Investment Guide to the Republic of Bashkortostan

Ufa 2018
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Welcome to the Investment Guide to the Republic of Bashkortostan!

Bashkortostan is among the leading and dynamically developing regions of Russia. The republic's location at the intersection of main traffic arteries, abundant resource potential, well-developed industry and infrastructure, as well as its highly skilled labor force, attract investors to the region.

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

Federal mechanisms of investment activity development are used extensively. There is effective cooperation with Vnesheconombank and the Monocity Development Fund aimed at diversifying the economy of the single-industry regions of the republic, as well as increasing the investment inflows to them. Significantly, the year 2016 was marked by the creation of TPSEDs in Belebey and Kumertau, which now offer additional business enablers.

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

Welcome to Bashkortostan!

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

Dear Colleagues,

We are pleased to present this fifth issue of the Investment Guide to the Republic of Bashkortostan prepared by Deloitte CIS jointly with the local Ministry of Economic Development and the regional Development Corporation. In this guide, you will find information about the development priorities of various regional industries and government support available for businesses.

Bashkortostan is one of the most promising and dynamically developing regions in Russia. The Bashkortostan Government strives to develop the region's business infrastructure and create a platform for dialog between investors, businesses, and public authorities through such events as the Agrocomplex 2018 International Trade Show, the Russian Oil and Gas Forum, the Heart of Eurasia International Arts and Culture Festival, and the SCO and Brics Small Business Forum.

Our joint efforts in preparing this Guide are aimed at enhancing this dialog and we are honored to be helping the Bashkortostan Government implement the region's investment growth strategy.

This issue provides a summary of the most promising areas for investment and we are confident it will be useful for potential investors.

Best regards,
Dmitriy Chaban
Managing Partner of Deloitte Ufa
Dear Friends and Partners,

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

Best regards,

Oleg Golov
General Director of the Development Corporation of the Republic of Bashkortostan
General information about the Republic of Bashkortostan

**Capital:**
Ufa

**Population of the Republic of Bashkortostan:**
4.07 million people

**Rank among Russia’s cities with a population of over 1 million people cities:** 11th

**Population:**
1.1 million

**Proportion of urban population:** 61.91 percent

**Population density:** 28.4 people per sq. km

**Time zone:**
2 hours ahead of Moscow

**Official languages:**
Russian and Bashkir

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

**Climate:**
continental, with warm, humid summers and moderate winters. Average temperature: −18°C in January, +18°C in July
Investment Guide to the Republic of Bashkortostan

Total area: 143,000 square kilometers (0.8 percent of the total area of Russia)
Key figures

The region has a multi-industry, highly diversified economy with a focus on manufacturing, construction, transportation and agriculture. The most important industries are oil refining, chemical and petrochemical, as well as oil production.

In the 2017 investment attractiveness ranking by Expert-RA, Bashkortostan moved up two places, joining the group of Russian regions with average potential and minimal risk (2A)*. In this ranking, the republic ranks 11th among all Russian regions**.

Fitch Rating affirmed the long-term credit rating of the Republic of Bashkortostan at BBB-; the outlook is stable***. This investment grade indicates the republic's ability to timely discharge its financial obligations and reflects the high budgetary performance achieved through a diversified economy.

The republic's creditworthiness is also strengthened by drivers such as a low level of debt, a balanced liquidity policy, and a conservative approach to expenditures. Today, the Republic of Bashkortostan has the same credit rating as the country as a whole. In 2017, Expert RA affirmed the credit rating of Bashkortostan at ruAA+ with a stable outlook****.

The high performance of the regional budget, low level of debt and strong liquidity served as the key factors that influenced the rating. The region's strong positions in the rating are primarily driven by its attractiveness to investors. In addition, the rating is supported by a low debt burden.

Since 2015, the Republic of Bashkortostan has been implementing a system of best practices in line with the National Investment Climate Rating of the Russian Regions coordinated by the Agency for Strategic Initiatives to Promote New Projects. Among other initiatives, the plan is aimed at implementing steps to improve the investment climate in Bashkortostan, which gives the region an opportunity to rapidly improve its positions in the National Investment Climate Rating. The republic ranked 13th all Russian regions, moving up seven places from the previous year (In 2016, it rose from 40th to 20th place).

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

*** https://www.fitchratings.com/site/pr/1033320
**** https://raexpert.ru/ratings/regioncredit/
Investment Development of the Republic of Bashkortostan

National rating

2015

2016

2017

2018 target

40th place

20th place

13th place

10th place

260.9 RUB billion Total investments in 2017

2nd place Volga Federal District

Bashkortostan top-priority investment projects

<table>
<thead>
<tr>
<th>Number of projects</th>
<th>Investments, RUB billion</th>
<th>Jobs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total as of 1 January 2018</td>
<td>78</td>
<td>394.9</td>
</tr>
<tr>
<td>2017</td>
<td>8</td>
<td>4.9</td>
</tr>
</tbody>
</table>
**Economic indicators***

**Industrial production index**

- 2014: 103.9%
- 2015: 101.3%
- 2016: 102.9%
- 2017: 102.3%

**Agricultural production index**

- 2014: 100.9%
- 2015: 100.9%
- 2016: 102.8%
- 2017: 103.1%

**Consumer price index (December)**

- 2014: 112.2%
- 2015: 110.9%
- 2016: 104.9%
- 2017: 101.6%

**Social and economic performance of the republic of Bashkortostan in 2017**

- Industrial production index: 101.0% (Russia), 102.3% (Republic of Bashkortostan)
- Construction volumes: 98.6% (Russia), 90.2% (Republic of Bashkortostan)
- Retail: 101.2% (Russia), 102.1% (Republic of Bashkortostan)
- Real pay: 101.0% (Russia), 103.7% (Republic of Bashkortostan)
- Inflation, % YoY: 103.7% (Russia), 101.6% (Republic of Bashkortostan)

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

<table>
<thead>
<tr>
<th>Export breakdown by product, USD million</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil products</td>
<td>2,045.1</td>
</tr>
<tr>
<td>Turbo-jet engines and gas turbines</td>
<td>626.6</td>
</tr>
<tr>
<td>Oil</td>
<td>192.7</td>
</tr>
<tr>
<td>Aromatic hydrocarbons</td>
<td>161.0</td>
</tr>
<tr>
<td>Synthetic rubber</td>
<td>128.0</td>
</tr>
<tr>
<td>Cyclic hydrocarbons</td>
<td>119.6</td>
</tr>
<tr>
<td>Carbonates</td>
<td>104.3</td>
</tr>
<tr>
<td>Nitrogen fertilizers</td>
<td>97.9</td>
</tr>
<tr>
<td>Monocarboxylic acids and their derivatives</td>
<td>72.3</td>
</tr>
<tr>
<td>Non-classified products</td>
<td>71.6</td>
</tr>
<tr>
<td>Aluminium and aluminium alloys</td>
<td>45.1</td>
</tr>
<tr>
<td>Chipboard</td>
<td>40.7</td>
</tr>
<tr>
<td>Polyvinyl chloride</td>
<td>36.1</td>
</tr>
<tr>
<td>Caustic soda and potassium hydroxide</td>
<td>31.3</td>
</tr>
<tr>
<td>Plain steel wire rod</td>
<td>27.1</td>
</tr>
</tbody>
</table>

## Non-energy commodity exports, USD million

<table>
<thead>
<tr>
<th>Non-energy commodity exports, USD million</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turbo-jet engines and gas turbines</td>
<td>626.6</td>
</tr>
<tr>
<td>Synthetic rubber</td>
<td>128.0</td>
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<tr>
<td>Monocarboxylic acids and their derivatives</td>
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</tr>
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<td>Polyvinyl chloride</td>
<td>36.1</td>
</tr>
<tr>
<td>Caustic soda and potassium hydroxide</td>
<td>31.3</td>
</tr>
<tr>
<td>Plain steel wire</td>
<td>27.1</td>
</tr>
<tr>
<td>Phenols</td>
<td>26.3</td>
</tr>
<tr>
<td>Polished glass</td>
<td>25.5</td>
</tr>
<tr>
<td>Plain steel wire rod</td>
<td>21.0</td>
</tr>
<tr>
<td>Plywood</td>
<td>16.7</td>
</tr>
<tr>
<td>Polyethylene</td>
<td>14.2</td>
</tr>
<tr>
<td>Mineral processing equipment</td>
<td>12.4</td>
</tr>
<tr>
<td>Acyclic alcohols</td>
<td>12.2</td>
</tr>
<tr>
<td>Ketones, quinones and their derivatives</td>
<td>12.2</td>
</tr>
<tr>
<td>Steel cables, ropes and similar products</td>
<td>11.4</td>
</tr>
<tr>
<td>Glass containers</td>
<td>9.9</td>
</tr>
<tr>
<td>Fluid-flow pumps</td>
<td>8.0</td>
</tr>
<tr>
<td>Barley</td>
<td>7.3</td>
</tr>
<tr>
<td>Timber</td>
<td>7.1</td>
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</table>
### Exports geography

<table>
<thead>
<tr>
<th>Region</th>
<th>2016</th>
<th>2017</th>
<th>2016</th>
<th>2017</th>
<th>Growth 2016/2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>USD million</td>
<td>Share</td>
<td>Growth, USD million</td>
<td>Growth rate, %</td>
<td></td>
</tr>
<tr>
<td>The CIS</td>
<td>864.6</td>
<td>989.1</td>
<td>15.10%</td>
<td>23.20%</td>
<td>124.4</td>
</tr>
<tr>
<td>Europe</td>
<td>2,958.60</td>
<td>1,612.80</td>
<td>51.80%</td>
<td>37.80%</td>
<td>-1,345.90</td>
</tr>
<tr>
<td>APAC</td>
<td>517.9</td>
<td>802.3</td>
<td>9.10%</td>
<td>18.80%</td>
<td>284.4</td>
</tr>
<tr>
<td>The Middle East and Africa</td>
<td>419.8</td>
<td>290.4</td>
<td>7.30%</td>
<td>6.80%</td>
<td>-129.5</td>
</tr>
<tr>
<td>The Americas</td>
<td>123.1</td>
<td>119.3</td>
<td>2.20%</td>
<td>2.80%</td>
<td>-3.7</td>
</tr>
<tr>
<td>Traders and offshores</td>
<td>829.9</td>
<td>455.2</td>
<td>14.50%</td>
<td>10.70%</td>
<td>-374.7</td>
</tr>
</tbody>
</table>

### Non-energy commodity exports: geography

<table>
<thead>
<tr>
<th>Region</th>
<th>2016</th>
<th>2017</th>
<th>2016</th>
<th>2017</th>
<th>Growth 2016/2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>USD million</td>
<td>Share</td>
<td>Growth, USD million</td>
<td>Growth rate, %</td>
<td></td>
</tr>
<tr>
<td>The CIS</td>
<td>449.3</td>
<td>540.4</td>
<td>33.10%</td>
<td>29.60%</td>
<td>91.1</td>
</tr>
<tr>
<td>Europe</td>
<td>259.6</td>
<td>277</td>
<td>19.10%</td>
<td>15.20%</td>
<td>17.4</td>
</tr>
<tr>
<td>APAC</td>
<td>451.6</td>
<td>756.3</td>
<td>33.20%</td>
<td>41.40%</td>
<td>304.7</td>
</tr>
<tr>
<td>The Middle East and Africa</td>
<td>105.4</td>
<td>143.5</td>
<td>7.80%</td>
<td>7.90%</td>
<td>38.1</td>
</tr>
<tr>
<td>The Americas</td>
<td>52.9</td>
<td>74.2</td>
<td>3.90%</td>
<td>4.10%</td>
<td>21.3</td>
</tr>
<tr>
<td>Traders and offshores</td>
<td>39.9</td>
<td>35.4</td>
<td>2.90%</td>
<td>1.90%</td>
<td>-4.5</td>
</tr>
</tbody>
</table>

### New partners for non-energy commodity exports

<table>
<thead>
<tr>
<th>Region</th>
<th>Export volumes, USD million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Norway</td>
<td>0.997</td>
</tr>
<tr>
<td>Venezuela</td>
<td>0.777</td>
</tr>
<tr>
<td>British Virgin Islands</td>
<td>0.748</td>
</tr>
<tr>
<td>Chile</td>
<td>0.307</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>0.248</td>
</tr>
<tr>
<td>Ecuador</td>
<td>0.246</td>
</tr>
<tr>
<td>Pakistan</td>
<td>0.132</td>
</tr>
<tr>
<td>Uruguay</td>
<td>0.126</td>
</tr>
<tr>
<td>Cuba</td>
<td>0.123</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>0.007</td>
</tr>
</tbody>
</table>

### New products for non-energy commodity exports

<table>
<thead>
<tr>
<th>Product</th>
<th>Export volumes, USD million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diesel-powered buses and minibuses</td>
<td>1.588</td>
</tr>
<tr>
<td>Web offset presses</td>
<td>1.045</td>
</tr>
<tr>
<td>Hydraulic and pneumatic automatic control devices (except manostats)</td>
<td>0.826</td>
</tr>
<tr>
<td>Refined sunflower oil</td>
<td>0.585</td>
</tr>
<tr>
<td>Spare parts for automatic control devices</td>
<td>0.538</td>
</tr>
<tr>
<td>Milled rice</td>
<td>0.523</td>
</tr>
<tr>
<td>Steel pipes, other</td>
<td>0.469</td>
</tr>
<tr>
<td>Machines for electrical processing of materials</td>
<td>0.468</td>
</tr>
<tr>
<td>Petrol-powered light vehicles with an engine capacity of 3,000 cubic centimeters or more</td>
<td>0.459</td>
</tr>
<tr>
<td>Tank cars</td>
<td>0.325</td>
</tr>
</tbody>
</table>
### Export by countries

<table>
<thead>
<tr>
<th>Country</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2017 Growth, USD million</th>
<th>Growth rate, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Latvia</td>
<td>953.9</td>
<td>784.6</td>
<td>907.7</td>
<td>123</td>
<td>15.7</td>
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<tr>
<td>China</td>
<td>476.9</td>
<td>299</td>
<td>546.7</td>
<td>247.7</td>
<td>82.8</td>
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<tr>
<td>The Netherlands</td>
<td>940</td>
<td>787.2</td>
<td>426.4</td>
<td>-360.8</td>
<td>-45.8</td>
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<tr>
<td>Kazakhstan</td>
<td>544.6</td>
<td>351</td>
<td>354.8</td>
<td>3.8</td>
<td>1.1</td>
</tr>
<tr>
<td>Belarus</td>
<td>389.2</td>
<td>272</td>
<td>351.8</td>
<td>79.8</td>
<td>29.3</td>
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<tr>
<td>India</td>
<td>204.5</td>
<td>103.8</td>
<td>172.4</td>
<td>68.6</td>
<td>66.1</td>
</tr>
<tr>
<td>Finland</td>
<td>169.9</td>
<td>162</td>
<td>160.1</td>
<td>-2</td>
<td>-1.2</td>
</tr>
<tr>
<td>Turkey</td>
<td>405.1</td>
<td>226.8</td>
<td>148.1</td>
<td>-78.8</td>
<td>-34.7</td>
</tr>
<tr>
<td>Germany</td>
<td>152.5</td>
<td>115.7</td>
<td>93</td>
<td>-22.7</td>
<td>-19.6</td>
</tr>
<tr>
<td>Ukraine</td>
<td>113.7</td>
<td>82.1</td>
<td>85.1</td>
<td>3</td>
<td>3.7</td>
</tr>
<tr>
<td>Belgium</td>
<td>70.8</td>
<td>36.7</td>
<td>77.1</td>
<td>40.4</td>
<td>110.2</td>
</tr>
<tr>
<td>Poland</td>
<td>29.7</td>
<td>30.7</td>
<td>68.5</td>
<td>37.8</td>
<td>123.2</td>
</tr>
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<td>Kyrgyzstan</td>
<td>66.7</td>
<td>29.6</td>
<td>67.5</td>
<td>37.8</td>
<td>127.6</td>
</tr>
<tr>
<td>Algeria</td>
<td>127.1</td>
<td>100.4</td>
<td>62.8</td>
<td>-37.6</td>
<td>-37.5</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>51.3</td>
<td>56.4</td>
<td>54.1</td>
<td>-2.2</td>
<td>-3.9</td>
</tr>
</tbody>
</table>

### Non-energy commodity exports by country

<table>
<thead>
<tr>
<th>Country</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2017 Growth, USD million</th>
<th>Growth rate, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>455.6</td>
<td>279.5</td>
<td>541.7</td>
<td>262.2</td>
<td>93.8</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>206.6</td>
<td>213.2</td>
<td>237.1</td>
<td>24</td>
<td>11.3</td>
</tr>
<tr>
<td>India</td>
<td>204.5</td>
<td>103.8</td>
<td>169.1</td>
<td>65.3</td>
<td>62.9</td>
</tr>
<tr>
<td>Finland</td>
<td>138.8</td>
<td>102.6</td>
<td>111.4</td>
<td>8.7</td>
<td>8.5</td>
</tr>
<tr>
<td>Belarus</td>
<td>53.2</td>
<td>73.9</td>
<td>101.7</td>
<td>27.8</td>
<td>37.7</td>
</tr>
<tr>
<td>Ukraine</td>
<td>46.5</td>
<td>55.6</td>
<td>80.7</td>
<td>25.1</td>
<td>45.2</td>
</tr>
<tr>
<td>Algeria</td>
<td>74.2</td>
<td>47.4</td>
<td>60.9</td>
<td>13.4</td>
<td>28.3</td>
</tr>
<tr>
<td>Turkey</td>
<td>25.7</td>
<td>25.7</td>
<td>60.1</td>
<td>34.4</td>
<td>133.8</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>49.7</td>
<td>52</td>
<td>53.8</td>
<td>1.7</td>
<td>3.4</td>
</tr>
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<td>Lithuania</td>
<td>46.8</td>
<td>39.1</td>
<td>47.4</td>
<td>8.3</td>
<td>21.1</td>
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<tr>
<td>Germany</td>
<td>18.1</td>
<td>36.8</td>
<td>45.9</td>
<td>9.1</td>
<td>24.7</td>
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<td>USA</td>
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<td>13.3</td>
<td>24.7</td>
<td>11.4</td>
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</tr>
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<td>Peru</td>
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<td>32.3</td>
<td>23.9</td>
<td>-8</td>
<td>-26</td>
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<tr>
<td>The Netherlands</td>
<td>44.4</td>
<td>19.7</td>
<td>21.8</td>
<td>2.1</td>
<td>10.6</td>
</tr>
<tr>
<td>Japan</td>
<td>47.1</td>
<td>35.4</td>
<td>21.5</td>
<td>-14</td>
<td>-39.4</td>
</tr>
</tbody>
</table>
Investment potential

1 Geography

The Republic of Bashkortostan is located in the Southern Urals, on the border of Europe and Asia, in the basins of the Volga, Ural and Ob rivers. The republic is part of the Volga Federal District.

Bashkortostan borders highly-developed Perm Territory and Sverdlovsk Region to the north (around 340 km and over 170 km, respectively), Chelyabinsk Region to the east (over 1,330 km), Orenburg Region to the south and south-west (around 1,140 km) and the Republic of Tatarstan and the Udmurt Republic to the west and north-west (around 420 km and 100 km, respectively).

Two thirds of the republic’s total area are occupied by hilly valleys, one fourth – by mountains (Southern Urals), and over one tenth – by ridges and fells (Bashkir Trans-Urals).

There are four temperate geographical zones: mixed forest, broad-leaved forest, forest-steppe and steppe.

Climate: continental temperate, with warm summers and moderate winters.

Average temperature: −18°C in January +18°C in July.

2 Forest resources

5.7 million hectares, or 40 percent of the total area, is covered by forests:

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

69.2 percent of the total volume of wood stocks listed in the forests are classified as exploitable;

99.7 percent – birch, lime tree, pine, aspen, fir tree, oak, etc.

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

The republic is the No. 4 producer of chipboard in Russia (and the No.1 producer in the Volga Federal District).

Key growth areas are advanced woodworking and the creation of new enterprises for processing low-grade wood and timber waste.
3 Water resources

Average annually renewable water resources comprise:

• water coming from neighboring regions (Perm Territory, Chelyabinsk, Sverdlovsk and Orenburg Regions and the Republic of Tatarstan) – 4.5 cubic kilometers;
• water resources forming within the republic – 25.5 cubic kilometers.

Water supply per person: 8,750 cubic meters per annum (24 cubic meters per day).

Currently, Bashkortostan operates 443 water reservoirs and ponds, 119 of which have a volume of more than 1 million cubic meters. There are also more than 600 rivers and 800 lakes. Water availability is ensured through the regulation of river flows using water reservoirs and ponds.

4 Mineral resources

The Republic of Bashkortostan is rich in minerals, with more than 60 types of minerals in total. There are about 3,500 mineral deposits, including 250 oil fields.

In 2017, Bashkortostan was among the leading regions in Russia in terms of natural resources (according to the Ministry of Economic Development of the Republic of Bashkortostan):
• largest producer of rock salt;
• second-largest oil refiner;
• ninth-largest oil producer.

5 Industrial production

The Republic of Bashkortostan's industrial production includes mining, manufacturing, production and distribution of electricity, gas and water.

The manufacturing sector accounts for 74.1 percent of industrial products dispatched.

The republic is Russia's leading crude oil refiner. The share of mechanical engineering is about 16 percent.

In terms of industrial production, Bashkortostan is Russia's No. 1 producer in the following categories:
• sodium carbonate;
• thermally polished glass;
• polymeric materials for floor, wall and ceiling finishing;
• mobile concrete pumps*;
• cement mixer trucks.

*Bashkortostan is the only producer of concrete pumps in the country.
Top-priority sectors for development

1. Extraction and processing of natural resources

The Republic of Bashkortostan is one of the oldest oil-producing regions in the country, accounting for 3 percent of all Russian oil production, including gas condensate. Among the Russian regions, it is ranked ninth by production volumes and first by primary crude oil processing.

Bashkortostan is the main producer of light oil products in the country: the No. 1 producer of diesel fuel and No. 2 producer of petrol.

The oil conversion ratio in Bashkortostan stands at 84.1 percent vs. the Russian average of 81 percent.

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

2. Chemical and petrochemical industry

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

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

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

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

3. Mechanical engineering

Bashkortostan has a 78.5 percent share in the national production of cement mixer trucks, and an 80.7 percent share in the national production of boat cruisers.

The region is No. 2 producer of vehicle bodies and No. 3 producer of helicopters.

6. Agriculture

The region is among the seven largest agricultural producers in Russia. One point six million people, or over 38 percent of Bashkortostan’s population, live in the countryside.

The republic’s agricultural land totals:

- **7.3 million hectares** of farmland;
- **3.6 million hectares** of plough land.

Bashkortostan has:

- **703** agricultural enterprises;
- **6,321** farms and individual farmers;
- **1,125** agricultural processing enterprises.

The Republic is a leading Russian region by key agricultural production indicators:

Largest producer:

- cattle (1,028 thousand);
- beef (196 thousand tonnes);
- kumiss (3.2 thousand tonnes);
- commercial honey (5.4 thousand tonnes).
**Second largest producer:**
- milk (1.718 mln tonnes);
- greenhouse vegetables (94,200 tonnes).

**Third largest producer:**
Horses (121,000)

**Fifth largest producer:**
Potatoes (978,000 tonnes)

**Tenth largest producer:**
Cattle and poultry for slaughter (on a live weight basis)

Principal agricultural products: grain, sugar beet, oil seeds, vegetables, fodder, meat and dairy products.

The high performance and the vast lands of the region's agricultural sector create opportunities for implementing agricultural storage and processing projects (canning factories, Class A warehouses with washing and packing facilities, hide-processing enterprises, etc.).

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### Gross product mix

<table>
<thead>
<tr>
<th></th>
<th>Agricultural businesses</th>
<th>Individual farms</th>
<th>Farms</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gross product mix</strong></td>
<td>%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>38%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>51%</td>
<td></td>
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</table>

---

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2010</th>
<th>2016</th>
<th>2017</th>
<th>2017 vs 2016, %</th>
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</thead>
<tbody>
<tr>
<td><strong>Gross products, RUB billion</strong></td>
<td>60.4</td>
<td>88.6</td>
<td>168.8</td>
<td>171.8</td>
<td>101.8</td>
</tr>
<tr>
<td><strong>Food production index, %</strong></td>
<td>106</td>
<td>96.3</td>
<td>103.3</td>
<td>105</td>
<td>+1.7 pp</td>
</tr>
<tr>
<td><strong>Production output, thousand tonnes:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>milk</td>
<td>2,083.4</td>
<td>2,078.1</td>
<td>1,730.8</td>
<td>1,718.4</td>
<td>99.3</td>
</tr>
<tr>
<td>meat</td>
<td>381.6</td>
<td>467.1</td>
<td>397.4</td>
<td>410.2</td>
<td>103.2</td>
</tr>
<tr>
<td><strong>Gross collection, thousand tonnes:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>grain</td>
<td>2,884</td>
<td>781</td>
<td>3,324</td>
<td>3,783</td>
<td>113.8</td>
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<tr>
<td>sugar beet</td>
<td>1,176</td>
<td>377</td>
<td>1,362</td>
<td>1,594</td>
<td>117</td>
</tr>
<tr>
<td>sunflower</td>
<td>126</td>
<td>51</td>
<td>225</td>
<td>274</td>
<td>121.7</td>
</tr>
<tr>
<td>vegetables and potatoes</td>
<td>1,501</td>
<td>663</td>
<td>1,439</td>
<td>1,346</td>
<td>94</td>
</tr>
</tbody>
</table>
Agricultural sector development priorities in the period up to 2020

1. Crop farming:
   • crop production;
   • production and processing of sugar beet;
   • production of field and greenhouse vegetables;
   • production of oil seeds.

2. Animal farming:
   • dairy cattle breeding;
   • increase in market milk production;
   • increase in cattle, poultry, pork and egg production.

3. Food and processing industry:
   • cereal production, pastry and noodle products;
   • dairy and meat products, semi-finished products;
   • cheese and cheese products;
   • honey and hive products.

Measures to be taken:
• the use of new technologies in grain farming, improvement of fodder base structure and production of oilseeds;
• arranging the production of highly-nutritious feed;
• construction of plants to store and process horticultural produce and potatoes, as well as to produce canned food;
• manufacturing of products with medicinal and preventive properties, as well as baby food.

Transportation

The Republic of Bashkortostan lies at the intersection of Europe and Asia, at the crossing of the most important waterways, railways, pipelines and highways that connect the European part of Russia with the Urals, Siberia and Central Asia.

The following transportation and logistics factors create favorable conditions for the import and export of raw materials, fuel and finished goods, and for the development of economic ties with other countries:

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

• Bashkortostan has access to five seas (Caspian, Azov, Black, Baltic and White) via the Belaya, Kama, and Volga rivers. There is also a river and seaport in Agidel;

• The M5 Ural and M7 Volga highways, as well as P-240 Ufa—Orenburg road pass through Bashkortostan.

Bashkortostan has the longest road network among all the regions in the Volga Federal District.

Transport network development outlook:

• 2020: the Ufa—Orenburg road will be connected with the Western Europe—Western China international transport corridor (Silk Road);

• The Eastern Exit tunnel will connect Ufa with the M5 highway Ural 5 (the largest BOT project in Russia).

Ufa International Airport was the first regional airport in Russia to confirm compliance with the ISAGO Standards (IATA Safety Audit for Ground Operations). Its runways are suitable for large cargo and passenger aircrafts including Boeing 747, Boeing 777 and wide-body aircrafts.
General information about the Ufa International Airport:
• passenger traffic: up to 2.3 million people per annum;
• total capacity: 800 passengers per hour;
• number of runways: 2.

Additional information: Ufa International Airport has won the Air Gates of Russia national award for the second consecutive year as the best international airport with a capacity of 4 million people or less.

The Republic of Bashkortostan has a railway network of more than 3,000 kilometers.

Rail freight traffic: over 30 million tonnes per year.
Rail passenger traffic: over 5 million people per year.

Retail market

An advantageous geographic location, developed transport infrastructure, a stable economic situation and a highly dense population create favorable conditions for business in Bashkortostan.

The region has a population of more than 4 million people. There are six cities with a population of a million+ in a 500-kilometer radius from the capital. Population density is 28.4 people per square kilometer (against the national average of 8.3 people per square kilometer).

In 2017, retail sales totaled RUB 841.1 billion (102.1 percent vs. 2016 in comparable prices).

The republic is historically listed among the top ten Russian regions in terms of absolute retail turnover (eighth place), taking leading positions in the Volga Federal District (second place).

Bashkortostan has 26,000 retail outlets:*

• grocery stores – approximately 6,000;
• other stores – 9,800;
• public eating venues – 438;
• retail markets – 52.

The region has 1,200 federal-level and 5,500 local and regional-level retail chain outlets.

In 2017, Bashkortostan commissioned 264 retail facilities (where 23 outlets have a floor area of more than 1,000 square meters). Capital investments exceeded RUB 3.6 billion.

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*As at 1 January 2018
Tourism attractiveness

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

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

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

Reasons for tourism attractiveness:

• picturesque natural scenery;

• cultural heritage (Lake Kandrykul, Shulgan-Tash nature reserve and Kapova cave, which are part of the Bashkir Ural biosphere reserve);

• well-developed transportation infrastructure.

The region offers a wide range of accommodation options, including international hotel chains (Sheraton, Holiday Inn, Hilton Garden Inn, Hampton, Iremel, Azimut, Bashkirie, Tan, AMAKS Hotels & Resorts, President Hotel, etc.).
Bashkortostan’s tourism rankings
By the scope of tourist services:
• **No. 2** in the Volga Federal District; No. 7 in Russia.
By the scope of hospitality services (hotels and similar facilities):
• **No. 1** in the Volga Federal District; No. 5 in Russia.
By the scope of spa and sanatory services:
• **No. 1** in the Volga Federal District; No. 6 in Russia.

Tourism development priorities:
• ecotourism and extreme tourism (horseback riding, trekking, snowmobiling, rafting);
• further development of more traditional recreational and health activities and winter sports;
• investment into the hospitality business and health care.

Finance
The Republic of Bashkortostan has a well-developed local banking network:
• sixty-two credit institutions, four of them are regional;
• sixteen branches of credit institutions from other regions.

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

At the end of 2017, loans to individuals totaled RUB 235.2 billion, loans to legal entities and sole proprietors - RUB 606.6 billion.

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

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

Ufa Science Center of the Russian Academy of Science and technoparks established with the support of the republic’s universities play an important role in scientific and technical development. These institutions specialize in such fields as oil and gas, chemicals, IT, ecology and geodesy.
The Republic of Bashkortostan takes efforts to improve the local business climate in accordance with project management principles.

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

The Project Office was established in order to immediately solve the issues and queries of the business community arising in the course of investment and business activities, as well as to implement best practices creating a favorable business environment.

The Public Council is convened at least once every two months, and the Project Office has meetings every month. The agenda of the Public Council and Project Office meetings is determined based on suggestions from businesses.

Up-to-date information:

1. period for issuing construction permits: 70 days;
2. cadastral registration of real estate: 5 business days;
3. state registration of property rights: 6 business days (online: 2 business days);
4. average time for connection to a power grid: 41 days.

The republic has in place an effective investment support framework. Investors can use 3 business incubators: Business Support Center, Regional Integrated Center – The Republic of Bashkortostan and Bashkortostan Social Innovation Center.

There are seven technology parks, 12 industrial parks, 3 technology transfer centers, the Bashkortostan Venture Fund, 22 start-ups at higher educational and scientific organizations, three shared knowledge centers, two prototyping centers, and the Bashkortostan Regional Engineering Center.

For information about available capacities and gas and power grid connection points, visit the Bashkortostan Investment Portal: http://map.bashkortostan.ru/.

Information about the region’s available investment sites and investment proposals can be found on the website of the Development Corporation at http://kr-rb.ru/.

SMEs particularly welcome:

- government-funded financial support initiatives;
- investment infrastructure;
- quality road networks and telecommunication services;
- availability of business-critical real estate and lease procedures.
Development Institution

Development Corporation of the Republic of Bashkortostan

Development Corporation of the Republic of Bashkortostan serves as a regional development institution*.

The corporation provides integrated support for local projects, from investment intent to commissioning.

It offers a whole range of full-scope/targeted project support services, including business plan preparation and ongoing project maintenance in liaison with regional government agencies, all the way up to the approval stage.

The procedure for interaction between investors, regional government agencies, and the Corporation in the course of investment projects is defined in the One-Stop Shop Regulation**.

Investment projects are facilitated by a competent organization throughout the course of the project and until the investment phase. This includes:

a) providing advice to investors regarding the implementation of investment projects;

b) educating investors about investment opportunities and the investment potential of the republic as a whole as well as specific municipalities;

c) establishing interaction between investors, local, federal and regional government agencies, local governments and organizations dealing with preparatory, conciliation and licensing procedures in the course of investment projects;

d) assisting in the search for potential partners for investment projects;

e) establishing investors’ interaction with non-governmental investment support institutions;

f) arranging negotiations, meetings, conferences and consultations to resolve issues arising in the course of investment projects;

* Established by Order of the President of Bashkortostan No. UP-730 dated 20 December 2010

** The Regulation was approved by Bashkortostan government resolution No. 490 dated 16 November 2016
g) assisting in the selection of an investment site suitable for a specific investment project.

In addition to the services indicated in the Regulation, the Corporation also offers construction supervisory services and technical client services (industrial construction, transport and engineering infrastructure projects in Bashkortostan), including the construction of railways, highways, power, gas and water networks, etc.)

Pre-project phase services:
- examination of the future construction site to assess architectural, legal, engineering and environmental risks;
- assistance with the allocation of land plots;
- obtaining preliminary permits;
- preparation of SOW for survey, design and general contract work;
- execution/assistance with contracts for engineering surveys, project documentation and general contractor services.

Design phase services:
- interaction with design institutes in the course of preparing project documentation;
- support in the course of an expert review of project documentation to accelerate the project;
- assistance with obtaining a building permit;
- collecting a set of documents for work requests (where necessary) to reduce project costs.

Construction phase services:
- comprehensive supervision throughout the construction process;
- assistance with obtaining commissioning permits.

Legal services:
- legal advice: document review, issuing an opinion on regulatory compliance with due regard for existing court practice;
- due diligence: legal due diligence of documents, company audits;
- legal advice on investments: comprehensive legal support in the course of investment projects, including foreign investments;
- incorporation of foreign-invested legal entities: preparation of all required documents, communicating changes to the tax authorities;
- representation in court: comprehensive litigation support, professional protection of investors' interests in Bashkortostan and other regions;
- subscription legal services: end-to-end support with all legal matters;
- debt collection: pre-trial recovery through negotiation/support with enforcement proceedings;
- private partnership: preparation, development and maintenance of draft public-private and public-local partnerships (including liaison with government agencies).
Corporation performance in 2017:

• year to date, the Corporation has onboarded 116 projects;
• over RUB 424 billion in investments;
• these projects will create around 15,000 new jobs;
• twelve projects are on the list of Bashkortostan’s top-priority investment projects;
• two projects are on the register of Bashkortostan’s top-priority investment projects;
• three legal entities obtained a TPSED resident status (Kumertau);
• three projects use leveraged finance provided by dedicated foundations (Industry Development Fund/Monocity Development Fund).
Innovations

**Industrial parks**

Bashkortostan has created special zones for new industrial enterprises (industrial parks).

An industrial park is a group of real properties managed by a single operator (management company) and comprising a land plot(s) with industrial, administrative, warehousing and other facilities, power units, utility and transport infrastructure and offering necessary administrative and legal conditions for industrial enterprises.

An industrial park hosts several independent businesses across one or multiple industries.

**Industrial park advantages:**

- accelerated project launch;
- availability of necessary permits and project, legal and other documentation;
- well-developed, readily accessible infrastructure;
- opportunity to engage in a JV/second line business;
- and a service company.
Technology parks, industrial parks, clusters and territories of priority social and economic development (TPSED) in the Republic of Bashkortostan

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

4 Number of parks, if more than one at the location
### Industrial parks

<table>
<thead>
<tr>
<th>Park Name</th>
<th>Location</th>
<th>Year of establishment</th>
<th>Number of residents</th>
<th>Total area*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prikamye Industrial Park</td>
<td>Neftekamsk</td>
<td>2010</td>
<td>14</td>
<td>100 hectares</td>
</tr>
<tr>
<td>Construction materials of Bashkortostan Industrial Park</td>
<td>Agidel</td>
<td>2010</td>
<td>15</td>
<td>223.88 hectares</td>
</tr>
<tr>
<td>Salavat Industrial Park</td>
<td>Salavat</td>
<td>2011</td>
<td>3</td>
<td>14.5 hectares</td>
</tr>
<tr>
<td>ChemTerra Industrial Park</td>
<td>Blagoveschensk</td>
<td>2012</td>
<td>1</td>
<td>27,545 square meters</td>
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<tr>
<td>Ufimsky Industrial Park</td>
<td>Ufa District</td>
<td>2013</td>
<td>17</td>
<td>298.5 hectares</td>
</tr>
<tr>
<td>First Urals Industrial Park</td>
<td>Sibay</td>
<td>2014</td>
<td>5</td>
<td>13.6 hectares</td>
</tr>
<tr>
<td>Promcenter Industrial Park</td>
<td>Ufa</td>
<td>2014</td>
<td>11</td>
<td>58,600 square meters</td>
</tr>
<tr>
<td>GlavBashStroy Industrial Park</td>
<td>Ufa District</td>
<td>2014</td>
<td>3</td>
<td>56.9 hectares</td>
</tr>
<tr>
<td>Zubovo Industrial Park</td>
<td>Ufa District</td>
<td>2015</td>
<td>-</td>
<td>37.3 hectares</td>
</tr>
<tr>
<td>Veles Industrial Park</td>
<td>Sterlitamak</td>
<td>2015</td>
<td>12</td>
<td>8.3 hectares 17,898.7 square meters</td>
</tr>
<tr>
<td>BashInvest Industrial Park</td>
<td>Ufa</td>
<td>2016</td>
<td>-</td>
<td>10,646 square meters</td>
</tr>
<tr>
<td>Sichuan-Sibai Industrial Park</td>
<td>Tuyalyas village</td>
<td>2018</td>
<td>-</td>
<td>328.9 hectares</td>
</tr>
</tbody>
</table>
Greenfield, industrial lands, the anchor resident is a cement plant.

* Hectares are used to indicate the total area of a land plot.
**Monocities and TPSEGS**

Bashkortostan has created special economic zones offering their residents certain tax benefits and easier administrative procedures. The region has two territories of priority social and economic development (TPSEDs): the cities of Kumertau and Belebei*.

**Benefits for TPSED residents**

<table>
<thead>
<tr>
<th>Benefit</th>
<th>Standard rate</th>
<th>TPSED rate</th>
<th>Benefit period</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Corporate income tax</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Federal budget</td>
<td>3%</td>
<td>0%</td>
<td>First 5 years</td>
</tr>
<tr>
<td>Regional budget**</td>
<td>17%</td>
<td>5%</td>
<td>First 5 years</td>
</tr>
<tr>
<td></td>
<td></td>
<td>10%</td>
<td>Next 5 years</td>
</tr>
<tr>
<td><strong>Corporate property tax</strong></td>
<td>2.2%</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td><strong>Employer’s social security contributions</strong></td>
<td>30% of payroll</td>
<td>7.6% of payroll</td>
<td></td>
</tr>
<tr>
<td>Pension Fund</td>
<td>22%</td>
<td>6%</td>
<td>10 years</td>
</tr>
<tr>
<td>Social Security Fund</td>
<td>2.9%</td>
<td>1.5%</td>
<td></td>
</tr>
<tr>
<td>Mandatory Medial Insurance Fund</td>
<td>5.1%</td>
<td>0.1%</td>
<td></td>
</tr>
<tr>
<td>Land tax****</td>
<td>0.3% -1.5%****</td>
<td>0%***</td>
<td></td>
</tr>
<tr>
<td><strong>Reduction factor for mineral extraction tax</strong></td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>0</td>
<td>First 2 years</td>
<td></td>
</tr>
<tr>
<td></td>
<td>0.2</td>
<td>3rd to 4th year</td>
<td></td>
</tr>
<tr>
<td></td>
<td>0.4</td>
<td>5th to 6th year</td>
<td></td>
</tr>
<tr>
<td></td>
<td>0.6</td>
<td>7th to 8th year</td>
<td></td>
</tr>
<tr>
<td></td>
<td>0.8</td>
<td>9th to 10th year</td>
<td></td>
</tr>
</tbody>
</table>

* On 29 December 2016, the Russian government signed regulations to create TPSEDs.
** The respective regional laws were passed by the Bashkortostan State Assembly on 22 February 2017.
*** Set by the municipality
**** Depending on the purpose
Six monocities (single-industry municipalities):

- Belebei and Kumertau (Category 1);
- Neftekamsk and Beloretsk (Category 2);
- Uchaly and Blagoveschensk (Category 3).

Support offered by the Monocity Development Fund (the Fund):

1. **Construction (reconstruction) of infrastructure**
   - Fund investments: max. **95 percent**
   - Regional budget investments: min. **5 percent**

2. **Requirements for investment projects:**
   - The Fund allocates **RUB 0.4-0.8 million** per one new job.
   - An investor must raise **three rubles** of foreign investments per **each ruble** invested by the Fund.
Technology parks

Technology parks are professionally run organizations that encourage and manage knowledge sharing between universities, research institutions, businesses and markets. A technology park simplifies the creation and development of innovative companies through business incubator and spin-off processes.

<table>
<thead>
<tr>
<th>Technology park</th>
<th>Management Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research and technology park of GUP Oil and Petrochemical Refining Institute of the Republic of Bashkortostan</td>
<td>GUP Oil and Petrochemical Refining Institute of the Republic of Bashkortostan</td>
</tr>
<tr>
<td>NPA Aviation Technology Park</td>
<td>NPA Aviation Technology Park Members of the Association: PAO UMPO, FGBOU VO UGATU, AO UfaAvia-Gaz, AO BETO, OOO AviaPromLeasing</td>
</tr>
<tr>
<td>Ecoline Technology Park</td>
<td>OOO Ecoline</td>
</tr>
<tr>
<td>Medtekhnika Technology Park</td>
<td>OOO Research and Development Enterprise Orbita</td>
</tr>
<tr>
<td>Ufa Aviation Institute Self-Sustaining Creative Center Technology Park</td>
<td>OOO Ufa Aviation Institute Self-Sustaining Creative Center</td>
</tr>
<tr>
<td>Bashkiria Technology Park</td>
<td>ZAO Meleuz Milk Canning Plant</td>
</tr>
<tr>
<td>Inmash Technology Park</td>
<td>OOO KIT STAR</td>
</tr>
</tbody>
</table>
**A cluster** is a group of related businesses concentrated in a certain area.

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

The Development Corporation of the Republic of Bashkortostan provides support to public-private partnerships (PPP) and investment projects implemented in the framework of concession agreements with the participation of the Republic of Bashkortostan. In 2017, Bashkortostan ranked fifth among all Russian regions in the PPP maturity rating (two places up from the previous year).

<table>
<thead>
<tr>
<th>Placement in the PPP rating*</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
</tr>
<tr>
<td>51</td>
</tr>
</tbody>
</table>

*According to the Association of PPP participants “Public-Private Partnership Development Center”

Major spheres of PPP/concession development are:

- transportation infrastructure, including public transportation;
- public utilities infrastructure (only under a concession agreement);
- healthcare;
- education, culture, sports, tourism;
- social welfare of the population;
- environmentally-friendly infrastructure (solid waste treatment, utilization, neutralization and disposal).

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

As part of the development of public-private partnerships, work in the republic is performed in three areas:

- regulatory support of PPPs;
- institutional environment development;
- implementation and information-methodological support of PPP projects.

There is a PPP management system in place. The Ministry of Economic Development of the Republic of Bashkortostan is the authorized body for PPP mechanisms administration. Sectoral executive authorities of the Republic of Bashkortostan are responsible for the development of concession agreements and the consideration of proposals from entities intending to conclude such agreements on relevant areas of activity. The Development Corporation of the Republic of Bashkortostan is in charge of PPP investment projects support in the Republic of Bashkortostan. The Investment Fund of the Republic of Bashkortostan serves as the key financial enabler for the preparation and implementation of PPP projects.

Potential areas of PPP application in Bashkortostan are:

- social services;
- healthcare;
- tourism;
- transportation;
- utility services.
Law No. 386-z of the Republic of Bashkortostan “On the participation of the Republic of Bashkortostan in public-private partnerships projects”

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

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

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

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

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

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

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

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

* EA of RB — executive authorities of the Republic of Bashkortostan
Government support initiatives for investment activities in the form of capital investments

1. Tax incentives

Corporate profit tax relief
The CPT rate for priority investment projects with a duration of 10 years or less is reduced gradually: by 4.5 percent in 2017-2020 and by 3.5 percent effective from 2021.

The benefit period depends on the amount invested:

- RUB 100 million to RUB 1.5 billion inclusive — three years;
- RUB 1.5 billion to RUB 5 billion inclusive — five years;
- over RUB 5 billion — 10 years;
- RUB 10 million to RUB 1.5 billion inclusive — three tax periods (for investors implementing priority investment projects in the Bashkortostan municipalities);
- covered by the integrated social and economic development roadmap list approved by the Bashkortostan government).

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

2. Collateral

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

3. Preferential lease of land plots

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

Eligibility requirements for the preferential lease of land plots:
Available financing sources for an investment project of at least 50 percent of its value and compliance with one of the following criteria:

- construction of an industrial park or facilities that will increase the number of jobs in the municipality where they are located:
  - by at least 50 jobs within a municipality with a population of up to 20 thousand people
  - by at least 100 jobs within a municipality with a population from 20 thousand to 100 thousand people
  - by at least 150 jobs within a municipality (excluding Ufa city) with a population of more than 100 thousand people
  - by at least 250 jobs in the City of Ufa Urban District (the Republic of Bashkortostan);

- construction of an industrial park or facilities that will increase the annual revenues from taxes to the consolidated budget of the Republic of Bashkortostan by at least RUB 25 million, including tax payments by the residents of the industrial park of the Republic of Bashkortostan;

- construction of individual residential buildings or apartment blocks, for which the ownership or social rent contracts will be transferred to people who lost their homes as a result of an emergency.
4. Government programs for financial support to SMEs in the Republic of Bashkortostan

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

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

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Fax: +7 (347) 218 05 99
mcx@bashkortostan.ru
www.agriculture.bashkortostan.ru
5. As part of the government program to develop and support SMEs in the Republic of Bashkortostan, subsidies are granted to:

• partially reimburse the expenses incurred by SMEs to purchase equipment with a view to establish and/or promote or upgrade the production of goods (work, services);

• partially reimburse the education and training expenses incurred by SMEs (training, refresher training, and professional improvement);

• partially reimburse the expenses incurred by social businesses;

• partially reimburse the expenses incurred by SMEs for participation in international and interregional exhibitions and congresses;

• perform research and development activities;

• partially reimburse the expenses incurred by SMEs for the establishment and/or development of child daycare centers and other similar childcare facilities;

• partially reimburse the expenses incurred by infrastructure development organizations for the implementation of SME support projects in the Republic of Bashkortostan;

• cover guarantee costs of the guarantee fund;

• lease fixed assets;

• obtain microloans.
Funds

1. Regional Fund
The objective of the fund is to support priority investment projects. The work undertaken by the fund includes:

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

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

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

The fund invests in the following industries: construction and manufacturing of construction materials, air transportation, agriculture and engineering. The fund’s investment portfolio includes gas, engineering, non-ferrous metal and telecommunications companies. In addition, the fund considers special-purpose energy and nanotechnology projects.

2. Industry Development Fund
The Industry Development Fund was established with a view to modernize industrial production in Russia, encourage new industrial facilities and promote import substitution. The fund was established in 2014 by the Russian Ministry of Industry and Trade through the transformation of the Russian Fund for Technological Development.

The fund offers preferential project co-financing conditions aimed at developing new high-tech products, technical upgrade and the creation of new competitive enterprises based on the best available technologies.

To implement new industrial projects, the fund provides targeted loans of RUB 50 to 750 million at a rate of one or five percent per annum for up to seven years, thus facilitating an inflow of direct investment into the real sector of the economy.

Contacts

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frp@frprf.ru
www.frprf.ru
3. SME Development and Support Fund of the Republic of Bashkortostan

Areas of focus:

- implementation of state support measures as part of the Development and Support of SMEs in the Republic of Bashkortostan program;
- advisory and educational services;
- supporting hot line for businesses;
- supporting operations of the Center for Business Support of the Republic of Bashkortostan;
- providing financial support to small businesses:
  - issuing guarantees using the guarantee fund
  - leasing property, plant and equipment
  - extending loans using the Investment Initiative Fund.

SME Development and Support Fund of the Republic of Bashkortostan was established by Order of the President of Bashkortostan No. UP-455 on 12 July 1999.

4. Russian Direct Investment Fund

The Russian Direct Investment Fund (RDIF) is an investment fund created to attract foreign investment to the leading companies in the fastest growing sectors of the Russian economy.

The fund was established in June 2011 upon an initiative of the Russian President and the Chairman of the Russian Government.

Objectives:
- make profitable investments;
- attract direct foreign investment to the Russian economy.

Major objectives:
- ensure an inflow of foreign investment;
- maximize return on invested capital;
- facilitate the modernization of the Russian economy;
- attract the world's best technologies and professionals to Russia;
- ensure transparent fund management.

RDIF acts as a co-investor and partner for international direct investment funds, sovereign funds and the largest strategic investors making direct investments in Russian companies. RDIF shares risks with its co-investors while striving to gain encouraging income.

The co-investment mechanism:
- RDIF can only invest if there is a co-investor/a group of co-investors, provided that their share in the investment is equal to or greater than the share of RDIF;
- the co-investor must manage assets worth more than USD 1 billion or have market capitalization of more than USD 1 billion, or a turnover of more than USD 1 billion and an EBITDA of more than USD 150 million;
- a transaction may be initiated both by RDIF and the co-investor;
• when implementing any project, RDIF and the co-investor conclude a joint investment agreement to determine project management principles.

The investment process:
• RDIF's investment process conforms to international direct investment standards;
• target transaction size: USD 50 million to USD 500 million equity investment (RDIF share);
• up to 50 percent interest in the company;
• expected exit from investment: five to seven years;
• infrastructural projects implemented from scratch (greenfield) may have a longer exit period.

On 16 May 2012, the Bashkortostan Government, Russian Direct Investment Fund and Agency for Strategic Initiatives (ASI) signed a cooperation agreement. The agreement was signed by Rustem Khamitov (Head of the Republic of Bashkortostan), Kirill Dmitriev (General Director of RDIF) and Artem Avetisyan (Director for New Business at ACI).

5. Fund for Assistance to Small Innovative Enterprises
The Fund for Assistance to Small Innovative Enterprises (FASIE) is a state-owned non-profit organization established as a federally funded institution pursuant to Russian Government Resolution No. 65 dated 3 February 1994.

Major objectives:
• implementing government policy to develop and support R&D activities;
• create and develop a support infrastructure;
• assist in the creation of new jobs to ensure the effective use of the scientific and technical potential of the Russian Federation;
• provide financial, informational and other assistance;
• engage young people in innovation activities;
• attract non-budgetary investments to small innovative enterprises.

Contacts

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Fax: +7 (495) 644 34 13
www.rdif.ru

1 3rd Obydenskiy Lane, Bldg. 5
Moscow 119034
Tel./fax: +7 (495) 231 19 06
info@fasie.ru
www.fasie.ru
6. MSP Bank
AO Russian Bank for the Support of SMEs (AO MSP Bank, formerly OAO MSP Bank, incorporated as OAO RosBR in 1999).

Key eligibility criteria for support

1. Compliance with the key criteria (verification of the SME status)

<table>
<thead>
<tr>
<th>Criterion</th>
<th>Micro-sized business</th>
<th>Small business</th>
<th>Medium business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average headcount</td>
<td>Max. 15 people</td>
<td>Max. 100 people</td>
<td>Max. 250 people</td>
</tr>
<tr>
<td>Sales revenue for the preceding year (net of VAT)</td>
<td>Max. RUB 120 million</td>
<td>Max. RUB 800 million</td>
<td>Max. RUB 2 billion</td>
</tr>
</tbody>
</table>

2. Forms of support (funding options):
   - loan;
   - micro-sized loan;
   - lease (entity acts as a lessee);
   - factoring (funding against assignment of receivables).

3. Finding a partner in Bashkortostan:
   - to obtain a bank loan a business must apply to any of the partner banks that have regional SME funding quotas;
   - to obtain a micro-sized loan, lease equipment or receive funding against the assignment of receivables (factoring) a business must apply to the relevant support organization http://www.mspbank.ru/Predprinimatelyam/partneryiy_regionah).

The partner bank or support organization will then verify whether the applicant meets the Program requirements and the eligibility criteria of the partner bank and will provide the relevant funding/service, provided that the MSP Bank has available funds.

Contacts

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www.mspbank.ru
7. Federal Center for Project Finance
Federal Center for Project Finance (FCPF) is primarily engaged in the preparation of regional and urban development projects, in particular:

- project investment advisory;
- engaging in the financing of project preparation activities:
  - issuing commercial loans for investment advisory services, including taking the risks associated with the successful completion of commercial and/or financial closure
  - equity participation in the organization preparing the project
  - issuing a loan to the organization preparing the project
  - issuing a loan to the contractor for the performance of work or services to prepare the project against the assignment of receivables from the customer, provided that such contractor is properly empowered to prepare the project.

8. Monocity Development Fund
Objectives:

- create new jobs in socially and economically challenged monocities (other than jobs at the backbone enterprise);
- attracting investments to monocities through infrastructural and investment projects;
- serving as the PMO for investment projects in monocities.

Major objectives:

- talent: assembling and training monocity development project teams;
- infrastructure: co-financing the expenditures of the Russian regions and municipalities incurred to construct and reconstruct the infrastructure that is critical for launching new investment projects in monocities;
- projects: preparation assistance and participation in new investment projects in monocities.

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