Guide to Investment
Republic of Tatarstan
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This overview has been prepared in conjunction with the Ministry of Economy of the Republic of Tatarstan.

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Welcome letter from the President of the Republic of Tatarstan, R. N. Minnikhanov

Dear ladies and gentlemen,

I am pleased to present the Republic of Tatarstan: Guide to Investment. The creators of this guide had one goal in mind – to show our potential local and foreign partners that their projects, ideas and plans will become a reality in a favourable climate of mutual understanding and mutually beneficial cooperation.

Tatarstan is located in the very heart of our great country, at the intersection of major trade routes connecting Europe and Asia. This makes the region a natural strategic base for large-scale logistics projects. So, it is no coincidence that the Russian section of the Western Europe-Western China Intercontinental Transport Corridor will pass through Tatarstan.

I should also note that the republic produces 6.4% of Russia’s total oil output and over 24% of the country’s trucks, 38% of its synthetic rubber, 43% of its polyethylene and over 30% of its tyres.

Tatarstan’s regulatory environment is favourable for local and foreign investors alike. The republic is home to an extensive network of diverse financial and non-financial development institutions, the best known of which are the Alabuga Special Economic Zone for industrial manufacturing and the IT Park, which is a leading centre for developing information and communication technologies.
In 2010, a plan was adopted to build a special IT Village where researchers will live and work on new developments in such areas as information technology, power engineering, telecommunications, biomedicine and nuclear power. In agriculture, the Republic of Tatarstan has provided direct financing for the Novaya Derevnya (New Village) project to build a major agribusiness complex.

Another major economic development project is OAO Taneko’s plan to build an entire complex of oil refineries and petrochemical plants in the city of Nizhnekamsk with an annual processing capacity of 7 million tonnes of carbon oil. The project is now being implemented; the first set of facilities has been commissioned at the end of 2010. Subsequent plans call for boosting the annual processing capacity up to 14 million tonnes of oil.

Several years ago, Tatarstan’s leadership began steering a course toward innovation-driven social and economic development aimed at boosting the competitiveness of the region’s economy and improving the quality of life of its people. Tatarstan has steadily carried out a series of measures geared toward optimising the region’s social infrastructure and actively supporting its young people. These efforts have paid off in the selection of Kazan, the capital of Tatarstan, as the host city of the XXVII World Student Games, or Summer Universiade, in 2013. Kazan is also among several Russian cities to be selected as hosts for the 2018 World Cup football championship.

This guide will provide you with a wealth of information on these and many other investment projects currently under way in Tatarstan, as well as analysis of the region’s main development trends.

I wish continuing success and prosperity to all who read this Guide to Investment, and would welcome your decision to make your investment plans a reality in the Republic of Tatarstan.

Sincerely yours,
R. N. Minnikhanov
President of the Republic of Tatarstan
For many years, the Republic of Tatarstan has been an attractive location for investment thanks to its favourable location, abundant natural resources and enterprising people. Located in the heart of Russia, Tatarstan is one of the country’s most economically advanced regions.

One of Tatarstan’s main advantages for doing business is the active role of its diverse population, which is made up of people from various ethnic backgrounds. With an enterprising spirit, the population has worked together to develop Tatarstan’s business potential, which is reflected in the region’s prosperity. Tatarstan is also justly famous for its well-developed industrial sectors, academic institutions and system of higher education. PwC Russia is proud of its cooperation with a number of local universities and higher educational institutions. We believe that the republic’s significant educational and scientific potential is the cornerstone of its future.

Tatarstan’s reputation for dynamic development, political stability and relatively low investment risk has been a key factor in many investors’ decision to locate in the region. In particular, the Alabuga Special Economic Zone has proven to be very attractive for foreign investors. To date, the Alabuga SEZ has brought in 16 investor-residents, including such local and global leaders as Rockwool (insulation materials), Air Liquide (technical gases), JV Sollers-Ford (auto assembly) and PD-Tatneft-Alabuga Steklovolokno (glass fibre goods). Among the SEZ’s 16 residents, 8 are international companies representing such countries as Italy, Germany, France, Denmark, Japan and Turkey.
Investment interest in the region has also been driven by the Tatarstan government’s emphasis on fostering innovation and nanotechnology. The republic is home to a network of technoparks featuring state-of-the-art infrastructure, including the Khimgrad Technopolis, the Idea Technopark, IT Park and modern business incubators located throughout Tatarstan. A further milestone in the region’s development is the expected construction of an IT Village, which will offer high-tech facilities and a modern social infrastructure to facilitate the work of professionals in such fields as biomedicine, energy, information technology, nuclear power and other technologies.

Equally important for the region’s development is its active involvement in major international sporting events. Kazan will play host to the 2013 Summer Universiade (XXVII World Student Games), and will be one of several host cities across Russia for the 2018 FIFA World Cup, with the action taking place in a newly built Kazan Stadium. These are sure to be memorable events that will show the world all that Tatarstan has to offer.

This Guide to Investment has been prepared in collaboration with Tatarstan’s Ministry of Economy, which has generously provided data and materials. We are confident it will be an invaluable tool for helping potential investors to understand how they can participate in and profit from Tatarstan’s continuing economic success story.

Very truly yours,
David Gray
Managing Partner
PwC Russia
Tatarstan is one of Russia’s most economically developed regions. Located in the centre of Russia’s industrial heartland, Tatarstan lies about 800 kilometres east of Moscow at the confluence of the Volga and Kama rivers.

**Summary**

Area: 67,836.2 sq. km  
Population: 3.8 million people  
Tatarstan’s land area stretches 290 km from north to south and 460 km from west to east  
Tatarstan has a moderately continental climate  
Official languages are Tatar and Russian  
Predominant religions are Islam and Orthodox Christianity  
75.4% of Tatarstan residents live in urban areas  
The capital is Kazan (area: 614.2 sq. km; population: 1.13 million people)

On 30 August 2005, Kazan celebrated its 1,000-year anniversary.  
Since April 2009, Kazan has had the right to be officially designated as the Third Capital of Russia.
Tatarstan’s natural resources

Water resources: the Volga, Kama, Belaya and Vyatka rivers as well as numerous small rivers and lakes

Forest resources cover 16% of the land area

Extractable resources:
- oil (around 0.8 billion tonnes)
- limestone and dolomite (66 million tonnes)
- building stone (35.3 million cubic metres)
- peat (over 35,000 hectares)
- plaster stone (72 million tonnes)
- brick earth (73.5 million cubic metres)
- petroleum bitumen (12.5 billion tonnes)

The Republic of Tatarstan’s five-year economic development plans provide the foundation for the rapid growth of all manufacturing sectors, with a focus on fostering innovation and making significant improvement in social and economic performance.

The latest plan calls for achieving the following targets by 2015:
1. GRP per capita of at least USD 35,000.
2. Up to 30% increase in the share of innovative products in the region’s total industrial output.
3. Share of the processing industries – at least 25%, in the industrial output – 75%.
4. Capital investment at 40% of GRP.
5. Annual per capita foreign direct investment (FDI) of more than USD 1,500.
Science and education

Tatarstan has substantial scientific and educational potential. Kazan is one of Russia’s premier educational centres, ranking third after Moscow and St Petersburg in the number of students (231,061 people).

At the beginning of the 2010/2011 academic year, Tatarstan had:

- 91 educational institutions (higher, secondary and specialised), of which
  - 36 are higher educational institutions (mostly located in Kazan).

Twenty-two of these are public higher educational institutions while fourteen are private and three are religious schools.

The following organisations are actively involved in promoting the development of science:

- Academy of Sciences of the Republic of Tatarstan;
- Kazan Research Centre of the Russian Academy of Sciences;
- Republic of Tatarstan National Library (2.8 million volumes); and
- Kazan University Library (4.8 million volumes).

Development of Tatarstan’s educational system

- Establishment of Kazan (Volga) Federal University
- Establishment of two national research universities
- Introduction of multi-level training in higher educational institutions
- Opportunities for educational institutions to establish businesses to commercialise R&D results
- State support for higher educational institutions and organisations carrying out comprehensive projects for stimulating high-tech production
Cultural heritage

For historical and geographical reasons, Tatarstan’s culture has developed at the junction of two civilisations – the East and the West. This fact is reflected in the rich diversity of the region’s cultural heritage.

Tatarstan has seven historical centres: Bulgar, Bilyar, the Kazan Kremlin, Elabuga, Chistopol, Sviazhsk and the Raifa Monastery. As well, the region boasts six national parks and 120 museums.

Tatarstan is home to 14 professional theatres.
Government

As head of the regional government, the president of the Republic of Tatarstan is the region’s highest-ranking official.

Rustam N. Minnikhanov is the President of the Republic of Tatarstan.
Ildar S. Khalikov – Prime Minister of the Republic of Tatarstan.
Farid Kh. Mukhametshin – Head of State Council of the Republic of Tatarstan.
Gross Regional Product (GRP)

In 2010, Tatarstan's GRP was RUB 995.0 billion, representing a year-on-year increase of 3.8% in adjusted prices (which compares favourably to yoy GDP growth of 4.0% for Russia as a whole).

In 2010, the region's per capita GRP was at RUB 263.1 thousand, increased by 12.3% as compared to the 2009 level.

The developed infrastructure and favourable investment climate in Tatarstan make the process of business organization and maintenance a simple, pleasant and successful work.

Victor Zornikov,
CEO, OOO SOLLERS-ELABUGA
## Consolidated budget, RUB million

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total income, including:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>fiscal</td>
<td>101,268.5</td>
<td>85,053.0</td>
<td>104,206.5</td>
</tr>
<tr>
<td>non-fiscal</td>
<td>13,674.4</td>
<td>6,440.5</td>
<td>7,120.6</td>
</tr>
<tr>
<td>non-repayable receipts from the federal budget</td>
<td>24,326.1</td>
<td>49,143.5</td>
<td>64,831.4</td>
</tr>
<tr>
<td><strong>Total expenditures</strong></td>
<td>146,268.5</td>
<td>152,731.5</td>
<td>193,850.1</td>
</tr>
</tbody>
</table>

## Major banks

<table>
<thead>
<tr>
<th>Bank</th>
<th>Contact information</th>
</tr>
</thead>
<tbody>
<tr>
<td>OAO AK BARS Bank</td>
<td>1 Dekabristov Street Kazan, 420066</td>
</tr>
<tr>
<td></td>
<td>Tel.: +7 (843) 519-3999</td>
</tr>
<tr>
<td></td>
<td>Fax: +7 (843) 519-3975</td>
</tr>
<tr>
<td></td>
<td>e-mail: <a href="mailto:pozd@akbars.ru">pozd@akbars.ru</a></td>
</tr>
<tr>
<td></td>
<td><a href="http://www.akbars.ru">http://www.akbars.ru</a></td>
</tr>
<tr>
<td>OAO AIKB Tatfondbank</td>
<td>43/2 Chernyshevskogo Street Kazan, 420111</td>
</tr>
<tr>
<td></td>
<td>Tel.: +7 (843) 291-9999 / 291-9810</td>
</tr>
<tr>
<td></td>
<td>Fax: +7 (843) 291-9895 / 291-9804</td>
</tr>
<tr>
<td></td>
<td>e-mail: <a href="mailto:tfb@tfb.ru">tfb@tfb.ru</a></td>
</tr>
<tr>
<td></td>
<td><a href="http://www.tfb.ru">http://www.tfb.ru</a></td>
</tr>
<tr>
<td>OAO AKB Spurt</td>
<td>2 Spartakovskaya Street Kazan, 420107</td>
</tr>
<tr>
<td></td>
<td>Tel.: +7 (843) 291-5000</td>
</tr>
<tr>
<td></td>
<td>Fax: +7 (843) 291-5015</td>
</tr>
<tr>
<td></td>
<td>e-mail: <a href="mailto:info@spurtbank.ru">info@spurtbank.ru</a></td>
</tr>
<tr>
<td></td>
<td><a href="http://www.spurtbank.ru">http://www.spurtbank.ru</a></td>
</tr>
<tr>
<td>OAO Joint-Stock Commercial Mortgage Bank AKIBANK</td>
<td>88a Prospect Mira Naberezhnaye Chelny, 423818</td>
</tr>
<tr>
<td></td>
<td>Tel.: +7 (8552) 773-333 / 773-380</td>
</tr>
<tr>
<td></td>
<td>Fax: +7 (8552) 722-377</td>
</tr>
<tr>
<td></td>
<td>e-mail: <a href="mailto:office@akibank.ru">office@akibank.ru</a></td>
</tr>
<tr>
<td></td>
<td><a href="http://www.akibank.ru">http://www.akibank.ru</a></td>
</tr>
<tr>
<td>OAO AB Devon-Credit</td>
<td>77 Lenina Street Almetyevsk, 423450</td>
</tr>
<tr>
<td></td>
<td>Tel.: +7 (8553) 456-777</td>
</tr>
<tr>
<td></td>
<td>Fax: +7 (8553) 317-513</td>
</tr>
<tr>
<td></td>
<td>e-mail: <a href="mailto:devon@devoncredit.ru">devon@devoncredit.ru</a></td>
</tr>
<tr>
<td></td>
<td><a href="http://www.devoncredit.ru">http://www.devoncredit.ru</a></td>
</tr>
</tbody>
</table>
Federal and regional economic and social development programmes

In 2010, RUB 62.94 billion was allocated from the Russian federal budget to finance various activities in Tatarstan, including:

- preparing for the 2013 Universiade (RUB 21.9 billion);
- subsidising interest rates for agricultural enterprises (RUB 10.9 billion);
- facilitating employment (RUB 5.7 billion);
- developing roads and transport facilities (RUB 5.4 billion).

The share of federal funding for national-level special-purpose programmes represented 14.5% of Tatarstan’s total federal funding of RUB 9.1 billion.

Tatarstan participates in 25 out of 53 national-level special-purpose programmes, which include:

1. Development of Nanotechnology Industry Infrastructure in Russia (2008-2010);
2. Development of Russia’s Transportation System (2010-2015);
3. R&D in Priority Areas for Russian Science and Technology (2007-2012);
4. National System for Chemical and Biological Safety in the Russian Federation (2009-2013);

Long-term special-purpose programmes

In 2010, Tatarstan participated in 42 long-term special-purpose programmes and 68 local special-purpose programmes, two of which were suspended and six of which were defunded.

Long-term and local special-purpose programme funding

Long-term special-purpose programmes being carried out in Tatarstan in 2010 included the following:

1. Development and Use of Information and Telecommunication Technologies in Tatarstan – Electronic Tatarstan Programme (2008-2010);
2. The Republic of Tatarstan Small and Medium Business Support Programme (2005-2010);
3. Modernisation of Tatarstan’s state autonomous Health and Care Institution – Emergency Hospital (2010-2018);
4. Republic of Tatarstan Fuel and Energy Sector Development Programme (2006-2020);
5. Republic of Tatarstan Oil & Gas and Chemicals Industry Development Programme (2010-2014).
Tatarstan’s anti-corruption policy

National anti-corruption plan for 2010-2011

• Developing a regulatory framework
• Focusing the HR departments of government agencies on prevention of corruption and other legal offences
• Improving the work of commissions for monitoring civil service ethical compliance and settling conflicts of interest
• Conducting opinion surveys
• Training federal civil servants whose duties involve participating in anti-corruption measures

Legislation

Federal level:
• Federal Anti-Corruption Law
• National Anti-Corruption Plan
• Russian Presidential Decree on Anti-Corruption Measures

Regional level:
• Tatarstan Presidential Decree on Tatarstan’s Anti-Corruption Strategy
• Republic of Tatarstan Anti-Corruption Law

Tatarstan Presidential Anti-Corruption Council

• Considering issues and preparing proposals on implementation of the government’s anti-corruption policy and enhancing its efficiency
• Ensuring operational cooperation between anti-corruption agencies
• Developing anti-corruption measures and monitoring compliance
• Considering proposals of anti-corruption agencies and developing measures to implement them
• Preparing proposals for official anti-corruption resolutions and drafting proposals for promoting anti-corruption activities and public monitoring

Documents approved in 2010

• Regulation on commissions for monitoring civil service ethical compliance and settling conflicts of interest.
• Comprehensive action plan for improving the quality of government and municipal services, reducing redundancies in executive agencies and further removing administrative barriers.
• List of key indicators for monitoring the efficiency of government agencies in implementing anti-corruption measures.
Investment climate

Over the past several years, Tatarstan has consistently had one of the lowest levels of risk among Russia’s regions from the perspective of foreign investors.

According to international rating agencies Moody’s and Fitch, Tatarstan ranks as one of the most investor-friendly regions in Russia:

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Moody’s</td>
<td>Ba1</td>
<td>Ba1</td>
<td>Ba1</td>
<td>Ba1</td>
</tr>
<tr>
<td>Fitch</td>
<td>BB+</td>
<td>BBB-</td>
<td>BBB-</td>
<td>BBB-</td>
</tr>
</tbody>
</table>

**Government regulation and support**

*The Tatarstan Government offers the following incentives to investors*

- publicly subsidised loans;
- partial refunds of bank loan interest and bond coupons paid;
- government guarantees;
- tax preferences;
- co-financing; and
- grants.

The government makes efforts to widen access to investment resources through joint financing arrangements with banks and private investors. These government non-profit organisations were created to aid this process:

- Investment and Venture Fund of the Republic of Tatarstan;
- Stabilisation Collateral and Insurance Fund of the Republic of Tatarstan.

Among other things, the regulatory framework includes the following legislation:

- Republic of Tatarstan Law “On Investment Activity in the Republic of Tatarstan”
- Republic of Tatarstan Law “On Foreign Investments in the Republic of Tatarstan”
- Republic of Tatarstan Cabinet of Ministers Resolutions:
  2. “On Approving the Regulations Governing the Conclusion of Investment Contracts Between the Investors and the Tatarstan Ministry of Economy and the Forms of Investment Contracts”

**Tax benefits**

Under Tatarstan law, investors carrying out investment projects in Tatarstan receive tax benefits for the payback period of the investment project, which cannot exceed seven years (13 years for investments in heavy engineering) after the project began.

<table>
<thead>
<tr>
<th>Current rate</th>
<th>Beneficial rate</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Profits tax</strong></td>
<td></td>
</tr>
<tr>
<td>20%</td>
<td>15.5%</td>
</tr>
<tr>
<td><strong>Property tax</strong></td>
<td></td>
</tr>
<tr>
<td>2.2%</td>
<td>0.1%</td>
</tr>
<tr>
<td><strong>Land tax</strong></td>
<td></td>
</tr>
<tr>
<td>1.5%</td>
<td>0%*</td>
</tr>
</tbody>
</table>

* Given a relevant resolution by a municipal council
Investments in fixed assets

According to government data, fixed-asset investments amounted to RUB 306.0 billion in 2010 (105.7% in comparable prices against the 2009 level).

The key indicator of investment performance is the fixed-asset investment growth rate. In Tatarstan this data point has more than tripled over the past 12 years.

Tatarstan’s share in Russia’s overall capital expenditures has not changed significantly in recent years.

However, this data point has risen significantly in the Volga Federal District, or VFD, as a whole over the past decade, which gives reason to expect a further increase in Tatarstan’s role among VFD regions.

Traditionally, Tatarstan has been the leader in the volume of investments among VFD regions.

While before 2008 the Nizhniy Novgorod Region and the Republic of Bashkortostan lagged behind Tatarstan in terms of capital investment by only an insignificant amount, in 2010 the gap between Tatarstan and its closest competitors exceeded RUB 130 billion.
Regarding the distribution of investment among sectors, the key area is processing industry.

In addition, significant investments are traditionally allocated among the following sectors: real estate, transport, communications and mining. The total share of these sectors in the overall volume of investment is around 40%

**Tatarstan fixed-asset investment by sector**

![Bar chart showing investment by sector]

The structure of investment by source of financing has radically changed in recent years. One notable negative trend has been the decrease in companies using their own funds to replace fixed assets, which is characteristic of Russia as a whole.

**Tatarstan’s fixed-asset investment by source of finance**

![Bar chart showing investment by source of finance]

**Foreign investment**

The flow of foreign investment into Tatarstan in 2010 was USD 4,150 million (including rouble-denominated investments converted into US dollars), representing growth of or 85.3% over 2009.

As of 1 January 2011, the total foreign investment in Tatarstan was USD 4,870.5 million.

**Flow of foreign investment in Tatarstan (USD million)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total inflow</th>
<th>including direct investments</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>2,594</td>
<td>723</td>
</tr>
<tr>
<td>2009</td>
<td>2,240</td>
<td>113</td>
</tr>
<tr>
<td>2010</td>
<td>4,150</td>
<td>146</td>
</tr>
</tbody>
</table>

**Foreign investment structure, 2010**

As of 1 January 2011, 945 businesses with foreign investment were registered in Tatarstan, of which 472 businesses (49.9%) were wholly owned by foreign investors.

**Geographical Structure of Foreign Investment, 2010**

[Graph showing geographical distribution of foreign investment]
International investment forums

Every year, Tatarstan hosts major international investment forums, which serve as a convenient platform for cooperation between local businesses and potential investors.

Euromoney-Kazan International Investment Forum

Since 2008 UK-based Euromoney Conferences has hosted the annual Euromoney-Kazan International Investment Forum in Kazan under the patronage of the Tatarstan Government.

Euromoney Conferences is the global leader in organising conferences for cross-border investment and stock markets, portfolio and direct investors, financial mediators, corporations, government, banks and financial institutions.

http://euromoney.tatar.ru/

Kazan Venture Fair

Since 2005, the Investment Venture Fund of the Republic of Tatarstan, together with the Russian Association of Direct and Venture Investments, has held the annual Kazan Venture Fair, which provides a forum for small and medium-sized innovation-driven companies to present their businesses to potential investors. Over the past five years, around 600 small and medium-sized businesses have submitted bids for the contest.

http://ivf.tatar.ru/rus/yarmarka.htm

International Islamic Business and Finance Summit

The non-profit IBFD Foundation in conjunction with ZAO Linova-MEDIA hosts the annual International Islamic Business and Finance Summit in Kazan (KAZANSUMMIT), which is Russia’s main economic forum for Islamic business and finance.

The event aims to facilitate the development of economic and financial ties between entrepreneurs in accordance with the principles of Islam.

http://kazansummit.ru/

Tatarstan’s investment website

The Republic of Tatarstan’s investment website is designed to be a convenient and universal tool for investors.

The website provides essential information about the region:

- recent data on Tatarstan’s social and economic conditions;
- information on national, regional and local investment projects;
- specifics of Tatarstan’s investment legislation;
- information on industrial and investment platforms;
- data on Tatarstan’s credit and investment ratings;
- electricity, water and gas supply tariff rates;
- investment-related presentations and reference materials.

The website also offers:

- a unique interactive card;
- a functional search engine; and
- the opportunity to promote investment projects online.

http://www.invest.tatar.ru/
Industrial production

The volume of domestically produced goods shipped, work performed domestically and services provided domestically in 2010 was RUB 1,044.4 billion, while the region’s large and medium-sized businesses produced goods worth RUB 993.1 billion.

Tatarstan’s industrial production index in 2010 was 108.7% compared to the 2009 level, which is higher than the average Russian rate (by 0.5%).

**Industrial production indicators**

<table>
<thead>
<tr>
<th>Shipped product, RUB billion</th>
<th>Tatarstan industrial production index, in adjusted prices, % against prior year</th>
<th>Russian industrial production index, in adjusted prices, % against prior year</th>
</tr>
</thead>
<tbody>
<tr>
<td>932.9</td>
<td>100.6</td>
<td>100.6</td>
</tr>
<tr>
<td>867.6</td>
<td>95.6</td>
<td>95.6</td>
</tr>
<tr>
<td>1,044.4</td>
<td>108.7</td>
<td>108.2</td>
</tr>
</tbody>
</table>

In 2010 the following types of business activity accounted for the largest share in the volume of shipped goods: energy resources production (29.5%), chemicals (14.7%), transport vehicles and equipment manufacturing (13.7%), oil refining (9.7%), and production and distribution of electricity, gas and water (8.4%).

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The Republic of Tatarstan is a particularly interesting zone for foreign investments not only because the Russia’s trucks production centre is located there but also due to a cordial personal support of new projects by management of the Republic which makes foreign investors confident in the stable future.

Vladislav Alexandrovich Pastushenko
CEO, ZF KAMA OOO
http://www.zf.com
Overview

Tatarstan's oil sector primarily produces oil, associated gas, heating oil, diesel and petrol. Oil is the main component of Tatarstan's considerable mineral wealth. Probable reserves amount to around 1 billion tonnes. Thirty-four oil companies operate in Tatarstan, of which the largest is OAO Tatneft.

Key indicators

In 2010, the industrial production index for fuel and energy resources was 100% (as compared to 2009). Oil production remained steady at 32.4 million tonnes in 2010 (99.9% of the 2009 level). Gas production was slightly higher at 830 million cu m (103.1% of the 2009 level).

Changes in oil production

![Changes in oil production chart](chart.png)

Major companies

<table>
<thead>
<tr>
<th>Company name</th>
<th>Profile</th>
<th>Contacts</th>
</tr>
</thead>
</table>
| OAO Tatneft  | - One of Russia's largest oil companies  
- Tatneft operates mostly in Russia but has representative offices in Asia, Africa, the Middle East and several CIS countries | 75 Lenina Street  
Almetyevsk, 423400  
Tel.: +7 (8553) 371-111  
http://www.tatneft.ru |

Major investment projects

<table>
<thead>
<tr>
<th>Project name</th>
<th>Project summary</th>
<th>Total project cost</th>
<th>Investor (initiator)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil production development</td>
<td>Development of oil production to supplement depleting reserves</td>
<td>RUB 122,119 million</td>
<td>OAO Tatneft</td>
</tr>
<tr>
<td>Development of the Ashalchinskoe field with high-viscosity oil deposits</td>
<td>Increasing oil production in Tatarstan</td>
<td>RUB 3,763 million</td>
<td>OAO Tatneft</td>
</tr>
</tbody>
</table>
Oil refining and petrochemicals

Overview
The chemical and petrochemical industry includes the following types of activity:
• chemical production;
• rubber and plastics production;
• petroleum product manufacturing.

Changes in chemical production

Key indicators in 2010
1. Volume of shipped products: RUB 153.5 billion.
2. Chemical production index: 112.2%.
3. Key production growth rates:
   • lacquers and paints (131.0% on prior year),
   • glycerine (125.3%),
   • synthetic rubber (124.9%),
   • synthetic phenol (117.9%),
   • plastics (107.4%),
   • technical carbon (103.3%).

Changes in oil products manufacturing
### Major companies

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<thead>
<tr>
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</thead>
<tbody>
<tr>
<td><strong>OAO TANECO</strong></td>
<td>OAO TANECO operates a number of oil refineries and petrochemical plants, including a new crude oil distillation plant that was commissioned in late 2010. In 2011 Tatneft intends to take a decision on expanding TANECO's annual oil refining capacity to 14 million tonnes.</td>
<td>P.O. Box 97 Nizhnekamsk, 423581 Tel.: +7 (8555) 490-202 <a href="http://www.taneco-npz.ru">http://www.taneco-npz.ru</a></td>
</tr>
<tr>
<td><strong>OAO TAIF</strong></td>
<td>The TAIF Group includes 67 different companies with diversified operations in many industries, including such key sectors as oil and gas, petrochemicals, telecommunications, construction, banking and investment, and services.</td>
<td>27 Schapova Street Kazan, 420012 Tel.: +7 (843) 277-9402 <a href="http://www.taif.ru">http://www.taif.ru</a></td>
</tr>
<tr>
<td><strong>OAO Nizhnekamskneftekhim</strong></td>
<td>OAO Nizhnekamskneftekhim is a rapidly growing, high-tech, Russian petrochemicals company, which is part of the TAIF Group. Its manufacturing facilities include 10 core production plants and six centres (including an R&amp;D centre).</td>
<td>Nizhnekamsk, 423574 Tel.: +7 (8555) 377-009 <a href="http://www.nknh.ru">http://www.nknh.ru</a></td>
</tr>
<tr>
<td><strong>OAO Nizhnekamskshina</strong></td>
<td>OAO Nizhnekamskshina is Russia's largest tyre manufacturer. Every third tyre made in Russia is produced by Nizhnekamskshina – in total over 12 million tyres per year. In addition to the CIS countries, the company's Kama brand tyres are marketed to the UK, Holland, Iraq, Finland, Jordan and Cuba.</td>
<td>Nizhnekamsk, 423550 Tel.: +7 (8555) 420-447 <a href="http://www.shina-kama.ru">http://www.shina-kama.ru</a>, <a href="http://www.tyre-kama.com">http://www.tyre-kama.com</a></td>
</tr>
<tr>
<td><strong>OAO Kazanorgsintez</strong></td>
<td>OAO Kazanorgsintez manufactures over 38% of Russia's polyethylene and is the country's largest exporter of this material. Kazanorgsintez, a part of the TAIF Group, is the market leader in the production of polyethylene gas pipes, phenol, acetone, cooling fluids, and chemicals for oil production and gas dehydration.</td>
<td>101 Belomorskaya Street Kazan, 420051 Tel.: +7 (843) 533-9809 <a href="http://www.kazanorgsintez.ru">http://www.kazanorgsintez.ru</a></td>
</tr>
<tr>
<td><strong>OAO Nefis-Cosmetics</strong></td>
<td>The company offers a wide range of household products, cosmetics and technical goods.</td>
<td>152 Tukaya Street Kazan, 420022 Tel.: +7 (843) 278-9400 <a href="http://www.nefco.ru/">http://www.nefco.ru/</a></td>
</tr>
</tbody>
</table>
## Major investment projects

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<tbody>
<tr>
<td>Complex of oil refineries and petrochemical plants in Nizhnekamsk</td>
<td>Construction and commissioning of a complex of refineries and petrochemical plants: 1. Refinery (primary oil refining) with capacity of 7 million tonnes per year. 2. Advanced refinery. 3. Petrochemical plant.</td>
<td>RUB 265,940 million</td>
<td>OAO TANECO</td>
</tr>
<tr>
<td>Construction of a complex for advanced processing of heavy residue</td>
<td>This project involves building an SDU, a vacuum distiller hydrocracker unit, an atmospheric distiller hydrotreater unit, hydrogen and sulphur production units and a number of auxiliary machines and tank batteries. This complex will allow:  • stopping the manufacturing of dark oil products and increasing production of highly liquid light products;  • increasing the oil conversion ratio;  • improving the quality of oil products;  • increasing the volume of processed oil by 25% and the plant’s annual capacity in terms of raw materials to 10.1 million tonnes (including gas condensate processing); and  • manufacturing valuable petrochemical raw materials (liquefied hydrocarbon gases, naphtha).</td>
<td>RUB 62,400 million</td>
<td>OAO TAIF-NK</td>
</tr>
<tr>
<td>Construction of a new integrated complex for production of ammonia, methanol and granular carbamide in Mendeleevsk</td>
<td>This project involves the construction of:  • a granular carbamide production plant with a capacity of 717,500 tonnes per year;  • an integrated complex including a combined ammonia and methanol production unit with a capacity of 717,500 tonnes of ammonia per year, or 522,200 tonnes of ammonia and 233,800 tonnes of methanol per year.</td>
<td>RUB 48,800 million</td>
<td>OAO Ammony</td>
</tr>
<tr>
<td>Construction of an ABS plastics plant with a capacity of 60,000 tonnes per year</td>
<td>This project involves setting up production of ABS plastics (acrylonitrile, butadiene and styrole copolymers) within Nizhnekamskneftekhim’s vacant production premises.</td>
<td>RUB 4,320 million</td>
<td>OAO Nizhnekamskneftekhim</td>
</tr>
<tr>
<td>Creation of the Khimgrad Technopolis</td>
<td>The Khimgrad Technopolis is an essential infrastructure project for supporting of small and medium-sized chemical and petrochemical companies in Tatarstan. The park will work closely with Tatarstan’s leading universities.</td>
<td>RUB 12,000 million</td>
<td>OAO MC Idea Capital</td>
</tr>
<tr>
<td>Construction of an EP-400 olefine and derivatives complex (polypropylene – 140,000 tonnes per year)</td>
<td>This project involves manufacturing high-value-added products, increasing the hydrocarbon processing level and strengthening and enhancing Nizhnekamskneftekhim’s profitability and position in international and domestic markets.</td>
<td>RUB 42,025 million</td>
<td>OAO Nizhnekamskneftekhim</td>
</tr>
</tbody>
</table>
Energy

Overview

The energy industry is the republic’s most important industry, contributing to the development of almost all sectors of the region’s economy. The following companies form the heart of Tatarstan’s energy system: OAO Tatenergo, OAO Grid Company, OAO Generating Company, OAO TGK-16, OOO Nizhnekkamskaya Thermal Power Plant, ZAO TGK Urussinskaya GRES, OAO Kazan Thermal Network Company, OAO Naberezhniye Chelny Thermal Network Company, OOO Urussinskiye Thermal Networks and OAO Tatenergosbyt.

Key indicators

In 2010, the energy industry generated 24.4 billion kW h of energy (109.1% in comparable prices against the 2009 level).

Major companies

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<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>OAO Tatenergo</td>
<td>• Tatenergo is a holding company operating as a producer and seller of electricity, as well as a producer, supplier and seller of heat in Tatarstan.</td>
<td>1 Salimzhanova Street Kazan, 420021 Tel.: +7 (843) 291-8659 <a href="http://www.tatenergo.ru">http://www.tatenergo.ru</a></td>
</tr>
<tr>
<td></td>
<td>• The total length of the company’s heat networks exceeds 1,000km.</td>
<td></td>
</tr>
<tr>
<td>OAO Grid Company</td>
<td>• In terms of transmitted power, the company is one of the top ten Russian companies of its kind (80 in total).</td>
<td>3 Bondarenko Street Kazan, 420094 Tel.: +7 (843) 291-8559 <a href="http://www.netcom.tatenergo.ru">http://www.netcom.tatenergo.ru</a></td>
</tr>
<tr>
<td></td>
<td>• The company transmits and distributes about 4,000 MW of electricity from power plants to consumers in Tatarstan.</td>
<td></td>
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</table>
## Major investment projects

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</tr>
</thead>
<tbody>
<tr>
<td>Construction of the Elabuga 500 kW sub-station with a 500-220-110 kW high voltage line</td>
<td>In 2012, Ammony OAO plans to commission a new 28 MW-capacity plant in Mendeleevsk that will produce ammonia and carbamide, which relates to essential load items. To supply electricity to the Alabuga Special Economic Zone in compliance with category I reliability requirements from two independent sources under various modes of operation, including maintenance, it was necessary to build sub-station Elabuga-500 kW (Kama-500 kW) with two 2X250 MVA 500/110 kW autotransformers.</td>
<td>RUB 3,150 million</td>
<td>OAO Grid Company</td>
</tr>
</tbody>
</table>
| Reconstruction of the Kinderi 500 kW sub-station | The reconstruction project includes:  
- replacement of the A phase of ATG-5 and two A and B phases of ATG-4 of 500/220 kW at 167 MVA each;  
- replacement of current transformers with ZaiGRES-Kinderi VL-500 kW (6 phases);  
- reconstruction of the ORU-110kW (replacement of twelve U-110 air circuit-breakers with VEB-11-kW sulphur hexafluoride switches, and RLNDZ-110 with SGF-110, along with the replacement of the existing protections with microprocessor ones). | RUB 634,8 million | OAO Grid Company |
| Reconstruction of the Central 220 kW sub-station | To ensure reliable electric power supply to Universiade venues, the sub-station must be repaired. This includes:  
- replacement of two AT 220/110 of 2x125 MVA with 2x250 MVA;  
- reconstruction of ORU-220kW, including the replacement of two oil circuit breakers; the replacement of OD-KZ-220 kW with sulphur hexafluoride switches, along with the replacement of 220 kW disconnecting devices and of the current protections with microprocessor ones;  
- reconstruction of ORU-110kW, including the replacement of twelve air circuit breakers with sulphur hexafluoride switches, and the replacement of 100 kW disconnecting devices and of the current protections with microprocessor ones. | RUB 662 million | OAO Grid Company |
Heavy engineering and metallurgy

Overview
Heavy engineering and metallurgy includes metallurgical production and production of finished metal goods, machinery, electrical and optical equipment, and transportation vehicles and equipment.

The industrial production index for machinery and equipment in 2010 as compared to 2009 was 128.2%; 133% for electrical and optical equipment production; 123% for production of transportation vehicles and equipment; and 119.3% for metallurgical production and production of finished metal goods.

Key indicators
Compared to 2009, the production of passenger vehicles increased 2.1 times, and production of commercial vehicles and buses increased 1.5 times.

Transportation vehicle production

![Graph showing transportation vehicle production from 2008 to 2010]

Major companies

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<thead>
<tr>
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</tr>
</thead>
</table>
| OAO KAMAZ                                         | The KAMAZ Group is Russia's largest automotive corporation. Globally, KAMAZ ranks thirteenth in truck manufacturing and eighth in diesel engine production. | 2 Prospekt Avtozavodsky Naberezhjniy Chelny, 423827  
Tel.: +7 (8552) 452-745  
http://www.kamaz.net |
| OAO ALNAS                                         | ALNAS is one of the largest Electrical Submersible Pumps producers in Russia. | Almetyevsk, 423461  
Tel.: +7 (8553) 393-604  
http://www.alnas.ru |
| OAO Kazankompressormash                           | This is Russia's largest compressor manufacturer. | 1 Khalitova Street Kazan, 420029  
Tel.: +7 (843) 291-79-21  
http://compressormash.ru/ |
| OAO Gorbunov Kazan Aircraft Production Association (Gorbunov KAPO) | Throughout its 80-year history, Gorbunov KAPO has introduced and produced 24 types of aircraft equipment and modifications. | 1a Dementieva Street Kazan, 420036  
Tel.: +7 (843) 533-40-70  
http://www.oaokapo.ru/ |
### Project name | Project summary | Total project cost | Investor (initiator)
--- | --- | --- | ---
Development of foundry production of vehicle components (block, piston, crankcase groups) using nanotechnology | Development of motor component production at KAMAZ-Metallurgy's foundry plant in order to localise the manufacture of key truck elements assembled by joint ventures of KAMAZ and foreign motor components producers. | RUB 8,282.92 million | OAO KAMAZ-Metallurgy

Establishment of a Ford-Sollers joint venture | Creation of a Ford-Sollers joint venture (50/50) to manufacture and distribute Ford vehicles. The joint venture is to become a leader in the Russian passenger and commercial car market with a total market share of 9%. | USD 2,400 million | Ford-Sollers joint venture

Establishment of global-level fixtures production | Set up of fixtures production in Tatarstan with a capacity of 30,000 tonnes per year. Development of robust automotive component supply chains for the country's main automotive manufacturers. | RUB 6,512.2 million | OAO Menzelinsk Mechanical Plant

Construction of the TatStal Electro-Metallurgy Plant | Construction of a new electro-metallurgy plant for steel production with a capacity of up to 1.2 million tonnes of steel and 1 million tonnes of steel bar each year. | RUB 28,370 million | ZAO Maxi-Invest
Agriculture

Overview
Agriculture is one of the most stable sectors of Tatarstan’s economy. Although the republic’s farmland is considered less than ideal, Tatarstan has yielded one of the largest grain harvests in Russia over the last few years, with only the traditional grain-growing regions of Russia’s south producing more.

The Tatarstan Agricultural Development Programme for 2008-2012 was well under way in 2010.

The output for all agricultural producers (agricultural entities, residential households and farms) was RUB 99,006.9 million or 69.0% of 2009’s total.

Livestock production increased by 2% over the period, while crop production decreased by 65.2%.

In 2010, extreme weather conditions caused a reduction in crop production, resulting in a lower index of agriculture gross output volume.

Key indicators
In 2010, residential households accounted for 48.7% of agricultural production, farms for 4.6%, and agricultural entities for 46.7%.

As for agricultural entities, meat production (in terms of live weight) increased in 2010 by 12,300 tonnes (3%), milk production by 22.4 thousand tonnes (1.2%), and egg production by 113.1 million (11%) compared to 2009.

Meat produced by agricultural entities by type (as a percentage of total output)

Gross crop production by type of agricultural entity (million centners)
### Major companies

<table>
<thead>
<tr>
<th>Company name</th>
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<th>Contacts</th>
</tr>
</thead>
</table>
| ZAO Agrosila Group            | The holding operates in various agricultural sectors:  
• Cultivation of cereal, industrial and fodder crops;  
• Livestock and poultry production;  
• Purchase and processing of grain to produce flour and cereal.                                                                                          | P.O. Box 52  
Naberezhniye Chelny,  
423800  
Tel.: +7 (8552) 707-144  
http://www.agroforceg.com |
| OOO Chelny-Broiler            | The company is Tatarstan’s poultry sector leader. Structural production divisions form a vertically integrated complex of facilities of the whole broiler poultry process flow: from the production of eggs and birdseed to the processing and distribution of finished products. | 3 E.N. Batenchuka Street  
Naberezhniye Chelny,  
423800  
Tel.: +7 (8552) 746-005  
http://www.chelny-broiler.ru/ |
| Krasny Vostok Agriculture Holding | The holding is based on 68 agricultural entities located in six regions of Tatarstan. Its business operations include the following: industrial milk production, creating optimal conditions for highly productive breeding cattle, crop production, grain processing and storage. | 5 Tikhoretskaya Street  
Kazan, 420054  
Tel.: +7 (843) 278-9004  
http://kvagro.ru |

### Major investment projects

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<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Reconstruction of Chelny-Broiler OOO poultry farm</td>
<td>The purpose of the investment project is to increase poultry meat production, enhance the quality of products and decrease costs.</td>
<td>RUB 4,347.7 million</td>
<td>OOO Chelny-Broiler</td>
</tr>
<tr>
<td>A biotechnological deep grain-processing complex</td>
<td>The project allows the economic efficiency of the agricultural sector to be increased by processing wheat not used in the baking industry and deriving starch and producing glucose/fructose syrups and other by-products.</td>
<td>RUB 6,049.3 million</td>
<td>OAO Tatneftekhim-investolding</td>
</tr>
<tr>
<td>Construction of the Novaya Derevnya (New Village) agricultural complex</td>
<td>The agricultural complex is to include 160 livestock and fishing mini-farms, four processing plants, and 100-120 housing units for farm employees and social facilities.</td>
<td>RUB 3,000-5,000 million</td>
<td>UK Agropark Management OOO</td>
</tr>
<tr>
<td>Construction of a deep oilseed-processing complex</td>
<td>The goal of the project is to develop a deep-processing complex for sunflower and rape oilseed processing in a single production chain consisting of three plants: an oil extraction plant, an oil refining plant, and a plant producing and packing ketchup, mayonnaise and sauces in plastic containers.</td>
<td>RUB 16,000 million</td>
<td>NEFIS Group of Companies</td>
</tr>
</tbody>
</table>
Construction

Overview

Comprehensive planning of Tatarstan’s regional development based on growth priorities and reasonable, economically feasible allocation of production and residential housing that meets current and future demand is one of the major areas of the republic’s development.

As a result of the government’s construction policy, Tatarstan managed to maintain the core of its construction complex during the turbulent post-reform years. Many investment projects have been completed over the years using the republic’s own resources. And since the mid 1990s, the republic has been regarded as one of the most attractive regions for investors and most prepared for involvement in priority regional government programmes, including the Affordable Comfortable Housing for Russian Citizens Programme.

Key indicators

| Scope of work for 2010 | RUB 176.9 billion, 4% higher than in 2009 |
| Put into operation in 2010 | 2 million sq m of housing (100.8% of the previous year’s total, or 100.4% of the planned total). This includes 716,000 sq m covered by the mortgage programme. |
| Average housing per capita in 2010 | 22.8 sq m |
| Cost of 1 sq m of the total area* | RUB 34,315 in the primary market, RUB 38,203 in the secondary market |

* The cost per sq m in the primary market increased by 11%, and by 15.2% in the secondary market. In Q4 2010, Tatarstan ranked seventh among Volga Federal District regions in terms of the price per sq m of the total area of housing in the primary market and fourth in the secondary market.
# Major companies

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<tbody>
<tr>
<td><strong>GUP Tatinvestgrazhdanprojekt</strong></td>
<td>The company is ranked fifth among Russia’s 14,000 planning and surveying organisations and second among planning and surveying organisations with a turnover of RUB 0.5-1 billion.</td>
<td>28 Chekhova Street Kazan, 420043 Tel.: +7 (843) 236-0812 <a href="http://www.tigp.ru/intro/">http://www.tigp.ru/intro/</a></td>
</tr>
<tr>
<td><strong>«State Housing Foundation under the President of the Republic of Tatarstan» Not-for-Profit Organisation</strong></td>
<td>The foundation’s key line of activity is the implementation of housing-related programmes approved by the Russian Government and Tatarstan’s state and municipal authorities, as well as the distribution of housing for the republic's population through the provision of social mortgages and mortgage lending for individuals and legal entities.</td>
<td>8/9 Gorkogo Street Kazan, 420043 Tel.: +7 (843) 221-6866 <a href="http://www.gilfondrt.ru/">http://www.gilfondrt.ru/</a></td>
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</thead>
<tbody>
<tr>
<td>Regional target programme titled «The development of housing construction in the Republic of Tatarstan for 2011-2015»</td>
<td>Providing people in Tatarstan with affordable housing by supporting and developing housing construction and stimulating demand in the market.</td>
<td>RUB 432,065.69 million</td>
<td>The Ministry of Construction, Architecture and Housing of the Republic of Tatarstan, Tatinvestgrazhdanprojekt State Unitary Enterprise (GUP)</td>
</tr>
<tr>
<td>Construction of the Zeleny Dol satellite town (construction in areas adjacent to the Kazan-Zelenodolsk-Zeleny Dol highway)</td>
<td>Construction of the republic’s first unique satellite town, Zeleny Dol, with developed infrastructure and comfortable living conditions for the majority of its inhabitants.</td>
<td>RUB 151,300 million</td>
<td>OAO RT Mortgage Agency</td>
</tr>
</tbody>
</table>
Transportation

Overview
Tatarstan is situated at the intersection of several major transport routes: the Trans-Siberian Railway and the North-South line; the Volga and Kama rivers, which flow to the Caspian Sea, the Urals and the Moscow Region; and the Central–Far East Federal Motorway.

The region has 18.5 thousand km of paved public roads. It also has three cargo ports with five cargo territories, four passenger ports (Kazan, Naberezhniye Chelny, Chistopol, and Nizhnekamsk), six inland water terminals and three railway transport companies.

The first section of Kazan’s metro opened on 27 August 2005. Today, there are seven stations in operation and three more under construction.

Tatarstan’s international airports operate scheduled flights to Germany, Greece, Bulgaria, the Czech Republic, Cyprus, Turkey, Azerbaijan, Uzbekistan and Tajikistan. There are six airports in the republic; Kazan and Begishevo are both federal airports.

Druzhba, the world’s largest oil pipeline, starts in Tatarstan. Large gas pipelines carrying natural gas from the Urengoy and Yamburg fields to Western Europe also run through the republic.

Cargo transportation
In 2010, the republic’s motor transport companies transferred 59,282.8 million tonnes of cargo (93.2% of 2009’s totals), including 21,459.8 million tonnes (90.1%) of commercial cargo. Cargo turnover reached 3,753.3 billion tonne-kilometres (106.5% compared to 2009) including 2,395.0 billion tonne-kilometres (113.3%) of commercial cargo. In 2010, 29 million tonnes of oil were transported by pipeline, which is 98% of the amount for 2009.

Logistics centres
Three European-level logistics centres with the potential for expansion have been opened in the republic so far. Having warehouses of this level available will allow the republic’s transportation companies and logistics operators to improve the level of their services.

In April 2009, the first part of the Q Park Kazan logistics complex was opened. The complex is close to Kazan International Airport and has a total floor area of 230 thousand sq m. It is also a class A warehouse that meets all global standards.

Andrey Matveev
Manager in Kazan
+7 (843) 567-10-59

The first part of the Konstantinovsky modern logistics complex began operating in the Vysokogorsky District of Tatarstan in June 2009. The total floor area devoted to handling and storing cargo in class A warehouses is 44,000 sq m.

Dmitry Ovsyannikov
Commercial Director
+7 (843) 221-86-21
http://www.s-logistics.gsf.ru/

The Volga Region’s largest global-level industrial park, Biek Tau, officially opened on 30 September 2009. The park’s total area is 260,000 sq m, and its infrastructure can accommodate production and assembly lines and process up to 9.5 million tonnes of cargo a year.

Tatyana Petrova
Head of the Rental Department
+7 (495) 787-18-00 ext. 1374
+7 (903) 001-78-62
http://www.ealog.ru/
### Transport connection

<table>
<thead>
<tr>
<th>Company name</th>
<th>Website</th>
<th>Telephone</th>
</tr>
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<tbody>
<tr>
<td>Kazan Airport</td>
<td><a href="http://www.airport.kazan.ru/">http://www.airport.kazan.ru/</a></td>
<td>+7 (843) 267-8807 +7 (843) 267-8792</td>
</tr>
<tr>
<td>Kazan Railway Terminal</td>
<td><a href="http://pass.rzd.ru/">http://pass.rzd.ru/</a></td>
<td>+7 (843) 294-0400 +7 (843) 294-0500</td>
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<tr>
<td>Construction of the Shali–Bavly (M7–M5) toll road</td>
<td>As part of Russia's transport development strategy through 2030, the Tatarstan Government, with support from the Russian Government, is building the Shali–Bavly toll road, which will be part of the Europe-Western China transport corridor. Toll operation on the first part of the road is set to begin in 2012.</td>
<td>RUB 98,000 million</td>
<td>Ministry of Transport and Roads of the Republic of Tatarstan</td>
</tr>
<tr>
<td>Sviyazhsk interregional multimodal logistics centre</td>
<td>The Sviyazhsk terminal will become not only the largest traffic terminal in the Volga Region, but also the redistribution centre for cargo traffic along three international transport corridors (Baltic–China; North–South; East–West). The centre will unite all modes of transport: motor, railway and water at first, with pipeline and air transport to be added in the future.</td>
<td>RUB 18,000 million</td>
<td>Ministry of Transport and Roads of the Republic of Tatarstan</td>
</tr>
<tr>
<td>Construction of an international airport</td>
<td>To upgrade Kazan International Airport and develop Tatarstan Airlines, the Tatarstan Government and Chimimport Investment Holding (Bulgaria) are working together to establish two companies, ZAO TAT-AERO and ZAO TAT-AVIA. The project includes reconstruction of the existing terminals and construction of new Terminal 3 to increase the airport’s capacity.</td>
<td>RUB 1,599 million</td>
<td>OAO Kazan International Airport</td>
</tr>
<tr>
<td>Organisation of inter-module transportation from Kazan Station to Kazan International Airport</td>
<td>The purpose of the project is to develop a system of inter-module trans-shipment to support transportation during the World Summer Universiade 2013 in Kazan. The system will reduce the time it takes passengers to travel from Kazan International Airport to the city centre.</td>
<td>RUB 7,885 million</td>
<td>OAO Russian Railways</td>
</tr>
</tbody>
</table>
Telecommunications
In 2010, the gross income of the republic's IT system development and communication companies increased by 23.6% and reached RUB 35.5 billion. The share of gross income in gross regional product increased by 0.4% and totalled 3.68% in 2010.

Investments into the sector equalled RUB 4.88 billion in 2010. Most of these were for the development of telecommunication infrastructure (48%) and implementation of information technologies and IT penetration (44%). Gross income is expected to reach at least RUB 39.8 billion in 2011.

In Tatarstan, 58% of households have Internet access – almost twice the Russian average. This is one of the many factors allowing Tatarstan to implement large-scale IT projects.

Government services
By 2013, more than 90 of the most popular services will be available in electronic form in Tatarstan.

Today, 13 government services are provided electronically. These are available through electronic information kiosks and the government and municipal services website http:/ /www.uslugi.tatar.ru. In 2010, 477,000 requests and 250,000 payments exceeding RUB 67 million were processed.

By the end of 2011, the people of Tatarstan will be able to pay for all social services electronically (telecommunications, housing and utilities services, nursery school, etc.). A whole number of other services will also become available online, including electronic queues for nursery admissions, requests for motor vehicle inspections and debt repayments to court bailiffs.

In 2010, unprecedented financing decisions were made in relation to certain promising IT areas. The overall budget for IT projects has been increased, and the bulk of it has been distributed for supplying schools with computer hardware and software.

E-government
Records in all Tatarstan Government offices are managed electronically. Electronic document management is used by 800 organisations and 10,000 civil servants and municipal officials. The most popular governmental and municipal services are now available online.

Founded in 2009, Tatarstan's state information centre includes:
1. the state integrated telecommunications system – a high-speed and secure information and communications infrastructure uniting over 6,000 governmental agencies across federal, regional and local levels;
2. special websites: “government–people” and “government–business”;
3. a new website for government and municipal services;
4. electronic information kiosks giving people access to self-service e-services;
5. a processing centre for telephone and video requests for governmental and municipal services.

Tatarstan's Electronic Goods Information System was put into operation to support Russian manufacturers in difficult economic conditions. The system went live on 1 March 2009 in order to ensure that the republic's manufacturers are given priority when government and municipal purchases are made.
<table>
<thead>
<tr>
<th>No.</th>
<th>Investment project</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Manufacture of automatic transmissions for KAMAZ trucks</td>
<td>ZF KAMA is a joint venture (JV) involved in the assembly and manufacture of automatic transmissions for KAMAZ trucks. Localisation of components for assembly will later be increased to 70%. The German company ZF Friedrichshafen AG owns 51% of the JV's charter capital.</td>
</tr>
<tr>
<td>2</td>
<td>Organising production of CUMMINS diesel engines meeting EURO-3 and EURO-4 standards in Naberezhniy Chelny</td>
<td>ZAO Cummins KAMA is a JV of Cummins (USA) and KAMAZ.</td>
</tr>
<tr>
<td>3</td>
<td>Manufacture of drum brakes, disk brakes, torque vibration dampers, automatic controls for drum brakes</td>
<td>KNORR-BREMZE KAMA is a JV of Knorr-Bremse Systeme für Nutzfahrzeuge GmbH (OOO Knorr-Bremze Systems for Commercial Vehicles) and ZAO KAMAZ.</td>
</tr>
<tr>
<td>4</td>
<td>Organising production of cylinder and piston group component parts for KAMAZ</td>
<td>Federal Mogul Naberezhniy Chelny is a JV of OAO KAMAZ and LLC Federal Mogul (Germany).</td>
</tr>
<tr>
<td>5</td>
<td>Manufacture of medium-duty trucks</td>
<td>A JV of OAO KAMAZ and Mitsubishi FUSO with an output of 4,100 vehicles.</td>
</tr>
<tr>
<td>6</td>
<td>Manufacture of heavy-duty trucks</td>
<td>A JV of OAO KAMAZ and Daimler with an output of 2,900 vehicles.</td>
</tr>
<tr>
<td>7</td>
<td>Manufacture of road-building and agricultural equipment</td>
<td>A JV of OAO KAMAZ and CNH with an output of 2,600 units.</td>
</tr>
<tr>
<td>8</td>
<td>ICL-KPO VS</td>
<td>The company was established in 1991 by Kazan Manufacturing Enterprise of Computer Systems (KPO VS) and International Computers Limited (ICL, UK). The company's shareholders are the Ministry of Land and Property Relations of the Republic of Tatarstan and Fujitsu Services Limited (former ICL).</td>
</tr>
<tr>
<td>9</td>
<td>Manufacture of PVC plastisols anti-rust coating for passengers car and buses</td>
<td>OOO D Plast-Eftec RT is a subsidiary of D PLAST-EFTEC a.s. (Czech Republic). The company operates on the Alabuga production site.</td>
</tr>
<tr>
<td>10</td>
<td>Manufacture and sale of domestic oil heaters</td>
<td>OOO ZASS Alabuga (Turkish investments) and OOO Delonghi (Italian investments). The company operates on the Alabuga production site.</td>
</tr>
<tr>
<td>11</td>
<td>«Production of bi-oriented polyethylene three-layer package film to be used in the food industry, commerce and agriculture» project</td>
<td>OOO EZKI is a joint project with the participation of OAO PA ELAZ, OAO Nizhnekamskneftekhim and a UK firm.</td>
</tr>
<tr>
<td>12</td>
<td>Production of plastic items for home interiors</td>
<td>The company was founded by ANSAN (Turkey) in 2004. The company operates on the Alabuga production site.</td>
</tr>
<tr>
<td>13</td>
<td>Construction of a brick manufacturing plant Vysokogorsky Region of Tatarstan with the capacity to produce 150 million Porotherm bricks per year</td>
<td>Wienerberger AG (Austria) is an investor. The plant was commissioned on 26 May 2009.</td>
</tr>
<tr>
<td>14</td>
<td>Organising licensed production of power substations and high-voltage equipment</td>
<td>TatEC (Zainsk), in cooperation with Schneider Electric (France).</td>
</tr>
</tbody>
</table>
## Major foreign companies investing in the Republic of Tatarstan

<table>
<thead>
<tr>
<th>No.</th>
<th>Investment project</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>15</td>
<td>Establishment of a state-of-the-art poultry enterprise for the production of turkey meat in Tatarstan's Verkhneuslonsky Region</td>
<td>AO INDYKPOL (Poland). The purpose of the project is to develop a vertically integrated poultry enterprise aimed at producing inexpensive turkey meat. The enterprise will include a bird feed plant, a poultry farm and a slaughterhouse.</td>
</tr>
<tr>
<td>16</td>
<td>Construction of the Q Park Kazan logistics terminal</td>
<td>The investor is Quinn Group (Italy). Q Park Kazan is located 25 km from Kazan on the Kazan-Orenburg federal highway, which is the route to Moscow, Samara, Yekaterinburg, Nizhniy Novgorod and Ufa.</td>
</tr>
<tr>
<td>17</td>
<td>Organising of production of cable harnesses in Naberezhniye Chelny</td>
<td>The project was initiated by OOO Leoni Wiring Systems (RUS), and the first Russian company of Leoni AG (Germany) was registered in July 2008. Production was commissioned in October 2009. The production site commissioned in October 2009 is located at KIP Master (Naberezhniye Chelny) with an area of 3,000 sq m. The plant’s main products are wires, cables and harnesses for various industries.</td>
</tr>
<tr>
<td>18</td>
<td>Manufacture of sensors for various industry sectors</td>
<td>A joint project between OAO Kazansky Zavod Elektropribor and ADZ-Nagano (Dresden, Germany) for the transfer of advanced nano-technologies from Nagano-Keiki (Tokyo, Japan) to Tatarstan to begin sensor production. The pilot production of a pressure sensor is currently under way (capacity is expected to be up to 100,000 items per year). Provisional project-related expenses exceed EUR 40 million, including about EUR 20 million in foreign investments.</td>
</tr>
<tr>
<td>19</td>
<td>Supply of equipment and upgrade of a sterile and non-sterile ointment plant</td>
<td>A joint project of Favea (Czech Republic) and OAO Tatkhimfarmpreparaty. The cost of the project is EUR 5 million, and Komérční banka (Czech Republic) is financing it. The issues of financing the upgrade of a plant producing medicine in vials are being considered.</td>
</tr>
<tr>
<td>20</td>
<td>The manufacture of super-concentrates for colouring and modifying plastics (Nizhnekamsk)</td>
<td>This is a Clariant (Switzerland) project. The volume of investments reached EUR 1.5 million and is to be extended to EUR 10 million.</td>
</tr>
<tr>
<td>21</td>
<td>The development and implementation of a KETZ automated control system based on the hardware and software of Volkswagen plants</td>
<td>OOO Eines Systems is a joint venture established by OAO Kazan Electro-technical Plant and a Saxonic company, Carnet GmbH. The output of the whole process is expected to increase by 25-30% due to improved processes and uniform capacity utilisation. This will allow the company’s gross income to grow by RUB 150-200 million with no significant increase in overhead expenses. Smaller inventories, fewer components and higher profitability will provide an extra RUB 50 million a year.</td>
</tr>
</tbody>
</table>
## Major foreign companies investing in the Republic of Tatarstan

<table>
<thead>
<tr>
<th>No.</th>
<th>Investment project</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>22</td>
<td>Manufacture of tailored special-purpose vehicles using KAMAZ truck chassis (garbage trucks, snowploughs, technical service trucks, maintenance trucks)</td>
<td>OAO Idea-South-East, Pajakulma (Finland) and the Lahti technopark (Finland) are participating in the project.</td>
</tr>
<tr>
<td>23</td>
<td>Manufacture and supply of special metal-working tools to Tatarstan engineering companies</td>
<td>A JV of PA ELAZ and TMC (Brno, Czech Republic).</td>
</tr>
<tr>
<td>24</td>
<td>Assembly of tractors</td>
<td>Assembly of Belarus tractors on the MT3-ELAZ (Elabuga) trading company’s premises with an annual capacity of 5,500 items.</td>
</tr>
</tbody>
</table>

**Investment in Tatarstan is attractive,**

- because Tatarstans administration follows a clear industrial policy and searches actively for investors;
- because Tatarstan shows high economic growth and has already a highly developed economy in comparison to other regions;
- because the workforce is usually well educated and motivated.

*Daniel Stanke*
CEO, OOO Wienerberger Kurkachi
[http://www.wienerberger.ru](http://www.wienerberger.ru)
Foreign economic activities

Foreign trade
Tatarstan’s foreign trade turnover in 2010 was estimated at USD 18.8 billion, an increase of 40.3% from 2009 (in Russia: 30.9%).
Goods worth USD 16.3 billion were exported, which is 39.3% higher than in 2009. Imports increased by 47.1% and totalled USD 2.5 billion.
The republic’s foreign trade surplus was USD 13.8 billion (in 2009: USD 10 billion).
Exports accounted for 86.7% of Tatarstan’s foreign trade turnover, and imports for 13.3%.
Mineral products accounted for 79.4%, chemical and petrochemical products for 13.4%, and mechanical engineering products for 7% of the export trade structure. Compared to the same period in 2009, the share of mineral products has increased by 37.4%, while the shares of chemical and petrochemical products and mechanical engineering products have increased by 41.9% and 58.6%, respectively.
Non-CIS countries retained the leading position in the geographic structure of Tatarstan's foreign trade turnover in 2010 with a share of 89.3%, while CIS countries accounted for 10.7%. That said, the share of non-CIS countries receiving Tatarstan's exports increased by 4.6% from 2009 for a total of 89.8%, whereas their share in Tatarstan's imports increased by 5.1% to 85.9%.

The following non-CIS countries account for approximately half of the republic's foreign trade turnover volume: Italy, Turkey, Poland, the Netherlands and Germany.

Regional organisations involved in supporting and developing foreign economic activity

<table>
<thead>
<tr>
<th>Organisation</th>
<th>Contact information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tatarstan Ministry of Industry and Trade</td>
<td>4 Ostrovsky Street, Kazan, 420111</td>
</tr>
<tr>
<td></td>
<td>Tel.: +7 (843) 299-1007</td>
</tr>
<tr>
<td></td>
<td><a href="http://mpt.tatar.ru/">http://mpt.tatar.ru/</a></td>
</tr>
<tr>
<td>Department of External Communication, Office of the President of Tatarstan</td>
<td>9 Kremlin</td>
</tr>
<tr>
<td></td>
<td>Kazan, 420014</td>
</tr>
<tr>
<td></td>
<td>Tel.: +7 (843) 567-8726</td>
</tr>
<tr>
<td>Committee for External Communication and Tourism of the Kazan Executive Committee</td>
<td>3 Kremlevskaya Street, Kazan, 420014</td>
</tr>
<tr>
<td></td>
<td>Tel.: +7 (843) 299-1643</td>
</tr>
<tr>
<td>Agency for the Development of International Cooperation under the Cabinet of the Minister of Tatarstan</td>
<td>35/2 Pravo-Bulachnaya Street, Kazan, 420111</td>
</tr>
<tr>
<td></td>
<td>Tel.: +7 (843) 292-7902</td>
</tr>
<tr>
<td>Tatarstan Chamber of Commerce and Industry</td>
<td>18 Pushkina Street, Kazan, 420503</td>
</tr>
<tr>
<td></td>
<td>Tel.: +7 (843) 264-6207</td>
</tr>
<tr>
<td></td>
<td><a href="http://www.tpprt.ru">http://www.tpprt.ru</a></td>
</tr>
</tbody>
</table>
Innovative development

Legislative measures
A set of legislative and organisational measures has been introduced in Tatarstan. These measures are aimed at developing a favourable environment for all business entities and entrepreneurs, accelerating investment and innovative activity to boost the economy, increase production efficiency and resolve social issues.

Tatarstan’s innovative infrastructure includes:
- Alabuga Special Economic Zone;
- Khimgrad Technopolis;
- five industrial parks;
- nine technology parks;
- six business incubators.

Investment and venture funds also play a significant role in the region’s innovation driven development. The Tatarstan Investment and Venture Fund is the largest of these. The fund’s portfolio comprises 180 projects, exceeding RUB 5 billion.

In 2010, the Resolution of the Tatarstan Cabinet of Ministers “On Approving a Regulation on a Single System of State Registration and Storage of Civil Research and Development Results in the Republic of Tatarstan” was signed.

The resolution provides a regulatory, organisational, administrative and financial framework based on the Tatarstan Centre for Research and Technical Information’s integrated platform. The goal is to accumulate, exchange and use intellectual property that is gaining more value in the context of a dynamic and growing intangible assets market. This will allow the budget’s innovation-related expenses to be streamlined and ensure the industrial application of research and development results.

The cultural and historical ties between Tatarstan and Turkey, the excellent infrastructure of SEZ Alabuga, its high advantages as a logistics hub within Russia and the CIS, its close location to raw material sources have been the main factors for our investment decision into Tatarstan. With our investment we will give direct employment to 500 people but indirectly it may reach up to 2,500 people. We plan to reach 1.7 million m3/year production when we reach our total production capacity on three lines which will make our Russian plant the biggest integrated wood based panels producer in the world.

Mr. Onur Guven
Director General, OOO «Kastamonu Integrated Wood Industry»
Cooperation with OAO ROSNANO
Tatarstan’s cooperation with OAO ROSNANO has proven to be a significant milestone in promoting and boosting innovation in the region. In August 2010, a joint action plan was adopted for increasing demand for innovative and nanotechnology products, which should make an important contribution toward developing the innovation-driven segment of Tatarstan’s economy.

As part of this plan, it is expected that the line of nanotechnology products produced and consumed in the region will increase by 15 to 20 categories by 2015.

In addition, based on the Idea Technology Park (Tatarstan’s largest technology park) and the Khimgrad Technopolis facilities, a Nano-scale Technology Centre is being established in cooperation with Rosnanotech State Corporation. ROSNANO is planning to invest RUB 1.72 billion to create a nanotechnology centre in Kazan: RUB 1.5 billion to buy innovation equipment, train qualified personnel and maintain the centre’s operations, and RUB 225 million to set up a Technology Transfer Centre based on the Khimgrad Technopolis. The total value of the bid is RUB 3.4 billion. The remaining investment is to be raised from private investors.

Goals and objectives of the centre: incubating and supporting innovative companies developing and introducing new technologies in the nano industry, engineering development for commercial firms and providing equipment for hands-on work.

Key areas of future research are:
• pharmaceuticals;
• composite materials;
• spintronics;
• chemicals.

Cooperation with Skolkovo Innovation Centre
At present, the most promising areas of cooperation with Skolkovo Innovation Centre are: energy efficiency and saving energy; nuclear, aerospace, medical, strategic computer technologies and software.

As part of this cooperation, support will be provided for priority development areas for both Tatarstan and Russia, including attracting promising innovative projects developed in Russia’s other regions to Tatarstan’s existing platforms of innovative infrastructure.

In addition, companies like OAO Tatneft, OOO Sollers-Elabuga, ZAO Sollers-Isuzu, ZAO Polymatiz, OAO TANEKO, OAO TAIF-NK and OOO Mendeleevskazot are considering proposals for cooperation with Skolkovo Innovation Centre.
Tatarstan innovative infrastructure

**Kazan:**
- Khimgrad Technopolis
- Idea Technology Park
- IT Park
- KSU Centre for Innovative Activity
- KNIAT Innovation and Technology Centre
- Sviyaga Business Incubator
- Volga Region consumer goods industry business incubator
- Tupolev Kazan State Technology University Research and Technology Park

**Chistopol:**
- Vostok Innovation and Production Technology Park
- Chistopol Business Incubator
- OOO MC Industrial Park Chistopol
Elabuga:
- Alabuga Special Economic Zone
- Elabuga Business Incubator

Naberezhnye Chelny:
- Master Kamsky Industrial Park
- Prikamya Technology Park Research and Industrial Non-Commercial Partnership
- Naberezhnye Chelny Business Incubator

Nizhnekamsk:
- Kamskiye Polyany Industrial Park

Leninogorsk:
- Idea Yugo-Vostok Innovation Technology Park
Master Kama Industrial Park is a great example of the pursuit of a modernisation strategy in the republic. The park’s main goal is to create conditions for the dynamic development of modern auto component production. More than half of Kama Industrial Park’s resident companies maintain close cooperation with OAO KAMAZ.

45 Proizvodstvenny Proezd
Industrial Zone, Naberezhnye Chelny, 423800
Tel.: +7 (8552) 388-883
http://www.kipmaster.ru

Khimgrad Technopolis offers optimal terms and conditions for the development of innovative SMEs operating in the area of petroleum chemistry. Today, Khimgrad Technopolis has:
• over 250 small companies;
• over 100 products developed;
• over 60 patents and trademarks;
• about 20 know how.
Consumers of its products are Russia’s major companies, including OAO Gazprom, OAO NK Rosneft, OAO Lukoil, and OAO Nestle Russia. The export sales to both FSU and beyond account for 10% of the goods produced.

100 Vosstania Street, Kazan, 420095
Tel.: +7 (843) 227-4140
http://www.himgrad.ru

The most significant of Tatarstan’s technology parks is ZAO Idea Innovation and Industrial Technology Park, which comprises:
• an innovative business incubator with office space for innovative projects during their early stages of development (2,500 sq m);
• an innovation technology centre with office space for new innovative companies (14,200 sq m);
• a business park with office space for service companies and companies that are expanding (four buildings with 10,300 sq m of floor space).

In its five years of operation, 117 companies have become residents of Idea Innovation and Industrial Technology Park. The resident companies have about 1,600 staff members, whose average salaries are higher than the republic’s average.
The technology park is one of the largest in Europe in terms of area occupied (30,000 sq m on 2 hectares in the centre of Kazan).
Idea Innovation and Industrial Technology Park was one of the winners of the first contest to create a nanotechnology centre in Russia, which was held by Rosnanotech State Corporation.
To date, the technology park has reached 82% capacity. Among its anchor residents are representative offices of DHL, McDonald’s, Siemens, NPP GKS, Yokogava Electric CIS and ZAO GE Money Bank.

50 Peterburgskaya Street, Kazan, 420107
Tel.: +7 (843) 570-6850
http://www.tpidea.ru
The “youngest” facility of the regional innovation system is the IT Park. It is Eastern Europe's largest development institution aimed at large-scale commercialisation of communication and IT projects.

At the first stage of the IT Park’s operation, plans call for creating at least 1,500 new jobs on its site, which houses a data processing centre with enough capacity for up to 8,000 servers.

Another site at IT Park, which is designed for localising small and medium innovative chemical and petrochemical companies, is currently under construction.

**IT Village construction project**

In May 2010, the Tatarstan Government decided to create the IT Village, which will operate along five lines of activity:

- Information technology;
- Power industry;
- Telecommunications;
- Biomedical technologies;
- Nuclear technologies.

Companies from other cities and towns will be given a priority in IT Village. The village (1,400 hectares) will include residential and office areas, a day-care centre and schools, and will employ about 20,000 IT specialists.

A 20-year project development plan will be prepared by a company from Singapore. The Tatarstan Government has undertaken to construct a road and a number of housing facilities (200 hectares) in IT Village. The project provides for implementing a housing construction programme and putting a social infrastructure in place. The project delivery timeline is three to seven years, and its estimated cost is over RUB 150 billion.

52 Peterburgskaya Street, Kazan, 420074
Tel.: +7 (843) 235-1475
http://www.itpark-kazan.ru
Alabuga Special Economic Zone

A leading role among Tatarstan's development institutions belongs to the Alabuga Special Economic Zone (SEZ), which is a centre of attraction for investors pursuing promising high-tech projects in fundamental economic clusters, such as the petrochemical complex and the automotive and construction industries.

The SEZ has access to both federal highways and railways. Cargo can be transported in the following ways:

- By air - Begishevo Airport;
- By rail - branch railway line of over 5 km integrated into the federal railway system;
- By truck - over 13 km of on-site roads, plus the M 7 federal highway;
- By water - Naberezhniye Chelny and Nizhnekamsk river cargo ports.

The Alabuga Special Economic Zone currently has 16 residents, including leading Russian and international companies, with a total investment volume of more than USD 1 billion (RUB 32,426 million). These companies represent such well-known global brands as Rockwool, Isuzu, Air Liquide, Sollers, Sisecam, Saint Gobain, Kastamonu Integre, Preiss-Daimler Tatneft, among others.

Alabuga SEZ: Summary

- The Alabuga SEZ was set up on 21 December 2005 in the Elabuga municipal district;
- Area: 20 sq km;
- 16* resident companies;
- Number of workplaces: 2,316*;
- Minimum investment threshold for gaining residential status: EUR 3 million;
- Total government investments in the project: RUB 15.5 billion.

*As of 1 May 2011

PO Box 162, industrial site, Elabuga, Elabuga District, RT, 423602
Tel.: +7 (85557) 5 90 30
http://www.alabuga.ru

The business orientated environment and reliable Authorities who have so far delivered everything they have promised, together with the set of financial incentives and an excellent infrastructure, serving the special economic zone «Alabuga» will in sure be attractive to any investor who wants to invest big money in Russia.

Nick Vince
Managing Director, Rockwool CIS
http://www.rockwool.ru/
Other competitive advantages of the Alabuga SEZ:

- The necessary industrial infrastructure is already in place.
- Residents are not charged for connecting to the utility systems.
- Residents are granted tax benefits for a period of up to 10 years.
- The free economic zone customs regime allows modern high-tech equipment, raw materials and components to be imported from overseas with an exemption from both import duties and VAT.
- Having a customs station in the SEZ enables resident companies to promptly resolve any customs-related issues. A system for making electronic customs declarations is in place.
- A “single window” system (one-stop shop): offices of 16 regulators operate in the SEZ’s administrative and business centre. This enables residents to interact with governmental authorities without leaving the SEZ.

<table>
<thead>
<tr>
<th>Current taxation system</th>
<th>For residents of the Alabuga SEZ</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit Tax</td>
<td></td>
</tr>
<tr>
<td>20%</td>
<td>15.5%</td>
</tr>
<tr>
<td>Value Added Tax</td>
<td></td>
</tr>
<tr>
<td>18%</td>
<td>18%</td>
</tr>
<tr>
<td>Property Tax</td>
<td></td>
</tr>
<tr>
<td>2.2%</td>
<td>0%</td>
</tr>
<tr>
<td>Land Tax</td>
<td></td>
</tr>
<tr>
<td>1.5%</td>
<td>0%</td>
</tr>
<tr>
<td>Transport Tax</td>
<td></td>
</tr>
<tr>
<td>*</td>
<td>0%</td>
</tr>
</tbody>
</table>

*Rates depending on the transport vehicle’s type and capacity

Outlook

According to the development strategy, production facilities of approximately 35 resident companies are to be put into operation in the Alabuga SEZ by 2013. This will create about 16,000 new jobs and bring at least RUB 100 billion in investment into the national economy.

For ZAO Polymatiz (nonwoven fabrics) the following factors are most attractive in the Alabuga special economic zone from the investors’ perspective:

- proximity to OAO Nizhnekamskneftekhim, principle supplier of feedstock;
- benefits for property tax, transport tax and income tax;
- VAT benefits for purchases of imported equipment.

Valery Ivanovich Maltsev
CFO, ZAO Polymatiz
http://www.polymatiz.ru
The Tatarstan investment appeal.
PwC Russia independent survey

Why Tatarstan?
Investors gave the following reasons for choosing Tatarstan:

(1-2) Mature sales markets; several cities with populations greater than one million equidistant from one another; significant growth in consumption is expected (over 80% of investors);
(1-2) Government support of large projects; relatively simple bureaucratic procedures (about 60% of investors);
(3) Low salaries in the region (about 80% of investors);
(4) Convenient and well-equipped sites for doing business: Alabuga Special Economic Zone, business incubators (over 40% of investors);
(5) Readiness of the government to openly discuss investment opportunities, settle related issues, come through on its promises and respond to feedback; many gave the relatively quick issue of permissions for construction work as an example (about 40% of investors).

Benefits of doing business in Tatarstan
The main benefits of doing business in Tatarstan described by investors are as follows:

(1) Relatively little red tape (compared to other regions), no significant problems with registering a business or gaining licences, permissions and approvals from local authorities (90% of investors);
(2) Relatively well-developed infrastructure in comparison with other Russian regions (50% of investors);
(3) Image and history of the region; highly developed industry in such sectors as petrochemicals, engineering and construction; growing sales market, e.g. automotive and construction (50% of investors);
(4) Preferences for Alabuga Special Economic Zone residents: tax (special economic zone regime), customs (free customs zone regime) and commercial (cost of land, office space) (45% of investors);
(5) Open dialogue with the government; some investors commented on how well e-government works (20% of investors).

“The company didn't encounter any challenges when it was arranging its business in Tatarstan. We didn't expect everything to go through so quickly.”

“Tatarstan is a predictable and transparent partner.”
Many investors mentioned tax incentives as one of the benefits of doing business in Tatarstan. These apply to companies implementing investment projects under the Law “On Investment Activity” (about 60% of investors).

**Challenges of doing business in Tatarstan**

In general, according to investors, there are no major challenges when doing business in Tatarstan. They believe that today’s issues related to federal matters, the level of infrastructure development, and employees’ educational background and professional knowledge will be settled in the near future, though some of them will require changes in the system.

Of the fundamental challenges of doing business in Tatarstan, the following were mentioned most frequently:

1. Educational profile: insufficient number of professionals in certain fields, low level of English, unproductive labour (over 60% of investors).
2. High cost of heat and water supplies; unpredictable electricity fees; limited access to gas supplies (about 60% of investors).
3. No satisfactory promotion of the region in Europe; the world knows very little about Tatarstan (about 30% of investors).
4. Kazan is much better developed than other areas of Tatarstan; this especially refers to Tatarstan’s social infrastructure and transportation in general (about 30% of investors).

**Innovative development and support of innovations on regional government’s part**

According to investors, the Tatarstan Government has displayed a great deal of interest in the republic’s innovative development. Many investors spoke about the wide range activities and initiatives the government has proposed or is involved in, for example, the development of technology parks and business incubators, ventures events, business idea competitions and the development of federal research centres. The infrastructure for innovative development has already been created, and certain companies are considered innovative in their respective sectors (polymer production, pharma, automated control systems).

At the same time, many investors expressed their desire to see expanded support for innovations. They mentioned an extra set of measures that would include tax initiatives to foster innovation; special attention was paid to R&D subsides/R&D loan subsides.

“Among all the regions where the company operates, Tatarstan is the leader in terms of innovative development”.

Outlook for developing business in Tatarstan, and government priorities

The region’s investment climate has been rated 4 and 5 out of 5 by investors. Those who gave it a 4 supported their choice by saying that a rating of 5 would have meant there were no challenges at all. About 70% of investors mentioned that Tatarstan has paid more attention to investment-related matters over the last three to five years and that the investment climate (infrastructure, investment comfort) has significantly improved. Investors would like to see the following among the Tatarstan Government’s priorities for the coming years:

(1) Continued reduction of red tape; full transition to a “one-stop” system (80% of investors).

(2) Increased return on state investments, including continued privatisation; a new form of government involvement in supporting business; more efficient work on investment projects (75% of investors).

(3) A modernised educational system and increased labour productivity (40% of investors).

(4) An upgraded transportation system (80% of investors).

(5) Continued development of social infrastructure (60% of investors).

Investors would like to have a clear short-term and mid-term government plan based on the above priorities. All investors believe the outlook for developing their businesses in Tatarstan is positive and plan to expand them if the sales market shows a trend toward growth.

PwC Russia carried out this survey in April 2011.
Universiade 2013

Kazan has been chosen to host the XXVII Summer Universiade or World Student Games to be held in 2013.

The decision to hold the Universiade in Kazan was made by the FISU (Federation Internationale de Sport Universitaire) in Brussels on 31 May 2008 following a vote.

Some 65 sports facilities concentrated in four areas of Kazan are planned to be used during the games, of which 28 are to be renovated and 37 are being constructed specifically for the Universiade (36 sports facilities and the Universiade Village).

Construction of the Universiade Village, which will occupy an area of 38 hectares, began on 10 July 2009. It will have information and entertainment centres, a stadium and gyms. There will be housing enough for 13,500 people.

Sources of construction financing:

- Federal budget: 30 facilities (29 sports facilities and the Universiade Village).
- Republican and municipal budgets, investors’ funds: 7 facilities.

All sports facilities should be completed by the end of 2012.

To date, 25 new sports centres and stadiums are already up and running (in 2010, 15 sports facilities were commissioned); these include such unique facilities as the Ak Bars Martial Arts Palace and the Shamil Tarpishev Tennis Academy.

After the Universiade has ended, the newly constructed sports facilities are to be handed over to Kazan universities, children’s sports schools and Olympic reserve academies.

XXVII Summer Universiade 2013

<table>
<thead>
<tr>
<th>Universiade participants (countries)</th>
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<tbody>
<tr>
<td>Athletes</td>
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<td>Sports</td>
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<td>Medals to be won</td>
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<td>Expected number of guests</td>
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<tr>
<td>Website</td>
<td><a href="http://www.kazan2013.ru">http://www.kazan2013.ru</a></td>
</tr>
</tbody>
</table>

2018 FIFA World Cup

On 2 December 2010, Russia won the right to host the 2018 FIFA World Cup after beating out England, Spain/Portugal and Belgium/Netherlands.

The plan for the 2018 FIFA World Cup includes 16 football stadiums in 13 of Russia’s cities, grouped into four clusters: the northern cluster (Kaliningrad and St Petersburg), the central cluster (Moscow), the Volga cluster (Kazan, Nizhny Novgorod, Yaroslavl, Samara, Volgograd and Saransk), the southern cluster (Krasnodar, Rostov-on-Don and Sochi) and Yekaterinburg.

FC Rubin (Kazan) is currently one of best football clubs in Russia. FC Rubin made it into the top division in 2003 and has been steadily improving its position ever since. In 2008 and 2009, the club won the national championship in the Premier League. Then, in the 2010-2011 seasons, FC Rubin took part in the UEFA Champions League for the first time ever.

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