Guide to investment
Krasnodar Region
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Today, our potential partners can choose from some 1,700 investment projects across all sectors of the economy. These projects cover a wide range of opportunities: from developing large-scale infrastructure projects, new factories and farms to resorts and residential real estate.

Welcome to the Krasnodar Region! We look forward to seeing you among our business partners!

Head (Governor) of the Krasnodar Region Administration
Alexander N. Tkachev
Introduction
by PwC Russia's Managing Partner

The Krasnodar Region boasts a unique geographical location, climate and natural resources base.

The steady growth seen in the region’s economic growth indicators and its effective investment policies have attracted an increasing number of Russian and international investors. In confirmation of this fact, Russian and international rating agencies have given high rankings to the region’s investment appeal for several years running, making Kuban a leader in terms of favourable conditions for doing business.

The Krasnodar Region’s economy features developed manufacturing industries and a highly diversified agricultural sector. Today, the region is also a leader in terms of tourist facilities, and its leisure industry actively promotes Kuban as a year-round, world-class resort destination.

Preparations for the 2014 Games resulted in the creation of Russia’s first world class centre for winter sports. Preparations for the 2018 FIFA World Cup and Formula 1 Grand Prix are well under way and provide ample opportunity for profitable and efficient capital investment.

PwC Russia is proud to be a Partner and the Official Professional Services Provider to the 2014 XXII Olympic Winter Games and XI Paralympic Winter Games in Sochi. In this exclusive capacity, PwC works closely with the Sochi 2014 Organizing Committee, providing consulting services related to the general planning, preparation and holding of the Games.

The Krasnodar Region Administration has been actively introducing valuable tools aimed at easing the way for investors and creating an optimal climate for doing business.

We have prepared this overview jointly with the Krasnodar Region Department of strategic development, investments and external economic activity to help potential investors properly assess opportunities in the region’s most promising industries and give them an in-depth picture of the types of investment projects currently under way in the region.

Sincerely,
David Gray
Managing Partner
PwC Russia

Sincerely,

David Gray
Managing Partner
PwC Russia
**General information about the Krasnodar Region**

**Geographic location**
Russia’s southernmost region. It shares a border with the Rostov and Stavropol regions and the Republic of Abkhazia, and is surrounded by the Azov and Black seas. The region’s total area is 76,000 sq km and it has over 1,000 km of beaches.

**Main natural resources**
- oil, gas, minerals, iron and apatite ores, rock salt, drinking water reserves, high grade woods,
- 3.9 million hectares of fertile black soil, and 18 resort and recreation areas.

**Administrative centre**
the City of Krasnodar

**Climate**
moderately continental, subtropical; there are 280 sunny days per year.
The region has a population of over 5 million, 50% of whom are economically active.

**Key branches of the economy**

industry, construction sector, transport, agriculture, energy, resorts and tourism.

**Transport routes**

nine sea ports; five airports, three of which are international; and inter-regional railways and motorways.

**Labour force**

The region has a population of over 5 million, 50% of whom are economically active.
Science and education

The Krasnodar Region is home to around 11,000 scientific researchers and academics who are engaged in fundamental and applied research in leading areas of science and technology, including 11 academicians and correspondent members of the Russian Academy of Sciences, 48 Honoured Scientists of the Russian Federation, 21 Honoured Inventors of the Russian Federation and 412 Honoured Scientists of Kuban. The new generation of scientists is represented by more than 3,200 graduate students and Ph.D. candidates.

Research scientists at several institutions have made notable contributions to the development of science in the Krasnodar Region and Russia as a whole. These include the Southern Scientific and Production Association for Marine Geological Operations (Yuzhmorgeologiya) Russian Federation State Scientific Centre; the All-Russian Scientific Research Institute of Rice; the Northern Caucasus Zonal Scientific Research Institute of Horticuture and Viticulture; the P. P. Lukyanenko Krasnodar Scientific Research Institute of Agriculture; the V.S. Pustovoit All-Russian Scientific Research Institute of Oil Crops; the Scientific Research Institute of Medical Primatology; and the All-Russian Scientific Research Institute of Floriculture and Subtropical Crops.

Major regional higher educational institutions that train specialists in nearly all disciplines play a special role in the educational, scientific and cultural life of the Krasnodar Region.

The Krasnodar Region is home to 10 state higher educational institutions, including:

- Kuban State University;
- Kuban State Agrarian University;
- Kuban State University of Technology;
- Kuban State Medical University;
- Kuban State University of Physical Education, Sport and Tourism;
- Krasnodar State University of Culture and Arts;
- Krasnodar University of the Russian Ministry of Internal Affairs;
- Admiral Ushakov State Maritime Academy;
- Sochi State University;
- Armavir State Pedagogical Academy

As well, several training centres for Olympic Games volunteers have been opened at six of the region’s higher educational institutions. Over 9,000 volunteers are expected to be trained for the 2014 XXII Olympic Winter Games and XI Paralympic Winter Games in Sochi.
Culture and art

Krasnodar Region is widely regarded as one of Russia’s cultural centres. Numerous competitions and festivals, concerts, and folk and classical art exhibitions are held here; both professional arts and traditional crafts are flourishing.

The region has preserved a multifaceted network of cultural and art institutions, including libraries, institutions for cultural and leisure activities, parks, museums, theatres and concert halls, cinemas, and cultural and artistic educational institutions.

A group of particular cultural value in the Krasnodar Region is the Kuban Cossack Choir, which is widely regarded as a cultural icon of both the Kuban region and Russia as a whole. The choir’s spirit, originality and talent have won them devoted audiences in many countries around the world. Among their most memorable performances included the International Olympic Committee (IOC) meeting in Guatemala, where it was decided to hold the XXII Olympic Winter Games and XI Paralympic Winter Games in Sochi, and the Olympic Games in Vancouver, where the choir helped cheer on the Russian national team.

In 2011, the Kuban Cossack Choir will celebrate its 200th anniversary.

The Krasnodar Region is also home to the very successful Premiere Creative Association, which includes the Musical Theatre and Ballet Theatre directed by Yuri Grigorovich, the Youth Theatre and new Puppet Theatre, a symphony orchestra, and jazz and brass bands. There are a total of 19 groups, each of which regularly entertains Kuban residents and guests with performances.

The Krasnodar Region hosts over 200 large-scale competitions and festivals each year, many of which are national and international in scale. These include:

- the World’s Young Ballet International Competition;
- the Kuban-JAZZ International Festival;
- the Kinotavr Open Russian Film Festival;
- the Kinoshok Open CIS and Baltic Film Festival;
- the Kinotavr International Children Arts and Sports Festival;
- the Russian Festival of Visual Arts at the Orlenok All-Russian Children’s Centre;
- the Vechevoj Bell Kuban International Orthodox Film Festival;
- Bolshiyanov Open All-Russian Competition for Young Brass Players;
- the International Organ Music Festival;
- the International Festival of Slavic Culture;
- the Seasons International Music Festival;
- and the Museum Night international cultural initiative, to name but a few.

Since 2010, Kuban’s leading performance groups have participated in the Culture Olympics in Sochi.

Folk art in the Krasnodar Region is multifaceted and diverse. With roots going back to the legendary Cossack brigands of the Zaporozhian Sich, the region’s folk crafts have a distinctive character and identity that are unique to the Kuban lands. The cultural traditions of the Kuban Cossacks are at the heart of the area’s modern folk art. Today, there are some 7,000 creative groups at rural and urban clubs and recreation centres with over 120,000 people engaged in creating various types of folk art.
Economic potential
**Social and economic environment**

The region’s social and economic environment has experienced rapid development and holds a stable position within Russia’s economy overall.

The Krasnodar Region is one of Russia’s leading regions by investment activity. The region boasts significant economic diversification and can provide businesses with a wide range of unique opportunities to invest in practically all economic sectors, from agriculture and resorts to Olympic mega-projects.

Among the Krasnodar Region’s competitive advantages are its favourable location, developed infrastructure, high level of human capital development, vast scientific and technical potential, diverse natural resources, and high-volume consumer markets.

Over the past six years, the Krasnodar Region has remained the leading investment destination in Russia’s Southern Federal District and is one of the nationwide leaders among all Russian regions.

According to 2012 data from Russia’s Federal State Statistics Service (Rosstat), the Krasnodar Region ranked third nationwide after the City of Moscow and the Tyumen Region in terms of investments in fixed assets. In the Southern Federal District, the Krasnodar Region has traditionally ranked first in this category, accounting for 65% of overall investment volume in the district.

Over the past three years, the Krasnodar Region brought in approximately RUB 2.1 trillion in investments, of which RUB 798 billion were made in 2012. Average annual investment growth in the region was around 120%.

Over the same period, foreign businesses invested over USD 3 billion in the region. In 2012 alone, total foreign investment in the region’s economy amounted to USD 1,107.4 million, increasing by 1.4 times versus 2011.

Thanks to the region’s targeted investment policy, in the past three years around 165 major investment projects (valued at over RUB 100 million) have been carried out in the region for an overall amount exceeding RUB 200 billion.

The region holds a monopoly or a leading position in the production of a whole range of commodities and products not only in the Southern Federal District but on a nationwide basis as well.

The Kuban region produces 50% of Russia’s table wine, as well as sugar (28.3%), grains (over 30%), seed oil (around 22%), footwear (21.5%), sparkling and carbonated wine (14%), and cement (8.5%).

**Key macroeconomic indicators**

The region’s diversified economy ensures the steady growth of key macroeconomic indicators.

In 2011–2012, the basic sectors of the economy grew by between 8% and 20%.

The region outperformed the national average in the following categories:

- housing construction – by 13.7 percentage points;
- industrial goods production – by 1.1 percentage points;
- paid services to local residents – by 3.5 percentage points;
- retail trade – by 0.3 percentage points.

This positive dynamic has been underpinned by an environment specially created to improve competition, lower administrative barriers and provide unprecedented support for small and medium-sized enterprises (SME), as well as promote equal access for all market players to mineral resources and government contracts, and ensure even-handed treatment by all branches of government toward various economic entities.
Ratings

Investment activity in the region, stable budget execution indicators, moderate leverage, and a diversified economy have prompted leading international rating agencies to assign high credit ratings to the Krasnodar Region.

In June 2012, Fitch Ratings upgraded its long-term rating for the Krasnodar Region from 'BB' to 'BB+'. The outlook for this rating is "Stable".

In August 2012, Expert RA, Russia’s leading rating agency, assigned a А++ rating to the Krasnodar Region, which stands for "exceptionally high (the highest) level of creditworthiness". The outlook for this rating is "Stable".

In December 2012, Expert RA assigned its highest rating (1A) in terms of investment attractiveness to the Krasnodar Region, together with the City of Moscow, the Moscow Region, the City of St Petersburg and the Republic of Tatarstan. According to the agency’s analysts, regions with this rating boast maximum capacity in terms of direct investment and the highest reliability for potential investors.

Gross regional product (GRP)

For the past three years, the region’s GRP has risen by 9.2% versus a national average of 7.8%.

In 2012, the region’s estimated GRP was almost RUB 1.4 trillion, representing 1.5% growth over the prior year.

The region ranks sixth in Russia in terms of GRP (right after Russia’s top five regional economies, the City of Moscow, the Khanty-Mansiisk Autonomous District, the Moscow Region, the City of St Petersburg and the Republic of Tatarstan). The Krasnodar Region’s contribution to Russia’s GDP has reached 2.7%.
Living standards

The successful economic development of the region has further improved local living standards. The population’s real disposable income rose by 5.9% over the past two years, while the same indicator for Russia overall stands at just 4.6%.

In 2012, the nominal monthly salary reached RUB 21,900, up 34% on 2010. In addition, actual earnings during this period rose 16.3%.

Labour market environment

In 2011-2012, the official unemployment rate in the Krasnodar Region was much lower than the Russian average. It did not exceed 1% of the economically active population, while the nationwide average stood at 1.7% in 2011 and 1.4% in 2012.

Over this two-year period, employment services secured jobs for 242,800 people; 11,000 people were involved in community services; vocational guidance services were provided to 574,200 people; and 19,600 unemployed people participated in social adaptation programmes.

Concerted efforts were made to arrange professional training for the unemployed. Thirteen thousand people received professional training and retraining.
Financial sector

The level of development of the region’s financial sector, and its links to the real sector of the economy and increasing integration with both domestic Russian and international financial markets, serve as a fundamental basis for enhancing the Krasnodar Region’s strong investment appeal.

As at 1 January 2013, there were over 247 financial institutions in the region with a diversified network of additional offices, representative offices and agencies.

Today, the region ranks among the Southern Federal District’s leaders in terms of functioning lending institutions and branches, and is among the top 10 regions within Russia.

The lending priorities for the regional economy are:

- Financing long-term investment projects;
- Developing housing and mortgage lending;
- Financing the construction industry, agricultural facilities, and SMEs.

Strong investment in the real sector of the economy, a favourable geopolitical location, strong scientific and research potential in agriculture and industry, a high standard of living, and developed infrastructure have helped attract lending institutions from other parts of Russia and foreign countries to the region.

Almost all leading Russian and international banks are present in the regional banking sector. Over 1,750 business units of lending institutions offer a wide array of banking services to private and corporate clients in the Krasnodar Region.

In terms of assets, the region’s banking sector ranks among the leaders in the Southern Federal District and accounts for over 44% of its total volume.

The most important thing for the Kuban economy is to develop long-term investment lending. The region has made great efforts to develop socially important areas such as housing construction and mortgage lending, which many residents now see as the main gateway to home-ownership.

As regards the regional mortgage lending market, 2012 was marked by steady growth, and the market’s value increased by 1.4 times. Mortgages issued totalled EUR 611.3 million (EUR exchange rate as of 22 April 2013).

The regional administration continues to focus in particular on lending programmes for building individual residential housing in rural areas, and expanding lending schemes for new housing construction involving homeowner co-financing and providing tied loans.

The demand for loans on the part of small and medium-sized enterprises remains high: the volume of loans received by SMEs exceeded EUR 5.8 billion, and the annual growth rate of loans was 106% versus 2011.

Key banking indicators are on the rise. The banking sector’s loan portfolio is growing steadily, with balances on settlement and current accounts of non-financial organisations increasing significantly. Over the past two years, the average annual amount of loans to Kuban enterprises and residents has increased by 22.9%.

The most stable trend has been seen in the growth in personal savings rates, which stood at 19.4%. Bank lending overall has been expanding mostly due to the growth in retail lending. In 2012, investments in the regional economy amounted to EUR 25.8 billion, with loans going largely to trade, manufacturing, construction, agricultural, transportation and communication enterprises.

Every year, financial services are becoming increasingly more accessible, not only in the region’s cities and towns, but also in the most remote villages and rural settlements across the Kuban.

The development of the market has made insurance a key financial mechanism for protecting consumers from various economic risks.

The Krasnodar Region’s insurance market has developed a reputation of an efficient, steadily developing economic sector with a high concentration of professional
participants (125 insurance companies), developed infrastructure (120 branches and 500 independent entities in municipalities) and rising insurance premiums (by 1.5 times over the past five years), all of which help ensure the region's status as a leader in the Southern Federal District. The Kuban ranks among Russia's top 10 regions both in terms of insurance premium collections by insurers as a whole (EUR 411.9 million in 2012) and the growth rate of voluntary insurance policies (EUR 286.3 million, up 126% on 2011).

Key tasks for the regional administration and the insurance community include developing voluntary insurance and expanding the population's understanding of insurance, along with securing the legal rights and obligations of policy holders while balancing the interests of the government and insurers.

The Krasnodar Region has developed an extensive infrastructure for professional securities market participants. It serves corporates by attracting financing through securities market instruments and private clients by arranging access to such instruments.

As of the beginning of 2012, over 30 companies operating in the region were professional securities market participants; these included branches and representative offices of major nationwide companies as well as independent local enterprises.

Most companies are located in the cities of Krasnodar, Sochi, Armavir, Tuapse and Yeisk.

Alongside traditional bank lending, regional enterprises have an active presence on capital markets as an avenue for attracting investment. In 2012, Kuban enterprises raised investment worth a total of EUR 921.8 million through securities listings. Krasnodar Region entities issued securities worth a total of EUR 1.5 billion, with EUR 910.4 million coming from share issues and EUR 559.6 million from corporate bond issues.

Due to the instability in Russian and global financial markets, six corporate bond issues by Kuban companies have been rescheduled to 2013. These issues are expected to bring EUR 600 million into the local economy.

The strong investor interest in the region is confirmed by the high demand for its municipal and sub-federal securities. For instance, in November 2012 the Krasnodar Region completed its fourth municipal bond issue worth EUR 292 million.

A special long-term (2013-2015) programme for boosting consumer financial literacy is under way, which is aimed at developing the regional financial sector and establishing a widespread investor class within the region. When implemented, this strategy will facilitate carrying out further long-term economic reforms.
Key areas of economic activity
Agriculture

Given its geographical location and climate (it has both temperate and subtropical zones), the Krasnodar Region is considered one of Russia’s leaders in agricultural production and processing and in provisioning the country’s industrial centres. The agricultural sector accounts for 18% of total GRP.

The region’s total land area exceeds 7.5 million hectares, including 3.9 million hectares of arable land.

The percentage of Kuban’s agricultural products in Russia’s overall output

Gross agricultural production output totalled RUB 229.2 billion in 2012. The total value of produced food commodities is RUB 131.4 billion.

In recent years, the average salary in the region’s agricultural sector has increased dramatically and is now much higher than the Southern Federal District average. In 2012, the average monthly salary in agricultural enterprises exceeded RUB 18,000 with a year-on-year increase of 12.8%.

Animal husbandry

The Krasnodar Region is one of the largest dairy farming regions in the Southern Federal District and Russia in general.

The total annual milk output increased by 9,300 tonnes, or 0.7% compared to the prior year, and amounted to 1.4 million tonnes.

In 2012, milk herd productivity increased by 345 kg as compared to 2011 and reached a record of 5,849 kg (106.3% y-o-y growth) due to newly constructed and upgraded farms, state-of-the-art technologies and new equipment, genetically superior cattle, extensive fodder supplies and improved fodder preservation methods. Cattle production reached 58,100 tonnes on a live weight basis (101.3% y-o-y growth).

Poultry farming has improved recently as well. Egg production in 2012 was 100.2% of the 2011 result, for a total of 1,684.8 million eggs. Poultry production increased by 12,300 tonnes to reach 157,200 tonnes.

Crop production

Gross crop output and yield are growing every year; the region’s crop area structure has been optimised and agricultural production has become very efficient.

The 2012 harvest of grain and pulses was very impressive at 8.8 million tonnes, including 4.5 million tonnes of winter wheat. A total of 856,700 tonnes of rice, about 8.2 million tonnes of sugar beets and 313,000 tonnes of soy beans were produced as well. Accordingly, in 2012, the crop yield reached 41.2 hundredweight per hectare, including a winter wheat yield of 40.1 hundredweight per hectare.

This growth in the crop yield was a result of a proper breeding policy, general farming standards, increased mineral fertilizer use, cultivation technologies, more frequent upgrades of vehicles and tractors and new energy-saving cultivation technologies.

Agricultural production

<table>
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<th>Agricultural production</th>
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<tr>
<td>Large and medium-sized collective farms</td>
<td>600</td>
</tr>
<tr>
<td>Peasant (farm) holdings</td>
<td>18,300</td>
</tr>
<tr>
<td>Privately owned gardens and farms</td>
<td>&gt; 800,000</td>
</tr>
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</table>

Grain Rice Corn Sugar beets Sunflowers Grapes Tea and subtropical and citrus fruits

12% 80% 40% 20% 11% 50% 100%
Over 2,200 enterprises are active in the region's food processing industry, 200 of which are large and medium-sized companies. Together, they produce more than 2,500 types of food, 40% of which are advanced products that meet European quality standards.

Food industry companies process almost all the agricultural raw materials produced in the region. Kuban companies annually produce over 1.9 million tonnes of sugar, over 600,000 tonnes of vegetable oil, 950,000 tonnes of canned fruit and vegetables, and over 300,000 tonnes of grains.

The range and quality of regional products as well as the food’s marketable quality have increased in recent years, as industry facilities are repaired and upgraded annually. To ensure that food is of high quality and safe to eat, food companies certify their products and have implemented international quality systems.

The food processing sector has very high growth potential. Today, it can fully meet the region’s demand for such items as sausage, whole milk products, butter, sugar, bread and baked goods, and rice, among others.

Today, a number of agribusiness segments are poised to increase their output, both locally and abroad, particularly supplies of sunflower oil, confectionery products, rice, canned fruits and vegetables, canned meats and dairy products.

The high quality of goods produced by Kuban companies has been recognised at the most prestigious Russian and international exhibitions. Kuban has the capability to export highly prized, ecologically pure meat, cheese, oil, fish and canned goods to international markets.

### The percentage of Kuban’s products in Russia’s overall agricultural output

<table>
<thead>
<tr>
<th>Product</th>
<th>%</th>
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<tbody>
<tr>
<td>Sugar</td>
<td>37</td>
</tr>
<tr>
<td>Vegetable oil</td>
<td>21.3</td>
</tr>
<tr>
<td>Meat-based canned baby food</td>
<td>85</td>
</tr>
<tr>
<td>Grains</td>
<td>25</td>
</tr>
<tr>
<td>Rice</td>
<td>92</td>
</tr>
<tr>
<td>Canned fruit and vegetables</td>
<td>13.3</td>
</tr>
<tr>
<td>And canned milk</td>
<td>10</td>
</tr>
</tbody>
</table>

**Food & Beverages**

The percentage of Kuban’s products in Russia’s overall agricultural output
Industry

The operational results for the Krasnodar Region’s industrial sector over the period 2001-2012 demonstrated sustainable economic growth. Over this period, the number of industrial enterprises increased by more than 2,000 to reach 5,500, which together employ around 68,000 people.

Economic indicators show positive trends in the development of industrial enterprises. In 2012, annual industrial output increased more than threefold to reach RUB 122.2 billion (112% compared to 2011).

The priorities for industrial development are:

- establish new production operations;
- upgrade existing enterprises;
- manufacture new, competitive types of products.

Investments in industrial production reached RUB 9.2 billion in 2012 (compared to RUB 326 million in 2001).
The cities of Krasnodar, Armavir and Novorossiysk, and the Tikhoretsk and Caucasus districts are the biggest centres of the engineering and metals industries.

In 2012, output of metal manufacturing and finished metal goods production totalled RUB 35.6 billion. The industry leaders are OOO Novorosmetall (Novorossiysk), OOO Abinsk Electro-Metals Plant (Abinsk), OOO Yuzhny Metalworks (Dinskaya Station) and OOO Crown Cork Kuban (Timashevske).

Machine and equipment manufacturing output reached RUB 20.1 billion in 2012. The leading machine and equipment producers are OOO KLAAS (Krasnodar), OOO Kanevskoy ZGA and ZAO Kubanzheldormash (Armavir).

The output of electrical, electronic and optical equipment was about RUB 11.8 billion in 2012. The leading companies are OAO Saturn (Krasnodar), OAO NPO Promavtomatika (Krasnodar) and Armavir Electromechanical Plant (a branch of OAO Elteza).

Vehicle manufacturing output exceeded RUB 12.1 billion in 2012 with a growth rate of 134.4% versus 2011. The sector leaders are OAO Armavir Heavy Engineering Plant and OAO Vorovskiy Tikhoretsky Engineering Plant (Tikhoretsk).
**Chemical industry**

The region’s chemical industry includes over 800 businesses, including small businesses, which employ more than 9,000 people.

The chemical industry’s main operational centres are the cities of Belorechensk, Krasnodar, Labinsk, Timashevsk and Armavir, and the Dinskoy and Novokubansky regions.

The leading chemical companies are OOO Eurochem-Belorechenskie Minudobrenia, ZAO Khimik (Labinsk), OAO Avanta (Krasnodar), and Armavirskaya Biofabrika (Novokubansky Region), ZAO Konstantsiya Kuban (Timashevsk), OAO Armavir Rubber Plant, OOO Yugtrubplast Plant (Dinskaya Station), among others.

Major types of chemical products: mineral fertilizers, paint materials, beauty products, veterinary and healthcare products, flexible packaging, medical goods, multi-purpose polymeric tubes, plastic goods, and others.

The output of the sector’s products increased by 11% compared to 2011 to exceed RUB 23 billion.

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**Forestry**

Forestry in the Krasnodar Region comprises over 600 enterprises in the woodworking, furniture, and pulp-and-paper industries.

The forestry industry accounts for 3% of the Krasnodar Region’s locally produced and shipped goods, work and services.

The following municipalities are the region’s largest forestry centres: the cities of Krasnodar, Apsheronsk, Armavir, Timashevsk, Goryachy Klyuch and others.

The Krasnodar Region’s furniture manufacturing, wood processing and cardboard packaging segments enjoy considerable growth potential.

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The pulp-and-paper industry’s output was RUB 6.6 billion in 2012, with a growth rate of 118% versus 2011. The region’s pulp-and-paper industry encompasses companies producing consumer product and shipping packaging, pulp-and-paper base and related products. The leading manufacturers of cardboard packaging are ZAO AR-Karton, ZAO Packaging Kuban (Timashevsk), OOO Apolinaria (Armavir), OOO Kuban-Papir (Krasnodar), among others.

In 2012, furniture manufacturing output was RUB 3.9 billion. The region’s furniture manufacturers produce furniture of various types and within a wide price range: from solid wood to budget metal-frame furniture. The main companies are OAO Goryachy Klyuch Furniture Plant (Goryachy Klyuch), OOO Pollet, OOO Angazhement (Krasnodar), and others.

In 2012, the timber industry’s output was RUB 1.4 billion. The region’s timber industry is represented by producers of lumber, parquet, furniture boards, timber blanks, and wood trim. The main companies are ZAO PDC Apsheronsk, ZAO Rassvet, OOO Kanon (Apsheronsk) and others.
**Consumer goods industry**

The Kuban’s consumer goods industry is made up of more than 500 textile and clothing businesses, as well as leather, leather goods and footwear manufacturers, employing 6,500 people.

Large and medium-sized consumer goods producers are concentrated in the region’s major industrial centres, such as Krasnodar, Novorossiysk, and Slavyansk-na-Kubani, as well as the Yeisk and Kushchevsky districts.

The leading textile and clothing companies are ZAO Slavyanskaya Clothing Factory, ZAO Alexandria (Krasnodar), OOO Master Style (Yeisk), OOO Symbol (Kropotkin), OOO Bris-Bosfor (Novorossiysk), ZAO Laika (Kuschevskaya Station), among others.

In 2012, the output of goods produced by the region’s consumer goods industry increased by 2% versus 2011, reaching RUB 4 billion.

**Glass industry**

The Kuban’s glass industry encompasses seven large and medium-sized businesses employing 1,500 people.

This industry’s largest centres in the region are the city of Krasnodar and the Krymsky and Dinskoy districts.

The major players in the glass industry are: OOO Rusjam Kuban (Krymsk), a new glass-container plant, and dual-pane window producers OOO STIS-Krasnodar and ZAO RSK (Dinskaya Station), among others.

Glass companies produce a wide range of products: quenched glass, multilayer glass, dual-pane windows and glass containers (bottles) of various colours and characteristics.

The only large producer of porcelain and crockery ware in southern Russia and the only producer of crockery ware in the CIS is OOO PKF KUBANfarfor (Krasnodar).

In 2012, manufacturers of glass, as well as glass and ceramic goods (except for those used in construction) shipped goods worth over RUB 3 billion, or 110.2% higher than in 2011.

**The most promising development areas for the region’s consumer goods industry are:**

- clothing;
- knitted goods and diversification of assortment (knitted goods and legwear);
- leather and footwear.

**The most promising development areas for the glass industry are:**

- glass-container industry expansion in the Krymsky District;
- launch of float glass production in the Caucasus District.
Construction

Over the past few years, the Krasnodar Region’s construction sector has been the nation’s leader by a number of metrics.

The region boasts more than 8,000 entities in the construction business, including about 200 large and medium-sized contractors and over 50 producers of building materials. More than 250,000 people are employed in the construction industry, accounting for one-tenth of the region’s labour force.

In 2012, this sector’s share in the region’s GRP was approximately 19%.

In 2012, Kuban ranked third among Russia’s regions in terms of the volume of construction and assembly work (worth RUB 438.3 billion).

Last year, Kuban accounted for 71.4% of all construction and assembly work in the Southern Federal District.

From 2008 to 2012, the value of construction and assembly work performed exceeded RUB 1.5 trillion.
Residential housing construction

Kuban has remained one of Russia's most dynamic regions in terms of construction activity. In 2012, more than 4.3 million sq m of housing was built.

Over the past five years, the Krasnodar Region has been Russia's second most productive region in terms of housing construction.

In 2008-2012, more than 19 million sq m of residential housing was commissioned.

Production of construction materials

The region’s construction materials manufacturing sector is flourishing.

In 2012, the Krasnodar Region was Russia’s leader in the manufacturing of construction materials:

- ceramic brick and plaster - first place;
- cement and gas-concrete block - second place;
- gypsum products and aggregates – third place;
- dry pack mortar – fourth place;
- reinforced concrete products – fifth place.

Recent positive trends have been driven by a more active contracting market and new construction materials producers that use energy-saving equipment and state-of-the-art technologies.

Construction of new facilities to produce construction materials continued in 2013.

The following facilities producing construction materials have been commissioned this year:

- a crushing and screening facility with an annual capacity of 600,000 cu m of gravel-sand mix in the Labinsky District;
- a concrete production workshop with vibrocompression technology and a capacity of 11,900 cu m in the Novokubansky District.

In addition, plans call for completing the construction of:

- a new dry mix process cement manufacturing line in Novorossiysk with an annual capacity of 2.3 million tonnes;
- the first phase of a gas-concrete block plant with a capacity of 210,000 cu m per year in the Ust-Labinsk District;
- a crushing and screening facility with an annual capacity of 300,000 cu m of aggregates in the Belorechensky District;
- a concrete production workshop with vibrocompression technology and a capacity of 11,900 cu m in the Novokubansky District;
- a limestone brick production facility (without an increase in capacity) in the Gulkevichsky District.

The region’s output of primary building materials in 2011 (in units) versus 2011 (%) is outlined below:

- Ceramic bricks: over 0.5 billion conventional units (104.6%);
- Cement: about 5.2 million tonnes, (111.8%);
- Aggregates: over 20.4 million cu m (108.1%);
- Reinforced concrete products: over 1.1 million cu m (109.0%);
- Plaster: over 665,000 tonnes (127.1%);
- Dry pack mortar: around 400,000 tonnes (120.7%).
Transport

The region’s transportation sector is growing steadily, a trend which is illustrated by the growth in transportation service volume.
Over the past three years, transportation services have been growing at an annual pace of 114%. In 2012, the value of transportation service totalled RUB 119.8 billion.

Marine and river transport

The Krasnodar Region has nine seaports with an annual cross-border and transit cargo transshipment volume of 158 million tonnes.

Russia’s largest seaport, Novorossiysk, features a modern, multi-purpose and highly automated system of sea terminals with a cargo turnover of 117 million tonnes per year, including 85 million tonnes of liquid bulk cargo and 32 million tonnes of dry bulk cargo.

Today, the region is rolling out an integrated programme to develop the Novorossiysk Transport Hub, which will include a transport and logistics centre, new container terminals, transshipment facilities for grain, oil and oil products, as well as new motorways and railways to the Novorossiysk marine port.

A number of projects have already been completed at the Novorossiysk port, including the reconstruction of a container terminal and a timber cargo transshipment facility, and commissioning of a modern grain handling terminal and fuel oil transshipment facilities.

Also, a 1A deepwater oil loading terminal is nearing completion. Several other projects are ongoing in the southeastern section of the port, including the second phase of the construction of a container terminal and grain cargo transshipment facilities.

The port of Tuapse is also undergoing development. Grain cargo transshipment facilities and a modern mineral fertilizer transshipment facilities have been put into operation, and the construction of a 1A deepwater oil loading terminal has been completed.

The new Taman port is now being constructed at Cape Zhelezny Rog. The port is expected to become the third largest in the Southern Federal District by cargo transshipment volume. A grain terminal, and facilities for the transshipment of oil, oil products and liquefied petroleum gas have been commissioned. The port’s annual cargo turnover is expected to exceed 60 million tonnes.

The Russian Ministry of Transport, jointly with the Krasnodar Regional Administration, have made effort to develop a dry cargo area at the sea port of Taman, with a target annual turnover of over 93 million tonnes of dry cargo.

The region’s travel links have been improved with ferry services to Ukraine, Bulgaria and Georgia. Ferries now travel from the port of Kavkaz to the ports of Krym, Varna and Poti. And, a ferry line from Kavkaz to Samsun, Turkey, has been launched.

Rolling cargo transshipment facilities with a capacity of 2 million tonnes per year are under construction in the northeastern part of the port of Kavkaz.

The programme for building Olympic facilities and development of the City of Sochi as a mountain climate resort includes the reconstruction of the Sochi seaport. The aim is to establish an international sea passenger and cruise transportation centre.

New protective structures and quays are to be erected, which will allow not only for handling cruise ships over 300 metres long and with capacities up to 3,100 people, but also to use the existing water area for mooring yachts and motorboats.
Marine passenger transport has been revived across the Sea of Azov-Black Sea basin. Three hydrofoil-equipped boats are now serving the Novorossiysk-Sochi line, with a travel time of only three hours.

To develop coastal transport services, seven port stations in Sochi are being rebuilt, with five already commissioned.

Rosmorport (a federal state unitary enterprise) has purchased two high-speed catamarans, each with room for 300 people, to transport passengers between terminals in Sochi’s seaport. Currently, these vessels operate along the Sochi-Gagra line, with a travel time of one hour.

These investment projects in marine transport infrastructure, once implemented, will allow the Krasnodar Region to increase the cargo turnover at its ports by more than 1.5 times by 2020, creating more than 5,000 new jobs. And, additional tax revenue worth over RUB 1 billion will flow each year to the Krasnodar Region’s consolidated budget.

**Rail transport**

The North-Caucasus Railway (NCRW) is a reliable working thoroughfare, and is among the top four largest railroads in Russia. NCRW is a branch of Russian Railways.

NCRW runs across 11 regions of the Southern Federal District, with the Krasnodar Region taking the lead in terms of total length of railway lines and other economic indicators.

Around 60% of all cargo in the Krasnodar Region is transported by rail. Cargo traffic flows to Russia’s Black Sea ports of Novorossiysk, Tuapse, Yeisk, Temryuk and Kavkaz.

The busiest destinations for rail passenger traffic are such resort cities as Sochi, Tuapse, Anapa, Yeisk and Goryachy Klyutch, where passenger traffic peaks in summer and autumn.

The following are the main junction stations of the Krasnodar Region: Tikhoretskaya, Kavkazskaya, Armavir, Krymskaya, Timashevskaya, Krasnodar-Sortirovochny, Belorechenskaya, Tuapse, Veseloe, Krivenkovskaya, Novorossiysk and Adler.

**Air transport**

The Krasnodar Region has four international airports: Krasnodar, Sochi, Anapa, as well as regional airports: Gelendzhik and Yeisk.

The Krasnodar Region’s airports account for 7% of the total passenger traffic in Russia. Forty Russian and foreign air carriers operate both regular and charter flights in the Krasnodar Region.

Under several Federal Targeted Programmes, including Development of Russia’s Transportation System (2010-2015) and Modernisation of the Common Air Traffic Management System (2009-2015), the Krasnodar Region’s air terminals and airports are now undergoing extensive reconstruction. In 2005-2012, a total of RUB 24 billion was spent to this end, including RUB 2.6 billion for the reconstruction of the Sochi, Anapa, Gelendzhik and Krasnodar airports in 2012.

**Road transport**

There are approximately 2 million road transport units in the Krasnodar Region.

In 2012, road transport companies paid RUB 1.2 billion in taxes to the Krasnodar Region’s consolidated budget, or a 106% increase over 2011.

In value terms, in 2012 road transportation companies provided services worth RUB 14.3 billion, representing an increase of 108.2% versus 2011.

Ninety-eight taxi companies and 2,462 authorised individual taxi drivers operate in the region. A fleet of 8,268 vehicles, all compliant with federal and regional regulations, transport passengers across the region. More than 4,100 late-model automobiles (less than three years old) serve as authorised taxis. The region has 426 working taxi stands.

More than 3,500 vehicles are equipped with satellite navigation devices compatible with the local vehicle tracking system. Among these are buses serving regular intercity lines and municipal lines in and around the region’s cities, as well as school buses, vehicles belonging to regional social welfare organisations, ambulances and other emergency vehicles.
Information technology and telecommunications

Information systems development

Currently, the key task for developing information systems in Kuban is to improve the population’s well-being and the economy’s competitiveness, as well as ensure public safety and develop an information-oriented society using information and communication technologies.

IT systems development is being actively implemented in many areas of government and municipal administration, as well as in education, healthcare, business, and in social and cultural institutions.

The region supports the development of a regional multiservice network of executive government bodies as the basis for creating a common information platform.

For instance, much attention has been given to ensuring the security of information resources and improving efficiency in data storage and processing. To this end, there are plans to create a single regional data storage and processing centre.

In an effort to improve the population’s quality of life and resolve vital business and societal issues, a network of multifunctional centres (MFC) is being developed to provide public and municipal services: 48 MFC have been opened in 44 municipalities across the region.

Information system development projects covering all aspects of life in the region are being implemented within the framework of specialised regional programmes. These include:

- a single electronic document flow system for the Krasnodar Region Administration and municipal authorities;
- a video conference system;
- a system for planning and monitoring the social and economic development of the Krasnodar Region;
- a data collection and processing centre for the remote surveying of agricultural lands;
- an integrated system called Health Care Management and a medical television network for the region’s health care facilities;
- digitalising archives and library collections;
- a comprehensive public safety system.
- creating an “Open Government” system in the Krasnodar Region.
Technical support is being provided for infrastructure to provide electronic public services, including the Register and Portal of Public and Municipal Services of the Krasnodar Region (pgu.krasnodar.ru). The Register currently contains data on about 1,870 public services, as well as around 32,000 documents stored on the system.

In order to enhance public safety for the Krasnodar Region's population and reduce social and economic damage from natural catastrophes and emergencies, and to decrease the response times of emergency services to calls from citizens and organisations, a First Responder base infrastructure for emergency services is being developed using the common number “112”. The 112 System will be rolled out in Greater Sochi and the region’s administrative centre, the City of Krasnodar, by the year-end.

**Telecommunications**

The Kuban’s telecommunication sector has been experiencing the same trends as Russia’s telecoms sector overall, including: high growth rates compared to other industries, rapid implementation of new technologies, and a changing structure of services provided.

At present, 800 telecom operators holding around 1,800 licences for 23 different types of telecom services are registered in the Krasnodar Region.

**Local, domestic long-distance, and international telephone services**

There are more than 1.2 million main telephone sets connected to the region’s public switched telephone network (PSTN). The telephone penetration level is currently 32 telephone sets per 100 residents.

**Postal Service**

Fourteen companies are licensed to provide postal services in the region.

The Krasnodar Region’s Federal Postal Service Department is a branch of Russian Post. Thirty-one central post offices and 1,200 district post offices provide postal services across the region. The Krasnodar branch is the largest postal service in southern Russia in terms of total postal volume.

**Cellular communications**

According to cellular operators’ data, the number of cellular subscribers (active SIM-cards) is 9.5 million while cellular penetration stands at 182%.

Cellular operators are now successfully developing and using 3G (third generation) communication networks. 3G networks makes it is considerably easier to access email, file applications and corporate networks. They also boost download rates and improve the display quality of multimedia content required by mobile users for business and entertainment.

**Telematic services**

More than 100 Internet service providers operate in the region. The number of users is approximately 1.5 million subscribers, including wired broadband subscribers, switched access subscribers with fixed telecom operators, and wireless Internet subscribers with cellular operators.

The Krasnodar Region is the leader among Southern Federal District regions by number of Internet users.

Wi-Fi access points have been installed at hotels, restaurants, bars, sports facilities and other popular areas.

A number of companies are working in the Krasnodar Region to introduce WiMAX wireless high-speed Internet and a new technology called LTE (LongTermEvolution), which will increase the access rate several times over compared to cellular networks, and ensure communications outside the line-of-sight coverage area.

Wireless Internet based on 4G (fourth generation) technologies is being implemented in the Krasnodar Region.
Energy

The Krasnodar Region's energy sector is an integral part of Russia's overall energy sector. It includes 280 enterprises with varying types of ownership. The average number of staff employed in these enterprises is about 70,000 people.

The strategic goal of the energy sector is to use natural fuel and energy resources as efficiently as possible, and harness the energy sector’s potential to develop the economy and improve the quality of life for the Krasnodar Region’s population.

Statistics for energy sector industries

Electric power industry

- Power consumption in 2012: 23,700 million kWh;
- Power production in 2012: 7,752.9 million kWh;
- Total length of overhead power transmission lines: 102,397.6 km
- Total length of cable power transmission lines: 5,776.8 km

Thermal power industry

- Total length of heat pipelines: 3,296km;
- Number of boiler houses: 2,848;
- Annual heat sales in 2012: 5,941,000 Gcal.

Oil and gas industry

- Oil and condensate production in 2012: 1.1 million tonnes
- Natural gas production in 2012: 3.4 billion cubic m
Gas industry:
- Gas distribution pipelines: 46,700 km
- Main gas pipelines – 5,600 km;
- Gas distribution stations: 191 units.

Pipeline transport:
- Length of trunk pipelines: – 8,192 km
- Number of pump stations: 32 units
- Number of storage terminals: four

Oil refining industry:
- Total estimated capacity of oil refineries: 8,370,000 tonnes per year
- Oil products refined (2012): 13.4 million tonnes
- Diesel fuel production: 4.0 million tonnes
- Fuel oil production: 5.9 million tonnes.

Aggregate investment in the energy sector

Dynamics of sector output

![Graph showing dynamics of sector output from 2007 to 2012](image)

![Graph showing aggregate investment in the energy sector from 2007 to 2012](image)
Health-resort and tourism

The Krasnodar Region boasts unique recreational and natural therapeutic resources. These range from two warm southern seas and over 1,000 kilometres of beaches, snow-covered mountain tops, and forest reserves, to unique natural landmarks, and historical, architectural and archaeological monuments. Taken together, these attractions have made Kuban the preferred resort destination in Russia.

The Krasnodar Region’s health resort and tourism sector is Russia’s largest. It encompasses a mixture of health resort facilities, hotels, specialised and individual accommodation facilities, travel agencies and sightseeing firms, infrastructure facilities, and places of interest, as well as resort management organisations.

The Krasnodar Region’s natural therapeutic resources include mineral waters, therapeutic muds, lagoon and lake brine, and beaches, as well as the landscape, climatic and other conditions necessary for health-resort treatment and disease prevention, as well as recreation and tourism.

Climate is a major factor in resort development. The swimming season at most of the region’s sea resorts starts in mid-May and runs until September-October. The swimming season in Sochi ends in November in some instances. Winter temperatures permit year-round resort operations.

The Krasnodar Region’s hydro-mineral resources include mineral waters for external and internal use, as well as therapeutic muds.

Tourist resources are represented by natural landmarks, social and cultural places of interest for tourists, and designated beach areas along the Black Sea and the Sea of Azov, to name but a few.

The Krasnodar Region’s Black Sea coast is characterised by natural diversity, including beautiful landscapes and
the western part of the Caucasus Mountains covered with dense forests, glaciers and Alpine meadows as well as Kuban’s fertile lowlands, the Black Sea subtropics, many kilometres of beaches and a mild coastal climate.

Along with the Sea of Azov-Black Sea coast, areas of the Caucasus range are an appealing tourist destination. Tourist routes to submontane areas along the valleys of the Pseukups, Malaya Laba, Chernaya Rechka (Black River), Mzymta and other rivers are very popular. Tourists are attracted to these locations by their picturesque nature scenes, diverse landscapes and rich flora. Some routes end near the Black Sea.

Currently, the Russian Federation is among the top ten leading countries by number of tourists, with the Krasnodar Region the leading region within the country, surpassing such well-known tourist centres as the Caucasus Mineral Waters region, Karelia, the Leningrad Region, and the Altai Region, among others.

The Kuban’s unique potential for recreational activities helps facilitate the development of all types of tourism, thus attracting more and more investors to the Krasnodar Region.

In promoting investment in the Krasnodar Region’s tourism industry, the strategic goal is to create a modern, highly effective and competitive health resort and tourism sector that can meet the needs of Russian and international tourists for a variety of services.

The priority for such development is providing quality, year-round recreational opportunities.

**Current status of the health-resort and tourist sector**

*More than 11 million tourists visit the region’s health resorts annually.*

The scope of services (revenue) grows every year, with 2012 revenues exceeding RUB 60.7 billion, i.e. 11% growth versus 2011.

In 2012, tax revenues to the regional consolidated budget exceeded RUB 4.3 billion, or 15.4% more than in 2011.

In 2013 the amount of investments in fixed assets exceeded RUB 24.3 billion, or 20.3% growth versus 2011.

**Outlook for 2015**

The flow of tourists is expected to rise to 13 million people.

The scope of services (revenue) of health-resort enterprises is expected to top RUB 70 billion.

Tax revenues to the regional consolidated budget should reach RUB 5.5 billion.

Investment in fixed assets at companies in the health-resort and tourism sector will amount to RUB 15 billion.

About 100,000 people are expected to be employed in the industry.

The number of qualified accommodation facilities is expected to rise, with three-, four- and five-star qualified accommodation facilities accounting for 14% of the total number of businesses.

The simultaneous capacity of public accommodation facilities should top 220,000 beds.
Housing and public utilities

To a large extent, the development of housing and public utilities determines the way social, economic and technical issues are addressed. It also creates a comfortable living environment, as well as favourable and safe living conditions for the people it serves.

The industry keeps municipal and regional housing and public utilities companies running and maintains qualified staff to render housing and public utility services in Kuban.

The housing and public utilities sector encompasses:

Over 31,000 operational, engineering and managerial staff providing water supply and sewerage services. They are also responsible for housing maintenance, landscaping services, sanitation and removal of domestic and industrial waste, etc.

More than 40 types of housing and public utility services are provided to the region's residents. Over the past five years, services valued at more than RUB 80 billion in total have been provided. In 2012 alone, public services exceeded RUB 20 billion in value.

To improve the living conditions of local residents, more than RUB 9.75 billion was allocated for capital repairs of multi-unit apartment complexes in 2008-2012, including RUB 956.9 million from the regional budget and RUB 7.32 billion from the Fund for Assisting Housing Services Reform.

More than RUB 1.061 billion was allocated for capital repairs of multi-unit apartment houses in 2012, including RUB 159.69 million from the regional budget and RUB 685.96 million from the Fund for Assisting Housing Services Reform.

In 2012, RUB 413.38 million was allocated for relocating residents of uninhabitable or condemned dwellings, including RUB 40.13 million from the regional budget and RUB 172.21 million from the Fund for Assisting Housing Services Reform.

The housing and public utilities sector includes 909 enterprises and organisations, of which 635 enterprises provide public utility services and 274 organisations provide housing fund maintenance services.

The sector has generally been profitable since 2006. Total earnings in 2012 for 391 sector enterprises overseen by the Krasnodar Region's Housing and Utilities Department came to over RUB 243 million.

In 2008-2012, utilised investments in the housing and public utilities sector totalled about RUB 4.6 billion.

The regional housing and public utilities industry has a very promising development outlook. The Krasnodar Region’s executive agencies and local administrations are actively raising investment for the sector, and potential investors are offered the most promising upcoming projects.

The Krasnodar Region’s housing and public utilities sector includes:

- water and sewerage services
- housing services
- landscaping services
- sanitation and cleaning services, and waste management
- funeral services
Preparations for the XXII Olympic Winter Games and XI Paralympic Winter Games 2014 in Sochi
The 2014 Games in Sochi are considered to be most compact in the entire history of the Winter Olympic Games. All venues and facilities for ice sports competitions are located within a walking distance from each other. The Mountain Cluster venues are located at Krasnaya Polyana, just a 30-minute ride from the city via a new railway and road route.

The preparations for the 2014 Games resulted in the creation of Russia’s first world class centre for winter sports. In just over a few years, the resort city has become Russia’s most comfortable, safe and hospitable city both in terms of living and doing business.

The Administration of the Krasnodar Region’s involvement in the project covers the following areas:

- Allotting land plots for Olympic venues;
- Resettling local residents away from Olympic construction zones;
- Coordinating specific Olympic venue construction projects included in the Region’s Target Programme;
- Coordinating the activities of executive agencies of the Krasnodar Region and interacting with local municipalities involved in implementing the Post-Olympic legacy programme.
New road and interchanges have been commissioned, new grids, cable and overhead lines have been built, while power supply and generation facilities have been erected. The Imereti Lowlands accommodates Olympic stadiums and sports arenas, hotels, new hospitals and schools and houses for residents.

Since 2008, vigorous efforts have been made to allot land plots for Olympic venues and provide compensation options to local residents, whose properties happened to be located within the Olympic construction zone. Following the Administration of the Krasnodar Region’s legislative initiative, a new framework for repurchasing real estate has been developed, with due regard to people’s inviolable property rights.

Sufficient land has been allotted for construction of all Olympic venues.

The resettlement of residents from Olympic construction zones has reached completion.

With due consideration of the resettlement housing fund, around 1,240 displaced property owners have received individual houses, land plots and flats, including exchanges under social rent agreements. Those owners who opted for cash compensation have so far been paid over RUB 21 billion.

Activities under the regional programme “Arrangements for the Construction of Olympic Facilities and Development of the City of Sochi as a Mountain Climate Resort and Balneotherapeutic Health Resort” have covered the entire city of Sochi.

The 2010-2012 period may be looked upon as the pivotal time in preparations for the Olympic Games in Sochi, with Olympic venues being extensively developed and commissioned.

The funding allocated toward the Regional Target Programme, which includes 183 activities, came to RUB 115.3 billion in 2008–2013.
The Administration of the Krasnodar Region has set aside budget funds to ensure the financing of the engineering and construction of a sports facility (an indoor speed-skating centre) and a support facility (a core media centre) in the Imereti Lowlands.

Investment projects account for almost one-third of all Olympic projects. Both Sochi and the Krasnodar Region have invested heavily in the establishment and upgrade of the local engineering and social infrastructure.

Environmental protection efforts and environmental construction projects were possible thanks to the Kuban’s billion-rouble investments in raising environmental standards and transforming Sochi into a world-class resort, an international all-year-round centre for sports, beach holidays, educational and health tourism.
Formula 1 Grand Prix in Russia

A long-time dream of Russian F1 fans has become a reality. On 12 October 2014, Sochi will host the first F1 Grand Prix race in Russia.

The agreement for organising the F1 World Championship circuit race from 2014 to 2020 was signed on 14 October 2010.

As part of the Russian Grand Prix preparations, the Formula Sochi Festival has been organised to take place in the capital of the 2014 Olympic Games with the involvement of F-1 racers and teams.
The Formula 1 Grand Prix is the most prestigious racing series in the world, attracting large number of racing fans. For the Kuban region, this means new investments and economic opportunities, as well as the growing popularity of Sochi and the entire Black Sea coast as a modern world resort and Russia’s auto racing centre.

By facilitating development and promoting automotive sports, the Russian stage of the F1 World Championship will highlight Russia’s appearance as an important market for carmakers and sponsors in the automotive business and sports marketing.

By holding the event at the Sochi race track, which has been integrated into the Olympic Park, the arrival of tens of thousands of Russian and international guests for the race will provide additional momentum to Sochi’s post-Olympic development. The race track is scheduled to host sporting and private events. Visitors to the race track will have a unique opportunity seeing racing all year round.

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**In 2011, Red Bull Racing, Lotus Renault GP, Marussia Virgin Racing and Scuderia Ferrari F1 teams visited Sochi.**

**In 2012, during the Sochi-2012 International Investment Forum, classic F1 race cars performed on a special track.**

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**In April 2013, four-time F-1 champion Sebastian Vettel was invited to Sochi by the Russian Grand Prix’s official promoter, OAO Omega Centre F-1 Administration. He drove around the Russian circuit for the first time and was impressed by the scale of the Olympic Park and F-1 race track’s construction.**

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**The Formula Sochi-2013 event brought in all Russian F1 stars, such as the Russian Marussia F1 team, Vitaly Petrov, the first Russian F1 driver, and Sergey Sirotkin, who plans on moving to F1 racing. They all took part in trial races at the first Russian F1 race track in the Olympic Park.**
Sochi Park
Sochi Park, a unique Russian project, is located in the Imereti Lowlands of the Adler District of Sochi, in the immediate vicinity of the major sports venues of the 2014 Olympic Games.

The Sochi Park project is a unique world-class all-year entertainment park. It combines the first Russian theme park and four-star Bogatyr Hotel complex.

The park has no parallel in terms of scale anywhere in Russia. Its concept is inspired by Russian folklore, national traditions, and the country's achievements in science and technology.

The territory of the Adventure Park is divided into five theme sites with stylised entertainments and world-class amusement facilities:

- Alley of Fire decorated in traditional Russian style, with a recreational area on the lakeside with fountains;
- Land of Science and Fantasy, where achievements of Russian science and technology are presented in a fascinating way;
- Land of Bogatyr (Old Russian Warriors), where guests have a chance to join in traditional Bogatyr games and amusements;
- Enchanted Forest, where the guests can walk in the Fairy Labyrinth based on Aleksander Pushkin’s fairy-tales and meet the heroes of national legends, fairy-tales and folklore;
- Eco Village, where old-time Russian trades and crafts are combined with state-of-the-art advanced green technologies.

The park's layout is a result of joint efforts by a team of Russian and European professionals, who have developed for Sochi Park an unprecedented (in terms of scale) entertaining and educational concept for family and group recreation. The project has involved leading international and domestic companies, including entertainment industry and hotel business experts such as Maxmakers LTD (Switzerland), Jack Rouse Associates (US), Mack Rides (the Netherlands), Vekoma Rides Factory (the Netherlands), Summa (Turkey) and many others.

In addition to rollercoasters and children’s rides, Sochi Park offers a wide range of entertainments to its visitors. For example, accompanied by their favourite fairy-tale heroes, guests can enjoy a fascinating excursion around the park, drop in at the Bogatyr (Old Russian Warriors) and Tsarevnas (Princesses), experience first-hand the magic of a fairy forest, learn about the history of great scientific discoveries, get involved in exciting show-programmes, enjoy a delicious dinner in a restaurant or café, and buy souvenirs for friends at small gift shops. Sochi Park is one of the key tourist infrastructure facilities of the city of Sochi and it will improve the Black Sea coast's image as an all-season tourist destination.
2018 FIFA World Cup
In March 2009, the Football Union of Russia (FUR) all-Russian public sports organisation filed a formal application with the International Federation of Association Football (FIFA) to bid for the right to host the FIFA World Cup in 2018/2022.

Alongside Russia, ten other countries also vied to host the World Cup, filing eight more bids, including Great Britain, the US, Australia, Qatar, Japan, South Korea, and joint bids filed by Spain/Portugal and Belgium/the Netherlands.

The final decision on the host country of the 2018 and 2022 FIFA World Cups was made on 2 December 2010 at FIFA headquarters in Zurich. Following presentations by all the applicants, the absolute majority of the FIFA Executive Committee members cast their votes for Russia, granting it the right to host the 2018 FIFA World Cup.

Fisht Olympic Stadium, which, following a renovation to accommodate 45,000 spectators, will be a FIFA World Cup venue. Prior to that, the stadium will have already hosted the opening and the closing ceremonies of the 2014 Olympic and Paralympic Games. Following the Winter Games, the stadium will be refitted to host the 2017 FIFA Confederations Cup and the 2018 FIFA World Cup.

At present, the Krasnodar Region is making preparations to host group stage matches of the 2017 FIFA Confederations Cup and the 2018 FIFA World Cup. In cooperation with representatives from FIFA and the Russia-2018 Organising Committee autonomous non-commercial organisation, hotel infrastructure to be used during 2018 FIFA World Cup has been inspected and already received positive feedback.

Furthermore, the Administration of the Krasnodar Region's programme for preparing and staging the 2017 FIFA Confederations Cup and the 2018 FIFA World Cup has been approved.
Foreign trade activity

The Krasnodar Region is the leader in Russia’s Southern Federal District in foreign trade activities. In 2012 the Krasnodar Region’s foreign trade turnover was approximately USD 14.3 billion.

Krasnodar Region businesses account for a consistently high proportion of the Southern Federal District’s trade turnover (accounting for 46.0% of total import-export volume).

In 2012, there were 2,563 entities engaged in foreign trade activity in the region.

The region’s major foreign trade partners are mostly non-CIS countries and accounted for 91% of total turnover.

The largest significant trading partners in terms of trade volumes were Turkey (27.1% of total turnover), Italy (15.89%), Ukraine (7.1%), China (4.9%), France (3.6%), Cyprus (3.2%), the Netherlands and Egypt (2.8% each), Greece (2.5%) and Germany (2.4%).

Exports

In 2012, the value of exports was USD 9.5 billion, or 96.5% of exports in 2011.

The value of exports to non-CIS countries came to around US 8.7 billion, or 91.4% of total export value (compared to USD 9.3 billion in 2011, or 95.2%). The share of CIS countries increased from 4.8% to 8.6% and exported goods by value grew by 1.7 times, coming to USD 816 million in 2012.

Major trading partners in export operations still remain Turkey (29% of export value), Italy (22%), Ukraine (6%), France and Cyprus (5% each).

The region’s export structure by products includes mineral commodities (78.2% of export value), foodstuffs and related raw materials (16.9%), chemical products, machinery, equipment and transport vehicles (1.6% each), and metals and metal products (1.2% each). Other products in the export structure represent less than 1% of the total.

Mineral commodities still remain priority goods for export. Exports of such goods represented USD 7.4 billion. Of exported mineral commodities by value, 88% represented oil products exported to Turkey, Italy, Ukraine, Cyprus, France, Malta and other markets. Export volumes of crude oil (11.3% of exports) represented USD 840 million. Crude oil was exported to Italy, France, the Netherlands, China, Turkey and Ukraine. The Krasnodar
Region also exported acid gases, coke, bitumen, cement, etc., but in smaller volumes.

Exports of foodstuffs and agricultural raw materials amounted to USD 1.6 billion, or 35% higher than in 2011. The most significant increase in export volumes was observed for corn (6.8 times, up to USD 242 million), sunflower oil (4.5 times, up to USD 188 million) and rice (two-fold, up to USD 133 million). The major importers of agricultural products to the region were Turkey, Egypt, Spain, Libya, Israel, Saudi Arabia, Italy and Uzbekistan.

Exported chemical products by value represented USD 153.8 million. These were mainly fertilizers (78% of exports by value). Exports of chemical products went mainly to Ukraine, Serbia, Brazil, Romania, the United States, Abkhazia and Bulgaria. Exports of metal and metal products are estimated at USD 116.1 million. More than one-third of the export value of this amalgamated group of commodities consists of exports of semi-finished iron and steel products, with an export volume of USD 40 million. The largest importers of metal goods were Turkey (37% of exported goods by value), Lebanon (15%), Turkmenistan (11%), Egypt (8%) and Abkhazia (6%). In 2012, Jordan joined the list of major importers (exports of semi-finished iron and steel products, and mounting fittings for a total value of about USD 6 million).

Machinery and equipment exports from the region were worth about USD 152 million, or 1.7 times higher versus the previous year mainly due to exports of aircraft to Ireland in the fourth quarter. Hence, aircraft, representing 57% of the total value of all exports, were the main item among machinery and equipment exports. In addition, other exports included railroad engines and rolling stock (16%), various types of machinery and equipment (14%), optics and measuring equipment, electrical machinery and equipment (5% each), and land vehicles (1.7%). Importers of these goods, ranked by export value, include Ireland, Abkhazia, Ukraine, Estonia, Lithuania, and Azerbaijan, among others.

Exports of wood and pulp-and-paper products are estimated at USD 25 million for 2012. The product mix is rather stable and includes processed wood (48% of exported goods by value) and rough wood (7%), printed materials (10%) and paper, cardboard and millwork, etc., in lesser volumes. About half of exported goods by value in the wood and wood products group went to Turkey. In addition, importers included Ukraine, Abkhazia, Azerbaijan, the Czech Republic, France and others.

Imports

The Krasnodar Region’s imports for 2012 were valued at over USD 4.8 billion, or 96.5% of the 2011 amount, of which about USD 4.4 billion came from non-CIS countries (a decrease of USD 199 million), while USD 466.3 million came from CIS countries (an increase of USD 25.8 million).

The composition of imports is rather stable and is mainly represented by foodstuffs (49% of import value; USD 2.4 billion), engineering products (21%; USD 1.0 billion), metals and metal products (10%; USD 481 million), chemical products (7%; USD 351 million), textiles and footwear (3%; USD 153 million), mineral commodities (2.6%; USD 127 million), and timber and related products (2.5%; USD 121 million).

In monetary terms, agricultural and foodstuff imports were almost 10% lower year on year. The range of food commodities includes fruit (USD 1.1 billion), vegetables (USD 542 million), coffee and tea (USD 128 million), processed fruits and vegetables (USD 81 million), dairy products (USD 75 million), oil seed (USD 67 million), tobacco (USD 50 million), ready-made meals (USD 46 million), and other products. Turkey, Ecuador, Israel, Indonesia, Egypt, Poland, Italy and Brazil were the region’s leading suppliers of agricultural products in 2012.

Engineering products worth USD 886 million were imported from non-CIS countries (representing a decrease of USD 82 million), while such imports from CIS countries were valued at USD 119 million (an increase of USD 30 million). In monetary terms, imports of engineering products can be broken down as follows: different
equipment - 69%; water-craft - 8%; electrical machinery - 7%; railway equipment - 6%; and land transport vehicles - 5%. Imports of machinery, equipment and transport vehicles came mainly from Germany, Ukraine, China, Turkey and Italy.

Ferrous metals (USD 227 million) and related products (USD 182 million) represent the main metals imports, the key suppliers of which are China, Ukraine, Turkey, India, Italy and Hungary.

In monetary terms, chemical product imports increased by 13% versus 2011. Plastic materials and products account for more than 50% of the chemical product imports in monetary terms. Imported chemical products include organic and inorganic chemical products, rubber, colourants and tannins, detergents, etc. Chemical products were imported from China, Turkey, the United States, Germany, Ukraine, Saudi Arabia, Korea, Italy and other countries.

Mineral product imports decreased by 28% as compared with 2011. Imported products mainly included: cement (USD 55.7 million), oil products (USD 28.5 million), plaster and alabaster binding materials (USD 10.1 million), building stone and stone for monuments (USD 7.7 million), pebble, gravel, broken stone (USD 7.5 million), salt (USD 4.7 million), and oil gases (USD 3.3 million). Practically all oil gases and salts, and the main volumes of oil products and broken stone, are imported from Ukraine. Cement and plaster are imported primarily from Turkey.

Imports of textile, textile products and footwear decreased by 12.5% year on year. Imported textile and footwear mainly included: textile products and second-hand clothing (USD 35 million), footwear, leggings and components (USD 18 million), chemical fibres (USD 15 million), chemical yarn (USD 14 million), knit fabrics and non-wovens (USD 11 million), etc. Over four-fifths of imported textiles, textile products and footwear came from China, Turkey and Azerbaijan.

Timber and timber product imports increased by 25%. The range of products included: paper and cardboard (67% of the total value), timber and products (30%), print media (1%) and some other products. In 2012, the suppliers of such goods (in descending order by value) were: China, Ukraine, Sweden, Germany, Turkey, Finland and other countries.

Turkey, China, Ukraine and Germany remain major trading partners, supplying goods to Krasnodar Region business entities. Turkey accounts for 24% of imports (in monetary terms), including major supplies of vegetables, fruits, different equipment, ferrous metals, plastics and cement. Ferrous metals and products, various equipment, plastics, land vehicles, timber and products, and textile products were imported from China (12%). Ukraine (8%) supplied oil products, ferrous metals and products, railway transport, water-craft, paper and cardboard, cement, and foodstuffs. Germany (7%) supplied various machinery and equipment, land vehicles, paper and cardboard, and chemical products.
Support for export operations

The special programme Support for Krasnodar Region Exporters for 2010-2012 was continued in 2012.

Financial support has been allocated from the regional budget for exporters of finished goods in the form of partial compensation of loan interest paid.

In addition, exporters of finished goods have been partially compensated for expenses they incurred under contracts for leasing exhibition grounds in connection with their participation in international trade shows, forums, presentations, and promotional campaigns, and have received relevant subsidies.

The regional Ministry of Strategic Development, Investments and External Economic Activity and industry-specific executive agencies of the Krasnodar Region have conducted an analysis of the competitiveness and export potential of regional companies. Based on this analysis, a "Catalogue of Competitive Enterprises" has been compiled and made available on the website of the Krasnodar Region Ministry of Strategic Development, Investments and External Economic Activity [http://gokuban.ru/partnership/db/46/9.html](http://gokuban.ru/partnership/db/46/9.html).

During the year, conferences on implementing "Support for Krasnodar Region Exporters" in 2010-2012, a long-term regional special purpose programme, took place in Armavir, the village of Pavlovskaya, and Sochi. As a result, small and medium-sized businesses have had an opportunity to learn about the Krasnodar Region’s export support infrastructure as well as the procedure for obtaining subsidies to exporters to partially compensate their manufacturing costs.

The Almanac of Foreign Economic Activity in the Krasnodar Region, which is published quarterly, covers relevant aspects of foreign economic operations, federal and regional news, and the latest developments in legislation regulating foreign trade. The magazine presents statistics and informational analysis, as well as industry surveys of foreign markets, and expert opinion and assessments.

A special website has been created to promote Krasnodar Region exports on an ongoing basis. [www.kubanexport.ru](http://www.kubanexport.ru).
Investment climate

General information about the region's investment climate

The Krasnodar Region is characterised by a high level of investment attractiveness. The region’s biggest competitive advantages include:

• Political stability and the absence of ethnic conflicts;
• An advantageous geopolitical location with direct access to international trade routes;
• A favourable climate and fertile soil, enabling it to have the country’s highest crop yields of agricultural products;
• Unique recreational resources resulting in high demand among tourists from all over Russia;
• Attractive consumer markets;
• A favourable business climate and dynamically developing business environment;
• An active policy of inter-regional and international cooperation.

In the past few years, the Krasnodar Region Administration has worked diligently to promote the region’s investment potential internationally. The region is an active participant in many Russian and international conferences and forums, and its accomplishments and potential are well known beyond Russia’s borders.
Protecting investors' rights and supporting entrepreneurship

The fundamental regional law in this area is Krasnodar Region Law No. 731-K3 of 2 July 2004 "On Government Stimulus for Investment Activity", along with associated legislation.

The law is meant to attract investment to the Krasnodar Region through the creation of a system of favourable treatment for Russian and foreign investors, as well as equal protection for the rights, interests and property of entities involved in investment activities, regardless of the investor’s legal form.

Under the law, investors are given both financial and non-financial government support when carrying out investment projects:

- Tax breaks on payments to the regional budget (property tax)
- Investment tax credit on regional taxes, and corporate profits tax at the rate set for this tax payment to the regional budget
- Favourable terms for the use of land and other natural resources
- Regional government guarantees
- Financing of investment projects using regional budget funds
- Various forms of subsidies for investment purposes, including small and medium-sized businesses
- Support for investment projects, etc.

When carrying out investment projects, small and medium-sized businesses can also receive government support as part of the Programme for Government Support of Small and Medium-Sized Businesses in the Krasnodar Region.

This system of government support includes the following:

- Help in receiving bank credits secured by the Krasnodar Region’s Guarantee Fund for Small Business Support
- Subsidised expenditures for entrepreneurs across a whole range of activities
- Support for start-up businesses
- Informational and advisory support
- Training for personnel of small and medium-sized businesses
Public-private partnerships (PPP) represent a mechanism for attracting extra-budgetary investment into the development of various forms of infrastructure. Government agencies or municipal authorities can use PPPs in place of traditional methods for budget financing of capital investments in building public infrastructure or improving the quality of public services.

The goal of developing PPPs in the Krasnodar Region is to consolidate the region’s material, financial, and organisational resources, as well as to tap into extra-budgetary resources to implement projects of public importance, and similar programmes in the economic, social and innovation sectors of the economy with the support of the Krasnodar Region Administration.

Thus, under a concession agreement concluded on a competitive basis in 2009 between the Krasnodar Region Administration and Yugvodokanal, a private company, the investor will complete the reconstruction and modernisation of water and sewage facilities on the Yeisky, Troitsky and Tamansky routes, to improve the quality and availability of these public services while substantially decreasing non-productive expenditures and reducing the burden on the regional budget. In order to do this, the private partner will invest over RUB 7.8 billion.

As part of this PPP initiative, the Krasnodar Region has also provided state guarantees worth approximately RUB 1.4 billion to the Krasnaya Polyana company to secure bank financing for the construction of the Mountain Carousel year-round resort in Sochi. The project includes the construction of two Olympic facilities, i.e. the Olympic Media Village and the springboard complex, as set out in the Programme for the Construction of Olympic Facilities and Development of Sochi as a Mountain Resort.
Krasnodar Region Law No. 1989-KZ of 9 June 2010 “On Krasnodar Region Administration Policies on Public-Private Partnerships” has been enacted and remains in effect.

Furthermore, a regional commission on PPPs was set up in accordance with Krasnodar Region Gubernatorial Resolution No. 97 of 27 February 2010.

In addition, in order to develop inbound and domestic tourism in the Krasnodar Region, the long-term regional special-purpose programme Development of Health-Resort and Tourist Complex in Krasnodar Region is to be extended from 2011-2015 to 2017, including support measures for establishing a variety of tourism and recreation clusters. The cluster approach involves the establishment, in a particular area, of enterprises and organisations involved in developing, producing, promoting and selling tourist products and related activities and services. These tourism and recreation clusters (including a network of motor tourism clusters) will be established by drawing on well-grounded solutions and PPP mechanisms, and in so doing, the necessary conditions will be created for the continued rapid development of tourism infrastructure and related services.

These measures provide for the comprehensive development of the most promising areas of tourism and related services.

In addition to developing this tourism infrastructure, improving personnel training systems and implementing a well-thought-out and efficient advertising policy, the cluster approach makes it possible to encourage regional enterprises from various industries to meet the growing need for tourism services among holiday-makers as regional tourist flows increase.

**Innovation**

Substantial work has been done to increase innovation-oriented activities in the Krasnodar Region.

A number of priority innovation-focused areas have been chosen for the region, including:

- Environment and environmental protection;
- Alternative energy;
- Energy- and resource-conserving technologies;
- Living systems, including biotechnology;
- Agriculture;
- Agro-industrial engineering and robotics;
- Info-telecom systems;
- Medical technology, etc.


With respect to individuals involved in innovative activities, the law sets out provisions for the following types of government support in priority innovation projects:

- Reduced rates on corporate profits tax;
- Property tax benefits;
- Subsidies from the regional budget to compensate a portion of expenditures on manufactured goods, labour, services and the development of technologies that are part of innovation projects;
- Subsidies to compensate a portion of interest rates on loans given to individuals involved in innovation projects, which are to be used for the acquisition of basic materials directly connected to the creation of innovative products (goods, work or services).

In addition, the law allows for the provision of tax credits and government guarantees to individuals involved in innovation projects.

In order to promote innovation projects, on Krasnodar Region’s official innovation portal [www.investkuban.ru](http://www.investkuban.ru), a constantly updated register of the region’s innovation projects has been created, which will be used as a resource for attracting funding from external sources.
Sochi International Investment Forum

The Sochi International Investment Forum is a modern event that encourages a constructive dialogue between the business community and state authorities, while also playing a vital role in the successful implementation of investment projects in Russia.

High on a business agenda of the Sochi Forum, which is rightfully considered to be the main investment-focused event in the country, are the most topical issues concerning economic development issues that are presented at panel discussions with the involvement industry experts along with representatives of the government and business communities.

On 26-29 September 2013, the XII Sochi International Investment Forum was for the first time held at the Bolshoy Ice Dome located within the Olympic Coastal Cluster in the Imereti Lowlands.

Among the registered Forum participants were more than 9,000 attendees, including 325 representatives from 42 foreign countries and 937 journalists.

The Forum was attended by: Russian Prime Minister Dmitry Medvedev; First Deputy Prime Minister Igor Shuvalov; Deputy Prime Ministers Olga Golodets, Dmitry Kozak and Ankady Dvorkovich; Ministers; Mikhail Abyzov, Alexey Ulyukaev, Nikolay Nikiforov, Maxim Sokolova, Igor Slyunyaev, Alexander Novak, Denis Manturov, Veronika Skvortsova, Maxim Topilin, Vitaly Mutko, Vladimir Puchkov, Dmitry Livanyov, Nikolay Fedorov; and Presidential Commissioner (Ombudsman) for Entrepreneurs’ Rights Boris Titov.

A total of 42 countries and 71 regions of Russia were represented at the Forum.

The XII Sochi International Investment Forum culminated in the signing of 83 agreements, including 27 investment agreements for a total of RUB 86.11 billion.
During the Forum, the Administration of the Krasnodar Region signed 248 agreements for a total amount of RUB 333.8 billion.

The total area of the Forum’s exhibition space came to 8,500 square metres. The exhibits were displayed at temporary pavilions and in the lobby of the Bolshoy Ice Dome.

The Forum centred around one key event – the plenary session ”The Economic Development and Quality of Life: Challenges and Prospects” attended by Russian Prime Minister Dmitry Medvedev. The Prime Minister also participated in the panel discussion ”Social Development Policy for People with Disabilities”, Volkswagen Group Rus’ official key handover ceremony for the Olympic vehicle fleet, and the round table ”Investment Attractiveness of the Regions. Implementation Results”.

The business programme of the Forum included 18 round tables, 26 panel discussions, a business breakfast hosted by Sberbank of Russia, an interregional workshop and an annual open contest of annual reports issued by joint-stock companies.

The cultural programme of the Sochi-2013 Forum included performances of the world famous German band The Scorpions and the Kuban Cossack Choir, as well as popular productions from Russia and abroad.

The sports programme consisted of the Formula Sochi 2013 show with Formula 1 racing cars making rounds of the city’s race tracks. The Forum guests and participants also had the chance to visit sports venues of the Olympic park in the Imereti Lowlands.
**Completed investment projects**

In recent years, several large-scale manufacturing, energy and logistics investment projects have been successfully implemented in the Krasnodar Region.

For example, in the Abinsk District, the first phase of the Abinsk Electric Steel Works, a steel-rolling facility, has already been commissioned. The factory is already capable of producing 500,000 tonnes of rolled steel a year. At full capacity, the factory will be able to produce five times this figure. As many as 900 residents of the Abinsky District and the wider Krasnodar Region have found well-paid work thanks to the facility’s development. Furthermore, important arrangements, such as housing, for those working at the factory have been made (the investor has already built three multi-story residential buildings for the employees).

A grain terminal is in operation at the Tuapsinsky Commercial Seaport operates with capacity for over 2 million tonnes a year.

This project has helped to boost Tuapinskysky Commercial Seaport’s transshipment capacity and the variety of cargo it can process while also improving service quality and environmental impact of the terminal’s dry-cargo area.

The Krasnodar Metal Works Plant, complete with a hot-dip galvanising facility, has started operations in Krasnodar. It manufactures frames for use in the construction of civil and industrial facilities, as well as Olympic facilities in Sochi and infrastructure for the 2018 FIFA World Cup. Advanced high-capacity equipment will enable the enterprise to manufacture over 55,000 tonnes of specialised metal products a year. Furthermore, the enterprise’s hot-dip galvanising capacity comes to 36,000 tonnes.

The region’s capital has launched one of the largest electricity projects in the area, with the commission of a CCGT-410 unit at Krasnodar CHPP. This new unit will boost capacity at Krasnodar CHPP by 50% to 1,090 MW. The CCGT-410 unit has a power efficiency rate of 57%, which is 50% higher than units operating at comparable operational steam power plants of this type, which are installed at most Russian GRESes and CHPs. The new unit’s annual natural gas consumption is 350 million cubic m less than what conventional steam power plants with similar capacity usually consume. The CCGT-410 unit will cover up to 10-15% of the region’s electricity demand while also improving power supply reliability. This is of particular importance in the run-up to the 2014 Winter Olympic Games. Advanced natural gas combustion technologies used in the CCGT-410 unit reduce the emissions of harmful nitrogen oxide to no more than 50 mg per cubic m, which is much lower than emissions from conventional steam boilers.

In the Krymsky District, the first section of a factory for the production of Turkish Anadoly Jam glassware has been commissioned. The company’s plans include reaching design capacity of 700 million glassware units a year and, in the second phase of the project, a glass-making oven for the manufacture of transparent glassware. The factory utilises the latest glassware production technologies. The factory’s products are in demand both in the Southern Federal District and beyond.

Slavyansky Kirpich has completed the construction of a brick factory in the South-Eastern industrial zone of Slavyansk-on-Kuban. This is the most modern brick factory in Europe and also one of Russia’s largest. Its annual capacity comes to 180,000 tonnes of ceramic bricks made from an innovative material called Poromax.

In the Mostov District, Knauf-Gypsum-Kuban has put a plaster factory into operation with an annual production capacity for 400,000 tonnes of gypsum binding materials, as well as a dry-pack mortar plant (with a warehouse) which can produce 350,000 tonnes of mortar a year.

The region’s largest rock-crushing plant, Vibor-C in the Kurganinsky District with annual capacity for 2 million cubic m of gravel and sand, has become a welcome addition to the non-metallic construction materials market.

In the Dinskoy District, the Kuhin Wall Material Plant, the region’s first autoclaved aerated concrete (AAC) manufacturing facility built in accordance with the strictest European standards, has started production. It is an economical, fully automated, zero-emissions plant with capacity for 300,000 cubic m of AAC per year.

In the Apsheronsky District, a project for the production of modern floor coverings has been completed on the premises of the Parquet Planet woodworking company. The new facility has output capacity for 2 million square m a year.

German company Claas has completed a EUR 20 million project in Krasnodar to build an agricultural machinery plant.

The construction of a manufacturing and terminal unit with the port side oil and fat processing plant, OOO Nutritional Ingredients, has been completed in the Temryuksky District. A major high-tech consumer of transshipped liquid vegetable food products has been developed at the port. Annual capacity for the transshipment of liquid food products will reach 1.5 million tonnes, and for special fats production – up to 280,000 tonnes per year.

The Verkhnebakansky Cement Plant has been reconstructed with the building of a new line for cement production using dry-mix technology. Capacity comes to 2.3 million tonnes. This project resulted in the implementation of a modern effective and ecologically-friendly production line, ensuring the production of high quality and competitive items.
Adlersky TPP, located in Sochi's Imereti Lowlands, has been put into operation. The power plant’s electricity capacity stands at 360 MW with heat capacity coming to 227 Gcal/h.

**Several large-scale agricultural and food processing projects have been completed in the region.**

French company Bonduelle has successfully completed a project to build a vegetable canning plant. The plant’s first stage, which is located in the village of Novotitarovskaya, was commissioned in 2004. The official opening ceremony for the Bonduelle-Kuban factory's second phase was held in autumn 2007.

Nestle is gradually developing its production operations in this area. In November 2005, the official opening ceremony for a full-cycle factory for the production of NESCAFE® Classic instant coffee was held in Timashevsk. The company has been expanding the factory since 2009, increasing its annual production capacity to 36,000 tonnes of coffee. On 18 October 2011, the official opening ceremony was held for the second stage of the Nestle Kuban factory.

In the Vyselkovsky District, the company Agrokompleks has completed the construction of a dairy facility with 2,000 dairy cows kept in an open area.

In the Timashevsky District, holding company Rossiya has completed its construction of a dairy complex with 1,200 cows. New cattle facilities were created and high-yielding livestock was purchased in the framework of this project.

In the Abinsky District, the Southern Rice Company, part of Agro Alliance Holding, has built a rice processing complex with annual capacity for 40,000 tonnes of paddy rice. The new facility includes a rice processing factory, a packing unit, a warehousing terminal, an elevator, a seed cleaning and drying facility, along with administrative buildings and utilities. The facility has reached its design capacity for grain processing, with the rice plant’s current capacity utilisation ratio at approximately 100% of design capacity.

In the Beloginsky District, Martin, a Russian producer of roasted sunflower seeds and snacks, has built a water and soft drink plant. Hourly capacity at the plant’s first stage comes to 12,000 bottles. The company intends to expand the facility.

In the Timashevsky District, Wimm-Bill-Dann has upgraded its Timashevsky Dairy Plant: a conventional cottage cheese facility was built and the production of bottled milk and yoghurt was launched. Investment in the projects came to over RUB 400 million.

In the Dinsky District, Management Company Ecogeos teamed up with Panh Scientific Research Company and Krasnodar Leasing Consulting in a project to build a greenhouse complex with advanced equipment, automated inorganic nutrition and microclimate. The production facilities at the complex can grow over 1,000 tonnes of vegetables and more than 2,000 tonnes of herbaceous crops a year using low-volume technology.

The Belorechensky District has seen the launch of the first stage of a unique vegetables complex, which will be able to produce 6,000 tonnes of vegetables a year. Krasnodar Region Vegetables (Ovoschi Krasnodarskogo Kraya) is the investor in this project.

In the Dinsky District, the company Tander has completed the first stage of a greenhouse project. A total of 24 greenhouse blocks are to be built on a territory of 120 hectares. The complex will also include warehouses with sorting and packing lines. Once it reaches full capacity, the complex will be able to supply 37,000 tonnes of tomatoes and 30,000 tonnes of cucumbers a year.

**Several projects involving resort property, recreation facilities and shopping centres have also been successfully carried out in the region.**

In the resort town of Gelendzhik, the large-scale construction of major five-star recreational facilities has reached completion. Total investment in the project came to over RUB 8.6 billion and included:

- Converting the North Star Resort into a hotel complex;
- Converting the Subarctic Health and Fitness Camp into the Sea Gardens apartment-hotel complex;
- Construction of the five-star Seaboard Hotel.
- An entertainment centre has been opened in Anapa, complete with a dolphinarium and aquarium. This new facility, which is very important for the city’s image, is located on Pioneer Prospect, Anapa’s primary resort thoroughfare within walking distance of the city centre. Furthermore, extensive reconstruction has been completed at the Young Petrochemist children’s recreational centre, which has space for 600 guests.

UK company City Centre has built a shopping and entertainment centre worth RUB 540 million. French retailers Auchan and Leroy Merlin have opened new chain stores in the Krasnodar Region.

In addition, the brand new OZ Shopping and Entertainment Centre (OZ Mall) has been opened in Krasnodar. This mall was envisioned to be "the most attractive site for shopping and entertainment in the region". The centre’s exterior and interior was designed to be colourful and memorable. Several major companies intend to use the OZ Mall as way to enter the Russian market. Moreover, many well-known companies (for instance, TsUM) will open their exclusive representation offices in Krasnodar located in the OZ Mall. This project meets the following objectives: the construction in Krasnodar of the first regional shopping and entertainment centre; the development of a unique new generation centre offering high quality leisure activities to citizens of Krasnodar and the Krasnodar Region; attracting the best tenants in the market and expanding the supply of goods and services in the Krasnodar market; creating new jobs in areas such as the mall’s maintenance and meeting the needs of tenants.

The new MoreMall multi-functional shopping and entertainment centre has been operating in the Sochi’s Central District since autumn 2012. This mall features consumer retail and public catering facilities, backroom and technical space, offices for administration and maintenance service, a multiplex cinema and above-ground covered parking. The mall covers 168,000 square m, 80,000 of which are leased out as retail spaces.
Proposed investment projects

Real estate: resorts and homes

1. Health resorts and tourist facilities on the Vysokii Bereg Embankment (resort city of Anapa)
2. A golf centre (Anapa)
3. A multi-functional recreation centre on Meditsinskaya Street of the Lazarevsky District (resort city of Sochi)
4. The Zhemchuzhny Hotel Complex (resort city of Gelendzhik)
5. The Lagonaki Mountain Climate Resort (Apsheronsky District)

Agribusiness

6. A complex for growing, handling, packing and storing vegetables (town of Armavir)
7. A greenhouse complex for growing vegetables and canning production (Bryukhovetsky District)
8. A sugar beet processing plant (Kushchevsky District)

Transport and infrastructure

9. A bus station (the town of Slavyansk-on-Kuban)
10. A bus station (the town of Primorsko-Akhtarsk)
11. A cargo (transport) terminal (Kanevskoy District)
12. Reconstruction of Anapa Seaport
13. A biofuel production plant (Kanevskoy District)

Manufacturing

14. A plant to produce multifunctional small-scale machinery and auxiliary equipment (Novopokrovsky District)
15. A timber-processing complex (Pavlovsky District)
16. A ceramic brick manufacturing plant (Belorechensky District)
17. A polyurethane-filled sandwich-panel manufacturing plant (Krasnoarmeisky District)
Real estate: resorts and homes

Resort city Anapa

Construction of health resorts and tourist facilities at the Vysokii Bereg Embankment

Project goals:
The project foresees:
• extend the upper embankment;
• designing the lower embankment which would separate several hotels from the beach-recreation zone and allow for the passage of service vehicles;
• pushing out the coast line with the establishment of 50 to 100 meter breakwaters.

Three complexes have been built into the slope of Vysokii Bereg: a surfing centre, a hotel complex with 120 rooms and the Chernomorsky Hotel.

Project financing:

Project cost: RUB 2.08 billion / EUR 51 million
Investment requirements: 100%.
Payback period: 10 years.

Conditions for investor involvement:
Direct investment

Land plot details:
Location: Anapa, Vysokii Bereg Embankment
Land plot area: 8.8 hectares
Land category: Settled

Distance to the nearest:
• Regional centre (Krasnodar) – 160 km;
• Major railway junction (Anapa) – 13 km;
• Seaport (Anapa) – 16 km;
• Airport (Anapa) – 26 km;
• Regional/Federal highways: M-25 federal highway – 0.5 km.

Infrastructure:
Electricity supply: Distance to electricity supply point – 200 m.
Gas supply: Distance to gas supply point – 350 m.
Water supply: Distance to water supply point – 250 m.

Resort city Sochi

A multi-functional recreation centre on Meditsinskaya Street in Lazarevsky District, Sochi

Project goals:
The construction of a multi-functional recreation centre, including a three-star hotel, beauty salons, cafes and an open parking area.

Project financing:
Total project cost: RUB 159.9 million / EUR 3.9 million
Investment requirements: 100%.
Payback period: 7.5 years.

Conditions for investor involvement:
Direct investment

Land plot details:
Location: Sochi, Meditsinskaya Street in the Lazarevsky District
Land plot area: 0.7 hectares
Land category: Settled.

Distance to the nearest:
• Regional centre (Krasnodar) – 270 km;
• Major railway junction (Anapa) – 17 km;
• Seaport (Sochi) – 60 km;
• Airport (Anapa) – 54 km;
• Regional/Federal highways, M-27 federal highway – 2 km.

Infrastructure:
Electricity supply: Distance to electricity supply point – 400 m.
Water supply: Distance to water supply point – 300 m.
Resort city Gelendzhik

Construction of the Zhmchuzhny Hotel complex

Project goals:
The construction of a modern high-end four-star hotel complex with 400 rooms. The project foresees a hotel complex, restaurants, a business centre with a conference hall, a sport recreation complex, a spa, an entertainment centre, a multi-storey indoor parking area, etc.

Project financing:
Project cost: RUB 1.479 billion / EUR 36 million
Investment requirements: 100 %.
Payback period: 9.2 years.

Investor participation conditions:
Direct investment

Land plot details:
Location: The plot is located in the area of the Severomorets Children’s Summer Camp in Gelendzhik (Tonky Mys).
Land plot area: 3.86 hectares
Land category: Settled

Distance to the nearest:
• Regional centre (Krasnodar) – 190 km;
• Major railway junction (Novorossiysk) – 23 km;
• Seaport (Novorossiysk) – 23 km;
• Airport (Gelendzhik) – 9 km
• Regional/federal highways: M-4 Don federal highway (FAD) – 4.9 km.

Infrastructure:
Electricity supply: Distance to electricity supply point – 770 m.
Gas supply: Distance to gas supply point – 320 m.
Water supply: Distance to water supply point – 120 m.

Apsheronsky district

Construction of Lagonaki Mountain Resort

Project goals:
Under Russian Government Resolution No. 833 of 14 October 2010 'On Developing a Tourist Cluster in the North-Caucasus Federal District, the Krasnodar Region and the Republic of Adygeya', a special economic zone for tourism and recreation was established within the Lagonaki Resort in the Apsheronsky District. The resort will have 35 ski runs covering a combined distance of 165 km, as well as 30 ski-lifts. The resort will be able to handle around 28,000 people a day and about 1 million tourists per year. The first stage of the Lagonaki Resort’s construction should be finished by 2016.

Investor participation conditions:
Direct investment

Project financing:
Estimated project cost: RUB 16 billion / EUR 400 million
Investment requirements: 100 %.
Payback period: 5-7 years.

Land plot details:
Location: Mezmaiskiy and Nizhegorodsky villages in the Apsheronsky District
Land plot area: 21,290 hectares
Land category: Forestry, land within a special protected natural area (OOP), land designated for agricultural-use

Distance to the nearest:
• Regional centre (Krasnodar) – 220 km;
• Railway station (Belorechenskaya) – 75 km;
• Seaport (Novorossiysk) – 320 km;
• Airport (Krasnodar) – 220 km;
• Regional/Federal highways: M-4 Don, Ust-Labinsk-Maikop – 150 km, 15 km
**Agribusiness**

**City of Armavir**

*Construction of a complex for growing, handling, packing and storing vegetables*

**Project goals:**
The project foresees the construction of a greenhouse complex for the hydroponic cultivation of vegetables. Crop yield per square m using this growing method varies from 50 to 80 kg, depending on type of vegetable under cultivation.

**Project financing:**
*Project cost:* RUB 800 million / EUR 19.5 million  
*Investment requirements:* 100%.  
*Payback period:* 3.8 years.

**Conditions for investor involvement:**
Direct investment

**Land plot details:**
*Location:* Armavir  
*Land plot area:* 35 hectares  
*Land category:* Settled.

**Distance to the nearest:**
- Regional centre (Krasnodar) – 250 km;  
- Major railway station (Novorossiysk) – 9 km;  
- Seaport (Novorossiysk) – 360 km;  
- Airport (Krasnodar) – 200 km;  
- Regional/Federal highways: the Kavkaz federal highway (FAD) – 1 km.

**Infrastructure:**
*Electricity supply:* Distance to electricity supply point – 148 m.  
*Gas supply:* Distance to gas supply point – 1.7 km.  
*Water supply:* Distance to water supply point – 654 m.

**Bryukhovetsky district**

*Construction of a greenhouse complex for growing vegetables and canning production*

**Project goals:**
The construction of a greenhouse complex for growing tomatoes and cucumbers, as well as canning facilities. Capacity: tomatoes – 457.3 tonnes per year; cucumbers – 1,061.6 tonnes per year; canned vegetables – 6.99 million standard cans per year.

**Project financing:**
*Project cost:* RUB 630 million / EUR 15 million  
*Investment requirements:* 100%.  
*Payback period:* 6.6 years.

**Conditions for investor involvement:**
Direct investment

**Land plot details:**
*Location:* Baturinskaya station, Bryukhovetsky district  
*Land plot area:* 14 hectares  
*Land category:* Settled.

**Distance to the nearest:**
- Regional centre (Krasnodar) – 110 km;  
- Major railway junction (Bryukhovetsky station) – 33 km;  
- Seaport (Novorossiysk) – 240 km;  
- Airport (Krasnodar) – 120 km;  
- Regional/Federal highways: Krasnodar - Yeisk –26 km;  
- Regional/Federal highways: the M-4 Don federal highway (FAD) – 1 km.

**Infrastructure:**
*Electricity supply:* Distance to electricity supply point – 190 m.  
*Gas supply:* Distance to gas supply point – 100 m.  
*Water supply:* Confined well is currently being drilled.

**Kushchevsky district**

*Sugar beet processing plant*

**Project goals:**
The project foresees the development of a processing facility for sugar-beet with daily capacity of 16,000 tonnes, making it 2.5-3 times more productive than any plant now operating in Russia. The project will be implemented over three years. The plant will be able to process sugar from producers in the Kushchevsky District, as well as neighbouring districts in the Krasnodar and Rostov regions.

**Project financing:**
*Project cost:* RUB 9.009 billion / EUR 220 million  
*Investment requirements:* 100%.  
*Payback period:* 7.8 years.

**Conditions for investor involvement:**
Direct investment

**Land plot details:**
*Location:* Kushchevsky district, 1 km west of Kushchevskaya station  
*Land plot area:* 97.7 hectares  
*Land category:* Agricultural.

**Distance to the nearest:**
- Regional centre (Krasnodar) – 234 km;  
- Major railway junction (Starominskaya - Kushchevskaya) – 4.5 km;  
- Seaport (Yeisk) – 118 km;  
- Airport (Rostov-on-Don) – 94 km;  
- Regional/Federal highways, the M-4 Don federal highway (FAD) – 14 km.

**Infrastructure:**
*Electricity supply:* Available.  
*Gas supply:* Distance to gas supply point – 800 m.  
*Water supply:* Confined well is currently being drilled.
Transport and infrastructure

**Slavyansky district**

**Construction of a bus station in the town of Slavyansk-on-Kuban**

**Project goals:**  
The construction of a bus terminal incorporating new technologies to support the transport services.

**Project financing:**  
*Project value:* RUB 32 million / EUR 0.78 million  
*Investment requirements:* 100%  
*Payback period:* 2 years.

**Conditions for investor involvement:**  
Direct investment

**Land plot parameters:**  
*Location:* South-West area, Lenin Str., Slavyansk-on-Kuban  
*Land plot area:* 0.2 hectares  
*Land category:* Settled.

**Distance to the nearest:**  
- Regional centre (Krasnodar) – 78 km;  
- Major railway junction (Slavyansk-on-Kuban) – 4 km;  
- Seaport (Temryuk) – 70 km;  
- Airport (Krasnodar) – 95 km;  
- Regional/Federal highways: Temryuk-Krasnodar-Kropotkin—the border of the Stavropol Region – 0.3 km;

**Infrastructure:**  
*Electricity supply:* Distance to electricity supply point – 880 m.  
*Gas supply:* Distance to gas supply point – 1.15 km.  
*Water supply:* Distance to water supply point – 2 km.

**Primorsko-Akhtarsky district**

**Construction of a bus station in Primorsko-Akhtarsk**

**Project goals:**  
The construction of a bus terminal incorporating new technologies to support transport services.

**Project financing:**  
*Project cost:* RUB 82.418 million / EUR 2 million  
*Investment requirements:* 100%  
*Payback period:* 4.25 years

**Conditions for investor involvement:**  
Direct investment

**Land plot details:**  
*Location:* Festivalnaya Str., Primorsko-Akhtarsk  
*Land plot area:* 1.6 hectares  
*Land category:* Settled

**Distance to the nearest:**  
- Regional centre (Krasnodar) – 163 km;  
- Major railway junction (Primorsko-Akhtarsk) – 3.5 km;  
- Seaport (Yeisk) – 195 km;  
- Airport (Krasnodar) – 160 km;  
- Regional/Federal highways, Primorsko-Akhtarsk-Krasnodar – 0.5 km.

**Infrastructure:**  
*Electricity supply:* Distance to electricity supply point – 100 m.  
*Gas supply:* Distance to gas supply point – 100 m.  
*Water supply:* Distance to water supply point – 200 m.

**Kanevskoy district**

**A cargo terminal**

**Project goals:**  
The construction of a cargo (transport) terminal nearby Krasnodar-Yeisk highway.

**Project financing:**  
*Project cost:* RUB 196.55 million / EUR 4.8 million  
*Investment requirements:* 100%  
*Payback period:* 3.75 years.

**Conditions for investor involvement:**  
Direct investment

**Land plot parameters:**  
*Location:* Town of Novominskaya, the Krasnodar-Yeisk highway  
*Land plot area:* 5 hectares  
*Land category:* Reserve lands.

**Distance to the nearest:**  
- Regional centre (Krasnodar) – 143 km;  
- Major railway junction (town of Novominskaya) – 5 km;  
- Seaport (Yeisk) – 135 km;  
- Airport (Krasnodar) – 160 km;  
- Regional/Federal highways: Krasnodar-Yeisk highway – 0.15 km.

**Infrastructure:**  
*Electricity supply:* Distance to electricity supply point – 50 m.  
*Gas supply:* Distance to gas supply point – 200 m.  
*Water supply:* Distance to water supply point – 350 m.
**Resort city Anapa**

**Reconstruction of Anapa Seaport**

**Project goals:**
The reconstruction of the seaport building, construction of a five-star hotel, multiplex cinema and bowling centre with a parking area and restaurant. The project also entails linking the upper and lower embankments where the pedestrian walkway is separated from traffic. The project also foresees expanding the area and length of passenger piers, as well as reconstruction of existing facilities.

**Project financing:**
- **Project cost:** RUB 2.500 billion / EUR 61 million
- **Investment requirements:** 90%
- **Payback period:** 7.2 years

**Conditions for investor involvement:**
Direct investment

**Land plot details:**
- **Location:** Lenin Str., Anapa
- **Land plot area:** 2.2 hectares
- **Land category:** Settled

**Distance to the nearest:**
- Regional centre (Krasnodar) – 160 km;
- Major railway junction (Anapa) – 10 km;
- Seaport (Anapa) – 0 km;
- Airport (Anapa) – 20 km;
- Regional/Federal highways, M-25 federal highway – 3 km.

**Infrastructure:**
- **Electricity supply:** Distance to electricity supply point – 500 m.
- **Gas supply:** Distance to gas supply point – 300 m.
- **Water supply:** Available.

**Kanevskoy district**

**Construction of a biofuels production facility.**

**Project goals:**
The development of a facility for the production of biogas using pulp and organic waste materials. Design capacity - 3,800 cubic m per day.

**Project financing:**
- **Project cost:** RUB 1.562 billion / EUR 38.11 million
- **Investment requirements:** 100%
- **Payback period:** 4.5 years

**Conditions for investor involvement:**
Direct investment

**Land plot details:**
- **Location:** Staroderevyankovskaya Station, Kanevskoy District
- **Land plot area:** 8 hectares
- **Land category:** Land designated for industrial, power generation, transport, telecommunications, radio-broadcasting, television broadcasting, IT, aerospace, national defence, and security use, as well as land with other special designated use.

**Distance to the nearest:**
- Nearest centre (Krasnodar) – 130 km;
- Major railway junction (Staroderevyankovskaya station) – 2 km;
- Seaport (Yeisk) – 135 km;
- Airport (Krasnodar) – 145 km;
- Regional/Federal highway: Krasnodar-Yeisk – 1 km.

**Infrastructure:**
- **Electricity supply:** Distance to electricity supply point – 50 m.
- **Water supply:** Distance to water supply point – 50 m.
**Industrial production**

**Novopokrovsky district**

*Construction of a plant to produce multifunctional small-scale machinery and auxiliary equipment*

**Project goals:**
The principal product of the plant will be mini-tractors and auxiliary equipment for loading, digging, general construction, utilities-related, agricultural and landscaping.

**Project financing:**
*Project cost:* RUB 2.105 billion / EUR 51.336 million  
*Investment requirements:* 100%  
*Payback period:* 6.4 years.

**Conditions for investor involvement:**
Direct investment

**Land plot details:**
*Location:* Novopokrovskaya station  
*Land plot area:* 2 hectares  
*Land category:* Settled.

**Distance to the nearest:**
- Regional centre (Krasnodar) – 185 km;  
- Major railway junction (Tikhoretsk) – 36 km;  
- Seaport (Yeisk) – 145 km;  
- Regional/Federal highways – 2 km.

**Infrastructure:**
*Electricity supply:* Distance to electricity supply point – 180 m.  
*Gas supply:* Distance to gas supply point – 420 m.  
*Water supply:* Distance to water supply point – 85 m.

**Pavlovsky district**

*Timber-processing complex*

**Project goals:**
The construction of a timber-processing complex and development of wooden home construction. Processed wood output per year – 30,000 cubic m.
Output of house assembly products – up to 120 kits per year.

**Project financing:**
*Project cost:* RUB 745 million / EUR 18.170 million  
*Investment requirements:* 100%  
*Payback period:* 2 years.

**Conditions for investor involvement:**
Direct investment

**Land plot details:**
*Location:* Eastern industrial area, Pavlovskaya station, Pavlovsky district  
*Land plot area:* 6.66 hectares  
*Land category:* Settled.

**Distance to the nearest:**
- Regional centre (Krasnodar) – 120 m;  
- Major railway junction (Sosyka-Yeisk) – 22 km;  
- Seaport (Yeisk) – 144.5 km;  
- Airport (Krasnodar) – 108.5 km;  
- Regional/Federal highways: Don FAD – 0.065 km.

**Infrastructure:**
*Electricity supply:* Distance to electricity supply point – 230 m.  
*Gas supply:* Distance to gas supply point – 130 m.  
*Water supply:* Available.
Belorechensky district

Construction of ceramic brick manufacturing plant

Project goals:
The project foresees the development of a plant for the production of façade and standard ceramic bricks, as well as large ceramic blocks from clay reserves in the Ryazanskoje rural settlement. The plant has a projected capacity of up to 50 million standard bricks per year.

Project financing:
Project cost: RUB 887.1 million / EUR 21.636 billion
Investment requirements: 100%.
Payback period: 4 years.

Conditions for investor involvement:
Direct investment

Land plot details:
Location: Ryazan rural settlement
Land plot area: 12 hectares
Land category: Settled.

Distance to the nearest:
- Regional centre (Krasnodar) – 56 km;
- Major railway junction (Belorechensk) – 43 km;
- Seaport (Novorossiysk) – 190 km;
- Airport (Krasnodar) – 53 km;
- Regional/Federal highways – 0.02 km.

Infrastructure:
Electricity supply: Distance to electricity supply point – 200 m.
Gas supply: Distance to gas supply point – 1 km.
Water supply: Contained well currently being drilled.

Krasnoarmeisky district

Polyurethane-filled sandwich panel manufacturing plant

Project goals:
The construction of a modern high-tech enterprise to produce polyurethane-filled sandwich panels with capacity for 1,700,000 square m per year in the Krasnoarmeisky District of the Krasnodar Region. Sandwich panel construction technology is one of the most cost effective and eco-friendly means of construction. This plant will be in a good competitive position both in Krasnodar and with respect to other regions thanks to the high quality and affordable price of its products.

Project financing:
Project cost: RUB 500 million / EUR 12.195 million
Investment requirements: 100%.
Payback period: 4.2 years.

Investor participation conditions:
Direct investment

Land plot details:
Location: Krasnoarmeisky District, in the industrial development area of Poltava Cossack village.
Land plot area: 4.125 hectares
Land category: Settled.

Distance to the nearest:
- Regional (Krasnodar) – 70 km;
- Major railway junction (Poltavskaya) – 2.7 km;
- Seaport (Novorossiysk) – 100 km;
- Airport (Krasnodar) – 90 km;
- Regional/Federal highways: Temryuk-Krasnodar-Kropotkin – 0.8 km.

Infrastructure:
Electricity supply: Distance to electricity supply point – 1 km
Gas supply: Distance to gas supply point – 1 km.
Water supply: Confined well currently being drilled.
**Conclusion**

The Krasnodar Region has long been justifiably called the “pearl of Russia”, a breadbasket for the nation and a leader in the country’s agribusiness sector.

The Krasnodar Region Administration is always looking for new efficient ways to develop the regional economy and provide investors with effective support. We have created the most comfortable conditions for business development in the region, and our regional legal framework has been acknowledged as one of the best in Russia. Investors coming to the region are able to receive both administrative support and substantial benefits.

The authorities in the Krasnodar Region are open for partnership and cooperation with the business community, and is willing to guarantee the most favourable conditions for prospective investment projects. We look out for every investor and are open to cooperation with both Russian and foreign business partners!

**Ladies and Gentlemen!**

*Come to the Krasnodar Region and you will see for yourself the advantages of the region’s investment environment. Your business will be very comfortable here!*  
*Kuban is open for business!*
Useful information

**City of Krasnodar**

**Pashkovski Airport**
355 Bershanskoy Street
Pashkovsky District, Krasnodar
Information Service: +7 (861) 266-72-22,
+7 (861) 219-16-76

**Krasnodar-1 Railway Station**
1 Privokzalnaya Square
Krasnodar, 350033
Information Bureau: +7 (861) 262-08-87,
+7 (861) 262-08-73,
8-800-77-500-00

**Krasnodar-1 Bus Terminal**
5 Privokzalnaya Square
Krasnodar, 350033
Information Service: +7 (861) 262-51-44,
+7 (861) 262-42-71

**City of Sochi**

**Airport**
OAO Sochi International Airport
Sochi, 354355, Krasnodar Region
Information Service: +7 (8622) 40-00-88

**Bus Terminal**
56A Gorkogo St.
Sochi, Krasnodar Region
Information Service: +7 (8622) 64-64-57

**Railway Station**
56 Gorky St.
Sochi, Krasnodar Region
Information Service: +7 (8622) 60-90-09

**City of Anapa**

**Airport**
Anapa-7, Airport
Krasnodar Region, 353447
Information Service: +7 (86133) 9-85-09

**Bus Terminal**
11 Krasnoarmeiskaya St.
Anapa, 353440
Information Service: +7 (86133) 5-68-61

**Railway Station**
Jemete Village, Anapa District
Krasnodar Region
Information Service: +7 (86133) 3-31-86

**City of Gelendzhik**

**Airport**
5 Pilotov St.
Gelendzhik, Krasnodar Region, 353470
Information Service: +7 (86141) 9-90-09

**Bus Terminal**
3 Obyezdnaya St.
Gelendzhik, Krasnodar Region, 353470
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