Investment Guide to the Republic of Bashkortostan
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This Investment Guide has been prepared in conjunction with the Ministry of Economic Development of the Republic of Bashkortostan and the Bashkortostan Investment Promotion Agency.

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Greetings from President Rustem Khamitov of the Republic of Bashkortostan

I am glad to welcome you to this year’s edition of the Investment Guide to the Republic of Bashkortostan!

From an economic point of view, our Republic is one of the strongest regions in Russia. Our industrial output is growing at a higher annual rate than the Russian average. The cornerstones of our industrial strength are the oil production, petrochemical, engineering and agricultural sectors. The Republic has a number of competitive advantages, as well as significant potential to host new production facilities and implement investment projects in any area and of any scale.

Bashkortostan benefits from an advantageous location, abundant natural resources, a well-developed industrial and infrastructural base and strong scientific research and human potential. Railway, pipeline and road networks pass through Bashkortostan as they connect the European part of the country with the Urals and Siberia. The transport sector is responsible for both internal and transit freight and passenger carriage. We are in the process of developing trade and economic ties with all regions of Russia and more than one hundred other countries.

The Republic boasts a combination of a great investment potential, economic security, financial transparency, and the status of a good borrower, as is annually confirmed by leading international and Russian rating agencies. All of these advantages have combined to cement our reputation as a reliable business partner in the investment and banking community, and help to broaden our range of potential creditors.

The environment in the Republic, especially the legal framework, has been built to provide maximum benefits to investors of all kinds. Recent legislation in the Republic offers special preferences for investors. We constantly strive to ensure that all procedures remain transparent and to mitigate all possible risks. It has proven worthwhile – in the last three years alone more than 600 billion rubles of investments have been brought into the regional economy, with foreign investment exceeding 1.2 billion dollars.

I am confident that this Guide will be extremely useful to you in developing your business in the Republic. Bashkortostan is open to dialogue and mutually favourable partnership, and we are pleased to invite you to cooperate!

President of the Republic of Bashkortostan
Rustem Khamitov
We are glad to present the second edition of the Investment Guide, which goes into detail on the competitive advantages and investment priorities of the Republic of Bashkortostan and measures in place to provide state support to investment activity.

The Republic of Bashkortostan is one of the leading regions of the Russian Federation in terms of its high level of social and economic development. As well as the development of traditional industry sectors, the government of the Republic has prioritised a transition to an innovative economic development model. The effective legislation of the Republic of Bashkortostan includes the provision of financial and non-financial government support measures to investors who fulfil certain conditions.

All of the necessary infrastructure has been introduced to establish an innovative economic model in the Republic, including technology and industrial parks, business incubator zones, technology transfer centres, investment funds and industrial and technology centres for small businesses.

Work is underway to establish shared access centres to high-tech equipment for low-tonnage petrochemical and radio-electronics clusters, as well as a regional biotechnology engineering centre and a youth innovation creativity centre.

As part of preparation for Shanghai Cooperation Organisation and BRICS summits scheduled for 2015 in Ufa, modern international-class hotels are being built, the local infrastructure is undergoing modernisation and several of the city’s key social and cultural landmarks are undergoing large-scale reconstruction.

We hope that this Investment Guide to the Republic of Bashkortostan will be a useful source of information for investors and for all who see the significant potential of the region for the completion of own projects.

Yours sincerely,

David Owen
Managing Partner, Deloitte CIS
The Bashkortostan Investment Promotion Agency, a state autonomous institution of the Republic of Bashkortostan, was established to increase the appeal of the Republic of Bashkortostan from an investment point of view.

The objectives of the Agency are:

• to seek and attract Russian and foreign investors in order to implement investment projects in the Republic of Bashkortostan

• to promote the region in the foreign and domestic economic markets and to boost territorial marketing

• to ensure a simplified procedure for investors to facilitate communication with the Republic’s executive bodies

• to participate in the support of investment projects by means of public-private partnerships

• to facilitate concession-based implementation of investment projects

• to facilitate the establishment of project teams aimed at implementing and supporting turnkey target investment projects

• to cooperate with the local authorities of the Republic of Bashkortostan with respect to supporting investment projects implemented in the region’s municipal units.

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Investment Map of the Republic of Bashkortostan
http://map.bashkortostan.ru/
Investment activity in the region

**Investment in fixed assets by type of economic activity**
- Manufacturing: 24.4%
- Transport and communication: 18.1%
- Mining: 12.0%
- Transactions with real estate, rent and services: 14.6%
- Other: 8.2%

**Foreign investment by type of economic activity**
- Manufacturing: 57.5%
- Healthcare and social services: 20.8%
- Mining: 8.2%
- Transactions with real estate, rent and services: 6.4%
- Agriculture, hunting and forestry: 7.1%
- Other: 0.8%

**Foreign investment by source**
- Private equity: 79.7%
- Trade and other credit: 3.1%
- Portfolio investment: 17.2%

**Highest share in the structure of foreign investment**
- USA: 2.0%
- Republic of Korea: 1.7%
- Sweden: 1.6%
- Other countries: 4.0%
- Cyprus: 40.8%
- Germany: 19.6%
- Netherlands: 17.7%
- Austria: 12.6%
Competitive advantages of the Republic of Bashkortostan

The Republic of Bashkortostan is appealing to investors and has a confirmed stable financial position.

Moody’s

BBB: “Negative” outlook
Baa3: “Stable” outlook (one point higher than in 2012)

Forbes

2nd Ufa’s ranking in the Top 30 Cities to Do Business rating in 2013 (First place among cities with more than a million residents)

Significant mineral and other natural reserves

3,500 mineral deposits, of which 250 are oil deposits.

More than 60 types of minerals, including:

• fossil fuels: oil, natural gas, bituminous and brown coal, peat;

• metals: copper, zinc, iron, manganese, aluminium, gold, byproduct rare metals;

• feedstock for chemical industry: rock salt, fluorite, limestone, barites, sulphur;

• agronomic ores: phosphoric rocks, carbonates, zeolites, glauconite, peat, sapropels;

• construction materials; plaster stone, high duty break stone, etc.;

• cladding stones, ornamental stones, and optical materials.
Ferrous metallurgy
Engineering
Oil refining
Gas processing
Chemical industry
Petrochemical
Timber and wood processing
Construction materials
Glass industry
Light industry
Food industry
Brown coal
Oil
Natural gas
Iron ore
Copper ore
Boiled salt
Lime
Plaster stone
A favourable location

The Republic lies at an intersection between Europe and Asia, and at the crossing of the most important water, pipeline, road and rail networks connecting the European territory of Russia with the Urals, Siberia and Central Asia.

Three of Russia’s five latitudinal trunk railway lines linking the east and the west run through Bashkortostan: the Kuibyshevskaya, Gorkovskaya and Yuzhno-Uralskaya railways.

The Republic has access to five seas (Caspian, Azov, Black, Baltic and White) via the Belaya, Kama and Volga rivers. There are 930 km of internal navigable waterways in the Republic, of which 459 km form part of the unified deep water transportation system of the European territory of Russia.

Roads connect Ufa with many of the major industrial centres of Russia and the CIS, including Moscow, Chelyabinsk, Kazan, Samara and Orenburg.

The M5 Ural highway passes along the southern border of the city of Ufa, which also provides the end point for the M7 Volga federal road.

Ufa international airport has two runways and serves more than 40 Russian and international airlines. The airport comprises two terminals, a domestic and an international one, with a total capacity of 800 passengers per hour. A new international terminal will be commissioned by 2015, which will triple the current international terminal’s capacity of 200 passengers per hour. It is planned to construct a new runway suitable for large cargo and passenger aircraft, plus taxiways and aprons.

All of these factors combine to provide the Republic with favourable conditions for the import and export of raw materials, fuel and finished goods, and for the development of economic ties with other countries.
Infrastructure for foreign economic activity

The Customs Department of the Republic of Bashkortostan includes the Ufa Customs Office, offices in the following cities: Salavat, Neftekamsk, Tuymazy, Oktyabrsky, Belebey, Meleuz, Kumertau, Sibay, Beloretsk and Uchaly, the Sterlitamak customs post, and the Bashkir Regional Customs Laboratory.

As of 1 January 2014, all goods are declared at customs using electronic customs declarations.

Scientific potential

The Republic of Bashkortostan has a population of 4.06 million, of which 1.99 million are economically active.

The Republic is well developed in terms of scientific and educational potential, with the Ufa Scientific Centre of the Russian Academy of Sciences, the Academy of Sciences of Bashkortostan, and a number of industrial research institutes actively conducting fundamental and applied research. Technology parks, industrial parks, business incubators, technology transfer centres, investment funds, and industrial and technology centres for small businesses are in place to help commercialise the results of scientific research.

Highly-skilled and well-educated specialists working in areas such as regional and environmental studies, energy, IT and nanotechnology are trained at 10 state universities and 17 branches of universities from other regions of the Russian Federation, three non-state and eight branches of non-state universities, with a total number of students exceeding 160,000. These educational institutions also conduct scientific research.
Technology and industrial parks

**Ufa Aviation University Self-financing Creative Centre**
(R&D of highly effective lubricants and rust-proof materials for the engineering industry)

**Petrochemical Refining Institute of the Republic of Bashkortostan**
(R&D, design, production in the oil and gas industry (upstream, midstream, downstream)

**Aviation Technology Park**
(development in the area of computer design, assembly strengthening, implementation of vacuum plasma coating technology)

**Medtekhnika**
(development, production and sale of medical equipment and products)

**OOO Innovation, Education, Science Nanoindustrial Technology Transfer Centre**
(nanotechnology transfer)

**Prikamie**
(manufacturing and associated services)

**Ritox-Innovtsiya-S Engineering company Technology Transfer Centre**
(providing technical support to small and medium-sized enterprises)

**Construction Materials of Bashkortostan**
(industrial production and related services)

**KhimTerra**
(light-duty chemistry, polymer processing, engineering)

**Ufimsky**
(infrastructure planning facility)

**Inmash**
(production of machinery and equipment, vehicles, packaging, containers, electrical equipment)

**Salavat**
(petrochemical processing)

**Ecoline**
(production of special clothing, footwear and adhesive mixtures)

**Bashkiria**
(development and implementation of innovative industrial production and health food technology)
Innovation support infrastructure

High-priority areas for the establishment and development of innovation support in the Republic of Bashkortostan

- **Low tonnage petrochemistry**
- **Agricultural biotechnology**
- **Radio electronics**

The following facilities aimed at small businesses, children and young people are set to be launched in 2014:

- High-tech equipment shared access centre for the low tonnage petrochemistry cluster;

- High-tech equipment shared access centre for the radio electronics cluster;

- Regional biotechnological engineering centre;

- Youth innovation and creativity centres:
  a) Synergy youth innovation and creativity centre, Ufa;
  b) FabLab digital production labs;
  c) Innovation Laboratory youth innovation and creativity centre;
  d) Unicum youth innovation creativity centre.
The region’s openness for investment helps to attract new players onto the banking market, with seven new banks having opened for business in the Republic in 2013. The Republic is ranked:

2\textsuperscript{nd} in the Volga Federal District and
5\textsuperscript{th} in the Russian Federation in terms of the total number of operational bank branches;

1\textsuperscript{st} in the Volga Federal District and
5\textsuperscript{th} in the Russian Federation in terms of the number of bank cards issued by credit institutions;

5\textsuperscript{th} in the Volga Federal District and
16\textsuperscript{th} in the Russian Federation in terms of the amount of outstanding loans to legal entities and individual entrepreneurs;

1\textsuperscript{st} in the Volga Federal District and
10\textsuperscript{th} in the Russian Federation in terms of the amount of loans granted to individuals.

\begin{table}[h]
\centering
\begin{tabular}{|c|}
\hline
\textbf{Number of credit institutions operating in the Republic} & /1,136 \\
\hline
\textbf{Number of bank branches (345 per million residents)} & /1,523 \\
\hline
\textbf{Number of branches of major international banks} & /32 \\
\hline
\textbf{Total amount of loans granted to legal entities as of the end of 2013} & \textdollar 542,797,300 \\
\hline
\end{tabular}
\end{table}
State support to investors in the Republic of Bashkortostan

**Legislation**
The following key laws are currently in effect to regulate relations in the investment sphere in the Republic:

- Law of the Republic of Bashkortostan "On capital investment in the Republic of Bashkortostan";
- Law of the Republic of Bashkortostan "On foreign investment in the Republic of Bashkortostan";
- Law of the Republic of Bashkortostan "On corporate property tax";
- Law of the Republic of Bashkortostan "On reduced profit tax rates for investors engaged in capital investment activities in the Republic of Bashkortostan";
- Law of the Republic of Bashkortostan "On investment tax credits for regional taxes in the Republic of Bashkortostan";
- Law of the Republic of Bashkortostan "On the participation of the Republic of Bashkortostan in Public Private Partnerships";

**Tax benefits**
Depending on the size of capital investment, the following tax benefits may be granted for a period of up to 10 years:

- Reduced income tax rate and corporate property tax exemption;
- Investment tax credits and tax postponements.

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<thead>
<tr>
<th>Standard tax rates</th>
<th>Reduced tax rates</th>
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<tbody>
<tr>
<td>Income tax</td>
<td></td>
</tr>
<tr>
<td>20%</td>
<td>15.5%</td>
</tr>
<tr>
<td>Property tax</td>
<td></td>
</tr>
<tr>
<td>2.2%</td>
<td>0%</td>
</tr>
</tbody>
</table>

**State financial support**
- Subsidised interest rates on loans
- Partial reimbursement of leasing expenses
- Usage of state-owned property
- Discounted rental costs for state-owned land plots
- Public financing

**Other state support**
- Consulting, methodological and information support to investment projects
- Designated project teams to provide support to investment projects throughout their cycle
- Information on the availability and status of utility infrastructure needed to implement an investment project
- Distribution of information on investment projects
- Support with the development of infrastructure needed to implement investment activity
State support measures are granted to investors that conduct capital investment activities in the Republic of Bashkortostan and meet the following criteria:

- Investment is made into priority investment areas of the Republic of Bashkortostan;
- The investment project complies with the requirements established by the Government of the Republic of Bashkortostan for priority investment projects;
- The priority investment project, following a selection process, is added to the List of Priority Investment Projects of the Republic of Bashkortostan;
- An investment agreement is signed with the Government of the Republic of Bashkortostan regarding the implementation terms for the priority investment project.

The Commission for the Consideration and Support of Priority Investment Projects in the Republic of Bashkortostan has been set up to optimise the procedure for considering and providing state support measures to priority investment projects in the Republic of Bashkortostan.

Priority investment projects are coordinated by the Department of Investment Policies of the Ministry of Economic Development of the Republic of Bashkortostan.

Simplified procedural support is provided to investors by the Bashkortostan Investment Promotion Agency.
Obtaining state support

1. Investor
   - Documents

2. Bashkortostan Investment Promotion Agency
   - List of Priority Investment Projects
   - Expert assessments

3. Ministry for Economic Development of the Republic of Bashkortostan
   - Documents, expert assessments

4. Government Committee
   - Investment agreement
   - Register of Priority Investment Projects

5. State support

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Export support

Active work is being done in the Republic of Bashkortostan to support export-oriented business. Innovative tools have been introduced to support exporters, develop international cooperation and stimulate the foreign economic activities of local companies.

Support is provided in three main areas:
- Export insurance against various risks;
- Promotion of locally-produced goods on foreign markets via Russia’s trade representatives abroad;
- Cooperation with local and international non-commercial organisations.

The Ministry of Economic Development has concluded a trilateral agreement with the Chamber of Industry and Commerce and the Russian Agency for Export Credit and Investment Insurance (EXIAR) to ensure that local exporters receive the necessary protection when carrying out overseas trade.

In 2013 the Export Support Centre of Autonomous Nonprofit Organization Infrastructure Projects of the Republic of Bashkortostan was established. The organisation helps small and medium-sized enterprises to source foreign partners and enter international markets. It also prepares passports for foreign economic activity projects.

Public Private Partnerships

In 2013 the Republic of Bashkortostan finalised a legal and regulatory framework in the sphere of Public Private Partnerships (PPP), which enables the region to implement investment projects based on PPP principles.

The local government has already approved the procedure for preparing and implementing PPP projects in the Republic of Bashkortostan. Budgetary allocations to that end are made via the Investment Fund of the Republic of Bashkortostan.

The regional PPP Centre has been established by Vnesheconombank in cooperation with the PPP development department of the Ministry of Economic Development of the Republic of Bashkortostan. The Centre helps to develop PPP mechanisms in the region.

In September 2013, the Government Commission on Consideration and Support to Priority Investment Projects in the Republic of Bashkortostan approved the concepts of the first two PPP projects:
- Construction of a new exit road from the city of Ufa to the M-5 Ural federal highway (East exit); investment value – RUB 25.29 billion
- Construction of a road from Sterlitamak to Magnitogorsk via Kaga; investment value – RUB 20 billion

According to research entitled "Rating of PPP regions 2014", undertaken by the PPP Development Centre with the support of the RF Ministry of Economic Development and Chamber of Industry and Commerce, a complex approach to developing the Republic’s PPP project management system (approved legal and regulatory framework for the preparation and implementation of PPP projects) and the initiation of large road infrastructure construction projects have pushed the Republic of Bashkortostan up to 16th place, 35 positions higher than last year.
Mining and processing industry
In 2013, the mining production index rose by 4.2% compared with 2012. With a 2.9% share in the national oil production (including gas condensate), Bashkortostan is one of the top five oil-producing regions in Russia. The Republic also places third in the Volga Federal Region, with a production share of 1.3%. Apart from energy mining, annual production in Bashkortostan has risen by 17.5%.

In 2013, the processing industry increased its output by 2.3% from 2012. Bashkortostan leads in Russia in terms of refinery, processing 10% of all oil produced in the country.

The investment policy for oil refining is aimed primarily at increasing the depth of processing and the quality of fuel produced and at ensuring that production is environmentally safe.

Chemical and petrochemical industry
Bashkortostan remains a leading producer of light oil products, producing one seventh of all petrol and diesel fuel.

The chemical industry is fundamental to Bashkortostan, both in terms of the economy and in general. It drives forward the development of both the Republic and Russia as a whole. Bashkortostan is Russia’s top chemical producer, coming first in the production of sodium carbonate and benzole, second in the production of plastics in primary forms, ethylene, and synthetic rubbers, and third in the production of caustic soda and sulphur.
The chemical and petrochemical industry is one of the strategic priority areas for social and economic development in Bashkortostan, and the small-scale petrochemical industry is key to the future development of the Republic. The Bashkortostan government is working to consolidate small and medium-sized enterprises in this industry in an effort to develop the sector.

The chemical industry is being developed as a tool for improving the competitive strength of the Republic, both locally and globally.

Gazprom Neftekhim Salavat is working on a project to develop the Salavat-Sterlitamak petrochemical cluster, and is expected to increase the total annual output of ethylene/propylene to 1 million tons.

Timber processing industry

Bashkortostan is rich in forest resources, with a total forest area of 6.2 million hectares.

The growing forest stock is currently estimated at 759.3 million cubic metres. The dominating species are birch, oak, maple and conifer trees. Bashkortostan leads Russia in lime tree resources, which have the largest nectar capacity. The Republic also boasts natural monuments, national parks and wildlife preserves. Nature parks cover more than 1 million hectares.

Wood processing and production increased by 3.8% in 2013 from 2012.

The main logging, lumbering and manufacturing enterprises are the members of Bashkir Timber Industry
Holding Company. The largest logging companies in the Republic are OOO LZK Bashlesprom and OOO Forestry Industry Company Selena.

There are large furniture factories located in Ufa, Meleuz, Salavat and Sterlitamak.

The key objectives of the wood processing and production industry are to meet the ever-increasing demand for high-quality and competitive products, ensure the efficient management of forest resources by increasing wood production and developing the utilisation of hardwoods.

The industry is aimed at developing:
- New plants for processing low-grade wood and lumber waste to produce plywood, MDF, chipboard, OSBs, glulam, fibre board for low-rise construction, wood pellets, etc.
- Sawmills and production of standard wood products
- Focus on high value-added exports
- Better efficiency through the application of resource-conscious technology

This development is based on initiatives aimed at:
- Increasing wood processing efficiency by producing more wood products with a higher added value, (i.e. producing more sawmill products by shifting to the use of band and circular saws, and more wood processing products by reconstructing the existing woodworking plants and constructing new facilities to produce popular plywood such as large-format or fire resistant boards, etc.
- Increasing the use of low-grade timber and wood waste by expanding the production of wood boards

Agriculture
In terms of the value of agricultural produce, the Republic ranks second in the Volga Federal District, and seventh in the Russian Federation. The Republic is one of the leading regions of Russia according to a number of key agricultural production indicators.

The region ranks:
- First by beef cattle numbers and honey production;
- Second by horse numbers and milk production;
- Sixth by cattle and poultry for slaughter (in live weight).

40% of the population of the Republic of Bashkortostan lives in rural areas.

The key agricultural products of Bashkortostan include grains, sugar beet, oilseed, vegetables, fodder, meat and dairy products.

The official policy in the Republic is particularly focused on the development of the agricultural industry. The government provides support to help farmers to become a strategically-important element of the regional economy.
The key areas for development include upgrading and introducing new farming technology and equipment to improve raw material processing and the production of competitive products, with a focus on end-user products. This initiative is based on the development of:

- Grain production by cultivating grains while taking into account climatic and environmental conditions, improving the structure of fodder production and producing rapeseed and other oilseeds

- Livestock breeding by minimising seasonal fluctuations in livestock products by applying advanced livestock management technology, improving pedigree and selective breeding with a wider use of artificial insemination and production of efficient animal feeds

- Food processing by increasing the output of end-user products, such as processed meat and sausage, increasing the quality and mix of dairy products by using natural additives and fillers that extend shelf life, nutritional and taste properties, and producing products with medicinal properties and baby foods.

The environmental potential, combined with the existing demand and reserves of potatoes, fruits and vegetables, create demand for additional plants to process and produce canned goods.

Beekeeping is another high-priority area for development, with plans to provide support to the production and processing of market honey, wax, propolis and other bee products to be exported. It would be practical to construct a national honey production plant with an annual capacity of over 2,000 tons and facilities to produce honey-based beverages and wines, medicinal products, bee bread and beauty creams. These products could have an economic effect in the tune of more than RUB 1 million.

Another potential area for development lies in gathering wild medical plants and establishing facilities for cultivating, processing and producing plant-based drugs, syrups and other products. In this regard, it would be practical to construct a plant to produce herbal drugs with an annual capacity of 600–700 tons, which, owing to Bashkortostan’s environmental potential and wild plant resources, could yield products worth more than RUB 500 million per annum.
The majority of engineering enterprises in Bashkortostan specialise in the manufacture of equipment for the fuel and energy industry. However, the production of electric, electronic and optical equipment has more than tripled in the last three years, and the production of vehicles and transport equipment has grown by 160%.

**The highest-priority areas for the engineering industry include:**

- Developing and producing advanced equipment to upgrade existing manufacturing facilities;
- Introducing dual purpose technologies;
- Manufacturing gas turbines, power plants, turbine-driven generators and gas compressor plants;
- Building numerical control machines, processing centres, robotic complexes and flexible manufacturing systems;
- Introducing advanced technologies for manufacturing heat-exchange and heat insulation equipment, small capacity refineries, upstream and petrochemical technologies and smelting equipment;
- Building advanced aircraft engines for helicopters and light aircraft, including upgrading existing engine models in line with the competition requirements for aircraft equipment;
- Building advanced helicopters and unmanned aircraft;
- Developing manufacturing, design and R&D potential;
- Manufacturing transportation vehicles, including public transportation vehicles such as buses and trolleybuses, machinery for the construction and energy industries, and transportation equipment designed to operate in severe climatic and emergency conditions;
- Increasing production of farming machinery and attachments.

**Share of the Republic of Bashkortostan in the manufacture of certain classes of transportation equipment in Russia for 2013**

<table>
<thead>
<tr>
<th>Equipment</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile concrete pumps</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>Cement mixers</td>
<td>55.4%</td>
<td></td>
</tr>
<tr>
<td>Helicopters</td>
<td>6.5%</td>
<td></td>
</tr>
<tr>
<td>Trolleybuses</td>
<td>5%</td>
<td></td>
</tr>
<tr>
<td>Buses</td>
<td>1.2%</td>
<td></td>
</tr>
</tbody>
</table>
Information and communication technologies

The Republic remains one the top three regions of the Volga Federal District (VFD) in terms of maturity of its information infrastructure.

The government of Bashkortostan has prepared the concept of a long-term initiative to develop an information-based society in the Republic for 2012-2017. The concept is based on the strategic development priorities in the IT and telecommunications sector. It was designed to support the development of the IT and telecommunications sector and improve the efficiency of government. The concept has been made a part of the government’s official strategy for the development of the sector.

Based on a joint proposal from the government of the Republic, the Bashkortostan Academy of Science, the Industry and Innovation Policy Ministry of the Republic, Ufa State Aviation Technical University, OOO Noveyshie Informatsionnye Resheniya (Advanced Information Solutions) and OOO Technologies and Communications, the government is planning an IT and Telecommunications Science Park to attract highly qualified R&D professionals to develop innovations, establish high-tech businesses and provide outsourced IT services. The project is coordinated by BashTechInform, the Republic of Bashkortostan Centre for R&D, Technology and Information, part of the Bashkortostan Academy of Sciences.

telemcom carriers

46 internet providers

2,216,931 users can simultaneously surf the Internet
**Innovation**

Imbalances between various sectors of the regional economy can be minimised by cluster policies. The development of the Republic’s traditional economic sectors in combination with the cluster-based approach can provide an environment that fosters new business and ensures a quick return on investment.

The region has the potential to develop an efficient structure consisting of 15 clusters, including IT, nanomaterials, radio electronics, biochemistry and pharmaceuticals.

The Republic is prepared to participate in the development of interregional clusters and to establish regional industrial centres and infrastructure to serve as a link to the nationwide cluster network.

Due to their high potential, the agricultural and chemical industries act as a force to drive forward the development of biotechnology and investment projects for advanced grain processing. The government is in negotiations with a number of interested parties. The advanced processing of crops is conductive to the establishment of a regional grain market.

Below are the key development drivers for small-scale chemical production:

- KhimTerra, an industrial park planned for 2014 as part of OAO Polief;
- Stimulating large chemical producers to reinvest in the production of end products with a higher added value;
- Setting up biochemical businesses as part of the effort to develop the advanced grain processing industry;
- Ensuring a sufficient supply of composite materials for Bashkortostan’s engineering enterprises.

The Republic is particularly focusing on nanotechnology R&D, which is seen as a promising area for development in the region.

Bashkortostan is cooperating with OAO Rusnano in such areas as nanotechnology, nanomaterials, modernisation of R&D facilities and the implementation of economically-viable projects aimed at introducing various forms of nanotechnology and launching products with the use of nanomaterials.

OAO Iskra, an R&D innovation centre, is in the process of establishing Nanomaterials Technology Engineering Company, a centre for the development of technology and equipment for bulk nanostructured metals and alloys produced by severe plastic deformation. The project has been sent to tender alongside other projects to establish technology engineering companies. The tender falls within the framework of the investment agreement with the Rusnano Fund for Infrastructural and Educational Programmes.

2013 saw the launch of the Republic of Bashkortostan Shared Research and Development Centre for the Telecommunications Equipment Cluster. The Centre supports innovations in the field of telecommunications equipment by providing enterprises with access to shared hardware and software resources, laboratories and computer-aided tools for designing, modelling, testing and refining innovative equipment projects. The Centre is expected to become a hub for R&D, applied research, complex and key innovative telecommunications projects, attracting a younger generation of professionals to the telecommunications equipment industry of the Republic of Bashkortostan.
The main tasks facing the Republic of Bashkortostan in its bid to develop its construction sector include:

- Reequipping enterprises, including replacing fixed production assets and implementing progressive technology;
- Developing new generation architectural and construction complexes, establishing of new and renovating existing facilities using universal space and planning and design solutions that are functional in purpose, providing for the adaptation of buildings and constructions to changes in technological processes;
- Decreasing old and obsolete housing stock;
- Commissioning 25-30 million square metres of housing by 2020;
- Renovating early mass-produced buildings, as well as the complex reconstruction of existing buildings by the demolition and replacement of old buildings, modernising the engineering, transport and social infrastructure.

Construction

At the end of 2013, according to the data provided for the period from January to November, the Republic was ranked seventh amongst the regions of the Russian Federation and second amongst the regions of the Volga Federal District in terms of the scope of work performed. At the same time, the Republic is the leading region of the Volga Federal District by volume of housing commissioned.

The Republic pays special attention to the development of the social infrastructure, i.e. the construction and reconstruction of educational, healthcare, arts and sporting institutions.

The main areas for development in the construction sector of the Republic of Bashkortostan include the increased competitiveness of construction products, the level of development of social infrastructure, response to the demands of the internal and external markets, increased production efficiency and volume.
Transportation
A state programme entitled Development of the transport system in the Republic of Bashkortostan for the period up to 2018 has been developed and approved in the Republic.

The scope of the programme includes:
• Renewal of the fleet of rolling stock (buses, trams, trolleybuses, eco-buses);
• Construction and reconstruction of bus terminals in the Republic;
• Development and coordination of inter-regional and inter-municipal transport links;
• Increase in road safety;
• Construction and reconstruction of transport networks, logistics centres and railway lines to provide better transport links in the Republic;
• Renewal of the fleet of railway rolling stock;
• Construction and reconstruction of ports, piers and river stations in the Republic;
• Extension of regional, interregional and local roads, provision of improved access to transport networks between the districts of the Republic of Bashkortostan;
• Creation of a unified year-round access road network for the population of the Republic;
• Ongoing operation of regional, interregional and local roads;
• Social support for the use of public transport.

Water transportation
Construction of a freight river port in Agidel.

Aviation transportation
Upgrade of Ufa’s international airport infrastructure:
• Construction of a large freight forwarder or integrator with an annual capacity of 21,000 tonnes;
• Construction of a new international airport terminal with an area of 19,000 square metres and refurbishment of the existing domestic terminal.

Current investment projects in the transport sector

Motor transportation
• Construction of a new exit road from the city of Ufa to M-5 Ural federal highway (East exit);
• Construction of a regional road from Sterlitamak to Magnitogorsk via Kaga;
• Construction of a new toll highway from Bavly to Kumertau, with a total length of 265 km and six junctions with toll booths.
Power infrastructure

The road map aimed at improving access to the energy infrastructure includes an initiative to flatten and accelerate power connections of up to 150 kW for Bashkortostan cities with a population of over 100,000 people.

644 new power connections were established in 2012, and 655 in 2013.

<table>
<thead>
<tr>
<th>Year</th>
<th>Average number of stages</th>
<th>Average deadline, days</th>
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<tbody>
<tr>
<td></td>
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<td>Planned</td>
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<td>6</td>
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Tourism infrastructure

The Republic of Bashkortostan boasts unique natural resources, providing investors with extensive opportunities to develop the tourism industry and recreational activities in the region.

Infrastructural facilities, tourist resorts and recreational zones are being actively constructed in the Republic. The unique natural riches of the Republic put it in a good position to develop its tourist sector, especially in relation to tourism pursued for the following reasons: therapeutic, sport, ethnographical, educational.

The recreational potential of the Republic includes one biosphere reserve, Bashkir Ural (included on the UNESCO World Heritage List), three nature reserves, seven Special Nature Reserves for medicinal plants, 17 game reserves, three complex (landscape) reserves, four nature parks, over 180 natural monuments, 24 therapeutic wellness centres, over 30 holiday hotels and camps, 19 mountain ski centres, and a great number of sites of cultural and historical significance. The landscape configuration is also very important. The Republic’s significant recreational potential provides a basis for the development of a service industry and the establishment of territorial tourism clusters and complex tourist parks.

The Republic of Bashkortostan traditionally ranks amongst the top three regions of the Volga Federal District in terms of development of the tourism sector.

A system of sanatorium-and-spa institutions is also under active development in the Republic of Bashkortostan. Nine state unitary enterprises, some of which are quite well-known outside of the Republic, such as Yangan-Tau, Kranousolsk, Yakty-Kul, and Assy health resort centre, provide the adult population of the Republic with access to spa facilities. The health resorts of the Republic have a well-developed infrastructure, providing both tourism opportunities and health benefits.

Sporting infrastructure

The Republic of Bashkortostan is a traditional venue for both national and international sporting events.

The Republic of Bashkortostan is (rightly) considered to be the capital of motorcycle racing, and Ufa hosts annual ice motorcycle racing championships.

Ufa has also been nominated by the Russian Federation to host the 11th World Games in 2021. This would involve 26 facilities, 13 of which have already been placed into operation, seven are under construction and the remaining six are planned for construction. Over 4,000 athletes representing 100 countries are expected to take part in the World Games.

The total planned investment into the development of the sporting infrastructure and the World Games is over RUB 18 billion.

In addition, Neftyanik stadium, which holds 16,500 people, is currently undergoing reconstruction of its football field.
In summer 2015 the capital of the Republic of Bashkortostan, Ufa, will host two important political and economic events — a summit of heads of state and heads of government of BRICS countries and a meeting of the Council of the heads of state of the member-states of the Shanghai Cooperation Organisation (SCO). The decision to hold these summits in Ufa was underpinned by Bashkortostan’s status as one of Russia’s largest and most successful regions in terms of several key indicators.

In preparing for the summits, organisational committees have been set up at both the federal and regional levels, and preparation plans have already been approved. In addition to the political summits, Ufa will host the SCO and BRICS business councils, a meeting of the Interbank Council, the 7th annual SCO Education Week, and a variety of cultural, art, science and sporting events.

The schedule of organisational measures aimed at preparing for and holding the SCO and BRICS summits includes a number of activities in the area of public relations, industry development, business, banking, science and education, culture and art, youth policy and sport, preparation of the transport infrastructure and major business and cultural facilities in the capital, extensive landscaping in Ufa and its surrounding district, renovation of Ufa international airport, organisation of security and improvement of medical facilities.

Currently, a number of world-renowned hotel brands, including KESKO-Hilton, Holiday Inn, Radisson and Hampton by Hilton, are in the process of constructing hotels in Ufa.

The region’s largest exhibition complex, VDNKh-EXPO, which has an area of over 15,000 square metres, was been opened in 2014 and has already been marked out to host several all-Russian and international exhibitions and forums.

A classical embankment, with a promenade area and a motorway, is planned for construction on the southern slope of the Belaya river embankment adjacent to the Congress Hall.

The SCO and BRICS summits will provide an impetus for the economic and infrastructural development of the Republic of Bashkortostan, and will promote investment in the region and cultural exchange between member-states of the two organisations. This is a unique opportunity to significantly improve the Republic’s visibility, both in Russia and the world over. For this reason, the slogan “Bashkortostan: Open Future” has been selected for all activities conducted in preparation for the summits.
Development institutes in the Republic of Bashkortostan

OAO Development Corporation of the Republic of Bashkortostan
The objective of the corporation is to improve the efficiency of state policy with regard to the establishment and implementation of priority investment projects in the Republic of Bashkortostan.

The work undertaken by the corporation includes:
• Searching for and attracting investors;
• Coordinating and supporting investment projects approved by the Government of Bashkortostan, acting as a "one-stop shop";
• Coordinating and accelerating the implementation of investment projects approved by the Government of the Republic of Bashkortostan;
• Monitoring investment projects aimed at the establishment and development of industrial and technology parks in the Republic;
• Upholding the interests of the Republic within projects approved by the Government of the Republic of Bashkortostan;
• Providing informational support to the federal and local governments during the implementation of priority investment projects;
• Helping to raise financing in order to minimise the direct use of funds from the state budget of the Republic of Bashkortostan;
• Acting in the role of applicant in interactions with state authorities and federal development institutions.

OAO Regional Fund
The purpose 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 the manufacture of construction materials, air transportation, agriculture and engineering. The fund’s investment portfolio includes gas, engineering, non-ferrous metal and telecommunications companies. Special purpose energy and nanotechnology projects are also considered.

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Summary of statistics on the social and economic position of the Republic of Bashkortostan

Industrial production index, % YoY

Agricultural produce, RUB billion

Investment in fixed assets, RUB billion

Retail sales, RUB billion

Nominal average wage, RUB

Consumer price index (December), % YoY

Unemployment (estimated using the ILO methodology), %
In 2013, external trade amounted to RUB 14.9 billion, having grown by 7.9% since 2012.

The positive balance of external trade of the Republic of Bashkortostan amounted to USD 12.5 billion (13.6% growth from 2012).

The export of goods in 2013 amounted to USD 13.7 billion, having grown by 10.5% since 2012.

The import of goods in 2013 amounted to USD 1.2 billion, having fallen by 15.5% since 2012.
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