Republic of Sakha (Yakutia)
A story of success
“One of the fundamental priorities of the Government of the Republic of Sakha (Yakutia) is to develop comfortable conditions for business and investment activities to ensure dynamic economic growth”

Head of the Republic of Sakha (Yakutia)
Egor Borisov
Key topics

• Development potential of the Republic of Sakha (Yakutia)
• Investment potential of the Republic of Sakha (Yakutia)
• Measures of state support for investment activity in the Republic of Sakha (Yakutia)
• Overview of existing investment projects
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Position of the Republic of Sakha (Yakutia) in the Russian Federation

In terms of area, the Republic of Sakha (Yakutia) is the largest region of the Russian Federation and occupies almost one fifth of the entire territory of the country.

The Republic of Sakha (Yakutia) is one of the richest regions in terms of natural resources not only in Russia but also in the world.

Thanks to the systematic implementation of the Plan for the integrated development of the Republic of Sakha (Yakutia) up to 2020, the gross regional product of the Republic of Sakha (Yakutia) demonstrated real growth during the period 2007–2013.

Gross regional product per capita, thousand RUB (approx. thousand USD)

<table>
<thead>
<tr>
<th>Year</th>
<th>Republic of Sakha (Yakutia)</th>
<th>Far Eastern Federal District*</th>
<th>Russian Federation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>200 (8)</td>
<td>253 (10)</td>
<td>224 (7)</td>
</tr>
<tr>
<td>2008</td>
<td>238 (10)</td>
<td>242 (10)</td>
<td>273 (9)</td>
</tr>
<tr>
<td>2009</td>
<td>273 (9)</td>
<td>323 (13)</td>
<td>304 (11)</td>
</tr>
<tr>
<td>2010</td>
<td>264 (9)</td>
<td>343 (11)</td>
<td>335 (11)</td>
</tr>
<tr>
<td>2011</td>
<td>317 (11)</td>
<td>335 (11)</td>
<td>402 (14)</td>
</tr>
<tr>
<td>2012</td>
<td>349 (11)</td>
<td>404 (13)</td>
<td>505 (17)</td>
</tr>
<tr>
<td>2013</td>
<td>317 (11)</td>
<td>565 (18)</td>
<td>605 (19)</td>
</tr>
</tbody>
</table>

* There are nine regions in the Far Eastern Federal District: Republic of Sakha (Yakutia), Kamchatka Territory, Primorskiy Territory, Khabarovskiy Territory, Amursk Region, Magadan Region, Sakhalin Region, Jewish Autonomous Region, Chukotskiy Autonomous Region.

Source: Federal State Statistics Service (Rosstat) “Socioeconomic indicators of Russian regions, 2013”.
According to the results of the RF Ministry of Regional Development’s monitoring of the social and economic development of the regions of the Russian Federation in January to December 2013, the Republic of Sakha (Yakutia) holds leading positions among 83 regions in the following areas:

- **8th place** for the aggregate index of real economic development
- **10th place** for the aggregate index of investment attractiveness
- **12th place** for the aggregate index of social and economic development
- **16th place** for the aggregate index of the budget system

Some key socioeconomic indicators are undergoing observable growth in the Republic:

<table>
<thead>
<tr>
<th>Parameters</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>CAGR*</th>
</tr>
</thead>
<tbody>
<tr>
<td>GRP, billion RUB (approx. billion USD)</td>
<td>243 (9.5)</td>
<td>310 (12.4)</td>
<td>328 (10.3)</td>
<td>387 (12.7)</td>
<td>483 (16.4)</td>
<td>540 (17.3)</td>
<td>578 (18.1)</td>
<td>15.6%</td>
</tr>
<tr>
<td>GRP per capita, thousand RUB (approx. thousand USD)</td>
<td>253 (9.9)</td>
<td>323 (13.0)</td>
<td>343 (10.8)</td>
<td>404 (13.3)</td>
<td>505 (17.2)</td>
<td>565 (18.2)</td>
<td>605 (19.0)</td>
<td>15.6%</td>
</tr>
<tr>
<td>Investment in fixed assets, billion RUB (approx. billion USD)</td>
<td>120 (4.7)</td>
<td>157 (6.3)</td>
<td>193 (6.1)</td>
<td>130 (4.3)</td>
<td>190 (6.5)</td>
<td>205 (7.1)</td>
<td>194 (6.0)</td>
<td>8.0%</td>
</tr>
<tr>
<td>Average monthly income per capita, thousand RUB (approx. USD)</td>
<td>15.6 (609)</td>
<td>18.6 (747)</td>
<td>21.2 (666)</td>
<td>23.1 (760)</td>
<td>25.6 (872)</td>
<td>28.5 (916)</td>
<td>31.3 (980)</td>
<td>12.3%</td>
</tr>
<tr>
<td>Level of registered unemployment, %</td>
<td>2.8%</td>
<td>2.4%</td>
<td>2.6%</td>
<td>2.4%</td>
<td>2.0%</td>
<td>1.8%</td>
<td>1.8%</td>
<td>– 6.8%</td>
</tr>
</tbody>
</table>


* CAGR — compound annual growth rate.
Development potential of the Republic of Sakha (Yakutia)

The Republic’s great potential for development is determined by a number of factors including the following:

1. Natural resources

The territory of the Republic has not only the richest resource base in Russia, but in the world. The mineral resource potential is a key competitive advantage of the Republic of Sakha (Yakutia).

2. Infrastructure

Work is constantly underway to improve the infrastructure in the Republic:

- The density of public vehicle roads (km of roads per 1000 km² of territory) has grown by 8% since 2007 (up to 3.3 km of roads per 1000 km² of territory in 2012)
- The volume of freight transport in the Republic has more than doubled during the same period (up to 54 million tonnes in 2012)

3. Industry

The Republic’s industrial index in 2013 was 104% year on year, which was higher than the average Russian index (100%). Industry in the Republic is demonstrating positive development, both in the extraction of mineral deposits and in other industry sectors (trade, agriculture, etc.).

4. Financial sustainability

The Republic of Sakha (Yakutia) holds 14th place in the RF in terms of combined income in 2012

5. Internal market, social and economic development

- The Republic of Sakha (Yakutia) holds 12th place in the RF in terms of monthly per capita income for 2012 (RUB 28,500), exceeding the Russian average by 23%
- The real cash income of the population in the Republic grew by 6% in 2012

6. Tourism

The Republic of Sakha (Yakutia) has unique tourism and recreation potential, thanks to its pristine environment and unique historical and cultural sites.

* According to the Government decree of the Republic of Sakha (Yakutia) Resolution of 14 February 2014 “On the results of socioeconomic development of the Republic in 2013 and major goals for 2014”.

* Republic of Sakha (Yakutia) A story of success 9
The composition and geographical distribution of the Republic’s natural resources are determined by the diversity of geological zones of its territory.

- **Diamond mining:** the Republic provides 99% of Russia’s, and about 27% of the world’s ore output

- **Coal Mining:** 48 deposits, reserves of more than 9 billion tonnes of coal. The Republic is a leader in the Far Eastern Federal District in terms of volume of coal produced

- **Oil and gas extraction:** 34 deposits, reserves of more than 500 million tonnes of oil and more than 2,700 billion m³ of gas. There was a constant increase in volumes of exploration drilling and seismic survey since 2004

- **Gold mining:** 796 deposits, reserves of more than 1,500 tonnes of gold. The gold reserves of the Republic of Sakha (Yakutia) account for approximately 20% of Russia’s total reserves. Production is carried out on the territory of eight municipal districts of the Northern (Arctic), Eastern and Southern parts of Yakutia – in the basins of the Indigirka, Yana and Aldan rivers.

**Legend**

- Oil, natural gas, condensates
- Combustible gas, condensates
- Hard coal
- Brown coal
- Iron
- Lead, Zinc
- Tin, tungsten
- Uranium
- Mercury
- Niobium, rare earths, scandium
- Silver
- Gold
- Antimony, gold
- Diamonds (pipe)
- Diamonds (deposit)
- Apatite

**Source:** President of the Republic of Sakha (Yakutia) Resolution of 4 October 2012 No. 1652 “On the investment strategy of the Republic of Sakha (Yakutia) up to 2016 and key areas for development up to 2030”; data from the Ministry of Industry of the Republic of Sakha (Yakutia).
Main resource deposits in the Republic of Sakha (Yakutia)

- **Oil, natural gas, condensates**
- **Combustible gas, condensates**
- **Hard coal**
- **Brown coal**
- **Iron**
- **Lead, zinc**
- **Tin, tungsten**
- **Mercury**
- **Niobium, rare earths, scandium**
- **Silver**
- **Gold**
- **Stibium, gold**
- **Diamonds (pipe)**
- **Diamonds (deposit)**
- **Uranium**
- **Apatite**
One of the key objectives of the Republic is to develop its transportation system

For the Republic to realise its resource potential, it needs to ensure the active development of its transportation system. Work is constantly underway to that end

Freight turnover of main types of transport, million tkm

<table>
<thead>
<tr>
<th>Year</th>
<th>Vehicle</th>
<th>Railway</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>1,692</td>
<td>1,827</td>
</tr>
<tr>
<td>2008</td>
<td>1,536</td>
<td>1,888</td>
</tr>
<tr>
<td>2009</td>
<td>1,257</td>
<td>1,127</td>
</tr>
<tr>
<td>2010</td>
<td>1,391</td>
<td>1,481</td>
</tr>
<tr>
<td>2011</td>
<td>1,750</td>
<td>1,602</td>
</tr>
<tr>
<td>2012</td>
<td>1,946</td>
<td>1,735</td>
</tr>
<tr>
<td>2013</td>
<td>1,747</td>
<td>1,801</td>
</tr>
</tbody>
</table>

CAGR=10.4%

From 2007 to 2013, the following was achieved in the development of the infrastructure capacity of the Republic:

- 25% Increase in the length of hard-covered roads, km
- 65% Increase in passenger turnover of public transport, million passenger km
- 3% Increase of freight turnover of road transport, million tkm

Work is ongoing in the Republic to construct new and renovate existing energy facilities

There is currently no energy deficit or lack of capacity in the Republic, but there are areas in which efficiency can be increased, characterised by the wear-and-tear of generator equipment and electricity transmission lines.

During the period from 2007 to 2012, the following energy facilities were constructed and/or commissioned:

- More than 170 km of distribution networks
- Back-up source of the Yakutsk State District Power Plant with the capacity of 48 MW
- More than 30 Diesel Power Plants in uluses (areas) of the Republic of Sakha (Yakutia)
- More than 80 km of high voltage power lines (110 kV)

Work is ongoing to improve the current infrastructure in the Republic

Production of electrical energy, billion kWh

<table>
<thead>
<tr>
<th>Year</th>
<th>Production (billion kWh)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>7.0</td>
</tr>
<tr>
<td>2010</td>
<td>7.3</td>
</tr>
<tr>
<td>2011</td>
<td>8.2</td>
</tr>
<tr>
<td>2012</td>
<td>8.5</td>
</tr>
<tr>
<td>2013</td>
<td>8.5</td>
</tr>
</tbody>
</table>

Source: Federal State Statistics Service (Rosstat), Report of the Deputy Prime Minister of the Republic of Sakha (Yakutia) P. A. Marinychev on 27 June 2013, "Development of electrical energy of the Republic of Sakha (Yakutia)".
Industry in the Republic surpasses the average Russian growth rates

Industry is a key focus of the economy of the Republic of Sakha (Yakutia). Key industry sectors of the Republic underwent observable growth from 2007 to 2013.

Indexes that exceed the average RF indicators are highlighted in green.

<table>
<thead>
<tr>
<th>Index</th>
<th>Average index for the Republic for the period</th>
<th>Average RF index for the period</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Industrial production index</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><em>Aggregated industrial production index for mining, processing industry, production and distribution of electrical energy, gas and water. Determined as the ratio of current production volume in monetary equivalent to volume of industrial output in the previous period.</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>100.5</td>
<td>104.4</td>
</tr>
<tr>
<td>2008</td>
<td>104.2</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>86.4</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>117.6</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>111.4</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>106.6</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>104.2</td>
<td></td>
</tr>
<tr>
<td><strong>Industrial production index for mining</strong></td>
<td></td>
<td>105.2</td>
</tr>
<tr>
<td>2007</td>
<td>101.9</td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>104.6</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>85.0</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>120.3</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>112.1</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>108.0</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>104.6</td>
<td></td>
</tr>
<tr>
<td><strong>Industrial production index for processing</strong></td>
<td></td>
<td>101.5</td>
</tr>
<tr>
<td>2007</td>
<td>90.8</td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>98.2</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>87.9</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>119.1</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>112.1</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>96.0</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>106.5</td>
<td></td>
</tr>
</tbody>
</table>

• Significant reserves of hydrocarbons located near a functioning oil pipeline system (ESPO) and potential gas transport system (Yakutia – Khabarovsk – Vladivostok) and the presence of license holders at all oil and gas deposits
• High potential for the development of the raw material base for oil and gas extraction in regions with operating and planned major export pipelines

• Valuable grade coal deposits are located in close proximity to the Russia Far East sea ports
• The vast majority of coal (94%) is extracted using the open-pit method
• 70% of the extracted coal is sold outside of the Republic, of which more than half is sent for export

• Extraction is carried out on the territory of 8 municipal districts of the Northern (Arctic), Eastern and Southern parts of Yakutia and in the basins of the Indigirka, Yana and Aldan rivers
• In recent years, the level of extraction has been maintained at primary gold deposits: Kuranakhskoe ore field, Badran, Samolazovskoe, Mezhsopochnoe, Tabornoe etc.

• The average annual growth rate in the production of jewellery products in the Republic from 2008 to 2012 was 14%
• 99% of Russian, and 27% of global diamond extraction is performed on the territory of the Republic of Sakha (Yakutia)

• Extraction volume in 2013 was 22.4 tonnes including the extraction of hardrock gold (52%) and alluvial gold (48%)

Source: President of the Republic of Sakha (Yakutia) Resolution No. 1652 of 4 October 2012 “On the Investment strategy of the Republic of Sakha (Yakutia) up to 2016 and key areas for development up to 2030”; data of socioeconomic development of the Republic of Sakha (Yakutia) in 2013; data from the Ministry of Industry of the Republic of Sakha (Yakutia).
Forestry
The richest renewable forest raw materials, as well as the production and technical potential of the industry, create a foundation for the development of a forestry and woodworking industry. In the Republic of Sakha (Yakutia) contained the largest reserves of industrial wood – pine and larch. In 2012, RUB 35.3 million (approx. USD 1.1 million) was raised for the procurement of modern logging and woodworking equipment.

Production of building materials
The mineral reserve base of the Republic makes it possible to develop the production of building materials. The average annual growth in the production of non-metallic building materials in the Republic from 2007 to 2012 was 20%.

Trade
Trade is developing dynamically and is one of the priority sectors of the economy of the Republic of Sakha (Yakutia). It is one of the five major budget revenue generating sectors and is characterised by high entrepreneurial and investment activity. The share of wholesale and retail in GRP structure in 2012 was 7.1%.

Agriculture
The agricultural sector of the Republic of Sakha (Yakutia) in 2013 accounted for over 15% of the entire gross agricultural output of the Far Eastern Federal District. In 2013, gross agricultural output amounted to RUB 21.0 billion (approx. USD 675 million), in 2012 – RUB 19.7 billion (approx. USD 634 million).

Source: President of the Republic of Sakha (Yakutia) Resolution No. 1652 of 4 October 2012 “On the Investment strategy of the Republic of Sakha (Yakutia) up to 2016 and key areas for development up to 2030”; data from the official website of the RF Ministry of Agriculture; report from the Department of Forestry of the Republic of Sakha (Yakutia) for the year 2012.
Position of the Republic of Sakha (Yakutia) in the combined income rating among all RF regions in 2012

Income of consolidated budgets of RF regions for 2012, billion RUB

- 2 4 6 8 10 12 14 16

Budget Income of the Republic of Sakha (Yakutia) — 140.2 billion RUB (approx. 4.5 billion USD)

Net financial result of organizations per population size in RF regions in 2012, RUB million per capita

- 0.1 0.2 0.3 0.4

The Republic of Sakha (Yakutia) holds 7th position in terms of the balanced financial results of organisations among all RF regions per population size

Average value by region — 97.1 billion RUB (approx. 2.6 billion USD)

12th place

Position of the Republic in the rating of average monthly per capita income among all RF regions in 2012

Average per capita income, thousand RUB (approx. USD) per month

CAGR=12.3%

<table>
<thead>
<tr>
<th>Year</th>
<th>Average per capita income, thousand RUB</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>15.6 (609)</td>
</tr>
<tr>
<td>2008</td>
<td>18.6 (747)</td>
</tr>
<tr>
<td>2009</td>
<td>21.2 (666)</td>
</tr>
<tr>
<td>2010</td>
<td>23.1 (760)</td>
</tr>
<tr>
<td>2011</td>
<td>25.6 (872)</td>
</tr>
<tr>
<td>2012</td>
<td>28.5 (916)</td>
</tr>
<tr>
<td>2013</td>
<td>31.3 (1,007)</td>
</tr>
</tbody>
</table>

Average per capita income of the Russian Federation and the Republic of Sakha (Yakutia), thousand RUB (approx. USD) per month

<table>
<thead>
<tr>
<th></th>
<th>Russian Federation</th>
<th>Republic of Sakha (Yakutia)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>24.2 (778)</td>
<td>21.2 (609)</td>
</tr>
<tr>
<td>2013</td>
<td>31.3 (1,007)</td>
<td>28.5 (916)</td>
</tr>
</tbody>
</table>

Average growth of purchasing power of the average monthly per capita income of the Republic of Sakha (Yakutia) from 2007 to 2012 by type of services:

- **2.5%** Growth of purchasing power on food items
- **2.8%** Growth of purchasing power on non-food items
- **1.4%** Growth of purchasing power on chargable services provided to the population

The Republic of Sakha (Yakutia) has unique tourism and recreational potential

The Republic of Sakha (Yakutia) has:

- Rich natural resources, diverse natural landscapes and pristine environment
- Ethnic northern population, unique historical and cultural sites

Lena Pillars:
The Lena Pillars, a relic from the Cambrian period, are one of the wonders of Russia. They were included on the UNESCO World Heritage List in 2012

Rivers and lakes:
There are over 800,000 lakes in Yakutia, which contain huge amount of fish resources

Pole of Cold:
Oymyakon, one of the world famous “Poles of Cold”, is located on the territory of the Republic of Sakha (Yakutia). The temperature in January often drops below -50°C

Mammoth routes
Special “mammoth routes” lead to places where permafrost has preserved thousands of unique mammoth remains with no analogues in the world
Republic of Sakha (Yakutia): territory for investment

Rating agencies expect growth in the economy of the Republic of Sakha (Yakutia)

Rating agency*
Standard & Poor’s

<table>
<thead>
<tr>
<th>Year</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>BB- / ruAA-</td>
</tr>
<tr>
<td>2011</td>
<td>BB+ / ruAA+</td>
</tr>
<tr>
<td>2012</td>
<td>BB+ / ruAA+</td>
</tr>
<tr>
<td>2013</td>
<td>BB+ / ruAA+</td>
</tr>
<tr>
<td>2014</td>
<td>BB+ / ruAA+</td>
</tr>
</tbody>
</table>

According to Standard & Poor’s, the Republic of Sakha (Yakutia) has relatively high indicators of budget income and gross regional product per capita (over USD 18,400 in 2012), exceeding the average Russian indicators. S&P expects significant capital investment in the development of infrastructure and the mining industry, as well as an increase in the extraction of oil and coal, which will support moderate rates of economic growth.

Fitch Ratings

<table>
<thead>
<tr>
<th>Year</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>BB / AA- (rus)</td>
</tr>
<tr>
<td>2011</td>
<td>BBB- /AA+ (rus)</td>
</tr>
<tr>
<td>2012</td>
<td>BBB- /AA+ (rus)</td>
</tr>
<tr>
<td>2013</td>
<td>BBB- /AA+ (rus)</td>
</tr>
<tr>
<td>2014</td>
<td>BBB- /AA+ (rus)</td>
</tr>
</tbody>
</table>

Fitch Ratings take into account the low level of the debt of the Republic of Sakha (Yakutia), strong economic indicators and good budget execution. For 2014-2016, Fitch Ratings forecasts a growth rate in the Republic of Sakha (Yakutia) that exceeds average national growth: 3-4% in real terms.

Rating of SME Bank (Vnesheconombank Group)

According to the SME Bank (Vnesheconombank Group) rating, the Republic of Sakha (Yakutia) in 2011-2012 was one of the most economically developed regions, due to high values of integral indicators of potential for further development and the ability to mitigate potential risks (Rating A). Regions with Rating A are characterised by high purchasing power of the population, which leads to a high demand for SME (small and medium enterprise) products.

Source: Rating agency data.
*International rating scale / Russian rating scale.
Investment activity has increased in the Republic

The share of investment in fixed assets of the Republic of Sakha (Yakutia) in the Far Eastern Federal District is 22%.

The share of investment as a part of the total Gross Regional Product, %

- 2007: 49%
- 2008: 51%
- 2009: 59%
- 2010: 34%
- 2011: 39%
- 2012: 41%

Investment in fixed assets by type of economic activity in 2012, %

- Extraction of raw materials: 22%
- Production and distribution of electrical energy, gas and water: 7%
- Transport and communication: 3%
- Real estate transactions: 3%
- Construction: 2%
- Education: 2%
- Other communal and social services: 2%
- Healthcare and social services: 1%
- Government administration and military security: 1%
- Manufacturing: 1%
- Financial operations: 1%

Source: Federal State Statistics Service (Rosstat) “Socioeconomic indicators of Russian regions, 2013”.
Foreign investment in the Republic increased from 2009 to 2012

Foreign investment, USD billion

The share of foreign investment in the Republic of Sakha (Yakutia) in the Far Eastern Federal District is 11%

Foreign investment by type of investment in 2012, %

In 2012, USD 1.5 billion was invested into the Republic of Sakha (Yakutia) by foreign sources
State support for investment in the Republic of Sakha (Yakutia)

There are a number of state support measures for investment activity in the Republic

**Investment infrastructure development**
The Republic is actively developing its investment infrastructure to simplify investment activity for both large businesses and SMEs

**Tax incentives**
Depending on the type and size of the investment project, investors may expect different tax incentives including exemption from property tax, reduced income tax rates, etc.

**Establishment of a public private partnerships (PPP)**
This concept makes it possible to reduce capital costs for both the state and the investor, while providing for the legitimacy and transparency of procedures through the preparation of projects according to standard regulations

**Reduced administrative barriers**
The establishment of simplified mechanisms for the centralised preparation of the necessary authorisation documents in order to reduce administrative barriers when implementing investment projects

**Other types of state support**
- Development of SMEs and support for innovation
- Staff support during the investment process
- Creation of a positive investment image
- Stimulation of investment activity in municipal districts
The Head and Government of the Republic are making constant efforts to improve the investment climate in the Republic

The Republic of Sakha (Yakutia) was one of the first regions of the RF to apply the executive authorities’ performance standard to develop a favourable investment climate in the region. Over the past five years, the investment infrastructure has been undergoing development in order to provide favourable conditions for investment activity of large, small and medium business

Key companies directly cooperating with business representatives

Government bodies

Management

Head of the Republic of Sakha (Yakutia)

Government of the Republic of Sakha (Yakutia)

Ministry of Economy of the Republic of Sakha (Yakutia)

Investment Development Agency of the Republic of Sakha (Yakutia)

Attraction of investments, reduction of administrative barriers, creation and promotion of a positive investment image of the Republic of Sakha (Yakutia)

Ministry of Land and Property Relations of the Republic of Sakha (Yakutia)

Ministry of Enterprise and Tourism of the Republic of Sakha (Yakutia)

Ministry for Federative Affairs and External Relations of the Republic of Sakha (Yakutia)

Government Committee of Science and Innovation Policy of the Republic of Sakha (Yakutia)

OJSC Development Corporation of South Yakutia
Implementation of projects in close cooperation with the Investment Development Agency of the Republic of Sakha (Yakutia)

OJSC Republican Investment Company
Attraction of investors for the development of the Republic’s economy. Development, implementation and coordination of investment and innovation programmes and large projects
Republic of Sakha (Yakutia)
A story of success

Investment Policy Council of the Republic of Sakha (Yakutia)
Work towards dialogue and agreed actions between government authorities, businesses and society during the implementation of the investment policy

PPP Coordination Council of the Republic of Sakha (Yakutia)
Coordination and effective cooperation between government authorities, businesses and society when implementing PPP projects

Small Business Development Fund of the Republic of Sakha (Yakutia)
Provision of equal access for SMEs to loans and other financial resources

Enterprise Support Centre of the Republic of Sakha (Yakutia)
Information, consulting and financial support for enterprises

Business Incubator of the Republic of Sakha (Yakutia)
Support for small businesses and start-up projects

Business School of the Republic of Sakha (Yakutia)
Trainings, professional seminars, additional qualification

OJSC Yakutia Venture Company
Co-investor of investment projects with significant economic or social potential

Yakutia Technopark
Provision of infrastructure for innovation projects
The Republic’s plans up to 2020 include integrated development using natural and economic potential and competitive advantages

The RF Government has approved the Plan for integrated development of the Republic of Sakha (Yakutia) up to 2020:

1. **Construction of the BERKAKIT-TOMMOT-YAKUTSK pioneer railways, development of network, aviation, construction of power lines, optimisation of local energy system**

2. **Construction of diamond and gold mines, development of the Elginskoe coal deposit, etc.**

3. **Construction of gas and oil pipeline systems, refinery facilities, development of major oil and gas condensate fields**

4. **Creation of new industries: ferrous metal industry, extraction and refinery of uranium ore, etc.**

5. **Increase of real income of the population by 3.6 times by 2005**

6. **Increase of GRP by 2.8 times by 2005**

7. **Development of infrastructure and primary industries**

8. **Development of the oil and gas sector and creation of new industries**

9. **Improvement of living standards, development of SMEs**
Successful companies in the Republic of Sakha (Yakutia)

Anabar Diamonds: average annual growth in the sale of diamond products from 2010 to 2012 was 29%

OJSC Anabar Diamonds (subsidiary of OJSC ALROSA) is one of the largest diamond mining companies in the Republic of Sakha (Yakutia). The company is developing dynamically year on year and is making a significant contribution to the social and economic development of the Republic

OJSC Anabar Diamonds today:

- A multifunctional, dynamically developing business, whose annual turnover exceeds RUB 5 billion (approx. USD 161 million)
- The mining of diamonds in monetary terms in 2012 was USD 153 million
- The average number of employees in 2012 was 1,034

In March 2005, construction of the Morgogor mine began and mining work started on the pilot development of the deposit

In 2004, a new enrichment plant with a capacity for the enrichment of diamond bearing soils of 400,000 m³ per season was constructed within extremely tight timeframes

Starting from 2003, OJSC Anabar Diamonds began to transform into a multifunctional company

1992 – beginning of development of the first alluvial diamond deposit

Source: Official website of OJSC Anabar Diamonds.
Yakutian Diamond Company: during its six years of operations, the company has gained leading positions on the local market

The Yakutian Diamond Company owns a lapidary and jewellery plant in the Republic of Sakha (Yakutia), which specialises in the production of diamonds and diamond jewellery

Yakutian Diamond Company today:
- Leading producer of diamonds in the Republic
- Capable of producing jewellery using up to 15 kg of gold and 10 kg of silver and cutting rough diamonds into diamonds of 11,400 carats every month

Source: Data from the Yakutian Diamond Company.
EPL Diamond: 3rd place for diamond exports in the RF

EPL Diamond is a group of companies which comprises a lapidary plant, jewellery plant and retail network. EPL Diamond’s lapidary and jewellery plants are located in Yakutsk, one of the oldest cities in Siberia and the Far East, and the capital of the Republic of Sakha (Yakutia).

1994
A diamond cutting factory was opened.
The first batch of diamonds, valued at USD 50,000, was produced by EPL Diamond in Yakutsk.

2006
EPL Diamond started to develop jewellery production using Yakutian diamonds and its own retail network.

2008
EPL Diamond started producing ‘Hearts and arrows’ diamonds under the trademark ‘The Blazing Ice’
‘The Blazing Ice’ is a company’s honour and hallmark.

Today, EPL Diamond is a leading exporter of diamonds in Russia and is the undisputed leader in the Republic of Sakha (Yakutia) in developing precious stones and selling them on the external market.
Since 2004, NPK EPL Diamond has held 3rd place in the Russian Federation for diamond exports, producing USD 80 million worth of diamonds annually.

Source: Official website of EPL Diamond.
Choron Diamond: 15 years of successful work on the territory of the Republic of Sakha (Yakutia)

Choron Diamond is an Indian company specialising in the production and sale of diamonds and jewellery products. It is part of the Choron International Holding Company.

Choron Diamond has been on the Russian market for 15 years. During this time, it has become one of the major players and has an entire value chain at its disposal, from diamond production at its own factory in the Republic to selling jewellery to the client.

Company development:

1999  Choron Diamond enters the Russian market, a cutting factory is opened in Yakutsk

2005  Choron Diamond expands its retail network in large markets, offices are opened in Dubai, Singapore and Luxembourg

2008  Cooperation begins with the World Gold Council and the ‘Gold Expressions’ collection is launched in Russia

2013  A retail chain is launched, three outlets are opened in Saint Petersburg

Source: Official website of Choron Diamond.
OJSC Tuimaada Neft: two-fold growth in the sale of petroleum since 2006

Principal activities
- Wholesale and retail of petroleum trade
- Storage of petroleum

Distribution channels of oil products
To ensure uninterrupted supply of petroleum products to agriculture producers and the rural population, are provided by Company performs:
- Wholesale trade through leased and own tank farm facilities (Nizhnebestyakhskaya, Amginskiy and Kharbalakhskiy tank farms)
- Retail sales through its own network and leased filling stations in the central, riverside and Vilyui settlements (13 filling stations)

Types of petroleum delivery
- The main volume is transported through the Ust-Kut oil deposit storage terminal by river transport
- The additional volume, depending on the cost of oil refinery, is transported by railway (Neryungri-Aldan-Tommot)
- Part of the volume for the northern tank farm is transported by sea

OJSC Tuimaada Neft:
- Has become one of the largest businesses in the petroleum market in the Republic
- Has established a large and reliable distribution network across the Republic to provide agricultural producers and the rural population with oil products in a timely manner, taking into account the natural and local conditions in the Republic

Major clients
- OJSC ALROSA
- OJSC Sakhaneftegassbyt
- OJSC Vostek
- OJSC Yakutskenergo
- OJSC LORP

Source: Data from OJSC NK Tuymaada Neft.
Foreign investors aim for long-term partnerships with the Republic

Silver Bear Resources

A Canadian company that explores, assesses and develops silver deposits in the RF. The company’s subsidiary, CJSC Prognoz, operates in the Republic. Since 2004, the company has been carrying out geological exploration and deposits assessment of the Mangazeisky ore field of Endybalskaya site in the Kobyaiskiy ulus (area), which is one of the areas with the highest silver content in the world (558 g/t).

In 2013 Silver Bear Resources Inc. was granted with a mining license for the company’s Vertikalny Deposit on its Mangazeisky property in Russia valid for a period of twenty years. The mining license covers production from its Vertikalny deposit and provides for a minimum production rate of 180,000 tonnes of ore per year.

LG International Corporation

LG International Corporation is a part of LG Group, one of South Korea’s globally recognised corporations, which manufactures electronics, chemical products and telecommunications equipment. The company has been working in the Republic of Sakha (Yakutia) since 1995 and has been participating in the development of coal deposits as part of the Comprehensive Development of South Yakutia project.

Today, the company is aimed at establishing long-term partnership with the Republic. The construction of the LG Sakha Centre building is a step towards the realisation of LG’s plans.

The project was executed by LG International Yakutsk – Yakutian company owned by LG International Corporation.

Source: Data from LG Group, JSC Prognoz.
Sinet Group: over 2 million visitors to Ykt.ru per month in 2013

Sinet is a group of IT companies in Yakutsk, founded in 1999, which specialises in Internet advertising, e-commerce and development of Internet start-up businesses. Sinet is a leader on the local market and one of the leading companies in Far Eastern Federal District.

Source: Data from GC Sinet.
Sulus Games: over its eight years of operations, the company has maintained a solid position on the computer games market

Sulus Games develops mobile and social applications for various platforms. Company is a leader in the Republic in export of IT services and holds a solid position on the market of casual games.

Sulus Games was founded in 2006 and is currently a successful and rapidly developing company. Over a short period of time, the company has become a competitive player in the casual gaming market and has maintained a solid position in the computer games market under the brand Sulus Games.

One of the latest successful developments is a free mobile application, Secret Society, a game for the iOS and Android platforms. Since its release, the game has become a real hit: over 6 million players have installed it and the game constantly occupies leading positions in the charts in various countries around the world, e.g. 16th place in the rating of the top grossing iPad games in the USA.

Source: Data from Sulus Games.
Mass is a leader in the timber industry of the Republic of Sakha (Yakutia)

Mass performs integrated wood processing from felling and primary conversion to supply of added value products to Europe and Central Russia. The company produces saw timber, wooden window frames, doors, parquet, decking and wooden houses.

Mass has adopted a strategy of efficient natural resource management and production of high quality value-added products on the territory of the Republic.

**Successful investment attraction:**

In 2013, Vitim Timber Company, which is a part of Mass group of companies, supported by OJSC Almazergienbank, located in the Republic, attracted investment from OJSC SME Bank (Vnesheconombank Group) in the amount of RUB 150 million into a saw timber production expansion project in Vitim, Lenskiy ulus (area). Private investors from Austria and Germany are also involved in the project.

Saw timber produced within the project is sold to consumers and companies in the Republic and also used in the production of the company’s own value-added products.

**Source:** Data from Mass.
Projects executed with the support of the Government of the Republic of Sakha (Yakutia)

Investment project “Comprehensive Development of South Yakutia”: creation of a large industrial region according to public private partnership principles

The objective of the project is to create a large industrial region according to public private partnership principles in the Russian Far East, powered by the hydro-electric, mineral and raw material resources in the region: natural gas, apatites, coal, iron and uranium ores, and others.

Structure of investments in the construction stage of the project:
- RUB 172 billion (approx. USD 5.4 billion): construction of transport and energy infrastructure facilities
- RUB 674 billion (approx. USD 21.1 billion): construction of industrial facilities

Construction sites
1. Inaglinskiy Coal Facility
2. Kankunskaya Hydroelectric Power Plant
3. Elkonskiy Mining and Metallurgy Works
4. Taezhniiy Mining and Processing Integrated Works
5. Tarynnakhskiy Mining and Processing Integrated Works
6. Seligdarskiy Mining and Chemical Facility
7. Yakutian Gas Production Centre
8. Transport infrastructure (road and railway)
9. Electricity network infrastructure

Effects of project implementation
- Acceleration in the rates of social and economic growth of the eastern part of the Russian Federation
- Establishment of new facilities for the deep processing of extracted raw materials
- Development of the construction industry in the region, as well as road construction and the production of construction materials

Source: Data from OJSC “Development Corporation of South Yakutia”.

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Comprehensive Development of South Yakutia: Inaglinskiy Coal Facility

The aim of the project is to create a large coal mining enterprise, including a shaft and a processing factory in the Neryungri region of the Republic of Sakha (Yakutia).

- The project includes the development of the eastern part of the Chulmanskiy coal deposit, and the mining and processing of premium metallurgical coal with high plasticity and fluidity. The volume of concentrate production is up to 3 million tonnes per year.
- The coal facility will produce a high quality metallurgical (coking) coal concentrate Zh grade (Russian classification) (Free Swell Index (FSI) – 9, Roga Index – 75–82, Giesler fluidity 20–50 thousand units).

The facility’s products will be supplied to internal and external markets. The project is being implemented by Kolmar LLC, which owns all the rights, assets and licenses.

The project is very nearly ready:

1. Planning and working documentation for the shaft and the coal processing plant are complete.
2. Preparation of the construction site for land facilities is complete. All coal processing equipment has been obtained, as has most of the equipment for the shaft. Necessary authorisation and agreements have been obtained.
3. Construction has begun on the Inaglinskaya shaft.
4. A comprehensive review of the project has been completed by international consultants.
5. The final agreement relating to state support for the construction infrastructure (railway and transmission lines) is underway.

Source: Data from OJSC “Development Corporation of South Yakutia”.
Some examples of projects executed by state enterprises

1. Establishment of a basalt material plant in the settlement of Pokrovsk, Khangalasskiy ulus (area)
   - Project initiation – 2009, budget RUB 898.6 million (approx. USD 28.3 million)

2. Reconstruction of a retail and entertainment complex Tuimaada
   - Project initiation – 2008, budget RUB 775.7 million (approx. USD 31.2 million)

1. BIGE, paint coatings and thermal insulation
   - Project initiation – 2013, budget RUB 19.7 million (approx. 618,000 USD)

2. Nova-Pila, Manufacturer of mounted circular saws
   - Project initiation – 2013, budget RUB 4.2 million (approx. 132,000 USD)

3. Sakha Parking, Construction and lease of automated car parks
   - Project initiation 2013, budget RUB 41.6 million (approx. USD 1.3 million)

1. Furniture manufacturing, woodworking and related industries cluster
   - Project objective: centralisation of activities. The project was implemented and included over 20 manufacturing companies

2. North Mosaic Tourist and Recreational Cluster
   - Project initiation – 2013, project objective: creation of a year-round tourist cluster in Yakutsk

Special economic zone Severniy Mir (tourist and recreational type)
   - Budget RUB 3.7 billion (approx. USD 116 million)
   - Payback period – 6 years
   - Project objective: creation of special zone close to key infrastructure facilities (23 km from the railway station, 40 km from the airport) incl. entertainment park, mountain skiing complex, “World of permafrost” and “Mammoth centre” complexes

Orto Doidu Tourist and Recreational Cluster
   - Project initiation – 2015, budget RUB 1.6 billion (approx. USD 50 million)
   - Project objective: creation of tourist cluster including museums, hotels and shopping centres

Source: Data from Cluster Development Center, Yakutia Venture Company, Republican Investment Company, Ministry of Enterprise and Tourism of the Republic of Sakha (Yakutia).
Yakutia Railways: 21% increase in transport between 2010 and 2012

OJSC Yakutia Railways is a federal infrastructure railway company. The company owns the Berkakit-Tommot railway line and operates the Neryungri-Aldan-Tommot railway district (360 km), transporting both cargo and passengers. There are 14 stations and crossings that connect directly with the OJSC Russian Railways network.

- **1995** – OJSC Yakutia Railways was founded
- **1996** – operations begin in the Neryungri – Aldan district
- **2002** – opening of a direct connection for receiving cargo in wagons in the Neryungri – Tommot railway district
- **2004** – launch of passenger transport in the Tommot-Neryungri district
- **2011** – railway connection to the right bank of the Lena River. Laying of the ‘gold link’ at Nizhniy Bestyakh
- **2012** – more than 2.6 million tonnes of cargo was transported, which exceeds the year-on-year indicator by 15.4%; the cargo turnover indicator was 323 million tkm, a 6.8% increase year-on-year; the preparation for launch the Tommot - Yakutsk (Nizhniy Bestyakh) district was underway
- **2013 – 2014** – continued the construction of Nizhniy Bestyakh station

Source: Data from OJSC Yakutia Railways.
Children of Asia International Sports Games

Since 1996, the Children of Asia International Sports Games have been held in the Republic under the patronage of the International Olympic Committee, UNESCO and with the support of the Olympic Council of Asia and the Russian Olympic Committee.

During the Games, over 20 sports and social venues were constructed specially for the Games, including stadiums, sports complexes, swimming pools, hotels and airport terminals.

In 2012, the 5th Children of Asia International Sports Games were held in the Republic. The organisation of a sporting event of this magnitude stimulates social and economic development in the region, improving its image both nationally and internationally, and also creates new external economic links and strengthens existing ones, attracting more and more Russian and foreign companies to a region rich in investment projects.
Project implemented as part of the Plan for integrated development of the Republic of Sakha (Yakutia) up to 2020

Development of infrastructure and primary industry

Railway connection:
The construction of the Berkakit – Tommot – Yakutsk railway line is being concluded.

Roads:
- A backbone network of roads is being established
- A bypass for the federal road Kolyma was opened
- Construction of the Amga, Kobyay, Umnas and Aldan regional roads is underway
- Construction of the Lena, Vilyui and Kolyma federal roads is underway

Energy sector:
- The first stage of the construction of 220 kV Neryungrinskaya Power Station – N. Kuranakh – Tommot – Maya. The 220 kV Suntar – Olekminsk high voltage power lines with substations have been commissioned
- The 220 kV Mirniy – Suntar high voltage power lines have been commissioned. Two 220kV high voltage power lines are under construction

Gasification:
- Construction of major gas pipeline Srednevilyuyskoe Gas Condensate Field – Mastakh – Berge – Yakutsk (3rd pipeline) is completed
- 1062 km of gas pipelines were constructed and 12.4 thousands of residential buildings were supplied with gas for the gasification of the settlements

Mining of coal, gold and diamonds:
- Industrial development of the Elginskoe coal deposit has begun
- Two open coal mining sites have been commissioned: Denisovskiy-Vostochniy and Severniy
- Underground mines International, Aikhal, Mir were launched. In spring 2013 an underground mine Aikhal reached its full production capacity of 500 thousand ore per year
- In 2013 started the construction of a mine on the Botuobinskaya pipe
- New gold deposits in Aldan, Olekmin and Oymyakon districts are developed
• The first stage of the oil pipeline system ESPO (1383 km in Yakutia) was commissioned. Construction of second stage sites is underway.

• Talakanskiy, Alinskiy, Severo-Talakanskiy, Vostochno-Alinskiy, Uzhno-Talakanskiy and Ireyakhskiy oil and gas condensate fields are under industrial development. The volume of extracted oil in 2005 was 0.3 million tonnes and 7.6 million tonnes in 2013.

• Gazprom performs exploration at the Chayadinskiy oil and gas condensate field. Planning for deposit development, gas transportation, helium extraction and storage sites is being concluded.

• The Elkonskiy hydrometallurgical plant is being planned and will be funded by the RF Investment Fund.

• The following sites have been planned and will be funded by investors: Taezhniy Mining and Processing Works, Yakutian Gas Production Centre. Planning is complete and the construction of the Inaglinskiy Coal Works has begun.
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