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INTRODUCTION BY THE GOVERNOR OF THE LENINGRAD REGION

Dear friends,

Industry is the fundamental basis of the Leningrad Region’s economy. Enterprises with stable, successful operations make a significant contribution to the gross regional product (GRP) and represent a key source of tax revenue for the regional budget.

Today, we are seeing the successful development of industrial production in the Leningrad Region, which helps ensure a high rate of economic growth for the region as a whole.

In 2012, industrial output increased by 4.7%. Our region ranks among the top three leaders in industrial production in north-western Russia, particularly by such indicators as the volume of industrial goods shipped and production of natural resources.

The Leningrad Region is a major transport and logistics centre for north-eastern Europe. Across the region, ports, industrial zones and technology parks have been expanding their capacity, and integrated development plans are being implemented.

Our achievements have established a solid base and favourable conditions for the further development of the Leningrad Region’s industrial sector. Enterprises with sustainable operations are the best advertising for our business climate and the effectiveness of the region’s investment policy. Owing to this, in 2012 we brought in over RUB 330 billion to the regional economy. The region offers an investor-friendly tax regime, and a clear, transparent support system for investment projects.

This Guide to Industry in the Leningrad Region is intended to be a reliable guide that can help investors establish and develop their businesses in the Leningrad Region.

Our region is open to all who are enterprising and ready to take the initiative, and who value solid commitments and guarantees.

Alexander Drozdenko
Governor of the Leningrad Region
The Leningrad Region today presents a vivid example of a dynamic, rapidly growing economy. The availability of an extensive raw materials base, skilled labour, access to both Russian and European markets, and significant industrial and technological potential support the Leningrad Region’s development as a highly industrialised region where all types of production are represented.

The Leningrad Region is unique in terms of its geographical location. Access to the Baltic Sea, geographic proximity to Western Europe, rapid development of practically all modes of transport, and the availability of ports and logistics hubs make the Leningrad Region one of the largest transportation hubs in north-western Russia as well as an important link in Russian and global transport networks.

Among the region’s top priority objectives today are the further improvement of living standards and creating favourable conditions for the development of new investment projects.

The Leningrad Region Government has been actively implementing mechanisms aimed at smoothing the way for investors, such as investment project support on a “one-stop-shop” basis, which have contributed to creating a highly favourable environment for doing business.

In addition to a simplified procedure for obtaining tax preferences, another advantage of doing business in the Leningrad Region is the availability of functioning industrial parks and clusters.

This Guide presents the most interesting and helpful information about the economic situation in the region, including the region’s development prospects, special aspects of establishing and doing business in the region, and government support programmes for investors.

We strongly believe that this publication will be helpful to both existing and potential investors, and wish the Leningrad Region Government continuing success in their work for the benefit of the region.

David Gray
Managing Partner
PwC Russia
ONE OF RUSSIA’S MAJOR TRANSPORT HUBS WITH A STABLE ECONOMY

Map of the Leningrad region

Forestry
Transport machine-building
Agriculture
Ports
Oil refining
FMCG
Development
Building materials
Petersburg Nuclear Physics Institute (PNPI)
Freight turnover, tonnes mln
Population centres
Railways
International highways
NEG (North European Gas Pipeline)
INVESTMENT POTENTIAL OF LENINGRAD REGION

SOCIAl AND ECONOMIC SITUATION

The Leningrad Region is located in north-eastern Russia and has an area of 83,900 square km. The region has a population of 1.75 million people, of which 65.2% are urban dwellers and 34.8% live in rural areas. The region borders on Finland and Estonia and has administrative borders with five other constituent regions of the Russian Federation: the Novgorod, Pskov and Vologda regions, the Republic of Karelia and the City of St. Petersburg.

Moreover, the Leningrad Region is rich in various natural resources. The region has major reserves of: bauxite, clay, phosphorite, shale, granite, limestone, sand and peat. New types of feedstock have been discovered in the region, including magnetite one of tin-silver and uranium mineralisation, ornamental stones, natural gas and bitumen.

The region is also among the leaders in north-western Russia in timber cutting, processing and export. These factors support the Leningrad Region’s development as a highly industrialised region where all types of production and transportation are represented.

The region’s diversified economy ensures the consistent growth of key macroeconomic indicators:

- the net profit of regional enterprises and organisations grew by 23% versus the same period the year before;
- capital investments grew by 0.8% year on year;
- the volume of construction work grew by 8.7% year on year;
- real personal income rose by 3.0% year on year;
- real wages rose by 8.5% year on year.

A key indicator of the region’s successful development is its growing gross regional product (GRP).

In 2011, the region’s GRP was RUB 502.1 billion, representing 5.4% growth over 2009. In 2011, GRP increased to RUB 573 billion (representing a 106.6% year-on-year percentage change in comparable prices) and GRP per capita amounted to RUB 332,000 (113.7% in current prices). As a result of the anticipated positive growth trend in the industrial sector, active construction of new enterprises, increased capital investment, and further growth in the market for goods and services, the GRP physical volume index for 2012 grew 5.1% compared to 2011. In 2011, GRP per capita was about RUB 363,000, whereas in 2000 it was only RUB 33,300.

GROSS REGIONAL PRODUCT (GRP)

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Per capita GRP (RUB) in the constituent regions of the North-Western Federal District

<table>
<thead>
<tr>
<th>Region</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>North-Western Federal District</td>
<td>261,321.0</td>
<td>253,679.1</td>
<td>280,472.5</td>
</tr>
<tr>
<td>Republic of Karelia</td>
<td>167,102.1</td>
<td>154,440.7</td>
<td>176,212.9</td>
</tr>
<tr>
<td>Republic of Komi</td>
<td>302,912.6</td>
<td>316,939.4</td>
<td>380,966.6</td>
</tr>
<tr>
<td>Arkhangelsk Region</td>
<td>228,702.4</td>
<td>237,189.6</td>
<td>320,310.1</td>
</tr>
<tr>
<td>Vologda Region</td>
<td>241,610.9</td>
<td>179,498.3</td>
<td>209,385.6</td>
</tr>
<tr>
<td>Kaliningrad Region</td>
<td>191,241.9</td>
<td>180,764.5</td>
<td>207,368.3</td>
</tr>
<tr>
<td>Leningrad Region</td>
<td>234,748.4</td>
<td>263,925.8</td>
<td>290,077.8</td>
</tr>
<tr>
<td>Murmansk Region</td>
<td>252,433.9</td>
<td>240,882.1</td>
<td>296,270.8</td>
</tr>
<tr>
<td>Novgorod Region</td>
<td>177,925.4</td>
<td>182,978.5</td>
<td>200,384.7</td>
</tr>
<tr>
<td>Pskov Region</td>
<td>194,564.7</td>
<td>197,786.0</td>
<td>244,783.3</td>
</tr>
<tr>
<td>City of St. Petersburg</td>
<td>312,371.8</td>
<td>325,451.6</td>
<td>342,968.0</td>
</tr>
</tbody>
</table>

PwC | Leningrad Region
INVESTMENT CLIMATE

Active investment is a critical element in the future development of the region’s economic and social environment. The Leningrad Region’s investment climate is characterized by the following:
- a unique geopolitical location (as both Russia’s “gateway to Europe” and Europe’s “gateway to Asia,” a major transport hub, and port facilities currently in operation or under construction);
- large-scale innovation and industrial potential, and a large pool of skilled personnel;
- an established regulatory framework for promoting investment;
- a system of tax incentives and government support for investors;
- information transparency and openness;
- a high level of political, social and economic stability.

These factors make the Leningrad Region attractive not only to Russian but also foreign investors. Capital investment in the region exceeded 50% of GRP; investments in industry and transport infrastructure hold the largest share of total investment in the region.

Performance and results:

- No. 3 in the North-Western Federal District, in terms of business attractiveness by investment volume (RUB 330.1 billion in 2011), or 0.8% higher than in 2011 in comparable prices and 8% higher in current prices.
- Foreign investment in the region in 2012 amounted to USD 4.8 billion, an increase of 1.9 times from 2011, of which 76.9% was foreign direct investment (FDI) totaling USD 3.7 billion, also representing an increase of 1.9 times over 2011.
- Investments in developing industrial production and transport infrastructure hold the largest share of total investment in the region.
- Private funds (non-budgetary funds) account for 83.1% of real investment in the region.
- Foreign investment in the region in 2012 amounted to USD 1.4 billion, an increase of 1.9 times from 2011, of which 76.9% was foreign direct investment (FDI) totaling USD 1.1 billion, also representing an increase of 1.9 times over 2011.

Key principles of the regional investment policy:
- Simplified investor access to benefits and preferences;
- Development of a network of regional industrial and technology parks;
- Reliance on the “one-stop-shop” principle for implementing investment projects;
- Introduction of a Standard for Promoting a Favourable Investment Climate in the Region.

Changes in regional investment laws:
- Reduction in the corporate income tax rate to 13.5%;
- Reduction in the property tax rate to 0%;
- Tax benefit period – up to eight years;
- For investments of over RUB 300 million.

In June 2012, international ratings agency Fitch upgraded Leningrad Region’s long-term ratings in foreign and local currencies from “BB” to “BB+”, and also affirmed the region’s short-term rating at “F”. Fitch also raised the national long-term rating for the region from “ruAA−” to “ruAA”. The outlook for these long-term ratings is “stable”. This rating action applies to the Leningrad Region’s outstanding issued bonds worth RUB 1.3 billion.

Another equally important area for attracting investment is small and medium-sized enterprises (SMEs). The Leningrad Region Government has been making every effort to boost the development of technology parks (industrial parks, technology parks, etc.). The regional legislature has passed Leningrad Region Law No. 102-03 of 9 December 2011 “On Government Support Measures for Organizations Conducting Business on the Territory of Industrial Parks and Technology Parks of the Leningrad Region.”
INTRODUCTION OF A STANDARD FOR EXECUTIVE AGENCIES TO ENSURE A FAVOURABLE INVESTMENT CLIMATE IN THE LENINGRAD REGION

On 21 September 2012, an agreement was signed with the Strategic Initiatives Agency (SIA) to implement a Standard for executive agencies’ efforts to promote a favourable investment climate in the Leningrad Region within the framework of the 3rd International Investment Forum - Sochi 2012.

The SIA roadmap calls for carrying out the 15 points of the Standard. What sets Leningrad Region’s roadmap apart from that of other regions is that it features an additional provision in the Standard (point No. 16) providing for measures to improve the investment climate at the municipal level.

A front office has been opened at the Economic Development Agency of Leningrad Region (state public institution) which operates on the “one-stop-shop” principle. Investors can request information from the Agency about tax support provided by the Leningrad Region Government and the availability of industrial sites. The Agency can also provide assistance in obtaining required permits, as well as support in communications and interactions with the representative offices of federal executive agencies.

Furthermore, the regional authorities have set up the Investment Council at the Office of the Governor of the Leningrad Region. Vice-governors and senior executives of major companies operating in the region are members of the Investment Council. The regional authorities and business community have joined forces to develop initiatives for reducing administrative barriers, operating in the region are members of the Investment Council. The Agency can also provide assistance in obtaining required permits, as well as support in communications and interactions with the representative offices of federal executive agencies.

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Points of the Standard:

- Implementing a regional investment strategy by the higher-government bodies of the relevant constituent region of the Russian Federation;
- Developing and annually updating a plan for setting up investment projects and infrastructure facilities in the region;
- An annual address by the chief executive of the constituent region of the Russian Federation “on the investment climate and investment policy in the region”;
- Drafting and enacting a regulatory legal act of a constituent region of the Russian Federation for the purposes of protecting investor rights and supporting measures for investment activity;
- Establishing a council for improvement of the investment climate;
- Establishing a specialized agency for raising investment and investor support;
- Providing accessible infrastructure so that investors can develop production and other facilities (industrial and technology parks);
- Availability of professional training and advanced training facilities with a focus on specialist fields that meet the requirements of the region’s investment strategy and investor needs;
- Setting up a special bilingual website dedicated to investment activities in the constituent region of the Russian Federation;
- Establishing consistent rules and regulations in the constituent region of the Russian Federation to support investment projects based on the “one-stop-shop” principle;
- Presentation of a Regional Investment Declaration by the chief executive of a constituent region of the Russian Federation;
- Drafting and enacting a regulation on procedures to assess the impact of regulatory legal acts (both enacted and pending) which have a bearing on business activities;
- Availability of a system for professional training, professional development and assessment of competence for both personnel of relevant regional government bodies and specialized organizations responsible for raising investment and investor support;
- Including a representative of energy consumers in the executive body of the constituent region of the Russian Federation responsible for government regulation of tariffs set by the Regional Energy Commission and establishing a consultative body that includes representatives of the business community;
- Availability of a forward channel(s) for direct communications between investors and regional leaders to ensure prompt resolution of issues and problems encountered during the course of investment activity.

The SIA Expert Group for Implementation of the Standard has assigned “fully completed” status to four of the above mentioned points.

WORKFORCE

With respect to demographics, the Leningrad Region has been experiencing a steady population increase. The region’s population stood at 1,750,100 people at the start of 2013 with 65.2% living in urban areas and 34.8% in rural areas. In January-November 2012, the region’s population increased by 15,360 people, or 0.9%.

In recent years, the Leningrad Region’s labour market has remained stable thanks to greater overall labour demand in the economy. Furthermore, at 0.4% the Leningrad Region had the second lowest unemployment rate after St. Petersburg among the 11 constituent regions in the North-Western Federal District.

Research offices of Gazprom-Elektroniqepronoz – Leningrad Nuclear Power Plant.
As of the start of 2013, job vacancies had decreased by 1,100 jobs compared to the beginning of 2012, amounting to 13,000 jobs in 951 professions and specialisations. Overall, the region's enterprises and organisations are facing an employee deficit. The regular labour force accounts for 71.4% of total labour demand.

The number of people employed in large and medium-sized enterprises in December 2012 grew at a faster rate in the following sectors in comparison with October 2011: hotels and restaurants (23.2%); mining, logging and forestry (9.0%); wholesale and retail, repair of automobiles, motorcycles, household goods and individual supplies (7.8%); real estate transactions, leasing and services provision (6.1%); provision of other services, including utilities, social and personal services (3.6%) and transport and communications (1.0%).

A decrease in the number of people employed was posted in the following eight sectors: construction industry (7.8%); financial sector (4.6%); social insurance (4.1%); agriculture, hunting and forestry (2.6%) and education (2.6%).

Annual employment growth is forecast at a rate of 0.2% for 2013-2015, owing to investment projects for expanding existing facilities and creating new enterprises in the region, as well as demand for additional qualified labour.

Few Russian Federation constituent regions are as reliant as the Leningrad Region on the transport sector as a key area of regional economic specialisation. The region is undoubtedly one of the most important links in both Russia-wide and global transportation systems as it acts as a nationwide channel for freight and passenger flows.

When considering the structure of the Leningrad Region’s transport system, it is important to emphasise the high level of development of practically all modes of transport. The Leningrad Region is the leader in the North-Western Federal District in terms of road density and length.

The total length of the region’s roads covers over 22,000 km, including five federal highways (Russia, Scandinavia, Kola, Pskov, and Narva) and 11 main regional thoroughfares.

Railways play a major role in the Leningrad Region, with a total length of 2,500 km. The main rail routes cover both neighbouring Russian regions and EU countries (Finland and Estonia).

Inland water transport is also important for the region. The Neva River, Lake Ladoga, the Svir River and Lake Onega are parts of the Volga-Baltic Waterway, the main ports on which include Petrokrepost, Sortsa and Vostochnyy. Several rivers are used for local boat traffic (e.g. the Volkhov and Luga rivers). Many other rivers, especially in the eastern part of the region (the Dvina, Pechora, Ipat rivers and others), are used for timber rafting. Various seaways travel through the Gulf of Finland on local marine routes between St. Petersburg and Vyborg.

The construction of new port complexes in Primorsk and Ust-Luga, as well as the reconstruction of existing port facilities in Vyborg and Vysotsk, has significantly contributed to the development of the regional transportation system. The Leningrad Region and Russian Federation governments have paid considerable attention to the development of transport and production facilities on the Gulf of Finland coast.
According to the administration of the St. Petersburg Big Port, freight handling in 2012 by Leningrad Region-based stevedoring organisations, operating at ports on the Gulf of Finland, came to 136,651,400 tonnes, representing growth of 22% compared to 2011.

Port infrastructure development projects in Ust-Luga, Vysotsk, Vyborg and Primorsk will likely increase the Leningrad Region’s overall port capacity to 250-300 million tonnes by 2015. As a result, the region will become a leader among port services providers on the Baltic Sea, thus helping to meet a key state policy objective for shifting freight traffic flows from neighbouring countries to Russian ports.

Pipeline transport is also significant for the economy of the Leningrad Region.

The Baltic Pipeline System (BPS) project is one of the most promising initiatives in this area for the Russian economy. The implementation of this project has helped create a new transportation route for oil exports from the Timano-Pechersky region, western Siberia, the Urals-Volga region and several CIS countries. In the next project stage, the BPS-2 branch to Ust-Luga will reach full capacity, which should come to around 50 million tonnes of oil and petroleum products per year.

OAO Gazprom has been successfully carrying out the construction of the North European Gas Pipeline (NEG), the Leningrad Region section of which will run for 1088 km. The commissioning of this gas pipeline has opened up a whole new route for delivering Russian gas to European markets. The ocean section of the NEG runs through the Baltic Sea from Portovaya Bay in Vyborg, Russia, to Greifswald on Germany’s north-eastern coast. The NEG’s overall carrying capacity is 55 bcm of gas per year.

In January-December 2012, services provided by transport organisations totalled RUB 108.9 billion, representing 23.2% growth (in current prices) compared to the same period in 2011.

Given new operational units and increased operational capacity, as well as the implementation of promising investment projects, it is feasible to expect 10% annual growth (in current prices) for services provided by transport organisations.

<table>
<thead>
<tr>
<th>Seaport</th>
<th>Freight handled (tonnes ‘000)</th>
<th>versus 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seaport of Primorsk</td>
<td>74,768.7</td>
<td>100.0</td>
</tr>
<tr>
<td>Seaport of Vysotsk</td>
<td>13,634.2</td>
<td>102.0</td>
</tr>
<tr>
<td>Seaport of Vyborg</td>
<td>1,462.4</td>
<td>133.0</td>
</tr>
<tr>
<td>Seaport of Ust-Luga</td>
<td>46,786.1</td>
<td>250.0</td>
</tr>
</tbody>
</table>
FOREIGN TRADE

The Leningrad Region ranks second in the North-Western Federal District for export volume (30.1% of the federal district’s total exports) and third for imports (9.6%).

The region engages in trade with business partners from 142 countries. Its main trading partners are Switzerland (26.5% of trade turnover), the Netherlands (26.0%), Great Britain (10.9%), Germany (5.6%), Finland (5.3%), and Sweden (3.3%). Non-CIS countries accounted for 99.2% of the region’s total foreign trade turnover in January-September 2012.

Major companies within the Leningrad Region involved in foreign trade operations include OOO PO Kirishinefteorgsintez, ZAO Ford Motor Company, OAO TNK-BP Holding, OAO ANK Bashneft, OOO Snava, ZAO Philip Morris Izhora, OAO Nokian Tyres, OOO PG Fosforit and OOO Nokian Tyres.

Exports in January-September 2012 increased by 14.4% (USD 12.2 billion) year on year. The Leningrad Region traded with 95 countries in January-September 2012.

Major exporters in the region include OOO PO Kirishinefteorgsintez (oil products, organic chemicals), OAO ANK Bashneft (oil products), OOO Enisei (oil products), OAO NK Rosneft (oil products), OOO Nokian Tyres (tyres), OOO PG Fosforit (fertilizers, inorganic chemical products), ZAO TFZ (ferrous metals), ZAO International Paper (pulp and paper, cardboard) and OOO Volkhovneftekhim (oil products).

In light of Russian economic development forecasts for 2013-2015, which expect total oil and petroleum product export volumes to decline, and given that the mineral resources product group accounts for over 80% of the Leningrad Region’s total exports (with oil products accounting for 99.9% of this group), annual growth of the region’s total exports in the medium term is not expected to exceed 2.2%. Meanwhile, imports in January-September 2012 (USD 12.9 billion) increased by 24.2% year on year while non-CIS imports (USD 12.2 billion) decreased by 24.4% year on year. The region’s trading partners included 115 non-CIS countries and six CIS countries.

Major importers in the Leningrad Region include ZAO Ford Motor Company (land vehicles and parts, engineering products, electrical equipment), ZAO Philip Morris Izhora (tobacco, paper, engineering products), OOO Nokian Tyres (rubber, engineering products, textiles), ZAO Group SEB-Vostok (electrical equipment, aluminum products), OOO Omega (fruits), OOO Kraft Foods Rus (coffee), OOO Cres Neva (tobacco), OOO Caterpillar Tosno (engineering products, parts and fittings for land vehicles), ZAO Polbeda (SR engineering products, ferrous metal products), and ZAO International Paper (inorganic chemical products, engineering products, lime, kaolin).

Imports to the Leningrad Region are forecast to reach USD 9.4 billion by 2015, or 24.6% higher than in 2011.

Major exporters in the region include OOO PO Kirishinefteorgsintez (oil products, organic chemicals), OAO ANK Bashneft (oil products), OOO Enisei (oil products), OAO NK Rosneft (oil products), OOO Nokian Tyres (tyres), OOO PG Fosforit (fertilizers, inorganic chemical products), ZAO TFZ (ferrous metals), ZAO International Paper (pulp and paper, cardboard) and OOO Volkhovneftekhim (oil products).

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Geography of imports

<table>
<thead>
<tr>
<th>Country</th>
<th>Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>land vehicles and parts, engineering products, electrical equipment</td>
</tr>
<tr>
<td>China</td>
<td>electrical equipment, engineering products, tobacco and tobacco offal, ferrous metal products</td>
</tr>
<tr>
<td>France</td>
<td>electrical equipment, land vehicles and parts, engineering products, plastics and plastic products</td>
</tr>
<tr>
<td>Finland</td>
<td>engineering products, rubber and rubber goods, paper</td>
</tr>
<tr>
<td>Italy</td>
<td>engineering products, land vehicles and parts, spirits</td>
</tr>
<tr>
<td>Brazil</td>
<td>tobacco and tobacco offal, coffee, meat</td>
</tr>
<tr>
<td>Spain</td>
<td>land vehicles and parts, engineering products, electrical equipment</td>
</tr>
<tr>
<td>Netherlands</td>
<td>engineering products, electrical equipment, parts and fittings for land vehicles</td>
</tr>
<tr>
<td>USA</td>
<td>engineering products, land vehicles and parts, tobacco, meat</td>
</tr>
<tr>
<td>Belgium</td>
<td>land vehicles and parts, electrical equipment, rubber and allied products</td>
</tr>
</tbody>
</table>

Geography of exports

<table>
<thead>
<tr>
<th>Country</th>
<th>Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>Switzerland</td>
<td>oil products, tobacco</td>
</tr>
<tr>
<td>Netherlands</td>
<td>oil products, ferrous metals</td>
</tr>
<tr>
<td>Great Britain</td>
<td>oil products, inorganic chemical products</td>
</tr>
<tr>
<td>Sweden</td>
<td>oil products, tyres, timber</td>
</tr>
<tr>
<td>Finland</td>
<td>organic chemicals, oil products, timber, tyres</td>
</tr>
<tr>
<td>USA</td>
<td>oil products, ferrous metals</td>
</tr>
<tr>
<td>Estonia</td>
<td>fertilizers, timber</td>
</tr>
<tr>
<td>Belgium</td>
<td>oil products, engineering products</td>
</tr>
<tr>
<td>France</td>
<td>oil products, engineering products</td>
</tr>
<tr>
<td>Germany</td>
<td>oil products, ferrous metals</td>
</tr>
<tr>
<td>Ukraine</td>
<td>cigarettes, electric equipment, paper</td>
</tr>
</tbody>
</table>

Major importers in the Leningrad Region include ZAO Ford Motor Company (land vehicles and parts, engineering products, electrical equipment), ZAO Philip Morris Izhora (tobacco, paper, engineering products), OAO Nokian Tyres (rubber, engineering products, textiles), ZAO Group SEB-Vostok (electrical equipment, aluminum products), OOO Omega (fruits), OOO Kraft Foods Rus (coffee), OOO Cres Neva (tobacco), OOO Caterpillar Tosno (engineering products, parts and fittings for land vehicles), ZAO Polbeda (SR engineering products, ferrous metal products), and ZAO International Paper (inorganic chemical products, engineering products, lime, kaolin).

Imports to the Leningrad Region are forecast to reach USD 9.4 billion by 2015, or 24.6% higher than in 2011.

Major exporters in the region include OOO PO Kirishinefteorgsintez (oil products, organic chemicals), OAO ANK Bashneft (oil products), OOO Enisei (oil products), OAO NK Rosneft (oil products), OOO Nokian Tyres (tyres), OOO PG Fosforit (fertilizers, inorganic chemical products), ZAO TFZ (ferrous metals), ZAO International Paper (pulp and paper, cardboard) and OOO Volkhovneftekhim (oil products).

In light of Russian economic development forecasts for 2013-2015, which expect total oil and petroleum product export volumes to decline, and given that the mineral resources product group accounts for over 80% of the Leningrad Region’s total exports (with oil products accounting for 99.9% of this group), annual growth of the region’s total exports in the medium term is not expected to exceed 2.2%. Meanwhile, imports in January-September 2012 (USD 12.9 billion) increased by 24.2% year on year while non-CIS imports (USD 12.2 billion) decreased by 24.4% year on year. The region’s trading partners included 115 non-CIS countries and six CIS countries.

Major importers in the Leningrad Region include ZAO Ford Motor Company (land vehicles and parts, engineering products, electrical equipment), ZAO Philip Morris Izhora (tobacco, paper, engineering products), OAO Nokian Tyres (rubber, engineering products, textiles), ZAO Group SEB-Vostok (electrical equipment, aluminum products), OOO Omega (fruits), OOO Kraft Foods Rus (coffee), OOO Cres Neva (tobacco), OOO Caterpillar Tosno (engineering products, parts and fittings for land vehicles), ZAO Polbeda (SR engineering products, ferrous metal products), and ZAO International Paper (inorganic chemical products, engineering products, lime, kaolin).

Imports to the Leningrad Region are forecast to reach USD 9.4 billion by 2015, or 24.6% higher than in 2011.
The industrial sector accounts for 31.5% (RUB 158.3 billion) of the Leningrad Region’s GDP, while the region’s share in the overall GDP of the North-Western Federal District is 65.3% (the contribution of the region’s industrial sector to the North-Western Federal District’s GDP is 51.2%). The region’s industrial output accounts for 11.5% of Russia’s total industrial output, including 11.7% of manufacturing output, as well as 42.7% and 37.1% of the North-Western Federal District’s industrial and manufacturing output, respectively.

The Leningrad Region’s industrial sector includes over 300 large and medium-sized enterprises engaged in various types of business activities.

The region’s own internal industrial output accounts for more than 70% of total goods shipped in the region. Manufacturing (82.4% of the region’s total industrial output), production and distribution of electric power, gas and water (13.8%); and mining (2.1%) form the core of the region’s industrial sector.

Successful industrial development is possible due to the availability of a local minerals resource base, skilled labour resources, and the region’s huge industrial and technological potential.

Industrial enterprises across the region produce the following types of technological and industrial products: passenger cars, passenger car tyres, electrical and thermal power, paper, cardboard, motor petrol, furnace oil, diesel fuel, mineral fertilizers, grinding tools and non-metallic building materials, among other products.

In the comparison with 2009, a year dominated by the economic crisis, the Leningrad Region’s industrial output in 2010-2012 rose by 26.9% for the industrial sector overall; 34.1% for mining; 32.5% for manufacturing; and 7.5% for production and distribution of water, gas and electricity. This growth was driven by a series of measures taken by the Leningrad Region Government to support enterprises that are eager to install modern production equipment, launch production of competitive goods, and carry out programmes to enhance energy efficiency.

The number of people employed in industry represents over 28% of the Leningrad Region’s total workforce, excluding small business (174,000 people). The average monthly salary/wage is RUB 31,500.

<table>
<thead>
<tr>
<th>Types of business</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
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<tbody>
<tr>
<td>Total industrial production</td>
<td>94.9</td>
<td>113.8</td>
<td>107.0</td>
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<tr>
<td>Mining</td>
<td>63.8</td>
<td>112.7</td>
<td>108.7</td>
</tr>
<tr>
<td>Manufacturing sector</td>
<td>98.9</td>
<td>115.4</td>
<td>108.6</td>
</tr>
<tr>
<td>Electric power, gas and water production and distribution</td>
<td>94.6</td>
<td>107.1</td>
<td>97.9</td>
</tr>
</tbody>
</table>
NEW PRODUCTION FACILITIES
COMMISSIONED IN 2006–2012

2006
- OOO Rockwood North
- OOO Rosa Santehnika
- OOO Mena Sre
- OOO Sir Timber
- ZAO Peterswood
- SF ZAO Maurice
- OOO NPO Dismar

2007
- OOO MegaProfile
- OOO Akler Peltwood
- ZAO S2K — Baltic
- OOO Tenneco Automotive Volga’s branch in the Leningrad Region
- OAO Baltytsky Lespromotorenyy Holding
- OOO Versk-1
- OOO Alpla

2008
- OOO Yoptekhore Dizainbuvishne
- OOO Big
- Yamburg branch of OAO Grant — Kuzemekte
- OOO Kepir Shchekalo
- Branch of OOO Kraft Foods Rus
- OOO Glinka
- OOO Peterhof
- ZAO Kim Gelf
- ZAO SOTDI North-West
- OAO International Paper
- ZAO Smurtet KAPPA SPb
- ZAO Tverstva AZP
- OOO Signal
- OOO Novaya Kompaniya
- ZAO LenObMarktnoy
- OOO LUMI-LON

2009
- ZAO EuroSverdlovsk
- ZAO Slesjerezkiy stroitel
- OOO SKF EuroStal
- OOO Gedamp Severstal Voskod
- OOO Mayur Mihol Holz Efesovskiy
- OOO Kirov
- OOO N-MN
- OOO Shya St. Peterburg
- ZAO Tikhvin Ferroalloy Plant

2010
- OOO Level Elektroniki Materialy SPb
- OOO PF Product
- OOO Concord Management & Consulting
- OOO Remso-Alpha
- OOO Vsevoz import
- OOO PF Kunstler
- ZAO Severo-Zapadnyy Holding
- ZAO BazaltGlement-Nikopol
- OOO Cement
- OOO VURA Corporation Rus

2011
- OOO VoltdonnerFbK
- OOO Garchov
- OOO Baumit
- OOO K2K
- OAO Rassam Kirishi
- OOO Yamburgskaya Celuloza
- OOO Persaya Uplavokhodnaya Fabrika
- ZAO TIP Kantle
- OOO Schneider Electros
- ZAO Vostok Elektrostal
- OOO Aralit Group St. Petersburg
- OOO S2K Shtek technologies

2012
- Tikhvin Freight Car Building Plant CSC
- OOO Mertem-LSK
- OOO Elektromodul
- ZAO Eltopk
- OAO Polbeda LSR

Total investment volume by new industrial enterprises for the period was USD 4.1 billion

OOO Kraft Foods Rus

OOO Yamburgskaya Celuloza currently — OAO Vypeyng Timber Corporation
The region’s successful industrial development has been bolstered by its favourable geographic location, the availability of a local minerals resource base, skilled labour resources and high-capacity industrial and technological potential.

The Leningrad Region’s industrial sector includes over 300 large and medium-sized enterprises engaged in various types of business activity.

Industrial enterprises in the region manufacture passenger cars, passenger car tyres, electrical and heat power, paper, cardboard, motor petrol, furnace oil, diesel fuel, mineral fertilizers, grinding tools, and non-metallic building materials, among other products.

A wide-ranging upgrade of industrial capacity and expansion of the range of products made has supported the sustainable development of the region’s industry. The Leningrad Region Government has undertaken a series of measures to create conditions that incentivize local enterprises to boost their output, improve profitability and production quality, and preserve the region’s labour potential.

Support is provided to enterprises that install advanced production equipment and take steps to improve the energy efficiency of their operations.

Industry is the primary sector of the Leningrad Region’s economy and accounts for one-third of the region’s GDP. The average number of people employed in industry equals roughly 30% of the Leningrad Region’s total workforce, excluding small businesses.

The region’s own internal industrial output accounts for more than 70% of total goods shipped in the region.

Manufacturing (82.4% of the region’s total industrial output), production and distribution of electric power, gas and water (14.9%) and mining (2.7%) form the core of the region’s industrial sector. In comparison to 2009, a year dominated by the economic crisis, in 2010-2012 the Leningrad Region’s industrial output rose by 26.9% for the industrial sector overall; 34.1% for mining; 32.5% for manufacturing; and 7.5% for production and distribution of water, gas and electricity.

This growth was facilitated by a series of measures taken by the Leningrad Region Government to support enterprises that have installed modern production equipment and launched the production of competitive goods, and carried out programmes to enhance energy efficiency.
MANUFACTURING SECTOR

Manufacturing enterprises held a leading position in the region by volume of industrial products shipped (over 80%). The average number of employees in manufacturing accounts for over 70% of the total workforce in the region’s industrial sector.

Enterprises engaged in these types of economic activities produce the following types of technological and industrial items: passenger cars, passenger car tyres, paper, cardboard, motor petrol, furnace oil, diesel fuel, mineral fertilizers, and grinding tools, among other products.

There are a total of 250 manufacturing enterprises in the region, which account for 23.8% of the GRP and 82.4% of the region's industrial complex.

Tax payments to the regional budget: RUB 11.8 billion. Average monthly salary/wages: RUB 33,882. Production tax payments to the regional budget: RUB 11.8 billion.

The region’s top 50 largest manufacturing enterprises are:

1. OOO Nevsky Paroji
2. ZAO Philip Morris Izhora
3. OOO Crei Niva
4. OOO Kraft Foods Rus
5. OOO PO Kristinneteppergimnazor
6. OOO Vloktsevernefteorgsintez
7. ZAO Merchim
8. OOO PO Fordson
9. ZAO Pikalisovskaya Sada
10. OOO Nokian Tyres
11. OOO Oliva
12. OOO NTLepokova
13. OAO Sklenernyy Zawod Bolmer
14. ZAO Food Motor Company
15. OAO Vyborgsky Shipbuilding Plant
16. ZAO TIE Tsirian Express
17. OOO Nevsky SSS
18. Tikhvin Freight Car-Building Plant CIC
19. OOO YUFA Corporation RUS
20. OAO UZ Pella
21. ZAO BaseFemont-Pikalovsky
22. ZAO TIE
23. OAO RUSAG Bezkotogorsk
24. OAO SUAL Branch
25. OAO Volkhovsky Aluminium Plant

26. OOO Tekhrom Vovodzhik
27. ZAO Tubeks
28. ZAO Tondor
29. OAO Podporozhsky Mechanical Plant
30. OOO Gatytpilas Toimino
31. OAO Zavid Boznetsnik
32. OAO Zavid Rin
33. ZAO Priborostroitel
34. OOO Anton-Theresy Rus
35. OAO Tveromsky Mechanical Plant
36. OOO Teplizov Oboronavance
37. OAO Nevsky Zawod Elektrotezh
38. OAO Zavid Ladega
39. OAO Zavid Krino
40. 12PZ - a branch of OAO Elkais
41. OOO Schneider Electric Zavod Elektromotoblok
42. OAO Lublinsky Abrasivi Zavod
43. ZAO Pikalovsky Cement
44. OAO Sklenershly cementny Zavid Tverda
45. OGO Cement
46. OGO Neftri-Keramika
47. OGO N-HI
48. OGO Rostovskiy Harm
49. ZAO Veda FAK
50. OAO Rusjem Kirishi

The region's top 50 largest manufacturing enterprises:

- The average number of employees in manufacturing accounts for over 70% of the total workforce in the region’s industrial sector.
- There are a total of 250 manufacturing enterprises in the region, which account for 23.8% of the GRP and 82.4% of the region's industrial complex.
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<tr>
<th>Type of business</th>
<th>Percentage, %</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial production, total</td>
<td>-</td>
<td>103.8</td>
<td>107.0</td>
</tr>
<tr>
<td>Manufacturing sector</td>
<td>100.0</td>
<td>115.4</td>
<td>108.6</td>
</tr>
<tr>
<td>Foods, including beverages and tobacco</td>
<td>30.7</td>
<td>122.4</td>
<td>107.4</td>
</tr>
<tr>
<td>Transport vehicles and equipment</td>
<td>14.8</td>
<td>120.0</td>
<td>129.4</td>
</tr>
<tr>
<td>Pulp and paper</td>
<td>6.7</td>
<td>102.4</td>
<td>120.6</td>
</tr>
<tr>
<td>Coke and oil products</td>
<td>9.3</td>
<td>104.2</td>
<td>100.2</td>
</tr>
<tr>
<td>Other non-metallic minerals</td>
<td>8.5</td>
<td>105.5</td>
<td>102.5</td>
</tr>
<tr>
<td>Chemicals</td>
<td>7.3</td>
<td>125.5</td>
<td>181.8</td>
</tr>
<tr>
<td>Rubber and plastic goods</td>
<td>6.7</td>
<td>140.2</td>
<td>146.5</td>
</tr>
<tr>
<td>Metals and metal products</td>
<td>3.8</td>
<td>131.5</td>
<td>93.1</td>
</tr>
<tr>
<td>Wood processing and wood products</td>
<td>2.6</td>
<td>142.1</td>
<td>110.0</td>
</tr>
<tr>
<td>Machinery and equipment production</td>
<td>2.3</td>
<td>150.0</td>
<td>160.0</td>
</tr>
<tr>
<td>Electronics, electrical and optical equipment</td>
<td>1.8</td>
<td>130.7</td>
<td>230.0</td>
</tr>
<tr>
<td>Textiles and clothing</td>
<td>0.3</td>
<td>90.6</td>
<td>133.5</td>
</tr>
</tbody>
</table>
The defence-industrial complex of the Leningrad Region is represented by the following enterprises: OAO Burevestnik Plant, OAO Ladoga Plant, OAO Sol Shipyard, FGUP Morozov Plant, OAO Kislov Plant, OAO Aviation Repair Plant 218, and OAO Leningrad Plant Sokol. These enterprises are engaged in the following industries: mechanical engineering and machinery, vehicle and equipment manufacturing, and chemical production.

Defence-related enterprises in the Leningrad Region account for about 0.7% of overall industrial output, and their average workforce represents 4.5% of the total workforce for the entire manufacturing sector.

Despite a slight increase in output in 2012, most defence-related enterprises still face several problems that have a negative impact on their operations and development:

- weak utilisation of production facilities and, primarily, facilities necessary for fulfilling state defence contracts;
- federal budget subsidies to defence enterprises for re-funding interest rates on loans raised to fulfil orders. Issues such as decision-making regarding development strategy in the defence-industrial complex, maintaining capacity utilisation with state defence orders, establishing a personnel training system that ensures efficient operations in the sector, and upgrading production facilities at military-related enterprises are usually beyond the powers of the regional authorities. However, the Leningrad Region Government interacts with federal government agencies with respect to support for the region’s defence-industrial sector.

In general, the industrial sector makes the greatest contribution to budget revenues compared to other sectors in the regional economy. For instance, industrial enterprises contributed RUB 21.3 billion in tax payments to the regional budget in 2011. The bulk of this amount (76.5%) came from manufacturing enterprises.

Mining operations include production of fuel and energy resources (peat), as well as the extraction of mineral resources in addition to fuel and energy (aggregates). The proportion of mineral resources production in the region’s overall industrial output is around 3%, and represents 0.9% of GRP. The average number of employees involved in mining is 6,100 (5.1% of the total industrial sector workforce).

There are a total of 25 mining enterprises in the region.

**The top 10 mining enterprises are:**

1. ZAO LSR-Bazovye
2. ZAO Kamennogorskij Kombinat Nekrodnyh Materialov
3. ZAO Kamennogorskij Kamenspravleniye
4. OOO Tadi
5. OOO 463 KNI
6. ZAO Vilyamburgskiy Kamenspravleniye
7. ZAO Semozerozloye Kamenspravleniye
8. OAO Kames
9. ZAO Grabliovskoye Kamenspravleniye
10. OOO Obepromgranit

<table>
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<td>113.8</td>
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<td>104.2</td>
</tr>
<tr>
<td>Mineral resources production</td>
<td>100.0</td>
<td>112.7</td>
<td>108.7</td>
<td>109.5</td>
</tr>
<tr>
<td>- fuel and energy</td>
<td>3.2</td>
<td>79.4</td>
<td>81.7</td>
<td>111.3</td>
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<tr>
<td>- mineral resources excluding fuel and energy</td>
<td>96.8</td>
<td>113.4</td>
<td>120.6</td>
<td>107.3</td>
</tr>
</tbody>
</table>

Statistics of mining enterprises by type of business, %

**Leningrad Region Industrial production index by type of business, %**

- Industrial production, total
- Mineral resources production
- Fuel and energy
- Mineral resources excluding fuel and energy

**Total tax payments to the regional budget:**

RUB 2.4 billion per year

**Average monthly salary/wages:**

RUB 31,445
The production and distribution of power, gas and water account for 14.9% of overall industrial output and 6.8% of GRP. The average headcount is 25,900 employees, which represents over 20% of all employees in industrial production and over 7% of the region’s total workforce. The average monthly salary is roughly RUB 33,961. The region is home to more than 60 operational enterprises. Tax payments to the regional budget come to RUB 3.4 billion.

### Leningrad Region Industrial Production Index by Type of Business, %

<table>
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<tbody>
<tr>
<td>Total industrial production</td>
<td>–</td>
<td>113.8</td>
<td>107.0</td>
<td>104.2</td>
</tr>
<tr>
<td>Production and distribution of power, gas and water</td>
<td>100.0</td>
<td>102.1</td>
<td>97.9</td>
<td>93.2</td>
</tr>
</tbody>
</table>
SUCCESS STORIES

ZAO INTERNATIONAL PAPER

Address: 27 Zavodskaya St.
Svetogorsk, Leningrad Region, Russia

ZAO International Paper is a part of International Paper, the world’s largest producer of paper and packaging materials with production facilities in North America, Europe, Latin America, Russia, Asia and North Africa. The company’s head office is in Memphis, Tennessee, USA. International Paper employs around 70,000 people in more than 24 countries. International Paper’s total sales came to USD 26 billion in 2011.

International Paper has been in Russia since 1990, when it acquired an integrated pulp-and-paper mill in Svetogorsk. The Svetogorsk Pulp-and-Paper Mill (SPPM) is an industry leader with one of Russia’s most advanced pulp-and-paper production facilities. Its key investment projects include the construction of a Bleached Chemi-Thermomechanical Pulp (BCTP) production facility in 2008, the installation of a cardboard coating mill in Svetogorsk. The Svetogorsk Pulp-and-Paper Mill (SPPM) is an industry leader with one of Russia’s most advanced pulp-and-paper production facilities. Since its acquisition of SPPM in 1998, International Paper has invested over USD 600 million in upgrading equipment, enhancing product quality and improving performance indicators, as well as promoting the efficient use of natural resources such as water, energy and timber. Its key investment projects include the construction of a Bleached Chemi-Thermomechanical Pulp (BCTP) production facility in 2008, the installation of a cardboard coating unit, and other projects aimed at boosting production efficiency while reducing its environmental impact.

International Paper will celebrate its 15th year in Russia in 2013. During this time, the company has seen impressive results in its business operations, as well as in its corporate social responsibility and environmental protection initiatives. The company is the largest employer in Svetogorsk: SPPM employs over 2,000 people. Not only does SPPM keep the local economy going, but it also provides Svetogorsk residents with heat along with cold and hot water.

“Both Russia and Svetogorsk are of great strategic importance to International Paper. We have achieved great results over our 15 years in Russia, but there is always room for improvement. We have a lot of confidence in the future,” says Franz Marx, President of ZAO International Paper.

International Paper is famous on the Russian market for its stationary paper brands, namely Ballet® and Svetocopy®, both of which are produced at SPPM. The Svetogorsk plant is also a top producer of cardboard for packaging liquid food products and Bleached Chemi-Thermomechanical Pulp (BCTP). SPPM products are exported to over 15 countries, including China, India, South Korea, France and Germany. International Paper’s management is fully convinced that the success of their business is mainly driven by people, and, thus, they have consistently made every effort to hire professionals with high potential. The company has developed cooperative relationships with many educational institutions, including St. Petersburg State Technical University, Moscow-based Skolkovo School of Management, St. Petersburg State Plant Polymer Technological University, St. Petersburg State Forestry Engineering University, and Svetogorsk Technical College, among others. These colleges and universities provide SPPM with skilled young professionals who work in various subdivisions of the company. International Paper’s environmental initiatives have been recognized by awards and prizes for the use of green technologies and the company’s responsible management of forest resources. SPPM’s production process relies on cutting-edge, environmentally friendly technologies. SPPM plans to install an on-site combined cycle turbine in 2013, which should help the company raise the percentage of self-generated electricity capacity from 33% to 53%.

All SPPM products have been certified by independent organizations such as the FSC™ Chain-of-Custody Certificate issued by the Rainforest Alliance, an accredited body of the Forest Stewardship Council®. In 2012, SPPM received an FSC™ Chain-of-Custody Certificate for its achievements in sustainable forestry. Independent certificates issued to SPPM by well-known international organizations, such as the Forest Stewardship Council®, are evidence of SPPM management’s concern for environmental protection and sustainability.

International Paper is also aware of the pressing need to support local communities, and, since 1999, the company has invested over USD 6.9 million in social projects in both Svetogorsk and the surrounding area, including the repair and renovation of the municipal clinical hospital and sports centre, as well as support for children’s and youth educational and sports institutions. The company’s contributions to the quality of life in the Leningrad Region were highlighted in December 2011 in a letter from then-Russian President Dmitry Medvedev, who thanked the company for its efforts.

For more Information on International Paper’s activities and products, please visit www.internationalpaper.com

Franz Joseph Marx, President of International Paper Russia

International Paper is one of the region’s major taxpayers and an important player in the Russian pulp and paper market.
TIKHVIN FREIGHT CAR BUILDING PLANT CJSC

Address: Industrial Site, Town of Tikhvin, Leningrad Region, Russia

Tikhvin Freight Car Building Plant CJSC (ZAO Tikhvinsky Vagonostroitelny Zavod or TVSZ) is a modern industrial enterprise with a full production cycle for manufacturing next-generation freight wagons featuring improved performance characteristics. In terms of investment volume, production space and technological infrastructure, it is one of Europe’s largest freight car building enterprises. The plant’s annual production capacity is 15,000 freight cars, 90,000 tonnes of railway castings and 65,000 mounted wheels.

In its earlier production, ZAO TVSZ was the first to rely on advanced technologies and the engineering solutions of global wagon and automaker companies, specifically automated production lines and industrial robots produced by such global engineering leaders as Spain’s Barbot and Germany’s Doemens, KUKA Systems, Heinrich Wagner Stits and Siemens-VAI, whose products are currently used by Volkswagen Group, General Motors, INMEX AG, Ford Motor Company and Airbus S.A.S. TVSZ also relies on advanced machinery and equipment in its foundry production. Among TVSZ’s global industry partners, only Daimler AG (Germany) uses similar machinery and equipment in the production of truck castings. Once TVSZ’s production facilities reach full capacity, the company will be able to produce one unit of mounted wheels every 4.5 minutes and one wagon car every 24 minutes.

TVSZ’s products include four types of newly designed freight wagons, which were jointly developed by leading Russian and American engineering firms based on an innovative wheeled frame (the “Barbot”) with mounted wheel axles with load capacities of 23.5 tonnes and 25 tonnes.

At full production capacity, TVSZ’s total workforce is expected to reach 4,400 employees.

A priority task for TVSZ is guaranteeing the consistently high quality of its products. To this end, the company is eager to bring out the potential of each employee. Training, advanced vocational training and professional development of employees are conducted through the TVSZ Corporate Training Center, which is equipped with interactive facilities and classrooms, as well as simulation systems in production laboratories. These training initiatives are also based on the training centres of TVSZ’s equipment suppliers in Europe and the United States, as well as educational institutions in St. Petersburg and the Leningrad Region.

For more information, please visit www.tvzs.ru

TVSZ Executive Director Oleg Menshikov says: “Personnel are one of the key components of a modern production system. TVSZ’s human resources policies are based on positive partnership relationships between the company and its employees, thereby establishing a firm foundation for the company’s sustainable development and the continuity of our workforce.”

In addition to the construction of the Tikhvinsky plant, a large-scale housing programme has been successfully launched and completed. Nine residential clusters with over 2,000 apartments have been built for the plant’s employees. It was one of the Leningrad Region’s largest housing construction projects in districts that do not border on the City of St. Petersburg, and ranks among Russia’s top 10 corporate housing facilities. TVSZ employees are entitled to join a corporate home-buying programme with preferential mortgage terms, as well as various government support programmes.

TVSZ is one of the largest employers in the Leningrad Region, with a current workforce of over 2,600 people.
Open Joint-Stock Company Ust-Luga Company (OAO Ust-Luga Company) was incorporated in 1992 specifically for the construction of the Ust-Luga Commercial Seaport, located at Luga Bay on the Gulf of Finland in the Baltic Sea. The seaport’s annual processing capacity comes to 900 million tonnes of cargo.

The construction of the seaport has been implemented as part of the federal programme “Development of Russia’s Transport System.” In addition, the structure for interaction among all project stakeholders represents one of Russia’s first examples of a successful public-private partnership.

The Ust-Luga Company is the initiator and developer of an integrated project to develop the Ust-Luga Commercial Seaport and its adjacent areas, which forms the basis for the establishment and development of five interrelated clusters: Transport and Logistics, Industrial, Residential, Recreational and Agricultural.

According to a Russian Federation Government resolution, the project titled “Comprehensive Development of the Ust-Luga Commercial Seaport and Adjacent Areas” (the “Project”) has been deemed a priority investment project for Russia’s North-Western Federal District.

The Project has also been made part of the Leningrad Region’s “Strategy for Social and Economic Development until 2027.” The Ust-Luga Company and the Leningrad Region Government are jointly carrying out the Project on a public-private partnership basis.

“The region’s sustainable development: change begins with us.”

Svetlana Makarova, General Director of OAO Ust-Luga Company, says: “The Ust-Luga Commercial Seaport is the foundation of the Project while the Industrial Zone is its ‘heart’.” Enterprises involved in deep conversion and refining of hydrocarbons will be the anchor investors, while satellite and supporting enterprises will act as links in their production chains.”

The crude oil and petrochemical sector will be the main driver of the Industrial Zone. Likely residents from these sectors include companies engaged in the deep conversion of hydrocarbons and manufacture of higher-value-added products for further sale both globally and on the Russian market. In order to attract manpower for the project and create comfortable living conditions for people, OAO Ust-Luga Company has commissioned the development of a framework plan for the construction of a new town with a projected population of 34,500 (with eventual expansion to 54,000 people) in the village of Ust-Luga in the Kingiseppsky District. The area for development covers 1,849 hectares. The total planned investment comes to RUB 43.9 billion, including RUB 23.3 billion earmarked for engineering and social infrastructure. The construction of the new town is now underway.

A key focus for the Project is sustainable development based on maintaining a balance between economic, environmental and social interests. OAO Ust-Luga Company was a participant in the major Russian-Finnish project Environmentally Friendly Port, implemented within the framework of the Southeast Finland-Russia Programme for Cross-Border Cooperation under the auspices of the European Neighbourhood and Partnership Instrument (ENPI).

In addition to OAO Ust-Luga Company and the St. Petersburg Hydrometeorological State University, the Finnish project consortium partners include the Marine Research Centre of Turku University and the University of Applied Sciences in Kymiensalmen, Finland.

Rewarding the Project’s implementation, a large section of the Leningrad Region’s Kingiseppsky District will serve as a model for implementing similar projects in other regions of the Russian Federation.”

Project for the full-scale development of the Ust-Luga Commercial Seaport and its adjacent territory

The Project will be implemented over two years with total funding coming to EUR 570,000. These funds have been allocated as part of the Programme for Cross-Border Cooperation under the auspices of the ENPI, which is financed from the EU budget and the state budgets of Finland and the Russian Federation.

Under this project, a series of steps and activities will be developed to improve the ability of seaports to combine sustainable growth and enhanced environmental protection. Awareness programmes for both the general public and all project stakeholders will be set up to explain the advantages of a “green” approach to the sustainable development of the region. Furthermore, an action plan and strategy for the sustainable, environmentally responsible development of the Ust-Luga Commercial Seaport and adjacent areas will be compiled and put forward.

One of the key steps is the development of the Centre for Environmental Monitoring in Ust-Luga and the professional training of its personnel.

As a result of the Project’s implementation, a large section of the Leningrad Region’s Kingiseppsky District will serve as a model for implementing similar projects in other regions of the Russian Federation.

538 billion investment for establishing enterprises

67.8 billion investment for infrastructure

- Convenient location at the intersection of two international intermodal transport corridors
- Over 50 companies
- Over 17,000 employees
- More than 22.7 million tonnes of cargo shipped in 2011

Timeframe 2011-2020

- Ongoing industrial and transport activities
- Production of high-added-value products
- Establishment of enterprises in the areas of engineering, transport and logistics
- Environmental protection and sustainable development

Timeline 2011-2020

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Timeline 2011-2020

The construction of the Ust-Luga Commercial Seaport, aerial view
The Galactika Group of Companies includes:

- Galactika Dairy;
- Baby Food Plant;
- Gatchinsky Dairy Plant;
- Tomosovo Dairy Farm;
- Orlinskoe Dairy Farm;
- Galactika Trading Company.

The official opening ceremony for Galactika Dairy was held in the town of Gatchina, Leningrad Region, in August 2008. Both foreign and Russian experts have recognised Galactika Dairy as one of Europe’s most advanced dairy enterprises. It is a fully automated plant, equipped with innovative technologies and able to produce high-quality products. The dairy facility is equipped with new advanced high-performance equipment supplied by European manufacturers. The production processes are operated in accordance with Finnish company Valio’s brand requirements.

More than 20% of the region’s raw milk is delivered to the Galactika Group of Companies’ processing facilities, which represents nearly 60% of the region’s dairy output.

The Galactika Group of Companies are available in practically all national and local retail chains, as well as traditional stores in Moscow, St. Petersburg, and other Russian regions, and some CIS countries. The company has been successful in working with more than 8,000 retail and wholesale companies.

In January 2013, an opening ceremony was held at a new dairy plant in the village of Falenki. OOO Galactika Vyatka, part of the Galactika Group, was responsible for the launch of the new facility.

Furthermore, a quality control centre is being set up at the plant to improve the quality of the facility’s raw milk supply. In January 2013, the dairy plant started producing milk with varying fat content, pasteurised at ultra-high temperature and packaged using Tetra Pak technology.

In the plant’s first stage, 30 tonnes of milk can be processed per day, along with UHT milk production. The second stage foresees increasing milk processing up to 100-150 tonnes per day and expanding the product line to include cottage cheese, curds and butter.

In December 2009, Valio launched branded production to several schools in the region. The invariably high quality of Galactika products is also guaranteed by Food Safety Management System ISO 22000:2005 and Quality Management System 9001:2008. The Baby Food Plant was established in Gatchina in 2003. This is a modern facility with highly automated technological processes and Tetra Pak equipment. The plant produces milk in aseptic packaging, as well as juices and nectars both pasteurised at ultra-high temperatures and packaged using Tetra Pak technology.

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DEVELOPMENT PRIORITIES AND SOURCES OF GROWTH

The main components of the Leningrad Region’s strategic development involve achieving a new level of quality in social and economic development, developing high-tech production facilities and maintaining sustainable investment growth. According to the “Concept for the Leningrad Region’s Social and Economic Development until 2025” (the “Concept”), one of the main development targets is stable annual economic growth of at least 5% of GRP. To this end, the following strategic objectives should be achieved:

1. Development of traditional economic sectors in the Leningrad Region;
2. Promotion of investment in the Leningrad Region;
3. Cultivation of new innovation-focused economic sectors (which create new sources of growth);
4. Development of traditional economic sectors in the Leningrad Region;
5. Promotion of tourism.

A. According to the Concept, the development of traditional manufacturing sectors is achievable through the following initiatives:

- Development of traditional production industries (engineering, chemical and petrochemical industries, construction materials production, mining and minerals)

The principal objectives of the regional authorities will be the following:

- Creating innovation development areas and zones in the region;
- Improving quality of tourist services in the region.

B. The objective of encouraging new innovative sectors (creating new sources of growth) is achievable by the regional authorities through the following priorities:

1. Creating innovation development areas and zones in the Leningrad Region;
2. Increasing the percentage of innovation-focused enterprises in the region;
3. Supporting innovation-driven activity at the region’s small and medium-sized enterprises.

C. The promotion of investment activity in the Leningrad Region is achievable through the following priorities:

1. Creating new infrastructure for the timber industry;
2. Developing trade in light of Russia’s accession to the WTO.
3. Improving the quality of tourist services in the region.
4. Developing fisheries and local segments;
A realistic innovation-driven scenario – target objectives for the region's development

Realistic innovation-driven scenario

Average GRP growth rates
4.5–5%

Key economic sectors
• Transport and logistics system (ports, International Transportation Corridor)
• High-tech enterprise, innovation-oriented, technology and industrial clusters (e.g. the forestry, construction, automotive, pharmaceuticals, radiology industries, etc.)
• A new generation of infrastructure facilities; new recreational and tourist products
• More sophisticated organization and management
• Large volume of investments
• Long-term investments in innovative sectors and increased risks

Key risks

Growth drivers

Ways to achieve the objective:

- Investing in technological development and an innovation-focused economy, establishment of pilot development zones; Gatchina and Sonny Boy;
- Introducing new formats and modern services in the transport and logistics, consumer market and service sectors;
- Differentiating and prioritising development projects for various zones (support of infrastructure projects for remote territories, implementation of new mechanisms that encourage business activity, etc.);

The main initiatives for achieving this objective are:

1) Developing transport and logistics facilities (key objectives include growth in freight turnover and freight handling volume, as well as greater tax revenues from the transport and logistics sector);
2) Implementing integrated projects for the development of international transportation corridors and technical transport infrastructure, including the expansion of rail and road networks and development of related infrastructure facilities;
3) Developing a modern, efficient port infrastructure (upgrading utilities and roads, building road links, etc.);
4) Developing agglomerated areas on the borders between the Leningrad Region and St. Petersburg (Bugry-Murom, Vyvodskoye-Yoina, Kudovo, Volkhovka, which includes the construction of housing and the creation of around 50,000 new jobs in manufacturing, logistics and innovation development);
5) Improving connections between territories and carrying out an extensive infrastructure programme (upgrading utilities and roads, building road links, etc.);
6) Improving the investment climate and attracting new fund investors (for use in the development of new transport and logistics infrastructure);
7) Developing agriculture and fisheries;
8) Developing the forestry industry;
9) Promoting tourism;
10) Developing traditional industrial segments (heavy engineering, chemical and petrochemical, manufacturing of construction materials, mining and minerals);

High-tech enterprise, innovation-oriented, technology and industrial clusters. The rising percentage of enterprises which have introduced innovation-driven initiatives in the region;

Differentiating and prioritising development projects (promotion of innovation-driven businesses, including the setup of business incubators and technology parks to intensify innovation activity);

The main initiatives for achieving this objective are:

1) Developing and adopting a strategy for the Leningrad Region, as well as following a roadmap with action plans for improving the region's investment climate;
2) Drafting a plan for setting-up investment target firms (investors) with a lot of priority investment sites in the region (and assigning a supervisor for each investment site in the relevant regional executive body);
3) Developing and approving a programme to prepare sites in the Leningrad Region for the potential relocation of enterprises from St. Petersburg Municipal districts neighboring St. Petersburg and highly industrialised areas (Tikhvin, Kirov, Volkhov) could serve as pilot areas for industrial development;

Eliminating regulatory barriers that hinder the development of innovation-driven initiatives in the region;

Building partnerships with leading public sector companies (e.g. Rosatom and Rusal) to assist them in the development and introduction of innovation-driven programmes in the region;

Establishing sites for innovative and technological development (pilot sites at Gatchina and Sonny Boy);

Developing and approving a programme to prepare sites in the Leningrad Region for the potential relocation of enterprises from St. Petersburg Municipal districts neighboring St. Petersburg and highly industrialised areas (Tikhvin, Kirov, Volkhov) could serve as pilot areas for industrial development;

Establishing sites for the development of both traditional and new production enterprises, as well as service sectors;

Providing support for small business and developing programmes to train a new generation of entrepreneurs, which should cover the sustainable development of the region’s remote areas (primarily in agriculture and forestry);

Developing the Entrepreneurs 2.0 programme to encourage and support a new generation of entrepreneurs in the Leningrad Region;
The cluster-based approach is intended to enhance the competitiveness of the Leningrad Region's economy, both through maintaining its unique (on a macro-regional and even global scale) profile and encouraging growth through the extension of innovation and technological advances. The cluster model is considered to be the most effective tool for managing and encouraging the economic and social development of a specific area, to help build ties between diverse companies of varying sizes and, thanks to public-private partnership (PPP) structures and public financing tools, it can mobilise private initiatives and the resources needed to carry out large-scale projects, which otherwise would not be economically feasible for individual participants alone.

The Leningrad Region has the potential to develop three types of industrial clusters:

**Innovation clusters.** Such clusters are designed to tap into the region’s research capabilities and focus on high-tech products and services (medical sensors, pharmaceuticals, biotechnology, radio and laser technologies, IT and microelectronics). The Leningrad Region’s considerable research resources are largely concentrated in physics and related disciplines, such as radio, laser and optical technologies. The Kurchatov Institute of Nuclear Physics (Gatchina), the Alexandrov Research Institute of Technology (Sosnovy Bor), the Research Institute of Optics and Electronics (Sonino), the Pavlov Institute of Physiology of the Russian Academy of Sciences (Pavlovsk) and the Institute of Applied Chemistry (Kuzmolovsky) are leading national research centres and form the core of the Leningrad Region’s cluster. Extensive construction of new car assembly plants in St. Petersburg and the region opens up substantial opportunities for automotive sector development. Component manufacturers for regional OEM plants such as TRW Automotive, INERGY AutomotiveSystems, TOYOTA TSUSHO RUS LLC and others intend to localise their production in the Leningrad Region and are, therefore, willing to become residents of the dedicated cluster. This segment of the heavy engineering cluster will develop at a faster rate thanks to the localisation of component manufacturing. Some of the fastest-growing segments in the vehicle manufacturing cluster are represented by such enterprises as Tikhvin Freight Car Building Plant, OOO KalininPlanters, VAZ VolgogradPlant Building Plant and Leningrad Shipbuilding Plant PDV. ZAO International Paper, OAO Vyborg Tsellyuloza, OAO Syatsky TDKh and OAO Svyatogorsky TDKh (pulp and paper plants) are also potential residents in the pulp-and-paper industry cluster.

**Local industrial clusters.** These clusters utilise local resources (raw materials, timber and agricultural resources) or rely on local markets. Examples of this type of cluster cooperation can be found in the timber sector (OOO Seviodder-Vitoslavlitsy and OOO Svint-Timir); building materials production (ZAO Pshaking-Cement, LSR-Cement, OOO Rosvodokhod-North and ZAO LoinoCement); and the food industry (ZAO Philip Morris Izhora, OOO Kraft Foods Rus and OOO Nevidy Rospol)…

**Global industrial clusters.** Such clusters form a part of global supply chains, and are developed by multinational players setting up new enterprises. In the Leningrad Region, these clusters exist in the heavy engineering (automotive, special vehicle manufacturing, ship-building, and solar manufacturing) and pulp-and-paper industries. With respect to the automotive and car component manufacturing sectors, major companies such as Ford Motor Company and Nissan Tyne, as well as Gestetner Severstal Vorkahsk and others form the core of the Leningrad Region’s cluster. Extensive construction of new car assembly plants in St. Petersburg and the region opens up substantial opportunities for automotive sector development. Component manufacturers for regional OEM plants such as TRW Automotive, INERGY AutomotiveSystems, TOYOTA TSUSHO RUS LLC and others intend to localise their production in the Leningrad Region and are, therefore, willing to become residents of the dedicated cluster. This segment of the heavy engineering cluster will develop at a faster rate thanks to the localisation of component manufacturing.

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Below are the priorities for cluster policy during the initial stage:

- Building ties between regional suppliers and producers and forming supply chains. During the first stage, the region’s investment policy concentrates on attracting and accommodating component producers for regional OEM plants. Additional efforts will be made for the development of intra-cluster cooperation, such as the establishment of industrial parks for suppliers and the organisation of conferences for suppliers and major customers based in the Leningrad Region.

- Helping to enhance engineering and production competencies both internally and by bringing in specialised companies to the region, as well as building ties with institutions of higher education. This approach helps accelerate the development of the clusters as places where innovation and production capabilities can converge.

- Creating support tools for technical and continuing education with a special focus on the development of master’s and bachelor’s degree programmes in technical disciplines.
The Leningrad Region Government has adopted several laws that encourage investment in the region and provide additional benefits to investors:

- Leningrad Region Law No. 78-oz of 14 October 2015 “On the Involvement of the Leningrad Region Government in Public-Private Partnerships”;
- Leningrad Region Law No. 56-oz of 9 November 2010 “On Approving the List of Economic Codes to Be Assigned Most-Favoured Treatment”;
- Leningrad Region Government Resolution No. 201 of 2 August 2010 “On Approving the Procedure for Handling Agreements on Government Support for Investment in the Leningrad Region”;
- Leningrad Region Government Resolution No. 415 of 30 December 2009 “On Approving the Procedure for Issuing Grants from the Leningrad Region Budget to Legal Entities Investing in the Region and Eligible for Most-Favoured Treatment Status”;

A series of government support and investor protection measures provides tax benefits and subsidies to investors over the entire period of most-favoured treatment status.

Leningrad Region Law No. 24-oz of 22 July 1997 “On Government Support for Investment in the Leningrad Region” is considered to be one of the most transparent and understandable laws for foreign and Russian investors, and for good reason. Since its law's enactment, over 160 contracts have been signed between the Leningrad Region and investors.

Under this law, most-favoured treatment is provided to investors for the entire investment payback period, plus a two-year period after payoff. This treatment grants the following tax benefits to investors:

- for corporate profit tax – a 13.5% rate;
- over the actual investment payback period but no longer than the payback period specified in the business plan for an investment project;
- over a two-year period following the actual payback period for those investors with at least 90% of revenue generated from investment projects carried out in accordance with a government support agreement;
- 0% property tax rate.

Corporate income tax

Property tax

Leningrad Region

Guarantees

Leningrad Region Law No. 70-oz of 29 December 2012 “On Government Support for Organisations Investing in the Leningrad Region and on Amending Certain Legal Acts of the Leningrad Region” was adopted in order to attract administrative barriers and ease the procedure for obtaining most-favoured treatment for investors. The new law was enacted to improve the tax benefits period from four to eight years depending on the investor (from RUB 300 million to RUB 3 billion). The law also significantly reduces the taxes paid for investors, for instance, an agreement to provide government support for investment activity must be signed within 35 working days after all the required documents are submitted by an investor.

Leningrad Region Law No. 98-oz of 25 November 2003 “On the Corporate Property Tax” exempts investors from corporate property tax on properties created or acquired for the implementation of an investment project in accordance with the project’s business plan (and not included in taxable property within the payback period of a project.

Leningrad Region prior to the start of the investment project:

- over the actual investment payback period but no longer than the payback period specified in the business plan for an investment project;
- within two years after the actual investment payback period.

Leningrad Region Law No.65-oz of 19 July 2012 “On Introducing a Reduced Corporate Income Tax Rate for a Specific Group of Taxpayers – Organisations Conducting Investment Activity in the Leningrad Region” reduces the corporate income tax rate applicable to the portion payable to the regional budget from 18% to 13.5% for those investors making investments in business development in the Leningrad Region amounting to at least RUB 1 billion over a three-year period. The taxpayer may qualify for the benefit during five tax periods provided that it does not reduce payments due to the regional budget.

Substantial reduction in corporate income tax rate and exemption from property tax over the payback period of a project.
Government support is also available in the form of subsidies from the regional budget, which can be used for the partial reimbursement of costs for certain groups of enterprises operating in the Leningrad Region. In 2012, the following subsidies were provided:

<table>
<thead>
<tr>
<th>No.</th>
<th>Event/activity (subsidy)</th>
<th>Amount, RUB million (2012)</th>
<th>Number of enterprises receiving subsidy</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Refunding a portion of the interest on loans taken out by textile, clothing, leather, leather goods and footwear manufacturers</td>
<td>10.4</td>
<td>3</td>
</tr>
<tr>
<td>2</td>
<td>Reimbursement of a portion of the costs of enterprises’ energy conservation efforts</td>
<td>5.75</td>
<td>3</td>
</tr>
<tr>
<td>3</td>
<td>Reimbursement of a portion of the costs incurred by socially significant manufacturing enterprises operating in one-industry towns in the Leningrad Region for the transport of nepheline concentrate by rail</td>
<td>372</td>
<td>1</td>
</tr>
<tr>
<td>4</td>
<td>Reimbursement of costs for the sale of goods by traders that are eligible for government support measures</td>
<td>1,001.6</td>
<td>1</td>
</tr>
<tr>
<td>5</td>
<td>Reimbursement of a portion of costs relating to increases in innovative internally produced goods, performed work and provided services</td>
<td>5.2</td>
<td>8</td>
</tr>
<tr>
<td>6</td>
<td>Subsidies to legal entities producing goods, performing work and providing services, and involved in investment activity</td>
<td>1,953.8</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>3,048.75</td>
<td>20</td>
</tr>
</tbody>
</table>

In 2013, subsidies will be provided to the following:

- Legal entities operating in one-industry towns in the Leningrad Region in order to reimburse their costs for the transport of nepheline concentrate by rail;
- Reimbursement of a portion of the interest on loans taken out by textile, clothing, leather, leather goods and footwear manufacturers;
- Reimbursement of costs for the sale of goods by traders eligible for government support;
- Reimbursement of a portion of the costs of enterprises’ energy conservation efforts.

**SUPPORT FOR THE PIKALYVOVO PRODUCTION COMPLEX**

The Town of Pikalyovo in Boksitogorsk District is a typical one-industry town, the main employers of which are its alumina facilities. The largest local companies are ZAO BazalCement-Pikalyovo (alumina producer), ZAO Pikachu (cement production), and ZAO Pikachu (potash and sodium carbonate production).

A global crisis in the market for non-ferrous metals started in 2008, which resulted in a dramatic decline in alumina demand and has affected the operations of these companies, for example, unemployment reached a critical 3% in 2009.

In order to stabilise the social and economic situation in the town, a working group was set up in 2009, by an Executive-Order of the Leningrad Region Government, in order to develop and implement measures to stabilise the operations of enterprises in the Pikalyovo production complex.

During a period of reduced demand for alumina, one of the available options was the production of by-products - nepheline slurry and carbonate solution. ZAO BazalCement-Pikalyovo produces these products derived from processed nepheline concentrate. The by-products are supplied to ZAO Pikachu (cement and ZAO Pikachu (potash and sodium carbonate production).

Reimbursement of a portion of the interest on loans taken out by textile, clothing, leather, leather goods and footwear manufacturers

In 2010, over RUB 1 billion has been allocated from the Russian Federation’s consolidated budget to support the social and economic development of Pikalyovo, as well as the operations of its production facilities.

In 2013, the construction of engineering infrastructure facilities is expected to reach completion for the following industrial sites: Industrial Site No. 1, an enterprise for fabricating frame buildings (Investor: OOO InvestReal); Industrial Site No. 2, a commercial greenhouse (Investor: OOO Polya Floral); Industrial Park (Industrial Sites No. 3 and 4) (Investor: ZAO Glavsnab Invest); and Industrial Site No. 5, a facility for the end-to-end processing of nepheline slurry from ZAO BazalCement-Pikalyovo (alumina). Altogether, 1,294 jobs will be created thanks to these investment projects.
The Leningrad Region currently offers many sites that can potentially accommodate manufacturing facilities for various industries. These include: the Brick Factory Industrial Zone; the Raymetall ERC industrial park in the Vsevolzhsk District; the Industrial Park General-IFTU (in the Lomonosov District); and the Industrial Park in the town of Kinzhal. Furthermore, developers are currently working on the following industrial parks in the Vsevolzhsk and Gatchina municipal districts: Dnie Venevskii, Utka Zavod, Marienburg (the second stage), Primorskii, and KolA.

Under the regional Law “On Government Support Measures for Organizations Operating at Industrial and Technology Parks in the Leningrad Region,” residents of such parks can qualify for subsidies from the regional budget equal to 70% or more of their total profit from operations at an industrial or technology park.

In addition, the law allows for reducing the rate of corporate income tax payable to the regional budget to 13.5% if a resident earns 70% or more of its total profit from operations at an industrial or technology park.

Also, residents are exempt from property tax on properties located within an industrial or technology park. A 100-hectare land plot in the Tosno District of the Leningrad Region, adjacent to the Eko-Hermel and Caterpillar factories, has been set aside for an industrial park which will accommodate enterprises (class III hazard).

The Tosno District site will be the first park where public funding will be used to finance the construction of utilities infrastructure and production facilities. The project will be implemented in several stages. RUB 390 million has already been allocated from the regional budget to finance the first stage, after which new sections with investor-ready premises will be commissioned every year.

The new industrial zone will be ready by the end of 2014, while the first project stage, during which external utility networks will be designed, should be completed by the end of 2013.

The development of industrial and technology parks has been entrusted to a special company, OAO Lenobjektvrod, which is owned by the Leningrad Region.

<table>
<thead>
<tr>
<th>List of companies/potential investors which have filed applications for locations:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Name</strong></td>
</tr>
<tr>
<td>Kompaniya TRW Automotive (Germany)</td>
</tr>
<tr>
<td>OOO Plant (OOO VZAS)</td>
</tr>
<tr>
<td>OOO Vsevolzhsky Aluminium Alloy</td>
</tr>
<tr>
<td>OOO Izhitsa</td>
</tr>
<tr>
<td>OOO AGRISOVGAZ</td>
</tr>
<tr>
<td>Austin Engineering Ltd</td>
</tr>
<tr>
<td>ZAO Svetlana-Optoelektronika</td>
</tr>
<tr>
<td>OAO NIIPGradostroitelstva</td>
</tr>
<tr>
<td>INERGY Automotive Systems</td>
</tr>
<tr>
<td>ZAO Plemzavod Agro-Balt</td>
</tr>
<tr>
<td>TOYOTA TSUSHO RUS LLC</td>
</tr>
<tr>
<td>Technologies Facilities for producing goods and providing maintenance services to gas turbines in the Lomonosov District.</td>
</tr>
<tr>
<td>OOO Siemens Gas Turbine</td>
</tr>
<tr>
<td>ZAO Plemzavod Agro-Balt</td>
</tr>
<tr>
<td>OOO Sibur</td>
</tr>
<tr>
<td>OAO Izhskih</td>
</tr>
<tr>
<td>ZAO Metallurgical Plant</td>
</tr>
<tr>
<td>OAO Novo-Tsentralny Metall</td>
</tr>
<tr>
<td>OOO Steklo</td>
</tr>
<tr>
<td>OOO Metalstroi</td>
</tr>
<tr>
<td>OOO Rubrik</td>
</tr>
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</table>
Industrial parks, industrial and industrial-logistics zones of Leningrad Region

(Source: Concept for the Social and Economic Development of the Leningrad Region to 2015)

Industrial zones:
- Industrial sites in Pudoz
- Industrial site Mitin #14
- Cheryomuzh
- Elmir
- Krasnaya
- Krestye-Zapad
- Kalina
- Vakhonene
- Malinovka
- Industrial zones of Yarel
- Svitiaz
- Norilo
- Saint-Petersburg-Karelian district
- Ladyskiye
- Snova
- Sosnovskoye
- Kriggichy-Zapad
- Myshkinskiye
- Tondino
- Pago-Vostochnaya
- Swede
- Leningradskaya-Leningradskaya 1
- Sreteno-Novodolskaya
- Ermolovskaya
- Torfyanoe-Prigorodnaya
- Kirovskaya
- Kholodnoye
- Makarievka
- Pragachevskaya
- Kruglova
- Kruglova-Sverdlovskaya
- Syasstroy
- Novodevyatkinskiye
- Kuzmolovsky
- Laskolovo
- Sverdlovskaya
- Lesnoye
- Kirpichny Zavod
- Myaglovo
- Tammisuo
- Yugo-Vostochnaya
- Svetloe
- Lesogorskaia/Lesogorskaya I
- Svetogorskaya
- Ermilovskaya
- Torfyanoe-Prigorodnaya
- Kirovskaya
- Molodtsovo
- Naziya-Yug
- Otradnenskaya
- Lodeinoe Pole-Yug
- Yanega
- Domozhirovo
- Zaostrovie
- Gorelovo
- Novoselie
- Peniki Industrial zone
- Nagornoe Investment zone
- Gorbunky
- Nikolskoe-Sever
- Voznesienie
- Bogatyri
- Podosinovskoe
- Priozerskaya
- Melnikovo
- Pontonnoe
- Romashki
- Kuznechnoe
- Yugo-Zapadnaya
- Tosno-Yuliyanovka
- Krasnoborskaya
- Kalische
- Torkhovskaya
- Anevskaya
- Kamenka
- Phosphorit
- Kingisepp-Severnaya
- Kingisepp-Yuzhnaya
- Veymarn
- Kirishi
- Mga-Yug
- Pavlovo
- Kirovsk
- Molodtsovo
- Naziya-Yug
- Otradnenskaya
- Lodeinoe Pole-Yug
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- Melnikovo
- Pontonnoe
- Romashki
- Kuznechnoe
- Yugo-Zapadnaya
- Tosno-Yuliyanovka
- Krasnoborskaya
- Kalische

Industrial parks:
- Greenstar (2018)
- Don Nenino (2019)
- Marlinko (2011)
- KOLA (2015-2016)
- Primoerye (2014)
- Fedoskovo
- Tomsk
- Shkola Zavod
- Kolomna
- Teraprom technopark based on PRIA RAS in Gatchina

Industrial-logistics zones:
- Bolshaya Izhora
- Cheremyukino
- Gatchinskaya
- Fornosovskaya
- Tosnensko-Nikolskaya
- Mginskaya
- Vitino-Kipel
- Yanino
- Greenstate (2010)
- Doni-Verevo (2010)
- Marienburg (2013)
- KOLA (2015-2016)
- Prinevsky (2013)
- Fedorovskoe
- Utkina Zavod
- Koltushi
- Innovation technopark based at PIYAF RAN in Gatchina

Industrial zones in Ust-Luga:
- Ust-Luga Industrial zone
- Zheleznovod Technopark
- Zolotino Technopark
- Fedorovsky Technopark
- Nikolskiy Technopark
- Stroy Technopark
- Tekhnologitcheskiy Technopark
- Michalkov Technopark
- Siberian Techno-park
- Tikhvinskoe Industrial Park
- Rubino Industrial Park
- Michalkov Technopark

Diagram of industrial and industrial-logistics zones of Leningrad Region
<table>
<thead>
<tr>
<th>Municipality</th>
<th>Industrial Park</th>
<th>Area, hectares</th>
<th>Number of registered residents</th>
<th>Industry focus</th>
<th>Type of ownership</th>
<th>Power supply (MW)</th>
<th>Water supply (m3 per day)</th>
<th>Waste water treatment facilities (m3 per day)</th>
<th>Gas supply</th>
<th>Distance to nearest town (km)</th>
<th>Distance to nearest regional centre (km)</th>
<th>Distance to nearest airport – Pulkovo (km)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vsevolozhsk Municipal District of the Leningrad Region</td>
<td>Vsevolzhsk Municipal District of the Leningrad Region</td>
<td>140</td>
<td>1,000</td>
<td>Logistics, consumer goods manufacturing and food industry, construction (IV-V classes of hazards)</td>
<td>Private</td>
<td>40</td>
<td>3,000</td>
<td>3,000</td>
<td>–</td>
<td>0.5</td>
<td>0.5</td>
<td>5</td>
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<tr>
<td>Leningrad Region</td>
<td>Leningrad Region</td>
<td>12.7</td>
<td>60</td>
<td>Industrial enterprises (IV-V classes of hazards)</td>
<td>Private</td>
<td>40</td>
<td>2</td>
<td>30</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kola Industrial Park, urban settlement of Sandzhiuk</td>
<td>Kola Industrial Park, urban settlement of Sandzhiuk</td>
<td>41.7</td>
<td>Business case preparation</td>
<td>Accommodation of logistics facilities, warehouses, industrial premises, commercial buildings, offices, public and business centres</td>
<td>Private</td>
<td>40</td>
<td>2</td>
<td>30</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vsevolozhsk Municipal District of the Leningrad Region</td>
<td>Vsevolozhsk Municipal District of the Leningrad Region</td>
<td>628.6</td>
<td>Business case preparation</td>
<td>Heavy engineering, Metal Construction</td>
<td>Private</td>
<td>40</td>
<td>2</td>
<td>30</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gatchina Municipality</td>
<td>Gatchina Municipality</td>
<td>35</td>
<td>2,331</td>
<td>Facilities of II, III, IV and V classes of hazards: agricultural (fertiliser warehouses, tangible assets); utilities and retail facilities (customs terminals, shopping centres, tea processing factories, timber resorts); transport infrastructure (gas filling stations, car wash stations, truck parking)</td>
<td>State ownership under lease terms</td>
<td>40</td>
<td>2</td>
<td>30</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lomonosovsky Municipality</td>
<td>Lomonosovsky Municipality</td>
<td>28</td>
<td>290</td>
<td>Industrial enterprises of IV-V classes of hazards, logistics facilities</td>
<td>Private</td>
<td>40</td>
<td>2</td>
<td>30</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kingiseppsky Municipality</td>
<td>Kingiseppsky Municipality</td>
<td>700</td>
<td>Business case preparation</td>
<td>Deep hydrocarbon conversion facilities, logistics, general industrial sector, petrochemical production</td>
<td>Private</td>
<td>40</td>
<td>2</td>
<td>30</td>
<td></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>
On 29 November 2012, Valery Izraylit, Chairman of the Board of Directors of OAO Ust-Luga Company, became the new President of the Regional Association of Employers - Union of Industrialists and Entrepreneurs of the Leningrad Region, which represents the interests of the region’s business community. Alexander Gabitov, former First Vice-Governor of the Novgorod Region, was elected General Director of the Association’s Executive Directorate.

The Association’s leadership has identified three priority areas for their work:
- Improving the business environment in the Leningrad Region with respect to streamlining decision-making on tax/fee and developing the region’s human capital;
- Involving senior executives of major enterprises in the Association’s activities;
- Facilitating cooperation with both the Russian Union of Industrialists and Entrepreneurs and its regional branch in St. Petersburg.

Representatives from the Regional Association of Employers - Union of Industrialists and Entrepreneurs of the Leningrad Region sit on a tripartite committee, which was formed to discuss the terms of social partnership. The committee is comprised of representatives of the Leningrad Region Government, trade unions and employers.

The Association is currently forming industry committees, whose functions will be defined in the coming weeks. They are expected to develop strategies aimed at improving the business environment in their respective industries, and promote by the Association’s structures.

In terms of investment attractiveness, the Leningrad Region ranks among the top three most successful regions in Russia. However, Russia’s WTO accession will have serious implications for the regional industry. Entrepreneurs’ operating conditions in this new environment and ways of protecting the domestic market will most likely be discussed and promoted by the Association’s structures.

### BUSINESS AND INDUSTRY ASSOCIATIONS

#### Leningrad Region employers’ associations participating in social partnerships

<table>
<thead>
<tr>
<th>Name</th>
<th>Contact details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regional Association of Employers - Union of Industrialists and Entrepreneurs of the Leningrad Region</td>
<td>Nikolay I. Pasyada, General Director of the Association’s Executive Directorate. Tel.: +7 (812) 331-83-15, Fax: +7 (812) 550-41-90, E-mail: <a href="mailto:unitwood@peterlink.ru">unitwood@peterlink.ru</a></td>
</tr>
<tr>
<td>New Profit Partnership - Trade Unions of the Leningrad Region</td>
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<tr>
<td>New Profit Partnership - Union of Worker Manufacturers of the Leningrad Region</td>
<td>Yury V. Orlov, Chairman of the Board. Tel.: +7 (812) 915-09-43, Fax: +7 (812) 915-09-44, E-mail: <a href="mailto:soyuz_fermerov@mail.ru">soyuz_fermerov@mail.ru</a></td>
</tr>
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<td>Leningrad Association of Employers in the North-Western High-tech Sector</td>
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</tr>
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<td>Regional Trade Association of Employers of Housing and Public Sector Enterprises</td>
<td>Alexander F. Gabitov, General Director of the Association’s Executive Directorate. Tel.: +7 (812) 550-49-65, Fax: +7 (812) 550-49-66, E-mail: <a href="mailto:gabitov@bk.ru">gabitov@bk.ru</a></td>
</tr>
<tr>
<td>Union of Construction Contractors of the Leningrad Region</td>
<td>Alexander Y. Bykov, President. Tel.: +7 (812) 335-16-75, Fax: +7 (812) 335-16-76, E-mail: <a href="mailto:info@ust-luga.ru">info@ust-luga.ru</a></td>
</tr>
<tr>
<td>Federation of Development and Support Centers of St. Petersburg and Leningrad Region</td>
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</tr>
<tr>
<td>New Profit Partnership - Association of Small-Scale Enterprises of Leningrad Region Support for Small and Medium Enterprises</td>
<td>Elena G. Shkoda, President. Tel.: +7 (812) 335-16-75, Fax: +7 (812) 335-16-76, E-mail: <a href="mailto:gabitov@bk.ru">gabitov@bk.ru</a></td>
</tr>
</tbody>
</table>
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