This overview has been prepared to help potential investors properly assess the most promising industries and provide a detailed picture of investment projects in the Krasnodar Region

Guide to Investment
Krasnodar Region

1st place
leading region for minimal investor risk

A ++
the region’s credit rating

5th place
among Russian regions in total annual investment

3rd place
among Russian regions in population
PwC Russia (www.pwc.ru) provides industry-focused assurance, tax, legal and advisory services. Over 2,500 professionals working in PwC offices in Moscow, St Petersburg, Ekaterinburg, Kazan, Rostov-on-Don, Krasnodar, Voronezh, Novosibirsk, Vladikavkaz and Ufa share their thinking, experience and solutions to develop fresh perspectives and practical advice for our clients. PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Together, these firms form the PwC network, which includes over 223,000 employees in 157 countries. Please see www.pwc.ru/en/about/structure. jhtml for further details.
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Welcome Address by the Governor of the Krasnodar Region

Dear colleagues and partners,

I would like to invite you to discover the Krasnodar Region. This is one of the southernmost and warmest regions of Russia. I am confident that the Krasnodar Region will provide you with business opportunities full of enormous potential. We not only have a beautiful environment and a mild climate, but our region is also a platform for forward-thinking and innovative people.

Today we are one of the most attractive regions in the Russian Federation in terms of investment. Every year, the business community launches dozens of new investment projects in our region, and we host many important international business and cultural events. We have dozens of international partners, including Bonduelle, CLASS, Danone, Knauf, Metro Cash and Carry, Nestle, Philip Morris, Tetra Pak and Radisson. Having achieved excellent results, these companies are committed to advancing their businesses further here in the Krasnodar Region.

In turn, we are committed to supporting a dynamic and progressive economy in the Krasnodar Region. It is our pleasure to invite you to become our business partners and build successful ventures together. Do not miss this chance, for tomorrow someone else might snap up your potential investment platform in Krasnodar.

We believe that new leaders are the driving force behind Russia’s economy of the future. Join us!

Veniamin Kondratyev
Head of Administration (Governor) of the Krasnodar Region
Welcome Address by Managing Partner of the PwC office in Krasnodar

We are pleased to present this Guide to Investment for the Krasnodar Region, a region with enormous economic and investment potential.

The Krasnodar Region boasts a unique geographical location, climate and natural resources. Its economic stability and infrastructure have engendered a favourable environment to support the growth and expansion of your business.

The region’s economic indicators and its effective investment policies have helped to attract a significant number of Russian and international investors. In addition, the Krasnodar Region Administration has been actively introducing valuable tools aimed at easing the way for investors and creating an optimal climate for doing business. In this light, Russian and foreign rating agencies have been speaking highly of the region’s investment appeal for several years running. They acknowledge that the region is in a dominant position compared with other regions.

We have prepared this report in conjunction with the Krasnodar Region Administration. Its key objective is to help potential investors properly assess the most promising financial investment targets and provide a detailed picture of investment projects in the Krasnodar Region.

Vyacheslav Solovyev
Managing Partner, PwC Krasnodar
Geographical Location of the Krasnodar Region

The most popular resort and tourist region in Russia. More than **15 million tourists** visit the Krasnodar Region every year.
The largest port agglomeration in Russia.
The Krasnodar Region is a centre of international transit.

The population of the Krasnodar Region is 5.5 million people (3rd place in Russia)
Transportation Infrastructure

The transportation infrastructure in Krasnodar (in particular, ports, wide railway network and highways, railway stations, railway terminals, airports and gas mains) is strategically important not only for the region, but also for country as a whole.

The transportation infrastructure delivers tourists and holidaymakers to the coastal areas on the Black Sea, which is the main resort complex in Russia, attracting over 15 million tourists annually. It also provides cargo export transit, including oil exports.

Sea transport infrastructure ensures direct access to international foreign trade routes via the Black Sea and the Sea of Azov. Over 200 million tons of cargo are shipped through Krasnodar’s nine ports every year.

The port in Novorossiysk, the largest in Russia, is a modern multifunctional and highly automated complex. In 2016, the port’s cargo turnover amounted to over 129 million tons, including over 92 million tons of oil and over 37 million tons of dry cargo.

Comparative characteristics of transportation infrastructure in Russian regions

<table>
<thead>
<tr>
<th>Region of the Russian Federation</th>
<th>Number of sea ports</th>
<th>Operational length of public railways, km</th>
<th>Length of public roads, km</th>
<th>Number of international airports</th>
</tr>
</thead>
<tbody>
<tr>
<td>Krasnodar Region</td>
<td>9</td>
<td>2,087.6</td>
<td>37,156.6</td>
<td>3</td>
</tr>
<tr>
<td>Moscow Region</td>
<td>0</td>
<td>2,705.1</td>
<td>38,900.3</td>
<td>3</td>
</tr>
<tr>
<td>Rostov Region</td>
<td>2</td>
<td>1,841.1</td>
<td>24,372.0</td>
<td>1</td>
</tr>
<tr>
<td>Republic of Tatarstan</td>
<td>0</td>
<td>876.8</td>
<td>37,823.4</td>
<td>2</td>
</tr>
<tr>
<td>Stavropol Region</td>
<td>0</td>
<td>921.8</td>
<td>17,073.5</td>
<td>2</td>
</tr>
</tbody>
</table>

Source: official Internet resource of the Federal State Statistics Service: gks.ru
Russia’s largest transport hub located in the Krasnodar Region includes:

9 **sea port complexes**
(incl. the Russia’s largest sea port – Novorossiysk)

3 **international federal airports**
(Krasnodar, Sochi, Anapa)

**wide railway network and highways**

419 km for 1000 sq.km
The railway infrastructure in the Krasnodar Region is the leading southern regional city in terms of the length of railways, volume of shipments and economic indicators. About 70% of all cargo traffic in the Krasnodar Region is carried by rail operated by companies on the Krasnodar part of the North-Caucasian Railway (NCR).

Comparative characteristics of railway infrastructure in Russian regions

<table>
<thead>
<tr>
<th>Region of the Russian Federation</th>
<th>Density of public railways, km of railway per 10,000 km² of land</th>
<th>Rank in the Russian Federation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Moscow Region (incl. Moscow)</td>
<td>577</td>
<td>1</td>
</tr>
<tr>
<td>Krasnodar Region</td>
<td>277</td>
<td>10</td>
</tr>
<tr>
<td>Rostov Region</td>
<td>182</td>
<td>31</td>
</tr>
<tr>
<td>Stavropol Region</td>
<td>139</td>
<td>39</td>
</tr>
<tr>
<td>Republic of Tatarstan</td>
<td>126</td>
<td>41</td>
</tr>
</tbody>
</table>

Source: official Internet resource of the Federal State Statistics Service: gks.ru

The Krasnodar Region is crossed by important federal railway routes that lead to resorts on the Black Sea and the Sea of Azov, as well as to ports for international shipping. The following routes in particular serve cargo traffic to the ports: Novorossiysk, Tuapse, Yeysk, Temryuk and the Caucasus.

The Krasnodar Region also accounts for 55% of the total volume of long-distance passenger traffic of the North Caucasian Railway (NCR).

The total length of railways in the Krasnodar Region is 2,200 km (33% of the total length of railways in the Southern Federal District and 2.5% of the total length in Russia).

The main railway hubs on the Krasnodar part of the NCR are Tikhoretskaya, Kavkazskaya, Armavir, Krymskaya, Timashevskaya, Krasnodar-Sortirovochny, Belorechenskaya and Krivenkovskaya.
Krasnodar Region

9

Road infrastructure

The Krasnodar Region is a leading Russian region in terms of the quantity, density, and quality of highways, with a total length of about 40,000 km, including:

- federal roads – 1,300 km;
- regional roads – 9,000 km;
- local roads – 29,600 km.

Federal highways are the main transport arteries connecting the Krasnodar Region with other regions of the Russian Federation.

Two highways that cross the Krasnodar Region serve as international transport corridors:


The easy access to international transport corridors provided by the highway, rail, and port systems in the Krasnodar Region is a valuable factor contributing to the investment attractiveness of the region.

The density of highway network in the Krasnodar Region is 419 km per 1,000 km². This is 2.2 times higher than average in the Southern Federal District (187 km) and seven times higher than average in the Russian Federation (54 km).

However, rapid economic growth in the Krasnodar Region has gradually begun to put stress on the existing road infrastructure.

The growth of industrial production, development of ports, increase in the number of personal cars, and development of resort and tourist areas are leading to a significant increase in traffic intensity.

The most overloaded highways in the Krasnodar Region are the federal highways A146 (Krasnodar – Novorossiysk), M27 (Dzhubga – Tuapse – Sochi), M4 (Don) and M29 (Caucasus).

Air transport infrastructure

The Krasnodar Region has three international and one domestic airport for passengers and cargo: Krasnodar (Pashkovsky), Sochi (Adler), Anapa (Vityazevo), and Gelendzhik. The average total flight intensity in the summer reaches up to 50 flights per day. The maximum number of flights, around 70, is usually observed at the end of August.

The Krasnodar Region airports account for about 5% of the total passenger air traffic in Russia (almost 10 million people in 2016). The Krasnodar and Sochi airports presently have the biggest share of passenger and cargo air traffic (83% of total traffic).

About 40 Russian and foreign airlines operate regular and charter flights.

Comparative characteristics of railway infrastructure in Russian regions

<table>
<thead>
<tr>
<th>Region of the Russian Federation</th>
<th>Density of public highways, km of road per 1,000 km² of land</th>
<th>Rank in the Russian Federation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Moscow Region (incl. Moscow)</td>
<td>695</td>
<td>3</td>
</tr>
<tr>
<td>Krasnodar Region</td>
<td>419</td>
<td>12</td>
</tr>
<tr>
<td>Republic of Tatarstan</td>
<td>413</td>
<td>13</td>
</tr>
<tr>
<td>Stavropol Region</td>
<td>232</td>
<td>33</td>
</tr>
<tr>
<td>Rostov Region</td>
<td>202</td>
<td>38</td>
</tr>
</tbody>
</table>

Source: official Internet resource of the Federal State Statistics Service: gks.ru
Favourable Investment Climate

Competitive Advantages of the Krasnodar Region:

- Access to international trade routes to Europe, the Mediterranean, the Middle East and Central Asia via ports of the Azov and Black Sea basin.
- The mild climate reduces costs for heating and construction.
- More sophisticated transport infrastructure with a number of transport services and opportunities for optimising logistics.
- Rapid economic growth and a dynamic entrepreneurial environment create a wide range of opportunities for potential investors to make a profit.
- The Krasnodar Region is one of the most densely populated regions in the Russian Federation (in the third place after Moscow and the Moscow region).
- The Krasnodar Region is one of the largest markets in the Russian Federation due to its high population and number of tourists (15 million tourists come to the region every year).
- An open and reliable institutional environment that guarantees the protection of investors’ rights and supports them at all stages of project implementation.
- A developed credit and financial infrastructure providing different banking and insurance services.
- Unique experience in the construction and organisation of large-scale federal projects, knowledge of advanced construction technologies and skills.
Priority areas for investment:

- agribusiness;
- food and food processing industry;
- wine industry;
- hospitality and tourism;
- manufacturing (including machine building, instrument engineering, metal processing, construction materials, woodworking, light industry, oil and gas industry);
- information and communication technology.

Investment activity

- **Fifth place** among regions of Russia in terms of investment attracted per year (over the last three years [2013-2015], around **RUB 2.3 trillion** were invested in the Krasnodar economy).

- More than **50%** of the investments in the Southern Federal District are made in the Krasnodar Region.

- On average, **60** large projects (worth over **RUB 100m**) are successfully launched in the Krasnodar Region every year. Around **30%** are valued at over **RUB 1bn**.

- Regional legislation helps to ensure the equal protection of the rights, interests and property of entities (Law of the Krasnodar Region No. 731-KZ from 2 July 2004, “On stimulating investment”).

The Krasnodar Region in investment ratings:

- **Seventh place** in the national rating of investment climate in Russian regions (for three consecutive years, the Krasnodar Region has been among the top ten regions with the best investment climate in the country).

- **1A** – the highest rating of investment attractiveness according to Expert RA. According to this rating, the Krasnodar Region is one of the leading regions with high potential and minimal risk.

- For three consecutive years (2014-2016), the Krasnodar Region held the **1st place** in the country as a region with minimal risk for investors.

- The credit rating of the Krasnodar Region (according to Expert RA) is **A++** (exceptionally high (highest) level of solvency).

Coordination and advisory bodies for improving the investment climate in the Krasnodar Region:

- **Governor’s Commission on Improving the Investment Climate**

- **Governor’s Foreign Investment Advisory Council of the Krasnodar Region**
Economic Potential

The GRP of the Krasnodar Region, billions of RUB

<table>
<thead>
<tr>
<th>Year</th>
<th>Average Russian level</th>
<th>Krasnodar Region</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>856</td>
<td>1,663</td>
</tr>
<tr>
<td>2014</td>
<td>939</td>
<td>1,792</td>
</tr>
<tr>
<td>2015</td>
<td>974</td>
<td>2,049</td>
</tr>
</tbody>
</table>

Direct foreign investment in the Krasnodar Region (the accumulative total), millions of USD

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4,645.4</td>
<td>5,533.6</td>
<td>7,052.9</td>
</tr>
</tbody>
</table>

Contribution of the Krasnodar Region to the country’s GDP: 3.1%

Share of the population of the Krasnodar Region with high income, %

Agriculture 11.4
Manufacturing industry 12.8
Construction 9.9
Trade 17.0
Transport and communication 16.4
Others 32.5

Share of the population of the Krasnodar Region with high income, %

<table>
<thead>
<tr>
<th>Year</th>
<th>Average Russian level</th>
<th>Krasnodar Region</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>7.1</td>
<td>13.5</td>
</tr>
<tr>
<td>2014</td>
<td>8.3</td>
<td>16.8</td>
</tr>
<tr>
<td>2015</td>
<td>10.2</td>
<td>19.7</td>
</tr>
</tbody>
</table>

Largest companies in the Krasnodar Region:
- MAGNIT (retail trade);
- AFIPSKY NPZ (oil industry);
- CASPIAN PIPELINE CONSORTIUM-R (pipeline transport);
- NOVOROSSIYSKY TRADE SEA PORT (stevedore services);
- AGROCOMPLEX N. A. N.I. TKACHEV (agribusiness);
- ABINSKY ELECTROMETALLURGY PLANT (metallurgical production);
- PHILIP MORRIS KUBAN (tobacco products);
- EUROCHEM-BMU (chemical production);
- NESTLE KUBAN (agribusiness);
- NOVOROCEMENT (construction materials).

The Krasnodar Region is characterised by a population with higher-than-average income.
The Krasnodar Region is one of the most highly populated Russian regions and among the most economically productive. The population has experienced stable growth thanks to migration inflows.

The number of economically active individuals in the Krasnodar Region in 2015 was **2.7 million people** (49.3% of the average annual number of residents).

The total number of unemployed (calculated according to the methodology of the International Labour Organisation) came to **162,500 people** in 2015, with a 6% unemployment rate.

In 2015, the average monthly nominal salary was **RUB 26,800** +3.8% vs 2014 in nominal terms.

The Krasnodar Region is an active participant in the international non-commercial *WorldSkills* movement and one of the pilot Russian regions for the regional standard of human resources for industrial growth developed by Agency for Strategic Initiatives.

The standard includes mechanisms for providing high-tech industries with a new, highly skilled and internationally competitive labour force. As part of the pilot program, the Krasnodar Region has launched elements of dual education system (practice-oriented education model) and a system of monitoring personnel training.
Educational and Scientific Organisations:

- 106 research organisations (scientific institutes and centres, universities, R&D centres, industrial enterprises and entrepreneurial sector);
- 28 higher educational institutions and 37 university branches;
- 112 training and professional development organisations.

Leading Universities:

- Kuban State University
- Kuban State Technological University
- Kuban State Agrarian University

Main Industrial Indicators

Innovation in the Krasnodar Region Enterprises in 2013-2015*

Innovation Ecosystem:

- Technopark LLC Engineering and Oil & Gas Research Centre
  Krasnodar Region, Seversky district, Afipsky, ul. Shosseynaya, 35
  +7 (861) 991-00-50
  http://iicng.ru/

- LLC International Centre for Small and Medium-Sized Enterprises YUGINFORMINVEST
  Krasnodar, ul. Solnechnaya, 10 Office 35
  +7 (861) 257-13-30, 252-05-30
  kdrcenter@mail.ru

- Krasnodar IT-Park
  Krasnodar, ul. Starokubanskaya, 114
  +7 (861) 242-82-32

- Innovation Centre at Kuban State Technological University
  Krasnodar, ul. Moskovskaya, 2, Room G-401a
  +7 (861) 274-40-48

- University Scientific Technical Park with a business incubator for small innovative businesses at Kuban State University
  Krasnodar, ul. Stavropolskaya, 149, Room 108
  +7 (861) 235-36-10, (861) 219-95-01
  tp@kubsu.ru

* This indicator is calculated as the ratio between the number of companies engaged in innovation and the number of surveyed companies. The data was taken from the Territorial Authority of the Federal State Statistics Service in the Krasnodar Region.
CLAAS
The German company CLAAS is one of the leading global manufacturers of agricultural machinery.
CLAAS was the first manufacturer of agricultural machinery with foreign capital to establish its own production facility in Russia. In 2005, the company began manufacturing the first modern combine harvesters at a new plant in Krasnodar. In 2015, a second production line was launched. The production area was expanded to 45,000 square meters, increasing production capacity to 2,500 combine harvesters per year. More than 50% of the entire assembly cycle is localised (comparable with the parent company in Germany).

“For more than 10 years, we have been successfully developing our project to build an agricultural machinery plant in Krasnodar. In 2015, we completed the construction of the second line of our plant, thus increasing the localisation level of our products in the region. Today, we have reached a production capacity of 2,500 combine harvesters per year. When choosing a region for the plant, we opted for the Krasnodar Region, taking into account the openness of the regional government and their real willingness to support investors.”

Ralph Bendish
CEO
CLAAS
KNAUF
KNAUF is the leading global manufacturer of construction materials. The group includes about 150 plants that employ 22,000 people in more than 40 countries in the world.

In operation since 1995, KNAUF GIPS KUBAN is one of the largest enterprises in the construction industry in the Krasnodar Region. It is located in the village of Psebay in the Mostovsky district, near the Shedokskoe deposit, which has the highest quality gypsum in Europe.

According to management, the high quality of the product, favourable bedding of the mineral, minimum costs for transportation from the mine, and the smart investment policy aimed at modernisation mean the plant is one of the leaders within the KNAUF Group.

“KNAUF began operating in the Krasnodar Region back in 1995. Communicating with authorities at all levels, the KNAUF plant in Psebay has always managed to find good solutions for developing its business in the region. Since then, new gypsum and dry construction mix production plants have been built, and the line of gypsum plasterboards has been modernised. Today, the plant in Psebay is considered one of the best in the KNAUF CIS group in terms of product range and quality. As always, we are sure of our future success in the Krasnodar Region.”
NESTLE

NESTLE is the world's largest manufacturer of food products and beverages, and an expert in healthy nutrition and lifestyle.

Nestle Kuban is one of the largest companies in the food industry in the Krasnodar Region and Russia, where it operates one of the most modern coffee factories in the Nestle Group worldwide.

In 2005, the first instant-coffee production line was launched, and in 2011, construction of a second line was completed. As a result, Nestle Kuban has become the largest Nestle plant in Europe for the production of instant coffee.

Nestle Kuban is one of the largest employers in the Krasnodar Region. More than 1,100 people, mostly from the Timashevsky district, work at the plant.

Eric Maurice Heusler
CEO
Nestle Kuban

“Throughout the 10 years of Nestle Kuban's operation, the company has always been increasing the localisation level. Today, 1,100 people work with us in Kuban. In 2015, we invested a significant sum in opening new lines for the production of two new products at Nestle Kuban, NESCAFE Classic and NESCAFE Gold Barista, and today this plant is one of our largest production facilities worldwide. We are full of optimism and plan our further development in the region.”
Magnit retail network (part of Tander)

The Magnit retail network is one of the leading food retail networks in Russia. In mid-2012, Magnit was one of the five largest (in terms of capitalisation) retailers in the world.

Magnit’s headquarters is located in Krasnodar, where company opened its first supermarket in 1998 and first hypermarket in 2007.

In 2010, the company launched the Magnit cosmetics chain in Novorossiysk. In 2012, Magnit created Magnitenergo, a power supply company that serves its supermarket chain. In 2015, the company listed as one of Russia’s backbone enterprises.

Magnit is the leading Russian supermarket chain, controlling the largest number of stores and the most shelf space. As of December 2016, the chain operated 13,835 stores, including 10,399 small shops, 230 hypermarkets, 185 supermarkets (Family Magnit) and 3,021 cosmetics shops (Magnit Cosmetics).

Magnit stores are located in seven federal districts in more than 2,436 locations across Russia. The chain has stores in big cities and small towns; about two-thirds of them operate in small cities with populations under 500,000. The chain has more than 3.3 million customers.

For better storage of food products and optimised deliveries to network shops, Magnit organised a logistics network that includes 34 distribution centres, an automated stock control system and a car-fleet control system (nearly 6,000 vehicles).

The Magnit retail network is the largest private employer in Russia with over 260,000 employees. The company has won several “most attractive employer” awards.

The Magnit retail chain is one of the largest non-natural-resource companies in Russia. At the end of 2015, the company held the 23rd place in the Forbes list of the 100 most innovative international companies, ahead of such global brands as Netflix (27), Visa (32), Mastercard (36), Starbucks (45), Adobe Systems (74), Coca-Cola (81), and H&M (86). In 2015, Magnit took third place among the Forbes list of the 200 largest private Russian companies. Also in 2015, Magnit took first place among the top-20 largest retailers in Russia in terms of revenue, according to Infoline, a market-research company.

For many years, JSC Tander, with Magnit as a part of its structure, has been a reliable partner of the Krasnodar Region regional administration and an important strategic investor in the region.
Every year, JSC Tander has increased its capital investments in a diverse and complex set of areas, from constructing a retail network and developing transport and logistic operations, to further developing its own production.

At the end of 2015, the construction of Zelyonaya Liniya, the largest modern greenhouse complex in Eastern Europe, was completed in the Dinsky district in the Krasnodar Region. It uses energy-saving technologies for year-round vegetable production with a total area of 120 hectares. It is one of the largest greenhouse vegetable-growing projects in Russia in terms of capacity.

In 2016, the company launched a regional distribution centre in Krasnodar with an estimated capacity of 1.2 million tons and a maximum capacity of 2 million tons per year. Today JSC Tander is working on creating a private industrial park near the village of Dorozhny. The company plans to invest about RUB 50bn by 2020 in the development of its own production.

For many years, the company has been actively pursuing a social responsibility policy. The company owns the Krasnodar Football Club. Among the elite teams in the domestic Russian football league, the club has also achieved good results in UEFA competitions. The football club operates a successfully developing football academy for children aged 5-11 with 26 branches in the Krasnodar Region.

In 2016, the construction of a new FC Krasnodar stadium was completed, with a seating capacity of 34,291, including 3,197 VIP-seats and boxes.

The football pitch (with a playing area of 105 by 68 meters) was constructed with the most advanced technologies, including heating, forced aeration, cooling, and artificial illumination of the pitch. The technical features of the stadium can host UEFA and FIFA tournaments.
# State Support System for Investors and Entrepreneurs

## Tax preferences for investors

<table>
<thead>
<tr>
<th>Investment project category</th>
<th>Corporate income tax</th>
<th>Corporate property tax</th>
<th>Term of tax preferences</th>
</tr>
</thead>
<tbody>
<tr>
<td>Projects in priority economic sectors for the Krasnodar Region (with a value from RUB 50m to 5bn)*</td>
<td>18%</td>
<td>from 0.5 to 1.1% (tax exemption up to 77% of due taxes)</td>
<td>Up to 3 years</td>
</tr>
<tr>
<td>Projects approved by the government of the Krasnodar Region</td>
<td>13.5%</td>
<td>from 0 to 0.8% (tax exemption of up to 100% of due taxes)</td>
<td>Up to 5 years</td>
</tr>
<tr>
<td>Projects in the register of strategic regional investment projects</td>
<td>13.5%</td>
<td>from 0.02 to 1.1% (tax exemption of up to 99% of due taxes)</td>
<td>Up to 7 years</td>
</tr>
<tr>
<td>Other investment projects</td>
<td>18%</td>
<td>2.2%</td>
<td>–</td>
</tr>
</tbody>
</table>

* Direct application to the tax authority (without any special agreement).

## State Subsidies by Industry Sectors

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

The Appendix provides more details on state subsidies and tax relief by industry sector.
Development Corporation of the Krasnodar Region

Company overview
The Development Corporation of the Krasnodar Region is a regional state-owned company created in 2016 to develop the investment climate in the Krasnodar Region by attracting investors and participating in implementing production and infrastructure projects.

Main tasks of the corporation:
- creating industrial and IT parks, technological clusters and industrial zones;
- selecting and supporting projects to develop the Krasnodar Region;
- attracting investors and investment marketing, presentations and exhibitions aimed at promoting the investment potential of the Krasnodar Region;
- increasing the investment and innovation potential of the Krasnodar Region by developing infrastructure;
- stimulating investment and innovation in the Krasnodar Region to ensure the competitiveness of the regional economy, increasing employment and the quality of life for the people of the Krasnodar Region;
- assisting the organisation and implementation of public-private investment projects in the Krasnodar Region.
Industrial Parks

One of the priority investment policies in the Krasnodar Region is to engage modern hi-tech companies and advanced technologies in developing the industrial sector of the region’s economy.

For more information – [www.investkuban.ru](http://www.investkuban.ru)

For this purpose, the Krasnodar Region is developing a network of industrial parks featuring special turnkey platforms that enable investors to launch production quickly at minimal expense. Both public and private industrial parks will be created.

The priority industries for the industrial parks include:

- agricultural, oil and gas, machine building;
- construction materials and equipment;
- food and food processing;
- pharmaceuticals and medical devices;
- woodworking and furniture manufacturing.

Sites in the city of Krasnodar and in the Pavlovsky district were allocated as pilot sites for state industrial parks.

The Eastern Industrial Zone (EIZ) in Krasnodar is a pilot project to create an industrial park using state funds. A plot of 66.4 hectares was allocated in the suburbs of Krasnodar for the first line of the EIZ. The estimated capacity of the engineering networks for the first line of the EIZ: electric power – 30 MW, gas – 3,000 m³/hour, water supply and water drain – 3,000 m³/day. The second line of the industrial park will be constructed on an adjacent territory. The total area of the park may reach 330 hectares. Today, the EIZ territory is being connected to the engineering systems. In early 2015, the government of the Krasnodar Region and the Federal Grid Company of United Energy System (FGC UES) signed an agreement on the construction of a 220 kV substation and construction started in July 2016. The plan to connect the EIZ to the water supply and gas supply systems has been defined, the water drain and rain sewage schemes have been developed, and the construction of roads is now in the planning stages.
Industrial park in the village of Pavlovskaya

The second state park will be located in the village of Pavlovskaya. As of today, work has begun on outlining the plot for the industrial park. This project will create a specially prepared investment platform for industrial facilities on an area of more than 80 hectares and will help to resolve issues involving scarce energy resources. It will also facilitate the technological inclusion of other plants thanks to the construction of a transforming station, treatment facilities, and artesian wells. The park will open for business in 2017-2018.

The park’s specialisation is agricultural machine building. The preliminary specifications for connecting the capital construction facility to the gas network (with a maximum load of 6,000 m³/h) have been received. The park’s territory is divided into three land plots (of 50, 12.84, and 23.96 hectares), each of which was duly established and underwent the procedure of state cadastral registration. An agreement on mutual cooperation between the Krasnodar Region government and FGC UES provides for the construction of a 110 kV station and a 110 kV high-voltage line necessary to supply power to the new state industrial parks.

In addition, the development of private industrial parks is now moving forward, including:

- **JSC Tander**

  The company is currently building a private industrial park near the village of Dorozhny on a 582-hectare plot. The project is part of a tripartite agreement among the Krasnodar Region government, the City of Krasnodar, and JSC Tander, signed during the 14th Sochi International Investment Forum. The project is planned for 2016-2020 and will be carried out in three stages: Stage 1 (from 2016 to 2018) includes the construction of 14 plants on 146 hectares; Stage 2 (from 2018 to 2019) will develop 94 hectares; and Stage 3 (from 2019 to 2020) will cover 277 hectares. The total financing volume of stage 1 will be at least RUB 9bn for the construction of mushroom growing facilities, tea packing facilities, production facilities for pasta and other food products, and also household chemicals. Currently, legal documents are being prepared for registering the land.

- **Basic Element** plans to build a private industrial park in Ust-Labinsk. The total park area will exceed 900 hectares by 2025. Stage 1 is planned for 2017. In January 2017, a ceremony was held to commemorate the launch of a power centre that will meet the park residents’ demand for electricity. This will be a multi-industry park will feature manufacturing, construction materials and food production. Given the high demand for such products, the industrial park has the potential to provide strong returns to investors.
Agribusiness
The Krasnodar Region is one of the leading Russian agricultural and food-production centres. The agricultural land in the Krasnodar Region makes up 10% of the agricultural land in the entire Southern Federal District. The plains comprise mostly chernozem soils—with a total area of 4.8 million hectares, i.e. over 4% of Russia’s and about 2% of the world’s reserves – characterised by its dark colour, friability, good structure, richness in minerals and provision of high crop yields.

The natural conditions facilitate the planting of a full range of temperate and subtropical crops. The region regularly leads Russia in the production of grains, sugar beets, sunflowers, fruits, berries and grapes.

More than 2,200 businesses, including 200 large and medium companies, operate in the food industry in the Krasnodar Region. The industry produces more than 2,500 food products, more than 40% of which conform to European quality standards. The food products produced in the region include the following: oil and fat, dairy, meat, sugar, fruits and vegetables, and tinned food.

In 2013, the Unified Satellite Monitoring Centre of the Krasnodar Region was opened as part of a movement to develop precision agriculture. This is the first such centre in the country. The Centre enables officials and farmers to monitor every agricultural field in the region, and collect and analyse data on fertilisers, machinery, crop rotations, and soil fertility. The Centre owes its success to the work of regional officials, who were the first in Russia to provide a full digital classification of agricultural lands.
The main volumes of agricultural produce, livestock farming, plant cultivation in 2015 are as follows:

- The volume of agricultural produce amounted to RUB 365.8bn, or 103.3% in the comparable prices compared to 2014.
- The gross grain harvest in 2015 was 13.71 million tons, an increase of 6.5% over 2014.
- The gross sugar beet harvest increased by 6.3% and amounted to 7.17 million tons.
- The gross rice harvest in 2015 amounted to 845,000 tons, 2.7% more than in 2014.
- Milk production increased by 2.0% and egg production by 10.3%.

Trends in agricultural production (2013-2015, the first half of 2016), in RUB.

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
</tr>
</thead>
<tbody>
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<tr>
<td>2014</td>
<td>278,115</td>
</tr>
<tr>
<td>2015</td>
<td>365,753</td>
</tr>
</tbody>
</table>

Key Enterprises:

- Agrocomplex n.a. N.I. Tkachev (http://zao-agrokomplex.ru/);
- Agroholding Kuban (http://www.ahkuban.ru/);
- Fanagoriya agroindustrial company (www.fanagoria.ru);
- Bonduelle Kuban (https://bonduelle.ru/);
- Nestle Kuban (http://www.nestle.ru/);
- Labinsky branch of Danone Unimilk (http://www.danone.ru/);
- Sad-gigant (http://www.sadgigant.ru/);
- Southern juice company (http://www.yugsok.com/);
- Philip Morris Kuban (http://www.pmi.com/ru/ru/);
- Branch of Wimm-Bill-Dann (pepsico) (http://wbd.ru/).
Wine Industry

The Krasnodar Region is one of Russia’s largest winemaking regions thanks to the unique soils and climatic characteristics favourable for grape cultivation and wine production.

The region is famous for its rich traditions of planting, cultivating and producing natural dry, sweet, fortified, and sparkling wines. The total area of vineyards is 27,000 hectares, or about 40% of all vineyards in the country. The vineyards stretch along the most fertile lands of the seaside: the Taman Peninsula, Anapa, Sukko valley, Myshkako, Abrau-Durso, and many other areas with a lot of sunshine and fertile soils.

The wines produced in the Krasnodar Region are well known across all Russia. Wines produced in the region have won many prestigious international awards, and local companies such as Abrau-Durso (city of Novorossiysk), APF Fanagoriya (Temryuksky district), Kuban-Vino (Temryuksky district), Lefkadiya (Krymsky district) and others are known all over the world.

To provide winemakers with high-quality raw materials and increase the production of local wines, new vineyards in Krylovsky, Krymsky, Novorossiysk, Temryuksky and Yeysky have been planted. These projects will promote the development of a large Russian grape and winemaking cluster that will produce a considerable share of authentic Russian wines that are competitive domestically and internationally. Engaging the Republic of Crimea in this process will increase the areas of vineyards, lead to the exchange of best practices and production technologies, and also ensure the growth of the local raw material basis for the wine industry.
Hospitality & Tourism

The Krasnodar Region has a unique combination of recreation resources, including an excellent climate, warm sea, balneological resources, and picturesque natural landscapes. The region has become the most popular tourist destination in Russia, with 10% annual growth in tourism. From 2013–2015, investment in hospitality and tourism came to RUB 111.4bn. In 2015, more than 15 million people visited the Krasnodar Region, which represented growth of 9.1% compared to 2014.

The region has one of the most developed hotel and hospitality sectors in Russia, including over 307,000 hotel/accommodation beds. Currently, almost 669 tourism organisations are working in the region, including 116 tour operators.

The XXII Olympic Winter Games and the XI Paralympic Winter Games have helped to develop transform the resort city of Sochi into a world-class alpine resort. The Krasnodar Region has an excellent reputation as one of Russia’s best ski centres. In 2015, more than 1.3 million people visited the alpine areas of Sochi.

Balneological therapy and mud therapy in the Krasnodar Region are provided at 188 resorts with 143 balneological departments, 134 mud departments, and 60 mineral springs.

The Krasnodar Region boasts 240 tourist and excursion routes, including 153 hiking trails, 18 bicycle routes, three water routes, 51 combined routes, seven car routes, and eight car-motorcycle-pedestrian routes.

Key enterprises:
- DiLUCH Ltd., Anapa resort city (http://diluch.ru);
- Krasnaya Polyana, Sochi resort city (http://gorkygorod.ru);
- Sanatorium Zapolyarie, Sochi resort city (http://www.zapolarye.ru);
- Orlyonok Russian Children’s Centre, Tuapse district (http://center-orylonok.ru);

The following international hotel networks are currently operating in the Krasnodar Region: Accor Group, Azimut Hotels, Carlson Hospitality Worldwide, Golden Tulip, Hilton Worldwide, Hyatt International, Kempinski, Radisson Hotels & Resorts and Swissotel Hotels & Resorts.

Six hotels located in the Krasnodar Region won 2017 Travellers Choice awards and were ranked among the 25 best Russian hotels:
- Citrus, Adler (1st place),
- RIXOS Krasnaya Polyana, Sochi, Esto-Sadok (5th place),
- Sport Inn Sochi (7th place),
- Pullman Sochi Centre, Sochi (14th place),
- Swissotel Resort Sochi Kamelia, Sochi (15th place),
- Rodina Grand Hotel and Spa, Sochi (16th place).

Renovating tourist attractions is vitally important for maintaining and developing tourist infrastructure. More than 548 tourist attractions operate both seasonally and year-round. The volume of tourist services rendered in 2013–2015 came to RUB 255.6bn for all enterprises, and RUB 17.3bn for the first half of 2016 for large and medium-sized enterprises, which is 37.1% more than for the same period in 2015.
Manufacturing Industry
The Krasnodar Region includes more than 7,500 industrial enterprises of various specialisations, where about 86,000 people are employed.

The annual industrial performance for 2013-2015 increased by more than 25% and amounted to RUB 224bn in 2015. An increasing number of leading international manufacturers are building hi-tech plants in the region. Thanks to all these factors, the Krasnodar Region has become the leader in terms of industrial performance in the south of Russia.

The Krasnodar Region has identified the following sectors as priorities for further development:
• agricultural and food industry engineering;
• construction materials;
• chemicals;
• oil processing;
• light industry (production of fibres and fabrics);
• woodworking.

The machine-building industry in the Krasnodar Region includes railway, agricultural, chemical and oil and gas machine building, electro technical, mechanical engineering, space and military industries, instrument engineering, repair of vehicles and equipment, and others.

Key Enterprises:
• CLAAS (www.claas.ru),
• Saturn (www.saturn.kuban.ru),
• Defence industry,
• Vorovsky Tikhoretsky Machine Building Plant (www.tmzv.ru),
• Armavir & Novozybkovsky Machine Building Plant (www.nvzm.ru),
• Afipelektrogaz (subsidiary of Elektrogaz),
• Armavirsky Gas Equipment Plant (www.baltgaz.ru).

Metallurgical production and manufacturing of finished metal products in the Krasnodar Region is carried out by enterprises producing steel cast details, high-quality rolled metal, different metal structures for civil and industrial engineering, roofing, wall materials and other metal products.

Over the last three years, a large number of construction and civil engineering projects have significantly transformed the region. Several large industrial enterprises were launched over this time to cover the demand for high-quality rolled metal, construction metal structures, roofing and wall materials, supports for power lines and road fencing.
Key Enterprises:

- Abinsky Electrometallurgical Plant (www.abinmetall.ru),
- Novorosmetall (www.novorosmetall.ru),

The Abinsky Electrometallurgic Plant is the largest enterprise in the industry. The enterprise is equipped with hi-tech equipment that ensures efficiency, quality, and minimal impact on the environment. In 2010, the first line was opened for steel-rolling production of construction structures with a diameter of its cross-section from 8 to 32 mm and production capacity of 500,000 tons per year. In 2013, the second plant line was launched for steel-making production of steel cast parts with a square cross-section and a production capacity of 950,000 tons. The volume of the cast parts fully covered the rolling capacities of the first line with raw materials and also facilitated access to the international export market with 430,000 tons of commodity cast parts. In 2016, the construction project of the third plant line was implemented – the production of rolled wire and coil fittings with a production capacity of 600,000 tons per year. Moreover, the investment project “Construction of steel wire workshop at Abinsky Electrometallurgic Plant, 4th line” was launched.

In 2002, Novorosmetall was the first metallurgical enterprise to launch steel-making in the Krasnodar Region and today is the largest facility in the Southern Federal District for preparing and processing scrap metal. The steel-making plant produces up to 500,000 tons of steel parts per year.

The Krasnodar Metallic Structure Plant implemented the largest investment project in the industry in 2011 when it built a metal-structures plant with a hot galvanising workshop. The facilities produce more than 50,000 tons of large metal structures per year, including support for power lines and road fencing, as well as up to 40,000 tons of galvanised metal parts. The company is producing the materials for the bridge over the Kerch Strait.

The oil-processing industry of the Krasnodar Region is represented by five oil processing enterprises: RN-Tuapse Refinery, Afipsky Oil Refinery, Krasnodar Oil Refinery (Krasnodareconeft), Ilsky Oil Refinery and Slavyansk EKO.

Oil refining volumes at oil refineries in 2013-2015 and in the first half of 2016 (thousand tons)

One of the many success stories in the Krasnodar Region is Rosneft’s project of constructing a new oil refinery with a capacity of 12 million tons per year. Rosneft is funding the construction of a new refinery and has created 607 new jobs.

In October 2013, Russian president Vladimir Putin and Rosneft president Igor Sechin participated in a ceremony commissioning the installation of highly efficient equipment for the new facility. Once construction is complete, the depth of oil refining will reach 95%, the products will conform to Euro-4 and Euro-5 requirements, and the company’s product will improve at lower cost to the consumer. The new oil refinery will become the first high-quality oil-products plant in the Krasnodar Region.
Production of construction materials in the Krasnodar Region is the largest sector in the Southern Federal District. A wide range of construction materials are manufactured in the region, including cement, wall materials, reinforced and concrete products, dry construction mixes, gypsum products and artificial construction materials. In recent years, more than 60 new and modernised production facilities with modern technologies and imported equipment were put into operation to manufacture products conforming to European standards.

**Key Enterprises:**
- Novoroscement
- Verkhnebakansky Cement Plant
- Atakaytsement
- Slavyansky Kirpich
- Gubsky Bricks Plant
- Glavstroy-Ust-Labinsk

KNAUF GIPS Kuban (www.knauf.ru) is one of the leading manufacturers of gypsum products for construction.

The chemical industry industry in the Krasnodar Region is represented by enterprises engaged in chemical production, rubber manufacturing, and plastics.

Over the last three years, the chemical industry has experienced growth. The volume of shipped goods in 2015 amounted to about RUB 41bn (1.7 times more than the level of 2013).

From 2013 for 2015, the number chemical businesses increased by 118 and reached 947 companies employing 9,600 people.

The majority of rubber and plastics in the region is produced by Constantia Kuban (www.constantia-kuban.com), the largest enterprise in European Russia and the leading producer of flexible polymeric packaging (ensuring long-life food products). The enterprise is part of Constantia Flexibles Group, the world’s leader in the manufacturing of flexible packaging materials and is an economic entity with 100% foreign capital (Austria). Constantia Kuban uses the latest technologies to manufacture multi-layered flexible combined materials and to apply extrusive surfaces, laminates, plasters with glues and microwax, and varnishes.

Located near the town of Belorechensk, EuroChem-Belorechensk Mineral Fertilizers is one of the largest Russian chemical enterprises. It manufactures a wide range of products, specialising in mineral (phosphorous and compound) fertilizers. The plant was built in 1977 as the Krasnodar Chemical Plant. In 1980-1990, the plant manufactured non-concentrated nitric acid, superphosphoric acid, sulfamic acid, liquid complex fertilizers, wet-process phosphoric acid and fluorine silicate.

Since 2002, the company has been part of EuroChem, a vertically integrated agrochemical company that is one of the most rapidly developing manufacturers of fertilizers. In the same year, the first large-scale modernisation of the facilities took place. In 2008, EuroChem mastered the production of ammonium dibasic phosphate, mono-ammonium phosphate sulphate and NPK. The company produces about 60% of the chemical products in the Krasnodar Region, 550,000 tons. According to company data, approximately 60% of their products are exported and 40% remain in the country.

In 2015, Russia’s import-substitution programme led to an increase in demand for mineral fertilizers. The company annually invests about RUB 1bn for modernising the plant. From 2016 to 2019, EuroChem plans to build four new workshops and create up to 250 new jobs.

Kuban–Polymer is a large company specialising in polymer products. For the past 15 years, it has been successfully competing in the Russian market of polymeric dispersion and latexes based on vinyl acetate, and is the sole manufacturer of these products in the south of the country. The company supplies products to Belarus, China, the EU, Kazakhstan, Japan, Romani, Ukraine, the US, and Turkey.
The light industry in the Krasnodar Region is represented by textile, fabric, clothing, and leather production and includes 492 business employing more than 4,800 people.

**Key Enterprises:**
- *Alexandria* (www.alexandria-krasnodar.com)
- *Slavyanskaya Sewing Factory* (www.slavyanca.ru)
- *Bris Bosfor* (bris-bosfor.ru).

The glass, china, and faience industry in the Krasnodar Region is represented by eight large and medium-sized enterprises with an average number of personnel of over 1,500 people. Over the last three years, the volume of shipped production of glass, china, and faience increased by 9.2% worth more than RUB 3.5bn in 2015.

The key enterprise of industry is *Ruscam Glass* (www.ruscam.ru), which produces glass containers for wine, champagne, alcoholic beverages, beer, and soft drinks.

In May 2007, an investment agreement was signed between the Krasnodar Region and Ruscam Glass on the construction of a new hi-tech plant producing glass containers in the territory of the Krymsky district. The investment project created a modern glass production facility in the Krymsky district and filled the demand for high-quality glass containers in the food processing industry.

Ruscam Glass has clients in Russia and abroad. Currently, the plant is launching projects with winemakers on the Crimean Peninsula. As of today, contracts for delivery of glass products have been concluded, and the ferry shipment of products has been organised.

The woodworking industry is represented in the Krasnodar Region by enterprises manufacturing MDF boards, timber, parquet, furniture boards, furniture parts, long products, furniture, etc. Most of these operations are mainly small and medium-sized enterprises employing up to 100 people.

The leading enterprise in this sector is *PDK Apsheronsk* (www.a-pdk.com), the largest woodworking plant in the Krasnodar Region. The enterprise was established as part of a pilot project. Today, the enterprise is completing an investment project on making MDF boards and related products. Since the beginning of the project, RUB 9.5bn have been invested and 670 new jobs created. The company built a modern production facility for various boards and laminated parquet with a production capacity of over 300,000 cubic meters per year. The enterprise started producing and shipping MDF boards in January 2015. Today, the company produces MDF boards and reinforced HDF boards, and is commissioning a line for laminated flooring. Upon reaching its design capacity, the plant in Apsheronsk will produce about 8 million square meters of laminate, which is 10% of all the laminate volume in Russia.

### Shipped goods, millions of RUB

<table>
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<th>Year</th>
<th>Value</th>
<th>Value</th>
<th>Value</th>
</tr>
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### Production index

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<tr>
<td>2014</td>
<td>105.3</td>
</tr>
<tr>
<td>2015</td>
<td>99.7</td>
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</table>
The pulp and paper industry – is one of the more traditional sectors in the Krasnodar Region. Most of the furniture manufacturers are small and medium-sized enterprises. Kuban furniture makers produce a wide range of furniture: from solid wood products to economy class furniture and metal furniture.

**Key Enterprises:**

- PF Pollet (www.pollet.ru);
- Apsheronsky Les (www.apshera.ru);
- IE Linevich (Furniture plant E-1) (www.e-odin.ru).

From 2013 to 2015, the volume of the shipped goods in this sector increased from RUB 3.9bn to 4.7bn, with the growth rate of 109%.

Construction

The construction industry in the Krasnodar Region is one of the largest in the Southern Federal District in terms of the volume of investment, installation and construction, as well as in the new housing. The industry employs over 190,000 people. The share of the construction industry in the gross regional product amounts to 12%.

New facilities put into operation during 2013-2015 in the region include:

- 13.4 million square meters of housing;
- Social and cultural facilities (kindergartens, schools, hospitals, clinics, etc.) for 16,821 attendees;
- 998.1 km of engineering facility networks.

In 2015, installation and construction works totalling RUB 246.1bn were carried out in the region, or 77.8% more as compared to 2014.

**Leaders in New Housing** among developers of the city of Krasnodar Region:

New housing in the Krasnodar Region, thousand sq.m.
Krasnodar in 2015 were:

- YugStroyInvest Kuban – 123,000 square meters;
- Chernomorskaya Stroitelnaya Kompania – 100,100 square meters;
- Glavnaya Investitsionnaya Kompania – 82,900 square meters;
- Neftestroyindustriya-Yug – 79,500 square meters.

Large housing construction projects in 2015: Pochtovy residential district, housing estates Vostochno-Kruglikovsky, Moscovsky, Molodyozhny, Neftyanikov, Bolshoy, Centralny, business class housing estate Beregovaya, cottage village Vishnyovy Sad.

Information and Communication Technology

Over the last few years, the Krasnodar Region became a leader in the sphere of information technologies. Businesses have access to the most advanced telecommunication and information services. The main sectors in the ICT industry are:

- information support (including use of information technology to create public information resources and ensure access to them);
- telecommunications (including use and conversion of radio frequencies) and mail service;
- mass communications, including development of the Internet, television (including digital) broadcasting and radio broadcasting, and new technologies in these areas.

The number of subscribers of fixed broadband Internet access in 2015 was 17.11 per 100 people.

The quantity of base stations by the end of 2015 reached 11,140 units. The number of subscribers connected to mobile networks grew in 2015 to reach 13.5 million people. The level of mobile penetration was 244.4 for every 100 people in 2015.

In terms of the number of subscribers and the level of penetration of broadband Internet and mobile communication, as well as the share of revenue of mobile operators, the Krasnodar Region is among the leaders in Russia. Kuban is also one of the few regions where advanced telecommunication technologies (4G/LTE, LTE-Advanced, 5G networks) are piloted before being implemented in Russia more broadly.

Large communication companies:

- Rostelecom (http://www.rostelecom.ru/);
- Vimpelcom (http://www.beeline.ru/);
- Mobile TeleSystems (http://www.mts.ru/);
- MegaFon (http://www.megafon.ru/);
- T2 Mobile (http://www.tele2.ru/).

The information and communication technology infrastructure in the Krasnodar Region is facilitated by the favourable climate, political and social stability, high level of consumer culture, developed entertainment market, well-developed infrastructure, and highly qualified personnel.
In general, according to experts, about 500 developers and 1,500 IT specialists move to the region every year. The average salary in the region for software developers is about RUB 60,000-100,000 monthly.

The IT Park launched in 2013 continues to develop. One of its residents is Robocube studios, whose team won the 1st place at the 8th Russian Robofest held in Moscow in April 2016.

Many large Russian and international IT companies have set up offices in the region to take advantage of the talented, educated population.

For example, 1C opened an office there in 2006. In 2012, IBM also opened an office. One of the largest system integrators in Russia, NVision Group, opened offices in the Krasnodar and Sochi. The knowledge economy is developing in the Krasnodar Region. The market for business. The market for business and gaming applications is expanding, and other projects are being launched in the areas such as advanced manufacturing and telematics.

In 2016, the telecom giant MTS teamed up with the largest agricultural machinery manufacturer, CLAAS to install SIM-cards in combine harvesters, tractors and other machinery equipped with TELEMATICS systems. The control and management system can remotely obtain information on the condition and location of transport vehicles and machinery in order to analyse a variety of production issues. Every 15 seconds, the information is recorded on a flash card in the vehicle, and every 15 minutes an analytical report comes to the TELEMATICS system server. A total of 15,000 thousand passenger, cargo and construction vehicles in the Krasnodar Region are equipped with the company’s SIM-cards.

In 2012, the Krasnodar Region and MTS collaborated on opening a unique unified centre for mobile network operations, the only such facility in Russia.

Financial Sector

Offices of 26 of the 30 largest Russian banks (more than 1,600 structural divisions of credit institutions), as well as 77 out of 100 leading insurance companies operate in the Krasnodar Region. Some of these banks are backed by financial institutions from the European Union.

In 2015, the region’s financial sector maintained its leading position among Russian regions in terms of indicators such as banking and insurance infrastructure, assets of the banking sector, volume of loans issued to SMEs, volume of mortgage housing lending, volume of collected insurance premiums and volume of investments attracted in the stock market.

The region’s credit rating is consistently among the highest for Russian regions, according to annual surveys conducted by Expert RA, the Russian rating agency.
Priority areas for loan provisions in the economy in the Krasnodar Region are:

- loans for the agribusiness, industry, hospitality and tourism, SMEs;
- development of mortgage housing lending;
- loans for long-term investment projects.

In 2015, the economy of the region attracted loans totalling RUB 1.3 trillion:

- the volume of the loans provided to SMEs in 2015 exceeded RUB 185bn;
- about 20,000 mortgage housing loans were issued and the volume of mortgage housing lending reached RUB 30bn.

Over the last three years, the loan portfolio of the banking sector has grown on average by 15% in terms of the volume of the issued loans to regional enterprises and residents.

Insurance Market

According to 2015 data, the Krasnodar Region is in sixth place among 83 regions of the Russian Federation in terms of collected insurance premiums (RUB 23bn).

Priority directions for the development of the insurance market are:

- developing voluntary insurance and financial literacy;
- ensuring legal rights and obligations of insurers while maintaining the balance of interests of the state and insurers.

The Krasnodar Region is one of the few Russian regions that have implemented a regional insurance programme for residential property (launched in February 2015).

Over the last three years, regional issuers have issued securities exceeding RUB 153bn. On the stock market, Kuban enterprises have attracted over RUB 126bn.

Since 2008, programmes to increase the financial literacy of the population have been implemented in the region. The Krasnodar Region is a participant of the federal project “Assistance in increasing the level of financial literacy of the population and developing financial education in the Russian Federation”. In 2016, law No. 3424-KZ “On state policy in the sphere of financial education of the population of the Krasnodar Region” was adopted in the region.

During 2013-2015, over 1,300 public events to increase the level of financial literacy of the population were attended by over 95,000 residents.
Why Krasnodar Region is a Good Investment Opportunity

2014 Winter Olympic Games in Sochi
In 2014, the XXII Winter Olympic Games and the XI Winter Paralympic Games were held in Sochi. The Sochi Olympic Games were one of the largest Russian projects of the last 20 years. Not only were two clusters of sports venues constructed practically from scratch (the Olympic Park and the Mountain Cluster in Krasnaya Polyana), but the infrastructure of a huge region in southern the Krasnodar Region was also modernised. New power plants and power grids, underwater gas pipelines, sewage treatment facilities, a port and an airport, unique highways and railways with a number of bridges and tunnels, numerous hotels and houses were built in Greater Sochi. Thanks to its modern infrastructure, Sochi has become a world-class international sports centre and a year-round resort. Given the significance of Sochi as Russia’s premier resort, this development is important for the whole country.

The Sochi Olympic Games gave a powerful impetus to development athletics and healthy lifestyles in Russia, and were also a powerful engine of economic growth and job creation (600,000 new jobs). The total expenses for the Olympic Games borne by the state and private investors reached RUB 214bn (99bn from the state budget), and expenses for the modernisation of infrastructure in Sochi and the Krasnodar Region exceeded RUB 1.5 trillion.

Formula One in Sochi
Starting from 2014, Formula One has been held annually in the Krasnodar Region in Sochi - the Grand Prix of Russia. The Formula One Grand Prix in Sochi is one of the most exciting international sports events and plays an important role in positioning the Krasnodar Region as a unique place for tourists from around the world. The track runs through the territory of the Olympic Park and has 16 turns. The length of the track is 5,848 meters. In its first year, the Grand Prix of Russia was officially recognised as the best Formula One cup of the season.
2018 FIFA World Cup

For the first time in history, Russia will host the FIFA World Cup. The decision to determine the host country of the 2018 FIFA World Cup was taken on December 2010 at FIFA headquarters in Zurich. After presentations of all the bidders, the absolute majority of votes of the FIFA Executive Committee Members were given to Russia, and the country was granted the right to hold the 2018 FIFA World Cup.

Among 11 cities to host the World Cup, the Krasnodar Region is represented Sochi, the Olympic capital. World Cup matches will be held at the Fisht Olympic Stadium with a seating capacity of 45,000. The stadium will be reconstructed for football matches.

III World Military Games

In February 2017, Sochi will host the III World Military Games. Athletes will compete for 36 sets of medals in seven sports. The competitions will be held at sport venues in the mountain and coastal clusters. More than 4,000 athletes from 60 countries of the world are expected to participate in the competitions.

Kuban wines

The Kuban wine tradition has a long history: from ancient Greeks to the founders of new Russian winemaking, the agronomist Fedor Geyduk and Prince Lev Golitsyn. Today, Kuban accounts for the majority of Russian vineyards. The secret of the high quality of premium Kuban wines lies first of all in the terroir where the grapevines grow and where wines are stored. The unique soil and climatic conditions in Kuban, together with the long tradition of winemaking, have enabled local producers to take the lead in Russian winemaking and compete with the best in the world. Today, the culture of drinking alcoholic beverages and being a wine “connoisseur” are an indicator of prestige and even status, just like speaking French in the Pushkin era.
Forum in Sochi

The Russian Investment Forum in Sochi is currently the main investment fair in the country and one of the largest platforms in Russia for the productive dialogue between business and government. The Sochi Forum is an annual event aimed at attracting investment, presenting priority investment projects in Russian regions, and promoting their potential on domestic and foreign markets. National and regional officials, Russian and international top managers, heads of diplomatic missions, major investors and leading business experts traditionally take part in the forum.

The first Kuban Economic Forum was held in Sochi in 2002 as a regional event aimed at raising the profile of the Krasnodar Region with prospective investors. In 2007, the forum was rebranded as an investment forum, and Sochi became a candidate city to hold the 2014 Winter Olympics. Over fifteen years, the forum has become one of the largest international business events in Russia. More than 4,000 people from 43 countries participated in 2016. The Krasnodar Region has signed 250 agreements worth about RUB 761bn

State Academic Kuban Cossack Chorus

The State Academic Kuban Cossack Chorus is the oldest and largest national Cossack group is part of the especially rich cultural heritage in the Krasnodar Region. It is the only professional folk group in the country that has an uninterrupted history dating back to the beginning of the 19th century. The Chorus’s vividness, identity, temperament and skills have enthralled audiences all over the world.

The Chorus is, in a certain sense, a historical monument that uses culture and art to demonstrate the military and cultural history of Kuban, the Kuban Cossack army, the classical secular and religious culture of Ekaterinodar, the tragic events of the Civil War and the 1930s, and of the Soviet “big style” aesthetics in national art.

In 2011, the Kuban Cossack Chorus celebrated its 200th anniversary.
Ataman Cossack Village Ethnographic Center

The Ataman exhibition is an important symbol of Kuban Cossack culture: highly diverse, beautiful, and generous. It is a large and unique open-air exhibition that will take you hundreds of years into the past and make you feel the spirit of the Cossacks, their unbending will, and absolute freedom. The location was not chosen at random. The Taman Turkish fortress was located on the lands gained by Russia from the Ottoman Empire and presented by Catherine II to the Zaporozhye Cossacks who took part in the Russo-Turkish wars.

This land has historical meaning. Two hundred years ago, the first Black Sea Cossacks landed on the shore of the Taman Gulf of the Black Sea at the foot of Lysaya Mountain. On this land, an Orthodox church was built, which launched the history of Kuban. Taking into account these facts, it was decided to create an exact replica of the Cossack village on Lysaya Mountain in the village of Taman in the Temryuksky district of the Krasnodar Region. Ataman has become an important tourist attraction. Tourists from all Russia come to the village to learn about the life of the Cossacks, try Kuban dishes and enjoy the festive atmosphere.

Ceremony of the honour guard parade of the Hour of Kuban Glory Cossack Army in Krasnodar

The Hour of Kuban Glory, a beautiful and traditional honour guard ceremony conducted by the Kuban Cossack Army, is held every Sunday at 12:00 and on holidays, from the beginning of spring and until late autumn. This old tradition was revived in 2006. The parade of the Cossack Guard starts at Alexander Nevsky church, after which the Cossacks, dressed in their beautiful ceremonial uniform (copies of the uniform of the first and second hundreds of body guards of His Imperial Majesty Escort) march past Krasnaya Street, taking over the post at the Cossack historical monument. The guard of honour of the Kuban Cossack army, a horse group and the Premiere Kuban brass band participate in this exciting event.

Kinotavr film festival

Held annually in Sochi, the open Kinotavr film festival is one of the most popular film festivals in Russia. The initiative was supported by the film community, and the national Kinotavr festival was born in Sochi in 1991, headed by Mark Rudinstein and Oleg Yankovsky, the president of the festival from 1993 until 2004.

Apart from movie screenings, the Kinotavr programme includes various cultural events: master classes, press conferences, numerous business and informal meetings, and creative discussions. Pitching (a film project competition) is also part of the festival, where filmmakers can promote their ideas and films and find investors in the Russian and foreign film markets.

Kinotavr in Sochi has become one of the brightest and most respected creative forums, and a significant event in the cultural life of Russia and other countries.
Useful Contacts

Administration of the Krasnodar Region
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admkrkai.krasnodar.ru, post@krasnodar.ru

Department of Investments and Development of Small and Medium-sized Enterprises of the Krasnodar Region
350014, Krasnodar ul. Krasnaya, 35
Phone: + 7 (861) 268-23-11
kubaninvest.ru
investkuban@krasnodar.ru

Investment Portal of the Krasnodar Region
investkuban.ru
Hot line for improvement of the investment climate in the Krasnodar Region
Phone: + 7 (861) 251-77-64

Development Corporation of the Krasnodar Region
350000, Krasnodar ul. Tramvaynaya, 2/6, floor 504
Phone: + 7 (928) 223-98-65
www.kubankrkk.ru
krkk@investkuban.ru

Centre for Business Support in Krasnodar
(provides a range of services for financial, marketing, information, legal, patent and licence support for SMEs)
350911, Krasnodar ul. Tramvaynaya, 2/6
Phone: 8 (800) 707-07-11

Microfinance Fund for SMEs in the Krasnodar Region
350911, Krasnodar ul. Tramvaynaya, 2/6
Phone: +7 (861) 992-03-65; +7 (861) 992-03-68
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Guarantee Fund to Support SMEs in the Krasnodar Region
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Vyacheslav Solovyev
vyacheslav.solovyev@ru.pwc.com
Appendix

Selecting Investment Projects for State Support

(approved by order of Department of Investments and Development of Small and Medium-sized Enterprises of the Krasnodar Region from 19.07.2016, No. 70, “On Approval of the Procedure for Support of Investment Projects Implemented and/or Planned for Implementation in the Krasnodar Region”)

1. Applicant (investor)

Industry executive authorities of the Krasnodar Region

Municipalities

Development Corporation of the Krasnodar Region (specialised organisation)

Submit an application with an enclosed set of necessary documents for the investment project according to the support order.

Checks completeness of the documents and submits them to the regional branch bodies and local self-government bodies.

Selection criteria

• Compliance with investment priorities of the Krasnodar Region approved in the strategy of social and economic development for the region
• Number of new jobs;
• Expected annual tax payments;
• Investments in the project.

2. Regional bodies and local self-government authorities (within five working days)

Department of Investments and Development of Small and Medium-sized Enterprises of the Krasnodar Region (authorised body)

The term for the consideration of documents is within three working days.

Assigns a coordinator for the project from the department.

3. Local priority projects

Large priority projects

100m < 5,000m RUB

Department of Investments and Development of Small and Medium-sized Enterprises of the Krasnodar Region (management of investment policy)

Assigns a coordinator for the project from the department.

Municipal projects

< 100m RUB

Municipal investment authorities (deputy heads of municipalities)

Support the investment project according to the approved order at the local level.

Regional projects

>5,000m RUB

Department of Investments and Development of Small and Medium-sized Enterprises of the Krasnodar Region (management of investment policy)

Term: within 14 working days

4. Monitoring of project implementation

Applicant (investor)

Development Corporation of the Krasnodar Region

Municipal investment authorities

Department of Investments and Development of Small and Medium-sized Enterprises of the Krasnodar Region (management of the investment policy)

Commission for the Improvement of the Investment Climate in the Krasnodar Region
Selecting investment projects (based on the one-window principle)

**Development Corporation of the Krasnodar Region**  
(specialised organisation)

**Roadmap development**  
implementation of the supported investment project and registering it in the database  
(within 7 days)

- Selection of an investment platform taking into account project parameters  
  (within 14 days)
- Definition of possible measures of state support for the  
  (within 5 days)
- Development of the scheme and search of sources of financing of the project  
  (within 14 days)

**Basic service**  
- Issuing documents for the right to use of the land plot
- Development of design estimates and expertise
- Obtaining construction licence and selection of a general contractor
- Construction of the object and selection of subcontractors
- Commissioning the object

**Additional option**  
- Assistance in registration of a legal entity  
  (within 7 days)
- Development of the technical and economic offer, including marketing research

**Communication with:**
- Municipality; regional and federal authorities; executive authorities of the Krasnodar Region
- Energy supply organisations; Regional Electricity Commission of the Krasnodar Region; Federal Antimonopoly Service; Department of Energy and Housing Services in the Krasnodar Region
- Design institutes; Glavgosekspertiza (Main State Expertise Body)
- Municipality; department on architecture and town planning of the Krasnodar Region; Federal authorities
- Department of Construction of the Krasnodar Region
- Municipality; Department of Architecture and Urban Development of the Krasnodar Region; Federal authorities

**Operation stage**

- Industry executive authorities of the Krasnodar Region

- Monitoring the company’s business

- Quarterly report on enterprise operations

- Department of Investments and Development of Small and Medium-sized Enterprises of the Krasnodar Region
## State Subsidies by Industry Sectors

<table>
<thead>
<tr>
<th>Subsidy type</th>
<th>Subsidy size</th>
<th>Regulations</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Agribusiness</strong></td>
<td></td>
<td></td>
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<tr>
<td>Subsidies for partial compensation of expenses for the purchase of elite seeds</td>
<td>Established by an authorised body for the current year</td>
<td>Resolution of the Government of the Russian Federation No. 1295 “On approval of Rules for granting and distribution of subsidies from the federal budget to budgets of regions of the Russian Federation to support certain plant growing subsectors” from 12 December 2012</td>
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<tr>
<td></td>
<td></td>
<td>Resolution of the Head of Administration (Governor) of the Krasnodar Region No. 249 “On approval of the order of granting subsidies on the terms of co-financing from the federal and regional budgets to ensure state support of agricultural production” from 31 March 2014</td>
</tr>
<tr>
<td>Subsidies for partial compensation of expenses for planting and caring for perennial fruit and berry plantings</td>
<td>Established by an authorised body for the current year</td>
<td>Resolution of the Government of the Russian Federation No. 1295 “On approval of Rules for granting and distribution of subsidies from the federal budget to budgets of regions of the Russian Federation to support certain plant growing subsectors” from 12 December 2012</td>
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<td></td>
<td></td>
<td>Resolution of the Head of Administration (Governor) of the Krasnodar Region No. 249 “On approval of the order of granting subsidies on the terms of co-financing from the federal and regional budgets to ensure state support of agricultural production” from 31 March 2014</td>
</tr>
<tr>
<td>Subsidies for partial compensation of expenses for planting and caring for vineyards</td>
<td>Established by an authorised body for the current year</td>
<td>Resolution of the Government of the Russian Federation No. 1295 “On approval of Rules for granting and distribution of subsidies from the federal budget to budgets of regions of the Russian Federation to support certain plant growing subsectors” from 12 December 2012</td>
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<tr>
<td></td>
<td></td>
<td>Resolution of the Head of Administration (Governor) of the Krasnodar Region No. 679 “On granting subsidies from the regional budget for compensation of part of expenses for planting and caring for vineyards” from 15 July 2014</td>
</tr>
</tbody>
</table>

**Contact:** Ministry of Agriculture and Processing Industry of the Krasnodar Region, 350000, Krasnodar, ul. Rashpilevskaya, 36, Phone +7 (861) 214-25-56, e-mail: msh@krasnodar.ru, www.msh.krasnodar.ru
<table>
<thead>
<tr>
<th>Subsidy type</th>
<th>Subsidy size</th>
<th>Regulations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subsidies for partial compensation of expenses for developing gardening and tea growing (from the regional budget)</td>
<td>Established by an authorised body for the current year</td>
<td>Order of the Ministry of Agriculture and Processing Industry of the Krasnodar Region No. 115 “On granting subsidies to ensure state support for agricultural production under the state programme of the Krasnodar Region “Development of agriculture and regulation of markets of agricultural products, raw materials, and food products” from 19 April 2016</td>
</tr>
<tr>
<td>Subsidies to support livestock breeding</td>
<td>Established by an authorised body for the current year</td>
<td>Resolution of the Government of the Russian Federation No. 1257 “On granting and distribution of subsidies from the federal budget to budgets of regions of the Russian Federation to support livestock breeding” from 4 December 2012</td>
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<td></td>
<td></td>
<td>Resolution of the Head of Administration (Governor) of the Krasnodar Region No. 249 “On approval of the order of granting subsidies on the terms of co-financing from the federal and regional budgets to ensure state support of agricultural production” from 31 March 2014</td>
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<tr>
<td>Subsidies to support bovine cattle breeding (meat)</td>
<td>Established by an authorised body for the current year</td>
<td>Resolution of the Government of the Russian Federation No. 1257 “On granting and distribution of subsidies from the federal budget to budgets of regions of the Russian Federation to support livestock breeding” from 4 December 2012</td>
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<td></td>
<td></td>
<td>Resolution of the Head of Administration (Governor) of the Krasnodar Region No. 249 “On approval of the order of granting subsidies on the terms of co-financing from the federal and regional budgets to ensure state support of agricultural production” from 31 March 2014</td>
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<tr>
<td>Subsidies for partial compensation of expenses on developing pedigree sheep and goat stocks</td>
<td>Established by an authorised body for the current year</td>
<td>Resolution of the Government of the Russian Federation No. 1258 “On granting and distribution of subsidies from the federal budget to budgets of regions of the Russian Federation for compensation of part of expenses for the development of pedigree stock of sheep and goats, livestock of reindeer, deer and herd horses (for meat)” from 4 December 2012</td>
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<td></td>
<td></td>
<td>Resolution of the Head of Administration (Governor) of the Krasnodar Region No. 364 “On granting subsidies from the regional budget to agricultural producers of the Krasnodar Region to support production and sale of fine wool and semi-fine wool and for the compensation of part of expenses for the development of pedigree stock of sheep and goats” from 1 June 2016</td>
</tr>
<tr>
<td>Subsidy type</td>
<td>Subsidy size</td>
<td>Regulations</td>
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<tr>
<td>Granting subsidies for the purpose of:</td>
<td>2 RUB/kg of sold milk;</td>
<td>Resolution of the Head of Administration (Governor) of the Krasnodar Region No. 411 “On the order of expenditures from local budgets in 2016 for subventions from the regional budget envisaged for the realisation of actions of subprogramme “Development of small businesses in the agroindustrial complex of the Krasnodar Region” under the state programme of the Krasnodar Region “Development of agriculture and regulation of markets of agricultural products, raw materials, and food products” from 22 June 2016</td>
</tr>
<tr>
<td>1) supporting production of the commercial livestock product;</td>
<td>5 RUB/kg of sold beef</td>
<td></td>
</tr>
<tr>
<td>2) partial compensation of expenses for the purchase of breeding farm animals and commodity farm animals (cows, heifers, mares, ewes, replacement calves, replacement pigs, young ewes, nanny-goats) intended for reproduction;</td>
<td>Up to 50% of expenses for purchase</td>
<td></td>
</tr>
<tr>
<td>3) partial compensation of expenses for keeping the breeding stock of breeding sheep (meat) such as “Southern meat”, “Romanovskaya”, “Edilbaevskaya”;</td>
<td>Up to 50% of expenses for purchase</td>
<td></td>
</tr>
<tr>
<td>4) partial compensation of expenses for construction of greenhouses for vegetables planting on the protected soil;</td>
<td>Up to 350 RUB per square meter</td>
<td></td>
</tr>
<tr>
<td>5) partial compensation of expenses for services of artificial insemination of farm animals (bovine cattle, pigs, sheep and goats);</td>
<td>Up to 50% of expenses</td>
<td></td>
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<tr>
<td>6) partial compensation of expenses for the purchase of drip irrigation systems for vegetable cultivation</td>
<td>20% of expenses, but no more than RUB 90,000</td>
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<tr>
<td>Subsidy type</td>
<td>Subsidy size</td>
<td>Regulations</td>
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<tr>
<td>Subsidies for partial compensation of expenses for production of commercial fish</td>
<td>Established by an authorised body for the current year</td>
<td>Order of the Ministry of Agriculture and Processing Industry of the Krasnodar Region No. 115 “On granting subsidies to ensure state support for agricultural production under the state programme of the Krasnodar Region “Development of agriculture and regulation of markets of agricultural products, raw materials, and food products” from 19 April 2016</td>
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<tr>
<td>Subsidies for partial compensation of expenses for production (catch) of water bioresources</td>
<td>Established by an authorised body for the current year</td>
<td>Order of the Ministry of Agriculture and Processing Industry of the Krasnodar Region No. 115 “On granting subsidies to ensure state support for agricultural production under the state programme of the Krasnodar Region “Development of agriculture and regulation of markets of agricultural products, raw materials, and food products” from 19 April 2016</td>
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<tr>
<td>Subsidies for production of commodity fish products and fish products</td>
<td>Established by an authorised body for the current year</td>
<td>Order of the Ministry of Agriculture and Processing Industry of the Krasnodar Region No. 115 “On granting subsidies to ensure state support for agricultural production under the state programme of the Krasnodar Region “Development of agriculture and regulation of markets of agricultural products, raw materials, and food products” from 19 April 2016</td>
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<tr>
<td>Subsidies for partial compensation of expenses for production of fish stock</td>
<td>Established by an authorised body for the current year</td>
<td>Order of the Ministry of Agriculture and Processing Industry of the Krasnodar Region No. 115 “On granting subsidies to ensure state support for agricultural production under the state programme of the Krasnodar Region “Development of agriculture and regulation of markets of agricultural products, raw materials, and food products” from 19 April 2016</td>
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<td>Subsidy type</td>
<td>Subsidy size</td>
<td>Regulations</td>
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<tr>
<td>Subsidies for partial compensation of expenses connected with interest payment on loans (leasing) attracted in credit institutions for the creation of new plants, modernisation and purchase of equipment</td>
<td>no more than 3/4 of the key rate of the Bank of Russia, but no more than 70% of actual interest payments</td>
<td>Resolution of the Head of Administration (Governor) of the Krasnodar Region No. 1138 “On approval of the state programme of the Krasnodar Region “Development of the industry of the Krasnodar Region and increasing its competitiveness” from 30 November 2015</td>
</tr>
<tr>
<td>Subsidies for partial compensation of expenses connected to organisation of industrial production to ensure the engineering networks</td>
<td>60% of actual expenses, but no more than 50% of the size of limits of budgetary obligations</td>
<td>Resolution of the Head of Administration (Governor) of the Krasnodar Region No. 1138 “On approval of the state programme of the Krasnodar Region “Development of the industry of the Krasnodar Region and increasing its competitiveness” from 30 November 2015</td>
</tr>
</tbody>
</table>

*Contact: Department of Industrial Policy of the Krasnodar Region, 350014, Krasnodar, ul. Krasnaya, 176, Phone: +7 (861) 253-94-88, e-mail: dpp@krasnodar.ru, www.dppkk.ru*
### Industrial parks

<table>
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<tr>
<th>Subsidy type</th>
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<th>Regulations</th>
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<tr>
<td>Granting subsidies for the partial compensation of expenses connected to</td>
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<td>interest payment on loans obtained in Russian credit institutions and in</td>
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<td>1138 “On approval of the state programme of the Krasnodar Region “Development</td>
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<td>the State Corporation Bank for Development and Foreign Economic Affairs in</td>
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<td>of the industry of the Krasnodar Region and increasing its competitiveness”</td>
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<td>2015-2018 for major construction works for construction of infrastructure</td>
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<td>from 30 November 2015</td>
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<tr>
<td>and industry objects, creation of industrial parks</td>
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<td>Subsidies for partial compensation expenses for the implementation of</td>
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<td>Resolution of the Head of Administration (Governor) of the Krasnodar Region</td>
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<td>investment projects to create the infrastructure of industrial parks in the</td>
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<td>loans obtained in Russian credit institutions for major construction of</td>
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<tr>
<td>infrastructure facilities and technology parks</td>
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<td>of the industry of the Krasnodar Region and increasing its competitiveness”</td>
</tr>
<tr>
<td></td>
<td></td>
<td>from 30 November 2015</td>
</tr>
</tbody>
</table>

**Contact:** Department of Investments and Development of Small and Medium-sized Enterprises of the Krasnodar Region  
Hotline for investors: +7 (861) 251-77-64
Technological Connection to Electric Power Grids

The procedure of connecting to electric power grids in the Krasnodar Region is carried out according to Federal Law No. 35-FZ from 26 March 2003 “On power industry” and Resolution No. 861 approved by the Government of the Russian Federation from 27 December 2004.

1. Submitting an application to power grid operator for technological connection (TC) of power receivers to electric power grids

Selection of the operator is effected jointly with the local administration (local self-government authority of the municipality)

2. Consideration of TC application:
   • Preparation of specifications;
   • Calculation of TC cost;
   • Preparation and sending to the applicant of a TC contract offer.

Time period for preparation of the contract:
• Up to 100 kW – up to 30 days;
• 100 kW to 750 kW – up to 15 days;
• other conditions – up to 15 days;
• complicated connection – up to 40 days.

Service provided free of charge

3. Concluding the TC contract

After receipt of the Specification containing a list of actions for technological connection, the applicant and the power grid operator conclude a contract for effecting TC

4. Payment by the applicant for technological connection, performing by the parties the actions provided for by the TC contract

Time periods for performing the actions for TC (from the date of signing the contract):
• up to 15 kW – up to 6 months;
• 15 K kW to 150 kW – up to 6 months;
• 150 kW to 670 kW – up to 1 year;
• over 670 kW – up to 2 years.

Service provided free of charge

5. Checking and acceptance of the works performed

The applicant should mandatory notify the power grid operator (and in case of connecting capacity exceeding 150 kW – Rostekhnadzor) of effecting the technological connection

After drawing up the certificate of visual examination of the PP, the following documents are to be signed:
• certificate of effecting technological connection;
• certificate of delineation of balance sheet attribution (DBSA certificate);
• parties’ operational responsibility certificate (OR certificate).

Service provided free of charge

The certificates are to be signed within 5-10 days

6. Concluding power supply contract with the electric energy supplier

There are 2 guaranteeing power suppliers in the Krasnodar Region:
1) Independent Energy Distribution Company of the Krasnodar Region (NESK-Elektroseti) – which operates within urban boundaries a certain municipal entity;
2) Kuban Power Supply Company (Kubanenergosbyt) – which operates in rural and suburban areas.

In order to conclude a power supply contract, you need to submit an application and a set of required documents to the relevant production site of one of the aforementioned organisations.

The term of consideration of application and documents is no more than 30 days
Obtaining a Construction Licence

The service “Issuance of the construction licence for the construction of capital construction projects” is in most cases provided by the local self-government authority in the location of the land plot. In some cases (for power/infrastructure facilities; facilities realised in the territory of two or more municipalities; the land plot is subject to special conservation measures; facilities of regional importance as established by the decision of the Head of the Administration (Governor) of the Krasnodar Region), this service is provided by the Department of Architecture and Urban Development of the Krasnodar Region (arhikub.ru).

The entity that intends to perform the construction works should submit an application for a construction licence and enclosed documents to the local authorities.

Registration and issuance of copies of the application for issuance of the construction licence with an incoming reference number.

Checking the availability of documents enclosed with the application.

If the documents are complete and correct, the submitted documents will be registered.

Registration of the submitted documents.

The local government body should check the submitted documents for compliance with requirements.

Conforms to requirements. The local government body provides the entity that intends to perform the construction with a construction licence.

Does not conform to requirements. The local government body refuses to issue a construction licence to the entity that intends to perform the construction, and returns all the documents submitted.

The entity that intends to perform the construction sends a copy of the engineering studies to the local government body; information about the area, height and number of floors of the capital construction facility, the engineering and technical systems; and one copy of the specification as defined in para. 2 and 8 through 10 of Part 12, Article 48 of the Town Planning Code of the Russian Federation.

The local government body sends a copy of the issued construction licence to the body authorised to exercise state construction supervision (Agency for State Construction Supervision of the Krasnodar Region).

The local government body enters a copy of the materials submitted by the entity intending to perform the construction, in the information systems for urban development.

The service is provided within 10 days.