Guide to Investment
Republic of Bashkortostan
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Greetings from Head of the Republic of Bashkortostan

Dear friends,


Bashkortostan has a favourable geographical location with well-developed transportation and logistic infrastructure. Our competitive advantages include considerable reserves of raw and other materials, powerful production and scientific potential, and a highly-skilled labour force.

Over recent years, the Government of the Republic of Bashkortostan has made important steps to ensure an open and fair investment policy. As Bashkortostan fosters cooperation with regions and companies from over 100 countries, it justifiably becomes known as a territory, which is comfortable for doing business.

According to the Russian national rating agency "Expert RA", Bashkortostan has repeatedly ranked first in the "Minimum economic risks of investment" category. Large-scale geopolitical events this year, the BRICS and SCO Summits in Ufa, have boosted the republic's position while also demonstrating to the world its considerable opportunities.

Bashkortostan is today a symbol of economic stability and developed infrastructure. It has a sizeable reputation among Russian and foreign investors alike along with favourable conditions for business development.

I hope that our region opens new horizons for your business. I wish you all the best!

Sincerely yours,

Rustem Khamitov
Head of the Republic of Bashkortostan
Dear friends,

Welcome to the Investor's Guide to the Republic of Bashkortostan, a region with a significant economic and investment potential.

Bashkortostan has a favourable geographical location and well-developed air, rail and road infrastructure. The republic is rich in natural and mineral resources. It also has significant scientific potential and an economically active population.

The Government of the Republic of Bashkortostan promotes the region's investment profile by fostering a comfortable business environment and supporting priority projects. In particular, investors can access the republic's Pledge Fund and enjoy various tax benefits.

The number of industrial parks, technology parks, and their resident companies is growing year to year. PwC believes that the region has high investment potential and we have already expanded our presence in Bashkortostan by opening an office in Ufa in 2015.

This Guide has been prepared jointly by PwC and the Corporation of Development of the Republic of Bashkortostan. The latter operates as a one-stop shop for potential investors and provides support to investment projects.

We hope that our joint publication will be a useful resource for potential investors, helping them to assess their prospects for doing business in Bashkortostan, as well as select the best investments and projects, thus contributing to mutually beneficially success stories.

Denis Derevyankin
PwC Managing Partner in the Republic of Bashkortostan
Dear friends and partners,

On behalf of the Corporation of Development of the Republic of Bashkortostan, I am pleased to welcome you to this edition of the Investors' Guide to the Republic of Bashkortostan!

The Corporation of Development's team provides comprehensive support to investment projects in Bashkortostan, from a project's idea phase to commissioning of facilities.

Our team's expertise means that we can start working on an investment project at any stage, as well as efficiently resolve any tasks.

We are ready to provide comprehensive support to investors, who are eager to develop their business in the Republic of Bashkortostan. We can also be a reliable partner.

We would be pleased to cooperate with you on a long-term and mutually beneficial basis.

I am sure that Bashkortostan will open new horizons for you!

Artem Kireev
CEO,
OAO Corporation of Development of the Republic of Bashkortostan
The Corporation of Development is one of the region’s leading development institutions, providing comprehensive services to investors interested in opening and running businesses in the republic.

The company was formed in accordance through a Decree of the President of the Republic of Bashkortostan of 20 December 2010.

The Corporation of Development is a full-fledged member of the Association of Industrial Parks of the Russian Federation and the Russian Association of Clusters and High-Technology Parks.

The company carries out the following functions:

- creating and developing industrial parks. It supervises two types of industrial parks: greenfield (Ufimsky Industrial Park) and brownfield (ChemTerra Industrial Park and an industrial park in the town of Agidel);
- providing comprehensive support to investment projects;
- providing corporate governance.
General information on Bashkortostan
The Republic of Bashkortostan is one of Russia's leading regions in terms of industrial and agricultural potential. The republic is a leader in oil production, petrochemicals and heavy engineering.

- **Total territory**: 143.6 th. square km.
- **Climate**: continental.
- **Population**: 4.1 million people (the seventh largest Russian region in terms of population).

**Natural reserves / mineral resources**

3,500 fields with 60 types of minerals:

- oil (250 fields),
- natural gas,
- hard and brown coal,
- peat,
- copper,
- zink,
- iron ore,
- manganese,
- alumina,
- gold,
- rock salt
- and others.
The Republic of Bashkortostan’s economic and investment potential

Dynamics of Bashkortostan’s GRP and Russian GDP in 2012-2014

- **Republic of Bashkortostan’s GRP, RUB billion**
- **Republic of Bashkortostan's GRP, year-on-year (%)**
- **Russia’s GDP, year-on-year (%)**

- **2012**:
  - Republic of Bashkortostan: 1,149.4
  - Russia: 103.4

- **2013**:
  - Republic of Bashkortostan: 1,267.0
  - Russia: 101.3

- **2014**:
  - Republic of Bashkortostan: 1,343.9
  - Russia: 100.8

GRP structure in the Republic of Bashkortostan in 2014, %

- **Industrial production**: 41.4%
- **Agriculture**: 6.5%
- **Construction**: 16.7%
- **Retail**: 16.7%
- **Other**: 28.5%

- Other (i.e., healthcare, education, transport, communications and real estate transactions)

Capital investments in the Republic of Bashkortostan

- **Capital investments, RUB billion**
- **Growth of capital investment in the Republic of Bashkortostan, year-on-year (%)**
- **Growth of capital investment in Russia, year-on-year (%)**

- **2012**:
  - Capital investment: 233.7
  - Growth: 106.8

- **2013**:
  - Capital investment: 266.4
  - Growth: 100.8

- **2014**:
  - Capital investment: 285.5
  - Growth: 97.3

Industrial enterprises account for 41.4% of the republic’s GRP, 60% of the taxes paid into its budget, and 25% of all jobs in the region.

In 2014, Bashkortostan conducted foreign trade with over 104 countries.
The region’s current economic and investment indicators

In 2014, the Republic of Bashkortostan’s key economic indicators were as follows:

- **RUB 2.7 trillion** — business turnover in 2014;
- **103.2%** — index of industrial production in 2014;
- **RUB 1.8 trillion** — volume of goods, work, and services produced by the republic in 2014;
- **RUB 135.5 billion** — Bashkortostan’s gross agricultural output;
- Bashkortostan ranks **seventh** in Russia in terms of the volume of goods, work and services used;
- **RUB 781.3 billion** — retail turnover in 2014.

The Government of the Republic of Bashkortostan has approved an Investment Strategy for the period until 2020 in order to improve the competitive edge of the region’s economy, as well as create favourable conditions for raising investment.

**Key strategic indicators:**

- **RUB 280 million** — total investments earmarked by the republic’s Investment Fund for Public-Private Partnership (PPP) projects (2015-2017 years);
- **65** — the number of investment projects planned for over four years in Bashkortostan. RUB 300 billion — overall investment amount. In 2014, the republic saw the completion of 10 major investment projects with total combined investment of around RUB 20 billion;
- **RUB 15 billion** — total approved benefits for priority investment projects;
- **RUB 15 billion** — the size of the republic’s Pledge Fund to be used to support priority projects;
- **56.3%** the share of internal funds going towards project finance, including budget funds (16.3%) and bank loans (13.7%);
- **69** projects are included to the 2015 priority project list;
- **RUB 487.7 billion** — overall investments according to the 2015 priority project list.
**Investment climate**

In January 2012, the Public Council for Improving the Investment Climate chaired by the Head of Bashkortostan was established.

The council's main function is to reach decisions on major investment issues.

The council's chairman is the Head of the Republic of Bashkortostan.

### Procedure for providing government support

1. Investor
2. Corporation of development of the Republic of Bashkortostan or Ministry for Economic Development of the Republic of Bashkortostan
3. Investment project examination
4. List of priority investment projects
5. Application filing, budget review
6. Inclusion in the register of priority investment projects
7. Investment agreement
8. Government support in the form of financial measures

### Financial support

- Subsidised interest rates on loans (halving the refinancing rate for up to five years).
- Pledge of state-owned property as collateral.
- Partial reimbursement of leasing expenses.
- Discounted rental rates for state-owned land plots during an investment project's payback period, but only up to five years.

### Tax benefits

- Income tax — 15.5%* (Russia — 20%).
- Property tax — 0% (Russia — 2.2%).

* for up to 10 years
**A greenfield industrial park** is usually formed at the vacant land site, which usually lacks engineering and transport infrastructure at the inception of the project.

**A brownfield industrial park** is developed at an existing enterprise or manufacturing facilities with available engineering and transport infrastructure, which is usually reconstructed and/or rebuilt.
**Clusters**

Clusters by industries

- Logistics
- Recreational
- Wood-working
- Cattle-breeding
- Low-Tonnage Petroleum Chemistry*, Oil and Gas Engineering*, Radioelectronic*, Geophysical*.
- Heavy machinery
- Metals
- Ufa agglomeration (IT, Pharmaceuticals, Utilities, Biochemistry)
- Ufa
- Salavat
- Kumertau
- Petrochemical Territorial*
- Tourist
- Coal Interregional*
- Small aircraft
- Crop-growing

*Bashkortostan’s production capacity and local competencies can be instrumental in organising new clusters in such promising areas as pharmaceuticals, information technologies, nanomaterials, etc.

*operating clusters
In the Republic of Bashkortostan, the following clusters have been established or are in the process of being created:

**The Low-Tonnage Petroleum Chemistry Cluster** was established in 2013, when 14 enterprises and organisations joined this cluster. To date, the number of cluster participants has increased to 55. The enterprises produce a wide range of petrochemical products.

In 2013, in order to facilitate the operation of infrastructure to support the innovative activities of small and medium-sized enterprises, the Low-Tonnage Petroleum Chemistry Cluster of the Republic of Bashkortostan set up a shared centre to provide access to high-tech equipment based out of the production site of the GUP Oil and Petrochemical Refining Institute.

**The Petrochemical Territorial Cluster** was established according to a list of innovative territorial clusters approved by the Government of the Russian Federation. This cluster has significant potential in regards to developing advanced and innovative petrochemical production. The cluster's operations are characterised by the high level of investment activity on the part of its participants.

According to the programme for the cluster's development, planned investment comes to RUB 165 billion, of which almost RUB 160 billion comes from private investors.

**Interregional coal cluster in the urban district of Kumertau** – the agreement for developing the cluster was signed on 1 September 2014. This project foresees the development of a power generation complex based out of the following enterprises: Kumertauskaya TPP, a branch of OOO Bashkir Generating Company, OOO Kumertau Heating Networks, Municipal Unitary Enterprise Lokomotiv, OOO Bashkirugol, OOO Yuzhuralugol, and OAO Orenburgugol.

OAO Corporation of the Development of the Republic of Bashkortostan manages the cluster.

**The Oil and Gas Engineering Cluster** – the agreement on setting up this cluster was signed during the IV International Forum “Big Chemistry”. The cluster includes the following entities: GUP Bashgiproneftekhim, OAO Salavatneftekhimproject, OAO NPP OZNA-Engineering, ZAO Neftepromavtomatika, OAO Neftegazinformatika, OOO Promexpert, OAO AK VNZM, and others. It also includes three Ufa-based universities: Ufa State Oil Technical University, Bashkir State University, and Ufa State Aviation Technical University.

The cluster's products can already cover 90–95% of market demand.

**The Radioelectronic Cluster** – this territorial research and production cluster for electronic equipment and microelectronic components brings together over 25 enterprises, universities, and research centres. To ensure sustainable interaction between manufacturers and the fundamental and applied sciences, state-of-art laboratories were set up in 2013 at the Radioelectronic Cluster’s common use centre in order to carry out research and development work, as well as create production prototypes for radioelectronic and telecommunications equipment.

**The KVANT Geophysical Cluster** was established upon the initiative of the Eurasian Geophysical Society (EAGO) and the Ministry of Industry and Innovation Policy of the Republic of Bashkortostan in December 2014.

It was formed by 35 participants, including geophysical companies and enterprises, R&D centres, research and production firms specialising in the development and manufacturing of geophysical and drilling equipment, and the leading universities in Bashkortostan.

The enterprises within the cluster count for about 40% of the domestic market demand for geophysical equipment.
**Investment sites**

**Greenfield industrial parks**

*Ufimsky Industrial Park*

*Total area – 298 hectares.*

This is the largest industrial park in the region in terms of area.

**Residents**

Work to accommodate the production facilities of the park’s residents is now in progress:

- manufacture of furniture and fittings under the BOYARD brand;
- production of valves and pumps for inflatable boats;
- manufacture of inflatable boats;
- an enterprise providing services to commercial automotive transport.

The anchor resident, the Austrian company Kronospan, is a global leader in the production of high-quality wood board and related goods. Production facilities are located in an area covering 194 hectares.

*Industrial Park in the Sterlitamak District*

*Total area – 211 hectares.*

- 0.5 km to the Kuibyshev Railway;
- 4.5 km to the R-240 Ufa-Orenburg Highway;
- 120 km from the M5 Ural Federal Highway, 140 km to the M7 Volga Federal Highway;
- 98 km to Ufa International Airport;
- the plot is adjacent to the Novo-Sterlitamakskaya Power Plant.
**Brownfield industrial parks**

**ChemTerra Industrial Park**

The park’s main building measures 27,545 sq. m.

The project has been included on the list of priority investment projects in the Republic of Bashkortostan.

The industrial park is located within POLIEF, Russia’s largest polyether complex. The project can offer investors a wide range of opportunities to set up facilities for production and processing of low-tonnage chemicals and polymers, while also helping to reduce costs on transportation of raw materials.

The park is located 30 minutes by car from the capital of the republic, thereby making it attractive for highly skilled personnel from Ufa and Blagoveshensk.

**The Construction Materials of Bashkortostan Industrial Park in the town of Agidel**

Total area – 223.88 hectares.

The industrial park includes 72 buildings with a total area of 113 th. sq. m. The industrial park is located within the construction site of the Bashkirskaya Nuclear Power Plant, is the only park in the region accessible by long-length ships and the most eastern Russian river-sea port.

The site of the industrial park has convenient access to backbone motor- and railways, thereby ensuring savings on transportation of heavy and bulky cargo throughout Russia:

- access to the Neftekamsk-Agidel Railway;
- internal railways and motor ways;
- 90 km to the M7 Volga Federal Highway.
Technological Parks

**Medtekhnika Technological Park (Technopark)**

Medtekhnika Technopark was established through the R&D enterprise Orbita and specialises in the development, production, and sale of medical equipment and health care products.

Its potential residents are:

- medical research and manufacturing enterprise Neyron (software R&D, hardware and medical technologies for eyesight recovery);
- research and manufacturing centre Astra (development, manufacture, and supply of blood testers and electrophoresis systems);
- interacademic medical laboratory UGATU (development and manufacturing of devices to research chemiluminescent methods for the purpose of disease diagnostics);
- OOO KvertiMed (development and manufacturing of laboratory devices).

Website: [http://www.ormed.ru/](http://www.ormed.ru/)

**Ecoline Technological Park (Technopark)**

This project can accommodate between 20 and 100 innovative small- and medium-sized businesses. The technopark will have a major social impact as it will create up to 2,000 new jobs.

The future technopark will specialise in high technologies. This involves setting up a centre for development and implementation of science-intensive and high-tech technologies in the south of Bashkortostan, primarily for the production of industrial goods with a particular focus on the CIS market. One of the technopark's first potential residents is an enterprise manufacturing fibreglass blades for wind-power plants.

Website: [http://ecoline-tehnopark.ru/](http://ecoline-tehnopark.ru/)

**Bashkiria Technological Park (Technopark)**

Bashkiria Technopark specialises in the development and implementation of innovative technologies for industrial production of health foods. The importance of this area of research is confirmed by 14 patents of the Russian Federation.

Participants in Bashkiria Technopark include:

- ZAO MMKK, which provides the premises for the technopark;
- the Razumovsky educational organisation/branch of K.G. Moscow State University of Technologies and Management in the town of Meleuz (organising experimental development);
- OOO Technopark MGUTU, which is involved in R&D.

Website: [http://bashtehnopark.ru/](http://bashtehnopark.ru/)
**Technopark NPO Self-Sustaining Creative Centre of the Ufa Aviation Institute**

Over 10,000 sq. m of administrative, manufacturing and laboratory premises. The operation includes an automotive fleet and 20 units of specialised high capacity compressor and gas-separating equipment.

The amount of land in freehold comes to 52,000 sq. m.

The technopark specialises in the following areas:
- R&D for creating highly efficient lubricants and anti-corrosive compositions for heavy machinery;
- R&D with respect to creating equipment for testing tribotechnical, anticrosive and thermal properties of technological environments used in metallurgy and heavy machinery;
- R&D for processing precious metals and manufacturing jewellery;
- R&D for creating and applying composite materials.

The technopark also includes:
- a unit specialising in cleaning trunk pipelines;
- OOO Aeroexpress;
- ZAO Experimental Plant of Lubricants and Equipment;
- a laboratory for testing industrial lubricants;
- experimental manufacture of plastic goods and equipment;
- ZAO Ufa Jewellery Factory;
- OAO BusinessPartner Publishing House;
- Institute of Tribo Machines and Lubricants NICh UGATU.

The technopark's potential residents include:
- OOO Semigorie – internal cleaning of pipelines;
- OOO Reactive – low-tonnage chemistry;
- OOO Poisk – protection from corrosion of structural elements and hardware;
- OOO Neftegazremont – production of tar for goods manufactured by KhTC UAI’s enterprises.
Transport infrastructure

**Rail transport**
- Length – 1,451 km

**Water transport**
- Length – 1,018 km

**Motor transport**
- **PM5 Ural** Samara – Ufa – Chelyabinsk (324.5 km)
- **M7, Volga** Moscow – Vladimir – Nizhny Novgorod – Kazan – Ufa (163.9 km)
- **R240** Ufa – Orenburg
- **R315** Ufa – Birsk – Yanaul
- **R316** Sterlitamak – Beloretsk – Magnitogorsk
- **R317** Birsk – Tastuba – Satka
- **R361** Meleuz – Magnitogorsk

The western part of the Republic of Bashkortostan will be crossed by a section of the "New Silk Road" – an international motor way, running from Western Europe to Western China.
Transport infrastructure

**Pipelines**

- **Petroleum pipelines**
  - Ufa – Omsk – Novosibirsk
  - Ufa – Kurgan – Petropavlovsk
  - Ufa – West

- **Oil transportation**
  - Ufa – Ishimbai
  - Tuymazy – Omsk
  - Ust-Balyk – Kurgan – Ufa – Almetievsk
  - Nizhnevartovsk – Samara

**Air transport**

- Ufa Airport – ranked first by number of passengers among the airports in the Volga Federal District (VFD) (i.e., over 30% of total passenger traffic).
- 33 major Russian cities and six CIS cities.
- seven international destinations.
- 19 charter tourist destinations.
Electric power

• **1,161** — the total number of consumer connections to the power network with contracted capacity of up to 150 kW in the cities of the Republic of Bashkortostan with populations exceeding 100,000 people.

• **3,487** — number of connections in 2014 year.

Analysis of actual and budget connections to the power network

<table>
<thead>
<tr>
<th>Year</th>
<th>Average number of stages</th>
<th>Average connection period, days</th>
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<tr>
<td></td>
<td>Actual</td>
<td>Budget</td>
</tr>
<tr>
<td>2012</td>
<td>6</td>
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<td>2015</td>
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<td>6</td>
</tr>
<tr>
<td>2016</td>
<td>n/a</td>
<td>3</td>
</tr>
</tbody>
</table>
Labour force

- **4.1 mln** people (61.7% – urban population) — The total population of the Republic of Bashkortostan.
- **67.2%** — the percentage of economic active people in the region.
- Since 2004, the Republic of Bashkortostan has seen growth in migration.
- The republic ranks **eighth** by number of people engaged in economic activities in 2014 — **1,874.1 th.** people (46% of the population).
- **RUB 24,700** — the average monthly salary in nominal terms as a result of the previous year (has increased by 7.2%).

Cash income trends among the population

<table>
<thead>
<tr>
<th>Year</th>
<th>Average cash income per capita (per month) in the Republic of Bashkortostan, RUB</th>
</tr>
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<tbody>
<tr>
<td>2012</td>
<td>21,267.5</td>
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<td>2013</td>
<td>23,892.3</td>
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<td>2014</td>
<td>25,975.5</td>
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<table>
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<tr>
<th>Year</th>
<th>Real disposable income of the Republic of Bashkortostan’s population, year-on-year (%)</th>
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<tbody>
<tr>
<td>2012</td>
<td>105.4</td>
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<tr>
<td>2013</td>
<td>104.5</td>
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<tr>
<td>2014</td>
<td>101.2</td>
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<th>Year</th>
<th>Real disposable income of the Russian Federation’s population, year-on-year (%)</th>
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<tr>
<td>2012</td>
<td>104.6</td>
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<tr>
<td>2013</td>
<td>104.0</td>
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<tr>
<td>2014</td>
<td>99.0</td>
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Trends for average monthly salary

<table>
<thead>
<tr>
<th>Year</th>
<th>Nominal accrued average monthly salary, RUB</th>
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<td>2012</td>
<td>20,264.7</td>
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<tr>
<td>2013</td>
<td>22,377.4</td>
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<td>2014</td>
<td>24,710.9</td>
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<th>Year</th>
<th>Nominal accrued average monthly salary, year-on-year (%)</th>
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<td>110.2</td>
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<td>103.4</td>
</tr>
<tr>
<td>2014</td>
<td>99.8</td>
</tr>
</tbody>
</table>
Banking system

As of 1 October 2014 the Republic of Bashkortostan came in:

- **Second place** in the Volga Federal District in terms of balances on loans invested in the economy.
- **11th place** in Russia’s banking sector.
- **Second place** in Volga Federal District and **12th place** in Russian Federation for loans to legal entities and sole proprietors.
- **Forth place** in Volga Federal District and **15th place** in Russian Federation for loans to small and medium-size businesses.

As of 1 January 2015:

- **89** — the number of lending institutions operating in the republic, including **37** republic-based lending institutions and branches of institutions from other regions (of which **seven** are republic-based lending institutions).

In 2014, loans granted to:

- **RUB 603.8 billion** — legal entities.
- **RUB 218.9 billion** — individuals.

By number of banking units, the Republic of Bashkortostan ranks second in the Volga Federal District.

The key players on the local banking services market are:

- Ural Bank of Sberbank of Russia;
- OAO Bank Uralsib;
- AO InvestKapitalBank;
- PAO Bank VTB 24;
- PAO Rosgosstrakh;
- OOO PromTransBank;
- PAO Bashkomsnabbank;
- PAO B&NBANK.

Foreign / international banks in Ufa:

- DeltaCredit Mortgage Bank (Societe Generale Group, France);
- Citi Bank (USA);
- Absolut Bank (KBC Group, Belgium);
- Raiffeisenbank (Austria);
- Home Credit and Finance (the Netherlands);
- Societe Generale Bank (France);
- ZAO Bank Inteza (Italy).
The republic is rightly considered a talent foundry for Russia's oil and chemical, engine-building, and medical industries. The republic has 30 industry-specific higher vocational schools and 60 specialised scientific organisations.

Key study areas include agro-technologies, forestry, biotechnologies, veterinary medicine, environmental engineering, construction and food technologies.

Ten state colleges offer courses to over 160,000 students to prepare them as highly skilled specialists in regional studies, ecology, energy production, IT and nanotechnologies. These institutions also conduct scientific researches.

**Ufa State Aviation Technical University** is both Ufa’s and Bashkortostan’s leading and largest technical college. It is also a centre of national science and culture, one of the oldest colleges in the region, and the winner of the innovative college education competition.

**Ufa State Petroleum Technological University** is one of Russia's largest oil and gas colleges. The university offers courses to approximately 17,000 students from 56 Russian constituent regions, as well as students from 36 CIS and non-CIS countries. This institution also offers specialised and advanced courses for specialists from the largest enterprises and organisations in the energy sector, including: PAO ANK Bashneft, PAO Lukoil, OAO NK Rosneft, PAO Tatneft, PAO Gazprom, AO Transneft.

**Bashkir State Agrarian University** is one of the leading agricultural colleges in Russia. The university trains professionals, hosts famous schools of sciences, employs highly skilled lecturers, offers a modern technological and knowledge base, as well as forward-looking training formats and methods. In 2014, the university was declared the best university in the Republic of Bashkortostan.

**Bashkir State University** — the first higher learning institution in Bashkortostan and one of the founders of the Association of Classical Universities of Russia. The university is comprised of 12 faculties, four institutes, and four branches. Over 36,000 students currently study at the university. It offers over 150 majors. The university is engaged in international educational and scientific integration. In addition, it has entered into over 40 partnership agreements with universities in the US, Germany, Bulgaria, UK, France, Italy, China, etc.
Region’s leading positions

- **First place** in the "Minimum Economic Risks" nomination in 2014 year.

- As for its investment climate rating, the Republic of Bashkortostan can be described as a region with average potential and minimum risks (**2A rating**) (in 2013, the rating was 2B "average potential – moderate risk").

- In terms of regional investment appeal, the republic is in the **IC3 group** (high investment appeal – level 3). A year earlier, it was in IC4 group (average investment appeal – level 1.)

**Stanislav Naumov**, Government Relations Director at X5 Retail Group:
"Before bringing an investment project to Bashkortostan, we worked with the Corporation of Development on a preliminary analysis to carefully study the market situation, taxation, and other laws.

We can truly say that our experience has been successful. Bashkortostan is a booming region with very good business conditions. Key railroads, pipelines, and highways pass through the republic, connecting Russia’s European part with the Urals and Siberia. What we have here is a great potential for development and we are ready to go further. We don’t plan to stop our development”.

**Mikhail Oseevskiy**, Deputy President – Chairman of the Board at VTB Bank:
"VTB is interested in building close business ties with the Government of Bashkortostan. We plan to promote cooperation with enterprises and companies in strategic industries in the region. We see Bashkortostan’s great potential, as well as the eagerness of the regional authorities to implement the most sophisticated projects, thereby ensuring the republic’s economic and social development. VTB Group’s experience in this area could be useful for Bashkortostan”.

Source: www.pravitelstvorb.ru
Yao Jiang, Deputy CEO of POWERCHINA:
"In China, our company is responsible for building around 70% of all hydraulic structures and hydro-electric power stations. We also account for 50% of all hydraulic works in the world. We also build roads, bridges, and tunnels. Of the over 1,000 km of the Shanghai – Beijing Express Line, we built 300 km. We also design and build subway lines. We know that Bashkortostan is one of Russia’s leading regions in terms of social and economic benefits. We have high hopes for our partnership with the republic".

Source: www.bashinform.ru

Mark Kurtser, Senior Physician at the Centre for Family Planning and Reproduction (Moscow) (Mother and Child Clinic):
"I would like to say that, when we raised money here, the positive image of Bashkortostan helped us greatly. When we told investors that we wanted to raise money for construction in Ufa, everyone appreciated and approved it. No one even asked why we are building in this particular region".

Source: www.glavarb.ru

Neil Osborn, Executive Director at Euromoney Institutional Investor PLC, thanked the Deputy Prime-Minister of Bashkortostan for arranging joint work at the II International Investment Forum Euromoney:
"Bashkortostan is a region with huge investment potential, great infrastructure, and serious prospects for development".

Source: www.bcdmz.ru
On numerous occasions in the last three years, the republic’s capital of Ufa has hosted various international events.

**International Summit of SCO leaders**

In July 2015, Ufa hosted the most recent meeting of SCO leaders, representing Russia, Kazakhstan, China, Kyrgyzstan, Tajikistan, and Uzbekistan. They were joined by leaders of five observer countries (Mongolia, India, Iran, Pakistan and Afghanistan). In addition, representatives of international organisations, such as the UN, CIS, CSTO, CICMA and ASEAN, as well as top executives of the SCO Business Counsel and Interbank Association, were invited to join. Overall, this was the most impressive SCO Summit since the organisation was formed in 2001. A decision to initiate India and Pakistan’s accession to SCO was the summit’s main result.

**VII BRICS Summit**

The summit was held in Ufa on 8–9 July 2015. The summit’s main result was the creation of the New Development Bank, with USD 200 billion in equity. Russia insisted that an agreement on cooperation for the period until 2020 be signed by the involved states, thereby stipulating greater social and economic co-operation, as well as partnership in foreign policy between the states.

During the summit, the Ufa Declaration was also signed, whereby the BRICS countries decided to move to trade in their national currencies.

Furthermore, the strategy for implementing the "Silk Road" economic belt was also considered. The leaders also advocated for accelerated reform to the UN and IMF.
Business events

The International Chemical Forum "Big Chemistry"
The International Chemical Forum "Big Chemistry" has become a hallmark for Ufa. Every year, this broad and prestigious discussion platform brings specialists together to discuss the development and prospects of the national oil and chemistry industry. Every year, this forum engages around 600 participants, industry specialists and representatives of Russia’s largest companies (OAO RUSNANO, PAO LUKOIL, OAO NK Rosneft, PAO Gazpromneft etc.), regional leaders (Republic of Tatarstan, the Samara and Tyumen Regions, Yamalo-Nenets Autonomous District, and other regions), and official delegations and companies from CIS and non-CIS countries (Kazakhstan, Armenia, Germany, Switzerland, China, etc.), scientists and association members (National Agrochemical Association, Boreskov Catalysis Institute of the Siberian Department of the Russian Academy of Sciences, the Sintez Science and Research Engineering Centre, the Non-Commercial Partnership "Russian Association of Plastics Processors", Kurchatov Institute National Research Centre).

International exhibition – Gas. Oil. Technologies
This is the largest international event organised by the Russian oil and gas industry.

Every year, the exhibition attracts over 400 companies from over 40 Russian regions, as well as CIS and non-CIS countries.

In 2015, the exhibition was visited by delegations from OAO Gazprom, OAO ANK Bashneft, OAO Tatneft, PAO Lukoil, OAO NOVATEK, Belneftekhim, UE Belarusian Oil Trade House and others, as well as delegations representing enterprises from over 40 Russian regions, representatives of SCO and BRICS member-countries.

Sports events

Junior World Hockey Cup
In 2014, the republic hosted the Junior World Hockey Cup. Teams from Russia, Austria, Belarus, Canada, Latvia, USA, Finland, the Czech Republic and Sweden took part in the competition.

Cultural events

Every year, the republic hosts the following cultural events:

- International Shalyapin Opera Nights in Ufa;
- Tuganlyk International Festival of Turkic Theatre;
- Berzemlek – Sodruzhestvo International National Culture Festival.

The international exhibition "The Role of the USSR in the Victory over Fascism and the Liberation of the Far East", marking the 70th anniversary of Victory in the Great Patriotic War, took place in the republic. This exhibition was organised by Russia’s respective Ministries of Defence, Foreign Affairs, and Culture, as well as the Central Museum of Russia’s Armed Forces of the Ministry of Defence.
The Republic of Bashkortostan’s priorities in strategic economic development

Chemicals and petrochemicals
Total oil refinement in 2014 came to 29.9 million tonnes.

The largest oil processing enterprise is PAO ANK Bashneft branch Bashneft-Ufaneftekhim with annual output of 9.5 million tonnes. In addition to fuels, this facility produces a wide range of aromatic hydrocarbons.

This is followed by PAO ANK Bashneft branch Bashneft-Ufa Oil Refinery (7.5 million tonnes a year), which produces raw materials for synthesised epoxy resins – bisphenol A and PAO ANK Bashneft branch Bashneft-Novoil (7.1 million tonnes a year).

Oil and chemical enterprise PAO Ufaorgsintez is technologically linked to the refinery. This company specialises in production of polypropylene, polyethylene, and synthetic rubbers.

The secondary regional centres for the chemical and oil-processing industry are the Salavat Megapolis (petrochemistry), Sterlitamak (organic and non-organic chemistry), and Ishimbay (production of chemical catalysis).

The main oil refining enterprises in the republic:
• PAO ANK Bashneft branch Bashneft-Ufaneftekhim,
• PAO ANK Bashneft branch Bashneft-Ufa Oil Refinery,
• ANK Bashneft branch Bashneft-Novoil,
• PAO Ufaorgsintez.

Total oil products shipped and production index

In current prices, RUB billion
Year-on-year change (%)

2012 2013 2014

508.7 525.4 467.2

97.6 102.7 100.7

0 200 400 600 800

0 20 40 60 80 100

In current prices, RUB billion
Year-on-year change (%)
The largest petrochemical production complex in the republic is Gazprom Neftekhim Salavat with annual output of 10 million tonnes of processed oil. The enterprise specialises in the production of motor oils and burner fuel. Its petrochemical line includes production of ethylene (17.3% of the total production in Russia), polyethylene and benzol (18.5%), and butyl alcohol and polystyrene (24%).

In Sterlitamak, OAO Bashkir Sodium Company operates several plants (producing 34% of polyvinyl chloride, 14% of soft cable compound, 17% of caustic soda, and 48% of caustic ash in Russia), while OAO Serlitamak Petrochemical Plant and OAO Sintez-Kauchuk produce 17.2% of synthetic rubber.

OAO POLIEF is located in Blagoveschensk and Russia's leading producer of terephthalic acid, as well as one of the country's major producers of polyethylene terephthalate. The largest enterprise producing industrial rubber goods is AO Ufa Elastomer Materials, Articles and Structures Plant.

Key chemical enterprises:
- **OAO Gazprom Neftekhim Salavat**,  
- **OAO Bashkir Sodium Company**,  
- **OAO Polief**,  
- **OAO Sintez-Kauchuk**,  
- **OAO Sterlitamak Petrochemical Plant**.

### Table: Total chemical products shipped and production index

<table>
<thead>
<tr>
<th>Year</th>
<th>Chemical Products Shipped (RUB billion)</th>
<th>Production Index (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>139.2</td>
<td>112.5</td>
</tr>
<tr>
<td>2013</td>
<td>139.1</td>
<td>95.5</td>
</tr>
<tr>
<td>2014</td>
<td>146.6</td>
<td>111.9</td>
</tr>
</tbody>
</table>
Heavy engineering and automotive components

Manufacturing of machinery and equipment

The following enterprises were responsible for the growth in production volumes in this segment in 2014: OAO Salavatneftemash, OAO Ufa engine-building production enterprise, OAO AK OZNA, ZAO OZNA Metering Systems, OOO Targin Mehanoservice, OOO Uraltekhnostroi Corporation, OAO Salavatneftemash, and ZAO INMAN.

On a Russia-wide basis, the Republic of Bashkortostan is ranked as follows in production of transport vehicles and heavy engineering products:

**First place**: aircraft engines;

**First place**: truck-mounted concrete pumps;

**First place**: concrete mixer trucks;

**Second place**: metal-cutting machinery;

**Third place**: buses.

Volume of machinery and equipment shipped and production index

<table>
<thead>
<tr>
<th>Year</th>
<th>In current prices, RUB billion</th>
<th>Year-on-year change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>41.4</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>46.2</td>
<td>103.4</td>
</tr>
<tr>
<td>2014</td>
<td>46.1</td>
<td>108.7</td>
</tr>
</tbody>
</table>
Manufacturing of electrical, electronic and optical equipment
The growth in production volumes in this segment was largely due to the contributions of Ufa Aggregate Production Enterprise, OAO Ufimkabel, AO BPO Progress, and a number of other enterprises.

Production of transport vehicles and equipment
Significant contributions to the increased production volume in this segment in 2014 were made by OAO Ufa Engine Industrial Association (UMPO), ZAO Wagon Repair Plant, and AO Vityaz Machine-Building Company.

OAO Ufa Motorbuilding Production Union (OAO UMPO) is Russia’s largest engine-building enterprise. The enterprise’s core activities are the development, production, servicing, and repair of gas-turbine aviation engines, production and repair of helicopter nodes, and production of equipment for the oil and gas industry. OAO UMPO is also engaged in batch production of gas-turbine engines for SU-35S, SU-27 and SU-30 aircraft, as well as specific nodes for Ka and Mi helicopters.
**Agribusiness**

Total area: agricultural lands – 7.1 million hectares; cultivated land – 3.7 million hectares.

The Republic of Bashkortostan ranks in 2014 year:

- **First place** in size of cattle herd (1,236.6 th. head of cattle);
- **First place** in honey production (6,459 tonnes);
- **First place** in milk production (1,773 th. tonnes);
- **Third place** in horse herd (125.8 th. head of horses);
- **Third place** in potato production (1,209 th. tonnes);
- **Fifth place** in raising livestock and poultry for slaughter in live weight terms (393.8 th. tonnes);
- **2,421 th. tonnes** — grain production.

Breakdown of Bashkortostan's gross agricultural output in 2014:

- **RUB 80.1 billion** — household farms and gardens;
- **RUB 44.9 billion** — agricultural enterprises;
- **RUB 9.7 billion** — farms;
- **59.1%** — livestock breeding (RUB 80.1 billion);
- **40.9%** — crop farming (RUB 55.4 billion);
- **RUB 7.3 billion** — fixed asset investment in 2014 year.

- **The Republic of Bashkortostan ranks among Russia’s top seven regions for production of agricultural goods.**
- **The region’s volume of agricultural products is valued at RUB 135.5 billion.**
- **40% of the region’s population live in rural areas.**
Under the Republic of Bashkortostan Strategy for Agribusiness Development:

- The Tavros Federal Agroholding is building a pig-breeding farm complex in the region’s Blagovarsky, Buzdyaksky and Chishminsky districts with a capacity to produce 70,000 tonnes of pork per year. The overall volume of investment amounts to over RUB 12 billion, and plans call for creating around 800 new jobs.

In the medium-term perspective, plans also call for carrying out a number of projects at:

- OOO Ufa Selective-Hybrid Centre (building a state-of-the-art centre and pig-breeding complex for raising pedigreed, dual-purpose pig breeds, terminal swine and commodity pigs with a production capacity of 35,000 head per year).

- OAO Bashkirskaya Poultry Plant (creation of a consolidated egg-sorting section and expanding production of marketable chicken eggs).

- ZAO Bashkirsky Broiler (building a poultry-breeding complex for producing 90 million eggs and final hybrid broilers).

The total volume of investment in these projects amounts to about RUB 6 billion while they are expected to create 700 new jobs.

In the region’s Kugarchinsky District, OOO Oktyabrskoe is serving as the basis for carrying out a unique project for the region to develop fur farming with a volume of investment equal to RUB 725 million and leading to the creation of about 150 new jobs.

As well, an RUB 8 billion investment project at the Majit Gafuri Bashkir Poultry-Breeding Complex has been commissioned at its full design capacity of 30,000 tonnes of turkey meat per year in live weight terms.

The product assortment now exceeds 70 different items, among which are chilled semi-processed foods, sausages, deli products and snacks sold under the Indyushkin brand name.

The company also works actively with retail chains, wholesalers, and regional partners to develop its own branded chain of Indyushkin stores.

The company’s market in Bashkiria is growing rapidly, generating sales of over 250 tonnes of products every month.

Branded stores have been opened in the cities of Sterlitamak, Salavat, Ishimbay, Meleuz, Chishmakh, Davlekanovo, and Kumertau, as well as in the neighbouring Russian regions of the Chelyabinsk Region and the Perm Territory. The company also has several stores in Moscow.
Tourism and recreational industry

According to data from the Russian Federal State Statistics Service (Rosstat), the results for 2014 showed:

- **Second place** in the Volga Federal District (VFD) in the volume of tourism services was valued at **RUB 5.4 billion**, representing 106.7% year-on-year growth over 2013 in comparable prices.

- **First place** in VFD in the volume of health resort and spa services was valued at **RUB 4.5 billion**, representing 107.6% year-on-year growth over 2013 in comparable price.

- **Second place** in VFD in the volume of hotel and other hospitality services was valued at **RUB 4.3 billion**, representing 105.4% year-on-year growth over 2013 in comparable prices.

In the city of Ufa, which accounted for the major portion of this growth (RUB 9.7 billion, or 70% of the overall volume), 10 new modern hotel complexes have been built, including as part of preparations for the city’s role as host of the joint Shanghai Cooperation Organisation (SCO)-BRICS Summit in 2015.

The region boasts 50 mineral water springs and sources of therapeutic muds and thermal steam gases, which form the basis for the region’s widely renowned sanitoriums, health resorts and recreational centres, such as the Yangan-Tau Resort, the Krasnousolsk Spa Resort, the Assy Sanatorium, the Yumatovo Sanatorium (Russia’s only health resort offering treatment based on kumiss, a fermented diary product made from mare’s milk), and the Yakty-Kul Health Resort, among others.

With the aim of expanding access to information services for tourism sector organisations and consumers of tourism services, a special website called "Bashkiria.travel" has been created: www.bashkiria.travel.
Pharmaceuticals

Overall, in 2014 RUB 582.1 million was allocated by participating enterprises to finance the regional target programme "Developing the Medical and Pharmaceutical Industry in the Republic of Bashkortostan".

In 2014, the index of industrial production for pharmaceutical products grew 107.8% year on year compared to 2013.

In 2014, the production of immunobiological products and medicines was valued at RUB 2,875.1 million, representing 111.4% year-on-year growth compared to 2013.

Pharmaceuticals production in Bashkortostan is dominated by two leading enterprises: 
**Immunopreparat** – an Ufa-based branch of the Microgen Scientific and Production Association, a federal unitary enterprise of the Russian Federation Ministry of Health and **OAO Pharmstandard-UfaVITA**.

OAO Pharmstandard-UfaVITA is among Russia's top 10 largest manufacturers of pharmaceutical products, ranking first in the production of mono- and polyvitaminic compounds. Currently, the assortment of items produced includes over 80 active pharmaceutical ingredients and medicinal compounds of various pharmacological groups. Pharmstandard-UfaVITA is now building a new production facility where it plans to manufacture coated and uncoated tablets in accordance with good manufacturing practices (GMP) and lyophilised, injectable medicines and solutions in vials, as well as the creation of new production units for injectable medicines in pre-filled syringes.

The main objective of this project is to produce high-quality, efficacious drugs at affordable prices for the domestic market.

Immunopreparat, the Ufa-based branch of the Microgen Scientific and Production Association, a federal unitary enterprise of the Russian Federation Ministry of Health, is one of the country's leading manufacturers of immunobiological products, including vaccines, serums, specific immunoglobulins, breeding grounds, allergens, and probiotics.

Research in and production of bacterial viruses is one of the company's most unique areas of specialisation.

In 2015, significant growth potential for domestic drug manufacturing may be generated both through introducing more efficient production methods and adjusting the range of items produced to include more technologically complex, research-intensive and innovative medicines.

Key enterprises:
- **OOO Astra Research and Production Centre**,  
- **ZAO OptimeDService**,  
- **OOO Travnik [Herbalist] M.V. Gordeev**,  
- **OAO Pharmstandard-UfaVITA**,  
- **Immunopreparat Company**.
**Conclusion**

Bashkortostan is one of Russia's leading industrial and agricultural regions. It is also one of the country's key oil producing regions, as well as a chemical and engineering centre.

The region offers many advantages such as a developed transportation network, rich deposits of natural resources, high scientific and labour potential, and low economic risks.

The Government of the Republic of Bashkortostan is interested in cooperating with investors and is now creating the right conditions for developing entrepreneurship while maintaining a favourable investment climate, including financial support measures and tax benefits for investors. Furthermore, in 2010 the Corporation of the Development of the Republic of Bashkortostan was created to eliminate administrative barriers and support priority investment projects.

**Welcome to Bashkortostan!**

*The Republic of Bashkortostan is a reliable partner for Russian and foreign investors.*
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