tr>
<tr>
<td></td>
<td>Spore unit</td>
</tr>
<tr>
<td></td>
<td>Normal microflora unit</td>
</tr>
<tr>
<td></td>
<td>Pathogenic unit</td>
</tr>
<tr>
<td></td>
<td>Final product unit (mixing and packing)</td>
</tr>
<tr>
<td></td>
<td>Ufa</td>
</tr>
<tr>
<td></td>
<td><a href="mailto:inh@inhp.ru">inh@inhp.ru</a></td>
</tr>
<tr>
<td></td>
<td>Ufa</td>
</tr>
<tr>
<td></td>
<td><a href="mailto:nitig@anrb.ru">nitig@anrb.ru</a></td>
</tr>
<tr>
<td></td>
<td>Ufa</td>
</tr>
</tbody>
</table>
Development institutions

AO Development Corporation of the Republic of Bashkortostan was established in 2010. The corporation supports investors in opening and running their businesses in the Republic of Bashkortostan. It provides information on the investment potential of the republic, offers ready-to-use business solutions, examines business plans and financial models required for obtaining borrowings, facilitates government support, and selects sites best suited for production purposes.

The objective of the Corporation is to improve the efficiency of state policy with regard to the establishment and implementation of priority investment projects in the Republic of Bashkortostan.

**Step 1. Develop the strategy of the project**

1. Provide one-stop shop support to investment projects, including PPPs
2. Conduct market research to fulfill the business potential of investors
3. Provide information on:
   - Infrastructure and raw material potential of the republic
   - Measures of government support for businesses
   - Tax benefits
4. Assist in selecting the optimal strategy to enter the market
5. Facilitate the search and selection of raw materials for manufacturing the final product
6. Select manufacturers and service providers
7. Facilitate communication with public institutions and governmental bodies to prepare the required documentation for the project
8. Develop the business plan and financial model to raise financing
Step 2. Select investment sites
1. Select an optimal site for running a business
2. Arrange visits to industrial sites
3. Execute a land plot lease/sale agreement

Step 3. Build up the business
1. Provide advisory services on:
   - Tax and legal regulations
   - Project financing
   - Government support
   - Staffing
2. Provide support for investment projects at all stages; facilitate communication with the respective public authorities
3. Assist in setting up a new legal entity
4. Supervise construction works
5. Provide technical and construction supervisory services to streamline the investment stage of the project and optimize construction costs (obtain required permission, communicate with regulatory authorities, commission facilities, provide support at all stages of construction works, review the compliance with the initial project concept, optimize and control costs, search for alternative construction solutions)

Step 4. Provide support to the investor
1. Provide full project implementation support in the republic
2. Provide informational support on the further development of business in the region
3. Facilitate participation in all kinds of regional, national, federal and international business events held in the republic

Contacts:
AO Development Corporation of the Republic of Bashkortostan
110 Pushkin Street
Ufa 450057
Republic of Bashkortostan
Tel.: +7 (347) 280 82 32
Fax: +7 (347) 280 82 49
Email: infokrrb@bashkortostan.ru
www.kr-rb.ru
AO Regional Fund

The objective of the fund is to support priority investment projects.

The work undertaken by the fund includes:

• Managing the state investment resources of the Republic of Bashkortostan;

• Investing in companies that create new workplaces in the republic and make products using new technology or provide innovative services;

• Financing investment projects by issuing loans, leasing out equipment, and making portfolio and direct investments.

The fund invests in the following industries: construction and the manufacture of construction materials, air transportation, agriculture and engineering. The fund’s investment portfolio includes gas, engineering, non-ferrous metal and telecommunications companies. Special purpose energy and nanotechnology projects are also considered.

Contacts:

AO Regional Fund
3B Karl Marx Street
Ufa 450008
Republic of Bashkortostan
Tel.: +7 (347) 276 12 19
Fax: +7 (347) 276 12 19
Email: reg_fond@mail.ru
www.regfondrb.ru
Summary of statistics on the economic position of the Republic of Bashkortostan

Investment in fixed assets from all sources

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>RUB/bln</td>
<td>283.5</td>
<td>317.8</td>
<td>360.9</td>
</tr>
</tbody>
</table>

Industrial production index

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>103.9</td>
<td>101.3</td>
<td>102.6</td>
</tr>
</tbody>
</table>

Agricultural production index

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>100.9</td>
<td>103.1</td>
<td>100.8</td>
</tr>
</tbody>
</table>

Consumer price index (December)

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>112.2</td>
<td>110.9</td>
<td>104.9</td>
</tr>
</tbody>
</table>

* Data provided by the Federal State Statistics Service for the Republic of Bashkortostan
Export commodity structure

- Mineral Products: 76%
- Chemicals and rubber: 10%
- Machinery: 8%
- Metals and metalware: 3%
- Timber and paper products: 1%
- Other: 2%

Import commodity structure

- Machinery: 48.9%
- Chemicals and rubber: 27.6%
- Metals and metalware: 10.2%
- Food products and commodities: 3.9%
- Other goods: 9.4%

Key countries of demand

- Netherlands: 13.8%
- Kazakhstan: 13.8%
- Slovakia: 6%
- Belarus: 5.3%
- Latvia: 5%
- China: 4.6%
- Italy: 4.6%
- Other: 46.9%

Key countries of supply

- China: 15.6%
- USA: 14.7%
- Kazakhstan: 13%
- Italy: 11.3%
- Belarus: 5.4%
- Germany: 5.1%
- Japan: 4.1%
- Other: 30.8%

*Data for 2016 provided by the Volga Customs Department*
Contacts

**Government of the Republic of Bashkortostan**
46 Tukaev Street
Ufa 450101
Republic of Bashkortostan
Tel.: +7 (347) 250 24 01
Email: infoaprb@bashkortostan.ru
www.pravitelstvorb.ru

**Ministry of Economic Development of the Republic of Bashkortostan**
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Email: fahretdinov.a@bashkortostan.ru

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Email: smolyagin.i@bashkortostan.ru
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