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This Investor’s Guide was prepared jointly with OAO Development Corporation of the Belgorod Region.

The information contained in this publication is as of August 2015.
Dear readers, investors and partners,

Welcome to the Belgorod Region, a region with rich natural resources, a highly qualified workforce, and an innovative approach to doing business. Thanks to its economic potential and development prospects, the region has held a leading position among Russia’s constituent regions for several years already. A number of experts believe that our region offers a stable, sound investment climate.

The Belgorod Region has a well-developed metallurgical industry and is simultaneously a centre of agricultural production. Our main treasure is the region’s highly fertile Black Earth lands. In many respects, thanks to our rich agricultural lands combined with the strong working relationships we’ve developed between government and business, our region has become a leader among Russia’s regions in ensuring food security, furthering import substitution, and promoting environmentally friendly production.

Our agricultural and food processing industries have become the key drivers of growth in the regional economy as well as the most attractive segments for investors. The Belgorod Region also stands out for its high rankings in both housing construction and road safety. The potential of our region is continuously improving and becoming stronger: we are carrying out major infrastructure projects, expanding the regional logistics network, and building our workforce capabilities.

The Belgorod Region today is the optimal location for siting production facilities in any industry sector. The regional government is ready to actively support new types of business that have not traditionally been a part of our local economy. I am confident that the information to be found in this Investor’s Guide will be the first step towards a fruitful and mutually beneficial cooperative relationship. We would be pleased to count you among our investment partners. We wish you success in carrying out your business projects, and for our part pledge that boosting the investment attractiveness of our region and fostering conditions for doing business successfully will remain among the top priorities of our region’s leadership.

Evgeny Savchenko
Governor of the Belgorod Region
Introduction by Mikhail Frolov, Head of PwC Russia in the Central Black Earth Region

Dear friends,

The Belgorod Region today is one of the Russian Federation’s most dynamic, fastest-growing regions, boasting strong scientific and educational capabilities, and a diversified economic structure. We work with major client companies that operate in the Belgorod Region and have noted their steady growth, as well as the stable investment environment and regional government support they enjoy, which have been instrumental in helping them achieve their goals. We actively cooperate with the region’s institutions of higher education in our employee recruitment efforts and have noted the region’s significant potential in human resources.

The region has been implementing a consistent economic and investment policy that is aimed at developing both industrial and agricultural sectors of the economy. The region has created a favourable environment for mutually beneficial inbound and outbound investments, which is continuously being improved. A regional law has been enacted that provides benefits for investors during project payback periods.

The leadership of the Belgorod Region has taken measures for developing the local investment and innovative infrastructure. OAO Development Corporation of the Belgorod Region, established in 2011, is a reliable partner and offers convenient “one-stop-shop” service. The corporation’s mission is to provide full support for investment projects starting from the very first meeting with a potential investor as well as offer investors multifaceted assistance at the project implementation stage. One of the corporation’s functions is to assist investors in selecting a production site. The Belgorod Region currently offers investors an extensive network of investment platforms with modern technical infrastructure.

This guide was prepared jointly with OAO Development Corporation of the Belgorod Region and is intended to familiarise potential investors with our most promising industries and the region’s investment potential, and to contribute to the region’s successful economic development on mutually advantageous terms.

We wish success to all investors in the Belgorod Region!

Mikhail Frolov
Head of PwC Russia in the Central Black Earth Region
The Belgorod Region has highly developed industrial and agricultural sectors and a regional economy based on the immense wealth of local subsoil resources and unique Black Earth farmland. The region accounts for one-third of Russia’s total ore production and produces top-grade steel and rolled products. Thanks to the region’s favourable natural environment and climate conditions, agriculture has historically been the mainstay of the local economy.

Profile of the Belgorod Region

General information

- The Belgorod Region ranks 67th in terms of land area and 28th in population among all Russian constituent regions (republics, territories and regions).
- The mining, metallurgical, food-processing and agricultural sectors form the backbone of the regional economy.
- The region accounts for 80% of iron ore reserves in the Kursk Magnetic Anomaly (KMA) and 40% of Russia’s proven iron ore reserves. Deposits of bauxite, apatite, chalk-stone, sand, and clay, as well as multiple-use, clay-bearing soils and other commercial minerals have been discovered and explored to varying degrees.

Brief overview

Total area
- The region’s land area is 27,100 km² (0.2% of Russia’s overall land area). The region is located in south-eastern Russia and shares a border with Ukraine.

Climate
- The region’s climate is moderately continental with a long, hot summer and a relatively cold winter.

Population
- The region is home to a population of 1,547,900 people (as of 1 January 2015), which breaks down as:
  - 66.9% urban residents;
  - 33.1% rural residents.
- The population density is 57.0 persons per km².
- The economically active population is 814,100 people.

Gross regional product (GRP)
- In 2013, the Belgorod Region’s gross regional product totalled RUB 569.4 billion (in current base prices), on average representing a per capita figure of RUB 369,100.

The Belgorod Region’s priority areas for development
- Mining and metals cluster;
- The agribusiness sector as a fast-track economic development zone:
  - Poultry breeding development cluster;
  - Hog breeding development cluster;
  - Dairy farming development cluster;
  - Mechanical engineering cluster as a fast-track economic development zone;
  - Construction cluster;
  - Biopharmaceutical cluster;
  - Transport and logistics cluster;
  - Tourism and recreational cluster.

The Belgorod Region’s main competitive advantages
- A favourable investment climate.
- Political stability within the region.
- Developed financial infrastructure.
- «One-stop-shop» support system for investment projects.
- Deep talent pool of skilled personnel.
- Availability of investment sites for upgrading existing and creating new production facilities.
- Opportunities to carry out investment projects across a wide range of industries.
- High standard of living among the region’s population.
- Rich potential for natural resources development.
- Environmental safety.
Economic potential

In 2013, the Belgorod Region’s gross regional product totalled RUB 569.4 billion (in current base prices), on average representing a per capita figure of RUB 369,100. In 2013 the index of physical volume of GRP represented 103.0% of the 2012 level. The manufacturing (16.9%), agriculture (17.0%), mineral resources extraction (15.1%), wholesale and retail trade (15.0%), and construction (8.5%) sectors accounted for the major portion of GRP produced.

Gross regional product (GRP)

Trends in the Belgorod Region’s GRP

Trends in GRP per capita for the Belgorod Region and the Russian Federation, RUB ‘000

Breakdown of Belgorod Region GRP by type of economic activity (as percentage of total)

Share of the Belgorod Region in Russia-wide production:
- 36.8% of Russia-wide production of iron ore concentrate;
- 32% of iron ore pellets (oxidised);
- 22.8% of centrifugal-type pumps for transmission of liquids, other pumps, other liquid lifters;
- 6.3% of portland cement, aluminous cement, slag cement and similar hydraulic cements.
In 2014, the volume of goods exported from the Belgorod Region was 0.6% of all Russian exports; the volume of imported goods was 1.1% of all Russian imports.

In 2014, the Belgorod Region exported to 82 countries around the world. Export to these countries included shipments of: iron ore, rolled ferrous metal products, cement, electric motors and other products. Imports to the region originated in 85 countries. The region’s 2014 foreign trade turnover, including mutual trade with Belarus and Kazakhstan, totalled USD 6.439 billion. Among foreign trade operations, the proportion of imports was 50.7%, while exports accounted for 49.3%.

### The Belgorod Region’s export commodities

- Food products and agricultural raw materials: 64.4%
- Mineral products: 7.4%
- Metals and metalware: 25.6%
- Other goods: 4.6%

### The Belgorod Region’s import commodities

- Machinery, equipment, transport vehicles: 30.6%
- Metals and metalware: 11.1%
- Chemical products, rubber resin: 22.2%
- Food products and agricultural raw materials: 6.4%
- Other goods: 29.7%
Economic potential

Mining and metals cluster

The region is home to a mining and metals cluster, using iron ore raw materials extracted from the Kursk Magnetic Anomaly, which is now successfully operating.

Extraction of main types of mineral resources

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<th>2014</th>
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<tr>
<td>Iron ore concentrate, in thousand tonnes</td>
<td>2,357.8</td>
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<tr>
<td>Iron ore pellets (sized), in thousand tonnes</td>
<td>34,087.1</td>
<td>37,367.8</td>
<td>37,346.2</td>
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<td>37,575.5</td>
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Production of pellets

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<th>2010</th>
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<tr>
<td>Iron ore pellets (sized), in thousand tonnes</td>
<td>12,269.1</td>
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<td>12,477.6</td>
<td>12,656.2</td>
<td>12,719.0</td>
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<tr>
<td>Iron ore concentrate, in thousand tonnes</td>
<td>4,703.0</td>
<td>5,103.6</td>
<td>5,299.9</td>
<td>5,474.0</td>
<td>5,306.0</td>
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Major enterprises in the mining and metals cluster:

- OAO Lebedinsky GOK (Lebedinsky Ore Mining and Processing Enterprise open joint stock company) (Metalloinvest Group, www.metalloinvest.com) is one of Russia’s leading companies involved in the extraction, enrichment and production of high-quality iron ore raw materials for the iron and steel industry; the company owns the world’s largest iron ore quarry and is the sole producer of direct reduced iron in Russia and the CIS. OAO Stolensky GOK (Stolensky Ore Mining and Processing Enterprise open joint stock company) (NLMK Group, www.nlmk.ru) is one of Russia’s leading companies in terms of output of raw materials for the iron and steel industry; the company accounts for 34.6% of Russia’s total production of iron ore concentrate. The company’s main products include iron ore concentrate and iron sinter ore.
- OAO Kombinat KMAruda (KMAruda Integrated Works open joint stock company) (KOKS Group, www.koksgrup.ru) is engaged in underground mining of ferruginous quartzite with subsequent production of iron ore concentrate at the company’s ore-processing plant.
- ООО Metall-Group is engaged in building an underground mining enterprise based on the Yekaterovlesk Deposit for the extraction of high-grade iron ores, with a total annual design capacity of 4.5 million tonnes of iron ore.

Agribusiness

The Belgorod Region’s agribusiness sector, including farming and agricultural production as the mainstay industry, is one of the region’s backbone economic sectors, which helps shape the market for farm products, and provides economic security for the region as well as employment opportunities in rural areas.

Over the course of many years, the region has been the leader in Russia’s agribusiness sector. Belgorod Region farm enterprises produce 4.4% of total Russian agricultural output. The region ranks fourth among all Russian regions in terms of agricultural output volume.

In 2014, all categories of regional farm enterprises produced RUB 187.1 billion worth of gross agricultural output. The region’s agricultural production index represented 103.0% of the 2013 level (in comparable prices). The region’s farm sector posted gross agricultural output per capita of RUB 121,400, or 4.2 times higher than the average Russian figure. Of the region’s economically active population, 18.7% (131,200 people) are employed in agricultural production. The average monthly salary of the region’s farm workers was RUB 24,900. Across the region, fast-growing high-tech agribusiness holding companies have been established, which use knowledge-intensive production capacities and enjoy excellent labour productivity. Such enterprises are predominantly active in the meat production sector. Such agribusiness holding companies have been actively building up their production capacities and expanding their geographic footprint in the Russian market.

The Belgorod Region is rightfully known informally as Russia’s «meat-packing capital». In 2014, out of Russia’s total farm output the Belgorod Region’s agribusiness sector accounted for 32.6% of fresh-slaughtered, fresh and refrigerated pork; 28.0% of slaughtered animal meat and edible byproducts; 19.1% of refrigerated semi-finished meat (meat-containing) products; and 17.0% of poultry meat and edible byproducts.

Priority development areas for agribusiness in the Belgorod Region:

Livestock production: poultry breeding, hog farming, cattle breeding (dairy and beef cattle).

Crop production: corn farming, greenhouse vegetable farming, fruit growing.

Dynamics of agricultural production, RUB billion

Industry leaders:

- Poultry farming:
  1. ZAO Priusko-kaly
  2. ZAO Bolgrankorm
  3. ZAO Bolgoved Pietu

- Egg production:
  1. GK Lens-OOO Bolgrankorm
  2. ZAO Bol Induse
  3. ZAO Agriforma Rus

- Hog farming:
  1. GK Monserg
  2. OOO GK Agro-Belogorye
  3. ZAO Alexyevsky Belogorye
  4. GK Rusagro-OAO Bolgoved Pietu
  5. Agronikel REZEC Belogorye
  6. ZAO UK RFK Group of Companies
  7. OOO Osolnisky Belogorye
  8. V.F. Gorev Order of the Red Banner of Labour Collective Farm

- Milk production:
  1. ZAO Molokho Kombinat Avda
  2. GK Zelyonaya Dolina
  3. V.F. Gorev Order of the Red Banner of Labour Collective Farm
  4. ZAO Tommosko

- Crop farming:
  1. ZAO Krasnoarmeyskiy Zernovyoi Kompaniia
  2. OOO Agroholding Belgrankorm
  3. OOO Borisovskaya Zernovyoi Kompaniia
  4. OOO Krasnoarmeyskiy Zernovyoi Kompaniia
  5. OOO Belgrankorm
  6. OOO Belgorodsky Zernovyoi Kompaniia

- Food processing industry:
  1. OOO MPZ-Agro-Belagorye
  2. ZAO Strokamplii Rosschii
  3. GK Avda
  4. ZAO Konditerskaya Fabrika Belagorye
  5. ZAO Konditerskaya Fabrika Belogorye
  6. OOO Bolgorodskii Molkostroy Kombinat
  7. ZAO Molokho Kombinat Avda
  8. OOO Velikaiskikhark
  9. OOO Bulat
  10. ZAO Kombinat Elihokoprodaav Staryomolnovskaya
Economic potential

Construction cluster

Based on 2014 data, the Belgorod Region ranked:

- **fourth** in Russia and **second** in the Central Federal District in terms of new housing stock per 1,000 inhabitants.
- **third** in the Central Federal District in terms of the amount of construction work completed (as a type of economic activity).
- **second** among Central Federal District regions in terms of the number of residential and non-residential buildings commissioned (8,769 buildings with total floor space of 2,383,600 m² were built and commissioned).

Leading companies in the Belgorod Region’s construction cluster

- OOO Upravlyayushchaya Kompaniya ZhBK-1
- OAO Domostroitel’naya Kompaniya
- OOO Transyuzhstroi-PGS
- OOO Rudstroy
- OOO Beldorstroy

Mechanical engineering cluster

The Belgorod Region’s mechanical engineering cluster encompasses the following types of economic activity:
- production of finished metal goods;
- manufacturing of machinery and equipment;
- production of electronics, electrical and optical equipment;
- manufacturing of transport vehicles and equipment.

Leading companies in the Belgorod Region’s mechanical engineering cluster

- ООО Belenergomash-BZEM
- AO V.A. Sklyarenko Borisovsky Zavod Mostovykh Metallokonstruktsiy
- AO Oskolsky Zavod Metallurgicheskogo Mashinostroeniya
- AO Zavod Kotel’nogo Oborudovaniya
- ООО Vagonno-Kolyosnaya Masterskaya
- ZAO A.M. Mamonov Starooskolskiy Zavod Avtotrakturnogo Elektrorudorudovaniya
- ZAO Gormash
- ОАО Alekseyevka CHIMMASH
- ОАО V.M. Ryazanov Belagromash-Servis
Economic potential

Transport infrastructure

The Belgorod Region offers a highly advantageous location in Russia’s Central Black Earth region, at the intersection of Asian and European transport corridors, which opens up opportunities for using the transportation infrastructure to expand cross-border trade and freight traffic.

Air transport

Belgorod International Airport:
• Winner of Russia’s first Air Gateway National Award: in the Best Airport-2014 category (regionally significant airport serving up to 0.5 million passengers per year).
• in the Best Airport-2014 category (international airport serving up to 0.5 million passengers per year).

Stary Oskol Airport

Rail transport

• The length of railway track in general use is 700 km.
• Major railway stations: Belgorod, Stary Oskol, Valuiki, Gotnya.

Road transport

The M2 Moscow-Crimea federal motorway traverses the Belgorod Region.
• The region has 18,300 km of paved general-purpose public roads.

Workforce, scientific and technological potential

The Belgorod Region boasts strong educational potential. Belgorod Region-based universities train specialists in economics, finance, management, law, information technologies, engineering, construction, the natural sciences, nanotechnology, agriculture, medicine, and pharmaceuticals.

Currently, the Belgorod Region’s higher educational system includes five state universities, two private higher educational institutions, and 13 branches of higher educational institutions from outside the region. In 2014-2015, 66,720 students were enrolled in the region’s universities.

The practice of dual training has proven to be a successful component of any public-private partnership (PPP). Under the dual training framework, educational institutions and manufacturing enterprises work very closely together. Several of the Belgorod Region’s “anchor employers” among top agribusiness holding companies have actively participated in implementing the dual training system. These include: ООО GK Agro-Belogorye, ZAO Prioskolye, ООО GK Zelyonaya Dolina, GK Efco, ZAO Belaya Ptitsa, ООО Rusagro-Invest, and ООО Belgrankorm-Holding.

The region is now implementing a strategy for modernising its system of professional and vocational education, which is designed to bring the scope and quality of personnel training in line with the current needs of the local labour market.
Tourism and recreational cluster

The Belgorod Region boasts significant tourism and recreational resources. The region seeks to preserve its local culture and honour its ancestral traditions, while working to revive local folk arts and artisanal craftsmanship. The Belgorod Region is home to over 2,000 historical and cultural monuments (including 35 nationally significant sites), of which 1,260 have been placed under state protection.

Priority areas for tourism in the Belgorod Region are:
• event tourism;
• ethnographical tourism;
• rural tourism;
• military history tourism;
• religious tourism.

Rural tourism represents one of the most promising areas for developing domestic and inbound tourism. This type of tourism involves a range of services for tourists offering a variety of options, from arranging accommodations at a house in the country, meals, guided tours, adventure hikes, and master classes in arts and crafts to directly taking part in reenactments of various historical events.

The Belgorod Region was one of the first Russian regions to develop rural tourism. The roster of top-priority programmes has been augmented by a long-term, special-purpose programme for developing rural tourism in the Belgorod Region, which was launched in 2007. Programme-related activities have helped expand alternative employment opportunities for the local population, spurred more active development of inbound and domestic tourism, and helped popularise family recreation options.

In the programme’s first year only 14 entrepreneurs joined, whereas now over 600 small tourism businesses are involved in this area. Currently, more than 40 mini-hotels, guest houses and tourist centres provide accommodations to tourists visiting various municipalities across the region. Training has been organised for start-up and aspiring entrepreneurs in the tourism sector.

The Belgorodskaya Sloboda Fair and Festival of Slavic Culture serves as a showcase for the achievements of the region’s municipalities in the area of rural tourism and artisanal craftsmanship. In 2014, Belgorodskaya Sloboda brought together over 10,000 people. The trade fair and cultural festival provided visitors a unique opportunity to buy goods made by local handicraft masters and attend master classes in producing souvenirs.

The annual Nebosvod Belogorya International Patriotic Air Show is aimed at popularising aeronautics and ballooning in Russia while promoting patriotic education and guiding young people interested in pursuing technical careers in aviation, as well as developing the tourism industry and strengthening international ties. The festival is also dedicated to reviving the tradition of air parades. In 2014, the festival brought together 14 teams from various Russian regions.

In September 2015, the region played host to the first-ever BelMotorShow international sports festival. The festival featured the finals for the Russian championships in remote starting and car tuning. An exhibition of auto-sports and motor track equipment, two-wheeled motor vehicles, vintage automobiles, and special vehicles was held.
Investment climate

The Belgorod Region in independent ratings

The Belgorod Region’s rating among Russian regions in 2014:

- **Expert RA: Rating of Russian Regions by their Investment Attractiveness in 2014**
  - 2A – average potential/minimal risk.
  - Investment potential: The region ranks 17th
  - Investment risk: The region ranks eighth

- **National Rating Agency: Remote Rating of Russian Regions by their Investment Attractiveness in 2014**
  - High level of investment attractiveness – second level (IC2 group)

- **RIA Rating: 2014 Rating of Russian Regions by Standard of Living**
  - The region ranks sixth

  - The region ranks 18th

- **Kommersant magazine. Sekret Firmy: 2014 Rating of Russia’s Top 100 Cities**
  - The city of Belgorod ranks third

- **2014 Environmental Rating of Russian Federation Constituent Regions by Green Patrol**
  - The region ranks second

- **2015: National Investment Climate Rating for Russia’s Regions**
  - The region ranks third among the top-ranked group of regions (I)

In 2014, capital investments valued at RUB 120,390.6 million were made in projects aimed at developing the Belgorod Region’s economy and social services. The region ranked fourth in the Central Federal District in terms of capital investment.

**Capital investments in 2014 were aimed at developing enterprises in the following industries:**

- manufacturing
- mining
- agriculture, hunting and forestry
- real estate, leasing and services
- transport and communications
- power generation and distribution
- education
- other sectors

The bulk of investments made in 2014 (51.1%) were financed from companies’ own internal funds. Appropriations of budgetary funds accounted for 13.0% of all investments, including 4.2% from the federal budget and 6.6% from regional budgets.

**Projects involving foreign investors:**

- **OOO Hochland Russland**
  - In 2012, Hochland Russland, a German company, opened a cream cheese production line for its Almette, Hochland and Cremette brands, which is sited at a former dairy plant in the Prokhorovsky District. The company is carrying out a RUB 500 million project to boost the production capacity of the Hochland Russland cheese factory, including the construction of a new, 1,500 square-metre collection facility, which will help to boost the output of finished products to 19,000 tonnes per year.

- **OOO SPF Rus**
  - French company Diana Group is implementing a project in the Shebekino District for the construction of Russia’s first-ever plant for the production of animal feed flavour enhancers. Investment in this project comes to over RUB 300 million. The project is being carried out by OOO SPF Rus, which is part of the French group. The official opening of the plant took place in May 2015.
Governmental support for investment activity

The region’s development is supported under the Belgorod Region Social and Economic Development Strategy for the period up until 2025. This document considers the investment potential of the Belgorod Region and spells out the Roadmap of the Belgorod Region Investment Strategy “Investing in the Future”.

The goal of the Belgorod Region Investment Strategy is to create favourable organisational and economic conditions for entrepreneurship, an effective system for raising investment and investment project support so as to ensure the diversification and intensive growth of the regional economy, development of territorial clusters, improve the competitive edge of businesses in the region and enhance the living standards of the local population.

The Belgorod Region’s Investment Policy Statement has been developed and put into effect to improve the region’s investment climate, thereby guaranteeing a safe business and investment environment. It specifically aims at:

• protecting investments, and the rights and interests of entities involved in investment activities;
• ensuring a level playing field for those involved in investment activities in the region;
• ensuring the right of entities involved in investment activities to challenge in court any decisions and actions (or lack thereof) on the part of the Belgorod Region’s executive officials and government agencies.

Regional Government Programme for the Development of Economic Potential and Fostering a Favourable Business Climate in the Belgorod Region in 2014-2020

This programme consolidates measures to improve the region’s investment appeal for both Russian and international investors while also identifying prospects for further improvement of conditions that can spur investment growth, as well as ensure support and stimulus for such investment.

Belgorod Region Gubernatorial Investment Council

A permanent body has been set up to determine policy and coordinate activities associated with raising and guiding investments in the region. Its activities include the selection of investment projects in need of financial support from the regional budget and funds through the placement of regional bonded loans and government guarantees of the Belgorod Region.

Standard of local government activities to ensure a favourable investment climate within municipalities

This Standard is described in the roadmaps for the region’s cities and municipalities in 2014-2015. The Standard’s goal is to foster conditions that can increase the inflow of investments, simplify the procedures for doing business and improve the business reputation of the region’s municipalities.
Key investment projects

The following investment projects are now being implemented in the region:

• construction of a pellet plant with an estimated capacity of six million tonnes of pellets per annum (the project comes to RUB 39.1 billion and will create 274 jobs);
• construction of the third stage of a sponge iron shop with an estimated capacity of 1.8 million tonnes per annum (the project comes to RUB 30.9 billion and will create 510 jobs);
• construction of a plant for manufacturing lysine sulphate with a capacity for 57,000 tonnes per annum and supplementary products based on advanced grain processing (the project is worth RUB 7.5 billion and will likely create 700 jobs);
• construction of 10 swine breeding centres and a semen production centre with a capacity for 67,000 tonnes of commercial pork per annum (the project is worth RUB 6.57 billion and will create 113 jobs);
• a “Case Ready” project for the creation of facilities to produce and commercially package pork (the project is worth RUB 5.11 billion and will create 330 jobs);
• construction of a swine breeding centre with a capacity for 18,500 tonnes of pork per annum (the project is worth RUB 2.77 billion and will create around 200 jobs);
• reconstruction of the Belgorod-Shebekino-Volokonovka Highway along the 46+500 km — 88+300 km section in the Shebekino District (the project is worth RUB 2.18 billion and will create around 355 jobs);
• development of a social and economic cluster based on the V.Y. Gorin Collective Farm, ООО Bessonovsky Meat Processing Plant (the project is worth RUB 930 million and will create 260 jobs);
• construction of a greenhouse complex to produce protected ground vegetables with output of at least 10,000 tonnes of finished goods (the project is worth RUB 2.592 billion and has created 218 jobs);
• reconstruction of airport infrastructure: full-scale modernisation, reconstruction and technical upgrading of property, plant and equipment of the ground infrastructure at Belgorod Airport (the project comes to RUB 4.9162 billion and has created 118 jobs);
• reconstruction of the Belgorod-Pavlovsk Highway via Klinovets in the Korochansky District (the project is worth RUB 759.34 million);
• construction of VIC Group’s full-scale manufacturing facility for veterinary drugs under GMP standards with an estimated capacity of at least 1,000 m³ of oral solutions and 1,000 tonnes of oral powders per annum (the project is worth RUB 236 million and has created 113 jobs);
• construction of the Tomarovka Byway in the Yakovlevsky District (the project is worth RUB 729.19 million);
• construction, modernisation and expansion of shops for installing equipment and setting up a preparation line for domestic raw materials for further processing of complex industrial fats (the project is worth RUB 643.88 million and has created 22 jobs);
• construction of a greenhouse complex to grow vegetables in the Severny Industrial Park. The project’s estimated capacity is 1,500 tonnes of protected ground tomatoes (the project is worth RUB 614.36 million and has created 107 jobs);
• construction of additional weighbridges and a car ramp for grain and oil crop collection, as well as a processing point and improvement of transport infrastructure and communications (the project is worth RUB 130.73 million and has created 18 jobs);
• construction of a multifunctional technical shopping centre (the project is worth RUB 110 million and has created 28 jobs).
Investment climate

- **ZAO Alekseevsky Kombikormovy Zavod**
  This project included the construction of a feed factory with two lines able to process 20 tonnes per hour and a grain warehouse with a storage capacity of 148,000 tonnes. Total production capacity comes to 211,000 tonnes of feed per annum. The factory’s output will reach RUB 2.5 billion in value terms.
- **ZAO CapitalAgro**
  Three swine breeding centres with a complete cycle for 2,500 breeding pigs and a semen production centre for 45 breeding boars were commissioned. Construction of a slaughter and pork processing plant with capacity for 17,000 tonnes per annum was also completed.
- **Construction of a “Case Ready” meat processing plant**
  is continuing as part of an investment project for the development of a pig feeding centre and a slaughter and pork processing plant in the Korchansky District with a capacity of 72,000 tonnes of meat per annum.

Production of protected ground vegetables:

- **OOO Teplytsy Belogorya Farm Business**
  Completion of Stage II of a greenhouse complex for the production of protected ground vegetables with an estimated capacity for 9,400 tonnes of vegetables per annum.
- **OOO Teplichny Complex Belogorya**
  Development of a state-of-the-art greenhouse and logistics park with year-round production of vegetables and an estimated capacity of 12,800 tonnes of vegetables per annum.
- **OOO AgroMir**
  Development of a 33-hectare greenhouse complex in Kochetkovka, Ivnya District, with a capacity of 35,000 tonnes of vegetables per annum.
- **OOO TK BelgorodAgro**
  Development of a 37.2-hectare greenhouse complex using Ultraklime technology in the Stary Oskol District.
- **ZAO Plemzavod Razumensky**
  Construction of Section III greenhouses covering four hectares, as well as expansion and modernisation of greenhouses within an area of 1.7 hectares and an estimated capacity of 1,200 tonnes of protected ground vegetables per annum.
Mechanical engineering cluster:
• ООО Belenergomash-BZEM
  Construction of a high-efficiency facility for the production of pipe parts for power assets with an estimated capacity of 15,000 tonnes per annum.
• ОАО Rakityansky Valve Plant
  Development of a facility for producing longitudinal welded pipes with an estimated capacity of 1,000 tonnes per annum.
• ООО Bilite operating at ООО Repair and Engineering Works (Volokonovka)
  A project to manufacture products for import substitution and participate in regional road-building programmes. The first stage of the project for setting up a facility to produce LED lamps with an estimated capacity of 50,000 units per annum has been completed. The second stage of the project to expand the manufacturing facility’s capacity up to 1 million lamps per annum has already started.
• ЗАО A.M. Mamonov Stary Oskol Plant for Car-and-Tractor Electrical Equipment
  Development of foundry production in order to manufacture high-tech component parts for domestic appliances; development of a high-tech facility to produce car components (e.g., ignition coils, electric petrol pumps, immersible pump modules, electronic engine control systems and understeering switches for import substitution).
• ООО Car and Wheels Workshop
  Development of a car repair yard for repairing freight cars with an estimated capacity of 3,000 cars and 42,000 car wheel pairs per annum.
• ОАО Belgorodsky Abrazivny Zavod
  Installation of a PETER SCHWABE abrasive paper production line, thereby allowing for the automatic manufacture of high-quality products.
• АО Boiler Equipment Plant
  Modernisation of production through the introduction of highly efficient equipment in order to increase output.
• АО Shebekensky Machine Building Plant
  Modernisation and technical upgrading of a blanking and machining shop in order to ensure the manufacture of new types of equipment.
• ОАО Alekseyevka CHIMMASH
  Modernisation of core operations to enable the manufacture of high-quality stationary tanks and vessels for the storage of liquefied petroleum gas and petroleum products.
• ЗАО Sokol-ATS
  Technical upgrading of core operations to introduce high-tech equipment for metal processing and an anodising line to produce competitive products, thereby boosting sales by 1.7 times.
• ООО Skif-M
  Modernisation of a production facility to introduce high-tech equipment for metal processing and an anodising line to produce competitive products, thereby boosting sales by 1.7 times.
• ЗАО StandardCement
  The company is carrying out a project to build a ceramic brick manufacturing plant with an estimated capacity of 60 million pieces per annum. The plant will be commissioned in 2015.

Pharmaceutical cluster:
• ОOO PIQ-PHARMA LEK
  The company is carrying out a project at the Severny Industrial Park to establish a plant for manufacturing finished pharmaceutical products with capacity of at least 606 million units per annum. Implementation period: 2012-2016.
• ОOO MC Belpharma
  The company is carrying out a project in the Yakovlevsky District to set up a plant for manufacturing pharmaceutical substances and finished dosage forms with a production capacity of at least 680 standard units of finished products and 50 tonnes of substances per annum. Implementation period: 2013-2016.
• ООО Advanced Pharma
  The company is implementing a project in the Yakovlevsky District to set up a plant for manufacturing finished pharmaceuticals with a capacity of at least 1,045 million units of finished products per annum. Implementation period: 2013-2016.
**500-Hectare Greenhouse Cluster Investment Project**

In 2010, a fundamental solution to the problem of import substitution for vegetables in the region was described in the Regional Social and Economic Development Strategy for the period up until 2025. Then, in 2013, the Regional Government Programme for the Development of Agriculture and Fish Farming in the Belgorod Region for 2014-2020 was adopted. A solid legal framework provides for a favourable climate for investors and guarantees them security for invested capital.

**500-Hectare Greenhouse Cluster** is a project that has been implemented in the region since 2012. This project will help the Belgorod Region account for 10% of protected ground vegetables on the Russian market by 2020. OAO Development Corporation of the Belgorod Region is overseeing the project, providing comprehensive support to investment projects in greenhouse development.

As at the end of 2014, there were over 50 hectares of greenhouse capacity operating in the Belgorod Region. OAO Development Corporation of the Belgorod Region is now providing support to projects to set up greenhouse complexes with an area covering 100 hectares. Projects for the construction of greenhouse complexes in the Stary Oskol, Belgorod and Ivnya Districts, as well as the city of Belgorod, are being implemented in the region as part of the 500-Hectare Greenhouse Cluster programme.

**Key programme indicators**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Unit of measurement</th>
<th>Indicator value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of state-of-the-art greenhouse complex construction</td>
<td>RUB million/ha</td>
<td>100–230</td>
</tr>
<tr>
<td>Production capacity</td>
<td>hectares</td>
<td>500</td>
</tr>
<tr>
<td>Production output</td>
<td>tonne/year</td>
<td>250,000</td>
</tr>
<tr>
<td>Gross revenues</td>
<td>billion/ha</td>
<td>19</td>
</tr>
<tr>
<td>Staff headcount</td>
<td>people</td>
<td>7,000</td>
</tr>
<tr>
<td>Return on investment (ROI)</td>
<td>%</td>
<td>15–25</td>
</tr>
<tr>
<td>Programme objective</td>
<td>Achieve a market share of at least 10% of the Russian market</td>
<td></td>
</tr>
</tbody>
</table>

**Dairy Sector Development Project**

**Government Special-Purpose Programme for the Creation of a State-of-the-Art Technological Base for Milk Production and Processing in the Belgorod Region in 2014-2016 and the period up until 2020**

**Programme target indicators**

<table>
<thead>
<tr>
<th>Target indicator</th>
<th>Unit of measurement</th>
<th>2015 (actual)</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>Programme ultimate outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total investments for the programme’s implementation</td>
<td>RUB million</td>
<td>10,777.7</td>
<td></td>
<td></td>
<td></td>
<td>Growth of sales revenue in 2016 as compared to 2013 will reach RUB 900.1 million or increase by 1.13 times</td>
</tr>
<tr>
<td>Revenues from sales</td>
<td>RUB million</td>
<td>7,107.1</td>
<td>7,391.4</td>
<td>7,681.9</td>
<td>8,007.2</td>
<td>188 new jobs were created</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>RUB million</td>
<td>1,241.0</td>
<td>4,041.9</td>
<td>1,480.1</td>
<td>1,755.7</td>
<td>Gross milk output will grow 68,670 tonnes, or by 1.92 times, by 2016</td>
</tr>
<tr>
<td>Number of employed population</td>
<td>persons</td>
<td>954</td>
<td>1,400</td>
<td>1,606</td>
<td>1,640</td>
<td></td>
</tr>
<tr>
<td>Milk production at farms, with the exception of household farms, and agricultural consumer co-operatives</td>
<td>‘000 tonnes</td>
<td>393.2</td>
<td>405.0</td>
<td>425.0</td>
<td>443.0</td>
<td>Growth in the region’s cow herd in 2016, as compared to 2013, will reach 3,800 cows or 105.3% growth</td>
</tr>
<tr>
<td>Cow herd on farms, except for family farms</td>
<td>‘000 cows</td>
<td>69.0</td>
<td>70.5</td>
<td>72.0</td>
<td>72.8</td>
<td></td>
</tr>
</tbody>
</table>
Contact information for government authorities and business support institutions in the region

<table>
<thead>
<tr>
<th>Business support institutions in the Belgorod Region</th>
<th>Website</th>
<th>E-mail</th>
<th>Telephone/fax</th>
<th>Address</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governor of the Belgorod Region</td>
<td><a href="http://www.belgorodinvest.com">www.belgorodinvest.com</a></td>
<td><a href="mailto:admin@belregion.ru">admin@belregion.ru</a></td>
<td>+7 (4722)32-42-47</td>
<td>4 Sobornaya Square, Belgorod, 308005</td>
</tr>
<tr>
<td>Regional Department of Internal and Human Resource Policy</td>
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<td>4 Sobornaya Square, Belgorod, 308005</td>
</tr>
<tr>
<td>Regional Department of Economic Development</td>
<td><a href="http://www.derbo.ru">www.derbo.ru</a></td>
<td><a href="mailto:priznaya@derbo.ru">priznaya@derbo.ru</a></td>
<td>+7 (4722)33-62-88, 33-67-46</td>
<td>72 Prospet Sery, Belgorod, 308000</td>
</tr>
<tr>
<td>Regional Department of Construction and Transportation</td>
<td><a href="http://www.belgorodavoy.ru">www.belgorodavoy.ru</a></td>
<td><a href="mailto:mail@belgorodavoy.ru">mail@belgorodavoy.ru</a></td>
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<td>4 Sobornaya Square, Belgorod, 308005</td>
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<tr>
<td>Regional Department of Agriculture</td>
<td><a href="http://www.belapk.ru">www.belapk.ru</a></td>
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<td>4 Sobornaya Square, Belgorod, 308005</td>
</tr>
<tr>
<td>Regional Department of Health and Welfare</td>
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<td><a href="mailto:admin@beladruv.ru">admin@beladruv.ru</a></td>
<td>+7 (4722)32-14-47</td>
<td>28 Sotsaty-Protvny Boulevard, Belgorod, 308019</td>
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<tr>
<td>Regional Department of Education</td>
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<td>4 Sobornaya Square, Belgorod, 308005</td>
</tr>
<tr>
<td>Belgorod Chamber of Commerce and Industry</td>
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<td><a href="mailto:beltpu@beltpu.ru">beltpu@beltpu.ru</a></td>
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<td>210 Belgorodsky Prospekt, Belgorod, 308000</td>
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<tr>
<td>Ombudsman for Entrepreneurs’ Rights</td>
<td><a href="http://www.ombudmaneksiz.ru">www.ombudmaneksiz.ru</a></td>
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<td>+7 (4722)20-21-32</td>
<td>1 Berezovaya Street, Severno, Belgorod District, Belgorod Region, 308510</td>
</tr>
<tr>
<td>Belgorod Chamber of Commerce and Industry</td>
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<tr>
<td>Belgorod Region Resource and Innovation Centre</td>
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<tr>
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<td><a href="mailto:fund-biznesa@yandex.ru">fund-biznesa@yandex.ru</a></td>
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<tr>
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<td>+7 (4722)58-54-35</td>
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<td></td>
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<tr>
<td>OAO Development Corporation</td>
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<td><a href="mailto:info@belgorodinvest.com">info@belgorodinvest.com</a>, <a href="mailto:dir@belgorodinvest.com">dir@belgorodinvest.com</a></td>
<td>+7 (4722)35-60-88, 32-92-23</td>
<td>85 Pobedy Street, Bldg. 17, Belgorod, 308015</td>
</tr>
</tbody>
</table>

Investment climate

OAO Development Corporation of the Belgorod Region, a regional development institution, has been operating in the region since its inception in 2011. It is a wholly state-owned entity and was established by the Government of the Belgorod Region.

OAO Development Corporation’s main objectives include:
• attracting strategic investors, including international investors, to put money into priority and supervised sectors of the region’s economy;
• evaluating and selecting investment projects to be carried out in the Belgorod Region;
• developing concepts and industrial programmes to raise investment for priority sectors of the region’s economy;
• providing comprehensive project support;
• improving the investment climate;
• developing the investment potential of the Belgorod Region.

A set of legislative and organisational measures are being implemented in the Belgorod Region in order to cultivate a favourable environment for businesses and fostering a positive investment climate. A register of promising investment sites in the region broken down by municipalities is available for viewing on the region’s investment portal www.belgorodinvest.com.

In 2014, OAO Development Corporation of the Belgorod Region developed and implemented a plan for making the region’s industrial sites more attractive to investors, including an analysis of land use options, developing project business plans, carrying out engineering surveys and undertaking efforts to obtain technical specifications for resource provision. This approach to developing and “packaging” industrial sites helps to minimise the amount of time investors need during preparatory stages for developing investment sites.

OAO Development Corporation’s business priorities include:
• greenhouse industry;
• dairy industry;
• fish-breeding;
• energy clusters;
• improving the region’s investment climate;
• developing industrial parks.
Starting from 2009, a project for the development of the Severny Industrial Park has been implemented as part of a public-private partnership in the Belgorod District, Belgorod Region.

The project foresees the achievement of the following goals by 2016:

- building 80,000 square metres of industrial sites to be connected to existing engineering infrastructure, including:
  - manufacturing sites covering an area of 72,500 square metres (two types of buildings will be built),
  - administrative buildings and office and shopping premises with an area of over 7,500 square meters;
- creating around 2,000 new jobs;
- developing premises for at least 20 new small- and medium-sized businesses;
- ensuring that resident production volumes reach around RUB 8 billion per annum;
- raising investment of over RUB 2 billion from non-budgetary sources to develop park facilities;
- boosting all-level budget revenues;
- creating and testing business and legal frameworks for the development of industrial parks in the Belgorod Region.

Today, the area of commissioned sites for industrial parks and business incubators for manufacturing energy-saving technologies comes to 69,100 square metres. Over 2,800 square metres are currently in the design and construction stage.

Small and medium-sized enterprises (SME) engaged in manufacturing and registered in the region can become residents of the industrial park.

A resident of the industrial park receives premises equipped with utilities, as well as a three-year purchase option:

- a down payment of 10% of the value of the industrial premises;
- fixed cost of the industrial premises as long as the payment schedule is strictly followed;
- no rental payments;
- potential government support as part of an SME support programme.

After the cost is fully paid, title to the premises is granted. The land plot is registered as a sublease for at least 10 years.

There are no direct competitors in the local regional market able to offer products with the same structure and quality, including maintenance services.

Severny Industrial Park
Management Company OAO Office for the Development of Industrial Zones:
1 Berezovaya Street, Severny, Belgorod District, Belgorod Region, 308570
Director: Andrey Vladimirovich Minaev
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Tel./Fax: +7 (4722) 20-21-32
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TOOLS FOR WORKING WITH INVESTORS IN THE BELGOROD REGION

INVESTOR

Land
Regional Department of Property and Land Matters

People
Regional Department of Internal and Human Resources Policy

Cooperation
with municipalities in the region

Water
Regional Department of Economic Development

Electricity

Gas

Roads
Regional Department of Construction and Transportation

Federal
and regional support of the Belgorod Region

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