

Guide to Investment
Chelyabinsk Region



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This overview has been prepared in conjunction with and based on the materials provided by the Ministry of Economic Development of Chelyabinsk Region.

This publication has been prepared for general guidance on matters of interest only, and does not constitute professional advice.

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A professional portrait of Mikhail V. Yurevich, Governor of Chelyabinsk Region. He is a middle-aged man with short, dark hair and light-colored eyes, wearing a dark blue suit, white shirt, and a patterned tie. The background is a soft, out-of-focus blue.

Welcome message from Mikhail V. Yurevich, Governor of Chelyabinsk Region (preface to the Investment Guide)

Dear friends,

It gives me great pleasure to present this Investment Guide to Chelyabinsk Region, which provides potential investors with an in-depth look at the many opportunities that our region has to offer.

Chelyabinsk Region, located in the South Ural Mountains, is a unique territory, rich in rivers, lakes, old-growth forests and the Urals themselves, one of the oldest mountain ranges in the world which mark the border between Europe and Asia. Our region is also rich in mineral resources with nearly 60 important ores and minerals to be found. Altogether, about 300 fields and deposits have been explored and are now being actively developed.

The region offers a stable social and economic environment and a rapidly growing economy. The South Urals region features significant manufacturing, labour and scientific potential. Through investment projects and trade relations, Chelyabinsk Region is linked to over 120 countries worldwide. The region's metallurgical, pipe and heavy engineering products have long been competitive in global markets.

Leading international rating agencies rank Chelyabinsk Region as having a highly attractive investment climate. Companies from fifty-five countries have made investments in the region, which has established a favourable regulatory framework to promote its investment appeal and protect the interests of investors.

In recent years, new enterprises have been established with the participation of such companies as Rexam (UK), Rockwool (Denmark), Henkel Bautechnik, Knauf, Metro Cash & Carry (Germany), CARBO Ceramics, Emerson (USA), and Fortum (Finland).

Additionally, the South Urals region abounds in natural beauty and is ideal for active sports, tourism and recreation. The region is home to around 20 European-class ski resorts. Water sports enthusiasts and sportfishermen await an unforgettable experience as well as the warm hospitality of our people.

I hope that our potential business partners and guests will find this Investment Guide useful, and encourage investors to explore the many attractive opportunities that our region offers. Welcome to the South Urals!

Sincerely,

Mikhail V. Yurevich

***Governor
Chelyabinsk Region***

A stylized, handwritten signature in blue ink, representing Mikhail V. Yurevich.



Foreword

Dear all,

Chelyabinsk Region has for a long time maintained a rapid pace of growth and a highly diversified industrial base. The region has successfully developed such industries as agriculture and construction, manufacturing and metallurgy, transport and communication, and wholesale and retail trade.

The region’s unique economic and geographical position between the European and Asian parts of Russia makes it one of the country’s most promising regions for the development of transport and logistics, as well as mining, water sports and tourism.

The region’s stable economic growth trends and effective investment policy have been instrumental in winning numerous investors, both Russian and international.

According to international rating agencies, Chelyabinsk Region has a highly favourable investment climate. One of the highest priority tasks of the Chelyabinsk Region Government is to create attractive conditions for cooperation between Russian and foreign business partners and promote new investment projects. In 2011 this policy has been bolstered by the establishment in Chelyabinsk of a special “Getting Started Office” to provide foreign investors with advice on a range of issues.

This Investment Guide is aimed at helping potential investors to assess the most promising sectors in the region’s economy. It was prepared by PwC Russia in collaboration with the Chelyabinsk Region Ministry of Economic Development and contains information on specific investment projects and the economic policies of the Chelyabinsk Region Government.

I hope it will help potential investors to succeed in their new ventures, and wish the Chelyabinsk Region Government much success in promoting the region’s future growth and prosperity.

Sincerely,

David Gray
Managing Partner
PwC in Russia

Chelyabinsk Region: an overview



Chelyabinsk Region was established on January 17, 1934, and has existed within its present borders since February 6, 1943.

Administrative divisions / population / major cities

The region has 316 municipalities including 16 urban districts, 27 municipal districts, 27 urban settlements and 246 rural settlements.

The region's population is about 3.5 million inhabitants, of which more than 81% live in cities.

The region's administrative centre is the city of Chelyabinsk, with a population of 1 095 900 and located 1 919 km from Moscow.

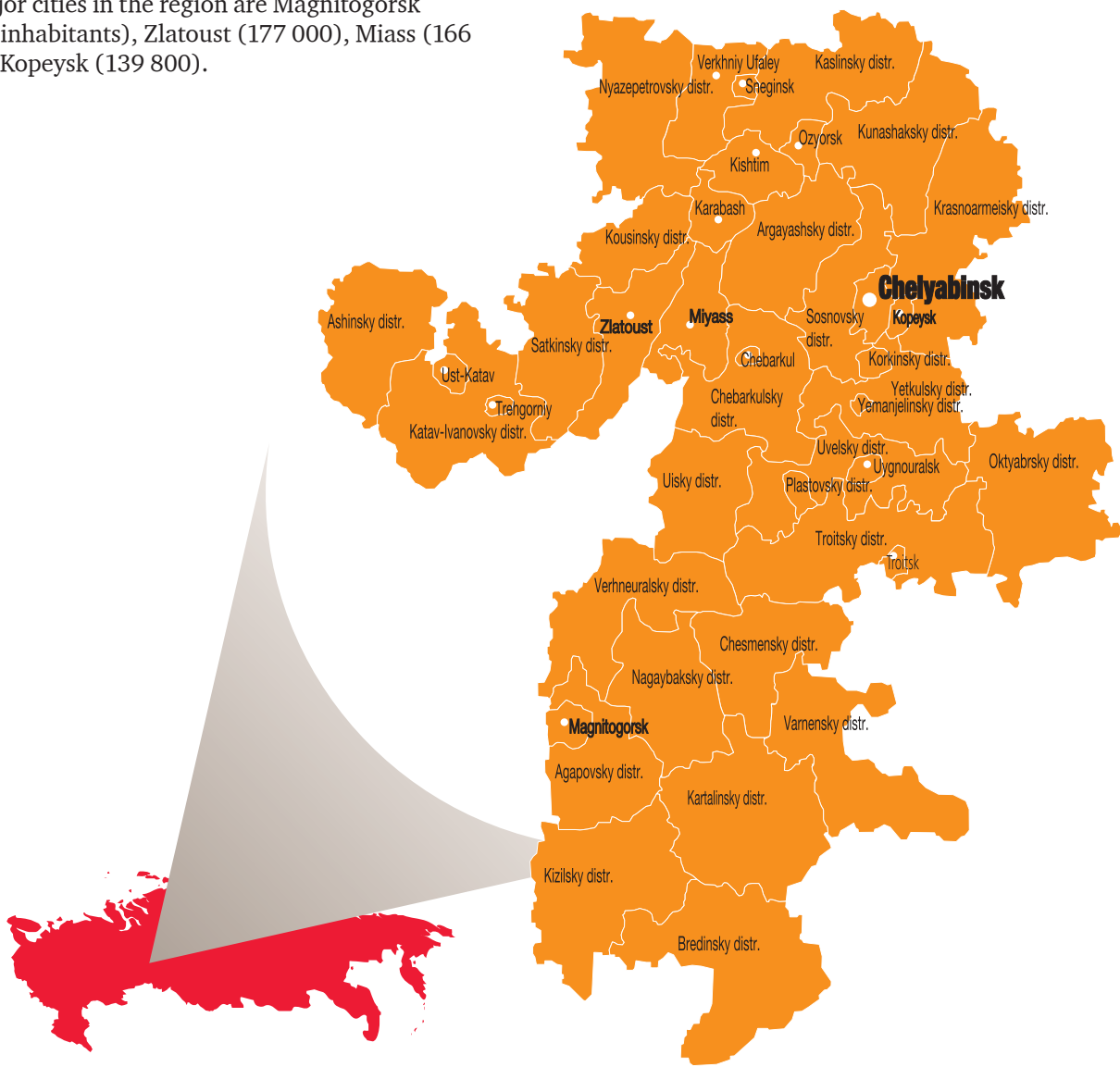
Other major cities in the region are Magnitogorsk (408 500 inhabitants), Zlatoust (177 000), Miass (166 600) and Kopeysk (139 800).

Geographical position

Chelyabinsk Region is part of Russia's Ural Federal District. It lies in the very centre of the Eurasian landmass on the border of Europe and Asia.

The region's land area is 88 500 square kilometres, which comprises 0.5% of the entire territory of the Russian Federation, and is comparable in size to Hungary, Portugal or Austria. The total length of the region's borders is 2 750 km.

Chelyabinsk Region borders Sverdlovsk Region to the north, Kurgan Region to the east, Orenburg Region to the south, and the Republic of Bashkortostan to the west. Part of the region's southeastern border (891.9 km) also forms Russia's international border with Kazakhstan.



Natural resources

Chelyabinsk Region is among Russia’s oldest mining regions and has enormous, highly unique and long-lasting mineral reserves. The region currently has about 300 explored and assessed deposits and fields, the most important of which are iron and copper-zinc ore deposits, gold fields, deposits of fireproof raw materials, talcum, graphite and quartz. There are about 150 upstream and downstream mining enterprises in the region.

Chelyabinsk Region has a monopoly within Russia in the extraction and processing of:
graphite (95%);
magnesite (95%);
talcum (70%); and
furnace dolomite (71%).



Transport and communications

Chelyabinsk Region is among Russia’s major transportation hubs. It is located at the intersection of major north-south and east-west motor routes and railroads.



Air transportation

Chelyabinsk and Magnitogorsk have international airports. The Chelyabinsk airport is capable of handling all types of aircraft.

Railways

The Trans-Siberian Railway, which crosses the European and Asian continents, runs through Chelyabinsk Region. The railways of Chelyabinsk region extend as long as 1 793 km.



Highways

Major highways that traverse Chelyabinsk Region are the M5 Ural motorway (Moscow-Chelyabinsk), the

M36 motorway (Ekaterinburg-Kazakhstan border) and the M51 Baikal motorway (Chelyabinsk-Chita). In total, there are 8 933 km of paved, public roads in the region. The region’s freight traffic volume is 89.7 million tonnes and the freight turnover is 58 541.9 million tonnes/km per year. There is well-developed bus service between Chelyabinsk and neighbouring regions, with daily trips to Ekaterinburg, Ufa, Kurgan, Orenburg and other regions, as well as Kazakhstan. Intracity public transportation, such as bus, streetcar, trolleybus and taxi, is also well-developed. Chelyabinsk city’s subway system is set to begin operations in 2012.

Communications

Chelyabinsk Region is characterised by highly developed information and communication technologies. It is among the top ten Russian regions in the level of network digitalisation, as well as the volume of new technologies implemented and Internet services. All of the region’s cities and district centres have automatic long-distance service. Available technical capabilities offer users virtually all kinds of modern communications services.

Major GSM standard cellular operators in Chelyabinsk Region are Rostelekom OJSC (Utel), Mobilniye TeleSystemy OJSC (MTC), CJSC Uralskiy GSM (Megafon), Vypelkom OJSC (Beeline) and Chelyabinskaya Sotovaya Svyaz LLC (TELE2).The sole IS-95 (CDMA) standard operator is Uralsvyazinform OJSC.

Currently, Chelyabinsk Region has a uniform data transmission medium based on Transtelekom’s backbone fibre-optic trunk line. The network covers most of the region and can allocate communication channels practically at every station of the South Urals Railway. About 30 000 communication channels may be transmitted through the backbone trunk line simultaneously.



Geographic advantages

- 1. Macroregional centre of the Ural Federal District; easy access to consumer markets in neighbouring regions.
- 2. Thanks to international border with Kazakhstan, major transportation routes from Asia to Europe pass through Chelyabinsk Region.
- 3. Remoteness from seas and oceans, which produces comfortable climatic conditions and reduces the risk of major natural disasters.
- 4. The region’s location at the intersection of trade routes between Europe, Asia (China and India) and the Middle East.
- 5. Well-developed transportation system (highways, trunk railways, air service).
- 6. Well-developed customs infrastructure on the international border with Kazakhstan.
- 7. Well-developed information and communications technology.

Labour resources

The population of Chelyabinsk Region is 3.5 million (or 2.5% of the overall Russian population). The employed population exceeds 1.7 million.

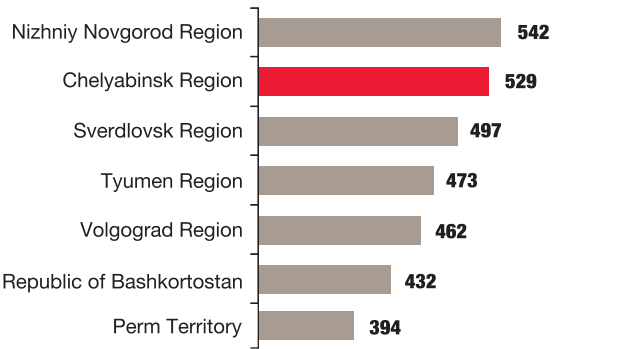
The region has: 52 research organisations, 69 secondary professional educational institutions (specialised secondary educational institutions) and 41 higher educational institutions (16 public, 25 private), South Ural State University, which is a national research university specialising in metallurgy, energy conservation and nanotechnology.

In the 2009/2010 academic year the region had the following number of students: higher educational institutions – 154 100, including

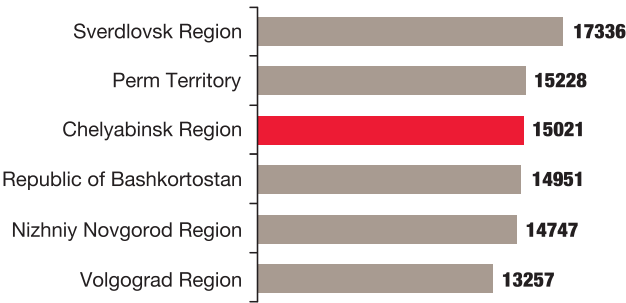


10 200 (7% of the total number of students) specialising in metallurgy, machine-building and metalworking; specialised secondary educational institutions – 58 100, including 9 800 (16.9% of the total number of students) specialised in metallurgy, machine-building and metalworking).

Number of students in higher educational institutions for 10,000 people (people, 2009/2010 academic year)



Average salary of employees in 2009 (RUR)



Income levels

The ongoing economic transformation has had a positive impact on the living standards of the region’s population. Here are some figures for 2010: – incomes grew by 13.3% up to RUR 712.9 billion; – the average monthly per capita income was RUR 16 932.50 and grew by 13.3% over 2009; and – the average monthly wage in 2010 was RUR 17 605.90, which is by 14.7% higher than in 2009.

Consumer spending in 2010 grew by 8.1%, up to RUR 654.8 billion. Retail sales in the region for 2010 were RUR 373.4 billion, or more than RUR 100 000 per capita. Daily sales of goods in the region exceeded RUR 1 billion In 2010 (a 7.1% increase versus 2009). Food products represented 49.4% of total sales, while non-food products were 50.6%.



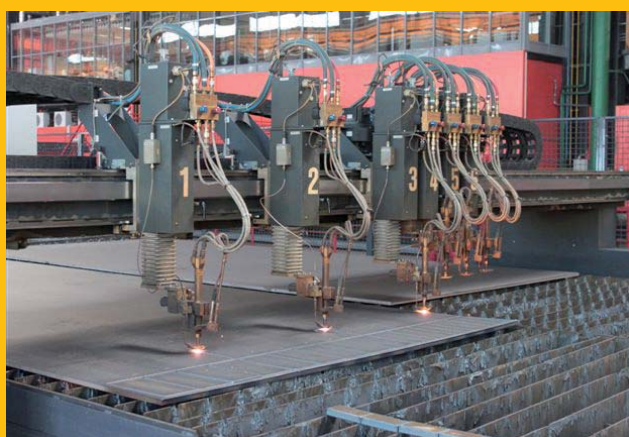
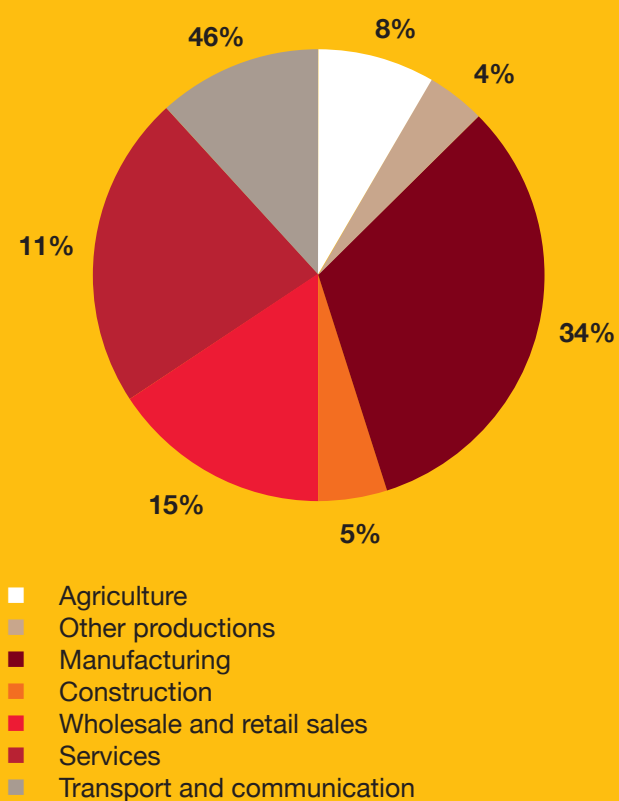
Chelyabinsk Region’s major advantages include:

- 1. Moderate salary level as compared to other regions.
- 2. High level of consumer market capacity.
- 3. Large share of skilled personnel with higher education (technical and liberal education), availability of professionals with knowledge of major European languages.

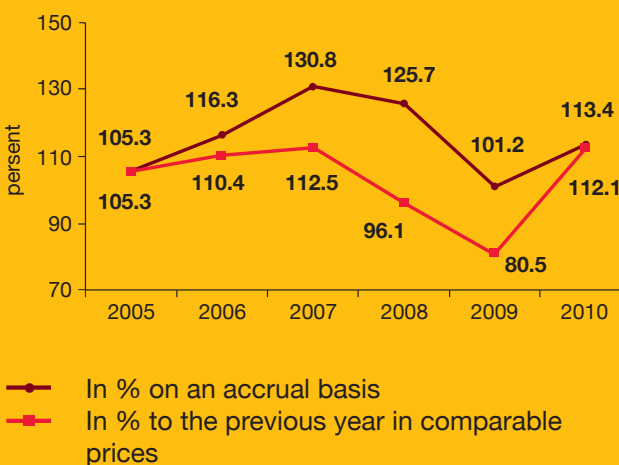
Economic and industrial potential

Chelyabinsk Region is one of Russia's key regions in terms of economic development. The region ranks fifth among all Russian regions in volume of shipped manufactured goods and seventh in volume of foreign investment.

Structure of gross regional product (GRP)



Industrial production trends (2004 = 100%)



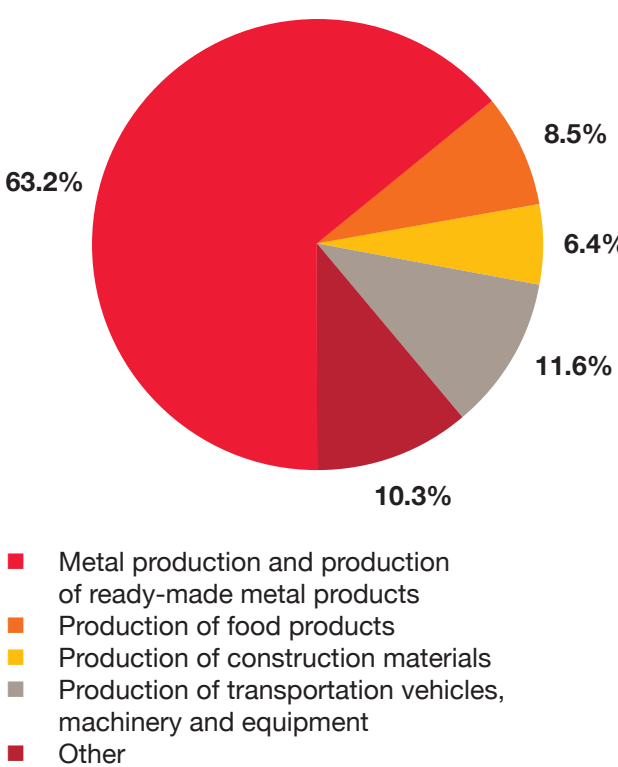
Manufacturing

Chelyabinsk Region has an extensive industrial base and is currently home to about 3,000 large and medium-sized industrial enterprises.

The metallurgical, heavy engineering, construction and food industries predominate in Chelyabinsk Region's manufacturing sector. The region's enterprises produce 27% of Russia's overall output of rolled products and steel, and 10% of Russia's steel pipes.

Manufacturing enterprises comprise 89% of the region's industrial base.

Industrial production



Metallurgy

is the region's key industry. Chelyabinsk Region ranks second to none in Russia in the scale of its metals production. The region's metallurgical sector encompasses about half of all industrial and production assets in the region. Metallurgical enterprises produce hot-rolled and cold-rolled products, various grades of steel, cast-iron and steel pipes, cast iron and ferro-alloys. Metallurgy is augmented by refractory and magnesite manufacturing.



The region's major lines of metallurgical products are:

Production of cast iron, ferro-alloys, steel, hot-rolled products and cold-rolled sheet products.

These are staple products for the following major Chelyabinsk Region enterprises:

- Magnitogorsk Iron and Steel Works OJSC ;
- Chelyabinsk Iron and Steel Works OJSC;
- Chelyabinsk Electrometallurgical Works OJSC;
- Zlatoust Iron and Steel Plant OJSC;
- Ashinsk Iron and Steel Plant OJSC; and other enterprises.

All these enterprises have a modern industrial engineering base and carry out large-scale investments in upgrading production facilities and mastering new types of highly processed products.

Production of cast-iron and steel pipes

The largest pipe manufacturer in Chelyabinsk Region is Chelyabinsk Pipe Rolling Plant OJSC, a business unit of CHTPZ Group CJSC.



Chelyabinsk Pipe Rolling Plant OJSC is now carrying out the Construction of Pipe Electric Welding Shop 3 project, which involves the production of large diameter pipes using electric arc welding under a layer of flux from plate iron manufactured by the 5000 rolling mill, which is run by MISW OJSC.

Non-ferrous metals manufacturing

The following enterprises are engaged in this type of activity, producing zinc, copper, cobalt and nickel:

- Chelyabinsk Zinc Plant OJSC;
- Kashtym Copper Electrolytic Plant CJSC;
- Karabashmed CJSC; and
- Ufaleynikel OJSC.

The London Metals Exchange has officially registered the trade mark CZP SHG (CHELYABINSK ZINC PLANT SPECIAL HIGH GRADE) for the zinc produced by Chelyabinsk Zinc Plant OJSC.

Production of ready-made metal products

The following enterprises are engaged in production of ready-made metal products, including production of metal sections and products for construction, metal tanks, steam boilers, forged products and consumer goods: Uralskaya Kuznitsa (Chebarkul) OJSC, Chelyabinsk Construction Ironworks CJSC, Magnitogorsk Hardware Calibrating Plant MMK-METIZ OJSC, and others.

The heavy engineering sector relies on its own metallurgical base. Machine-building plants use various modern metal processing methods: blanking, forging, grinding, turning, milling, heat treatment and a number of others.

Heavy engineering is among the region’s priority sectors and encompasses the following major segments:

Machinery and equipment production

This segment encompasses enterprises producing mechanical equipment, hoisting cranes, loaders, industrial machines, tractors, bulldozers, and road-building machinery.

Major enterprises include: Chelyabinsk LLC Tractor Plant, Chelyabinsk Road-Building Machines CJSC, Kopeysk Machine-Building Plant OJSC, Chelyabinsk Mechanical Plant OJSC, and others.

Production of transportation vehicles and equipment

This segment encompasses enterprises producing automobiles, automobile trailers and semitrailers, railway vehicles (locomotives, tram cars and others), and automobile parts.



Major enterprises include: Automobile Plant Ural OJSC, Chelyabinsk Forge-and-Press Plant OJSC, and federal state unitary enterprise Ust-Katayevsk Coach Building Plant.

Production of electrical facilities, electronic and optical equipment

This segment includes enterprises producing electric motors, generators and transformers, electric bulbs and lighting equipment, record-keeping devices, and medical equipment.

Among the segment’s major enterprises are Miaselektroapparat OJSC, Miass Machine Building Plant OJSC, Teplopribor OJSC, PG Metran, ENERGOPROM - Chelyabinsk Electrode Plant OJSC, and others.

Construction

The region’s construction industry includes more than 3 500 construction and mounting companies performing work of all degrees of complexity. More than 450 enterprises manufacture construction and wall materials, precast concrete units and metal structures. The construction industry relies on its own mining base.



In 2010 1 063 300 square metres of new residential space was commissioned in the region.

Major industrial construction enterprises include: Chelyabinsk Mine-Building Enterprise CJSC; Ularmetallurgremont Group of Companies CJSC; Vostokmetallurgmontazh-1 CJSC; INSISTROY CJSC; and NEKK OJSC.

Agricultural sector

Agriculture is a key sector of Chelyabinsk Region’s economy with a share of about 8% in the gross regional product. The region is a leader in the poultry industry, dairy farming, beef stock farming and livestock breeding. Chelyabinsk Region ranks first among Russia’s regions in the production of pasta and macaroni products.

Crop production and livestock farming each account for about 50% of the overall structure of agricultural production. Crop and forage crop farming, and



potato and vegetable growing prevail within crop production. Agricultural goods are produced by 4 124 organisations, including 3 989 private organisations (96.7%), 62 state and municipal organisations (1.5%), and 23 organisations of mixed Russian ownership (0.6%).

One thousand two hundred sixteen organisations are engaged in food production and employ over 30 000 people, which represents 8.6% of the total number of people employed in manufacturing in the region.

The agricultural sector is currently seeing the creation of holding company structures, which combine in a single network the production, processing and distribution of agricultural products. Among these structures are Association SoyuzPischeprom, Food Industry Center LLC - Ariant, Association Sitno, Makfa OJSC and Chebarkuls kaya Ptitsa.

The region's major agricultural enterprises include: in the meat segment: Ravis LLC - Ptitsefabrika Sosnovskaya (21.8%), Agrofirma Ariant OJSC (16.5%) and Uralbroiler CJSC (16.2%);

in the flour-and-cereals segment: Makfa OJSC (33.6%), Magnitogorsk Bakery Foods Combine – SITNO CJSC (14.3%) and Bakery Foods Combine – Zlak CJSC (12.5%); and in the pasta and macaroni segment: Makfa OJSC (60%) and Grigorevich Bakery Foods Combine CJSC (19.2%).

Energy and power sector

Regional power plants provide 80% of the region’s electricity needs. Within the next five years the region will become self-sufficient in power production. The day-to-day life of the region depends on seven electric power plants a total capacity of about 5 000 mW. A network of oil and gas transit pipelines traverses the region. The region’s level of gasification is as high as 68.3%.



Energy efficiency

Under the Social and Economic Development Strategy for Chelyabinsk Region up to 2020, the twin goals of ensuring the region’s stable economic development and improving its competitiveness will be achieved through the cluster approach, with the top-priority cluster in the area of power generation and energy conservation.

Chelyabinsk Region has been carrying out a special programme for improving the energy efficiency of the regional economy and reducing public sector energy costs in the period 2010-2020 (Chelyabinsk Region Government Decree No. 342-P of December 17, 2009). In accordance with these plans, efforts to improve the energy efficiency of the region’s economy are being made in two main areas:

1. Reducing energy costs in the public sector and the “real” sector of economy; and budget sphere
2. Creating and developing energy and resource conservation technologies.

Development of small and medium enterprises (SME)



Currently, more than 620,000 people in the region are employed in small businesses, on farms, or as private entrepreneurs or hired workers.

Chelyabinsk Region has more than 35 200 small businesses, more than 105 000 private entrepreneurs and about 5 000 farms.

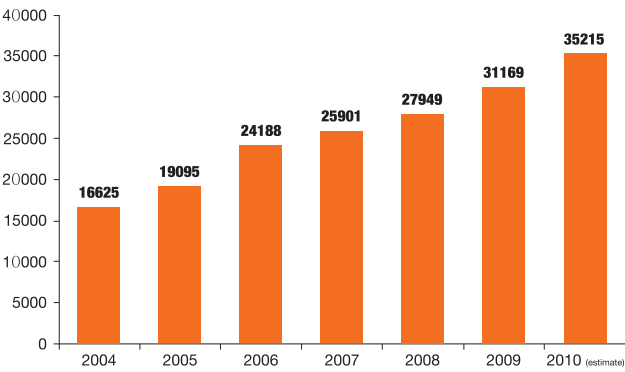
The contribution of small businesses to the economy grows from year to year:

- small business turnover exceeds a quarter of the total turnover of all organisations;
- small businesses provide about 40% of the region’s total volume of paid services; and
- more than 70% of retail sales are made by small businesses.

The region is currently carrying out its fifth special business development programme, for which RUR 338.6 million was allocated in 2010.



Chelyabinsk Region’s SME growth trends, units



Banking sector

According to the Central Bank of Russia’s office in Chelyabinsk Region, the region has the following operating banks:

- 10 regional banks, including such major banks as Chelindbank OJSC, Chelyabinvestbank OJSC, Bank Snezhinskiy OJSC, KUB OJSC, Uralprombank OJSC, and others;
- 56 branches of banks based in other regions, including branches of major Russian banks: Bank VTB OJSC, SMP Bank OJSC, Rosselkhozbank OJSC, URALSIB OJSC, Sberbank of Russia; and
- branches of foreign banks: Banque Societe Generale Vostok, Raiffeisenbank, Uniastrium Bank, UniCredit Bank, Bank Intenza, OTP Bank, and others.

Credit institutions have a branch network of additional offices, operating desks, credit and cash offices, etc. The total number of operating banking outlets in the region reached 870 in 2010.

Chelyabinsk Region’s economic advantages include:

1. Ranks first among Russia’s regions in ability to withstand financial crisis.
2. Well-developed metallurgical and heavy engineering sectors.
3. Home to numerous major industrial enterprises.
4. Production has been modernised to produce highly competitive goods.
5. Strong construction sector using the region’s own raw materials and construction materials.
6. High-tech poultry production and animal production; leading positions in pasta and macaroni food products and the development of poultry production.
7. The region’s ample electric power supply.
8. A well-developed gas distribution infrastructure.
9. A leader among Russia’s region in implementing energy conservation measures.
10. Well-developed small business support system (financial, advisory, property support).

International and interregional cooperation

International cooperation

Chelyabinsk Region has active foreign trade relations with a foreign trade turnover of USD 7.8 billion in 2010 (104% versus 2009). The region's export volume reached USD 5.1 billion in 2010, while imports totalled USD 2.7 billion.

The share of exports in the overall foreign trade turnover was 65.7%, while the share of imports reached 34.3%. The balance of trade was positive at USD 2.4 billion.

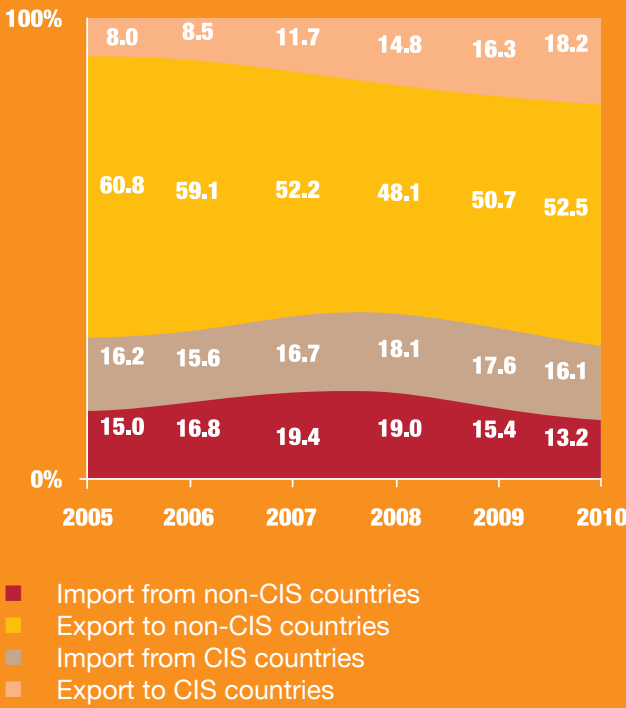
The region's exports consist mainly of ferrous and non-ferrous metals, machine-building products, and petrochemicals.

Major import items are machine-building products, concentrates (ores, ashes), ferrous and non-ferrous metals, petrochemicals and food products.

The region's main foreign trading partner countries are Kazakhstan, Iran, Ukraine, Belgium, Turkey, Germany, Italy, the Netherlands, China and Belarus.



Foreign trade turnover



Foreign trade institutions

Chelyabinsk Region has two major institutions devoted to developing the region's foreign trade relations: the South Urals Chamber of Commerce and Industry and the Chelyabinsk International Trade Centre. Both organisations help local businesses and foreign companies to locate suitable partners and establish business relationships. They provide a wide range of services to the region's organisations, including translation, marketing research, tourism, legal, patent and information services, as well as certification of management system quality, examination of goods and transport, rental services, value assessments, arbitration and more.

The Getting Started Office for investors

was established by order of the Chelyabinsk Region Governor in 2011. Its major functions include:

- facilitating the implementation of foreign investment projects in the region, including ongoing monitoring;
- assisting in resolving organisational issues requiring access to the region's administrative resources; and
- advising foreign investors on how to optimise their business activities in the region.

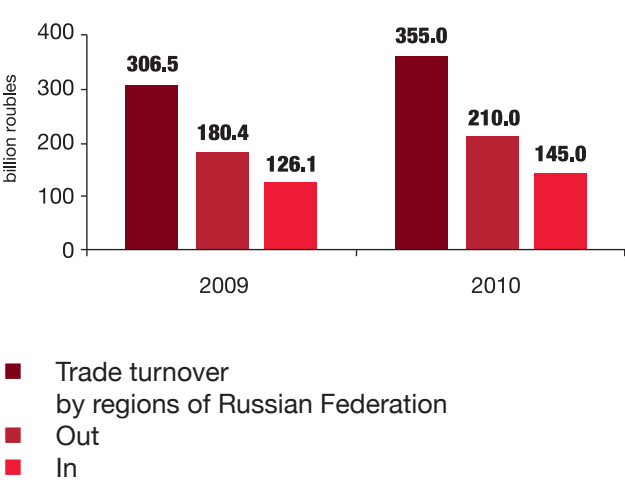
Interregional cooperation

Chelyabinsk Region's trade turnover with other regions of the Russian Federation was RUR 355.0 billion as of the end of 2010 (115.5% versus 2009).

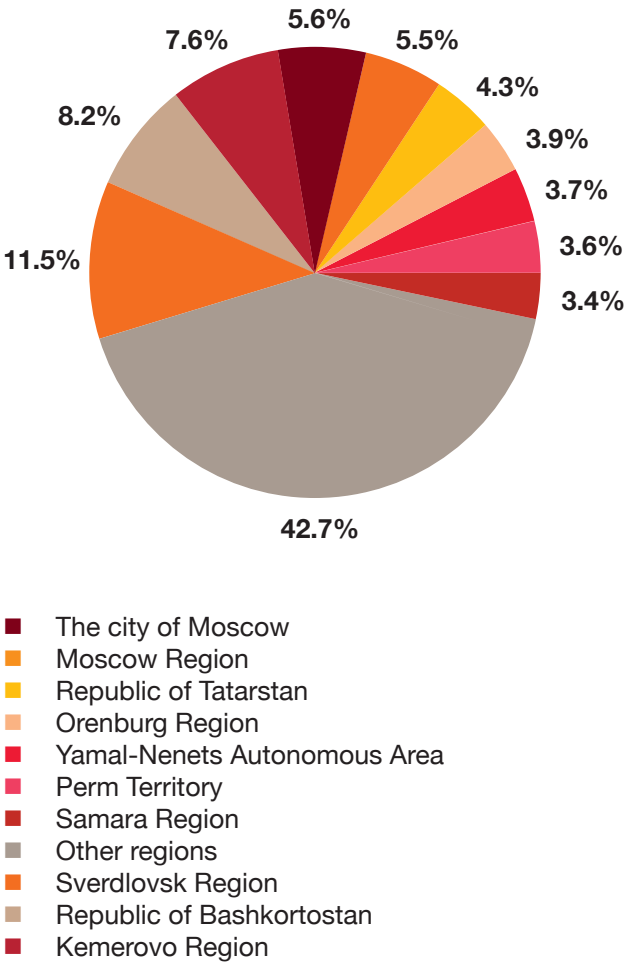
Chelyabinsk Region's major trading partners within Russia include: Sverdlovsk Region, Kemerovo Region, Moscow Region, Orenburg Region, Perm Territory, Republic of Bashkortostan, Republic of Tatarstan, and the City of Moscow.

As of May 1, 2011, the region had 54 interregional agreements on trade and economic, scientific, technical, social and cultural cooperation as well as seven protocols for implementing cooperation agreements.

Trade turnover by Russian regions



Structure of trade turnover by Russian regions





Exhibitions and trade shows
Hotels and conference facilities

As the centre of the South Urals, Chelyabinsk Region has world-class hotels and conference sites, including 5 three-star business hotels, 3 four-star hotels, 1 five-star hotel, and the International Congress and Exhibition Hall, which hosts congresses, conferences and summits.

Exhibition centres and the South Urals Chamber of Commerce and Industry, with support from the Chelyabinsk Region Government, organised 117 exhibition and congress events in 2010.

Seventy-four events were held in the region and attended by more than 6 000 enterprises from the region, other Russian regions and foreign countries, as well as representatives of more than 30 Russian regions and 10 foreign countries. Exhibitions and trade shows attracted over 450 000 visitors in 2010.

Chelyabinsk Region’s efforts to attract foreign investment into the local economy in 2010 have included:

- Visits by foreign delegations to the region from 15 countries (France, China, UK, Belarus, the Czech Republic, Azerbaijan, Iran, United States, Brazil, Canada, Kazakhstan, Finland, Japan, Germany and Serbia);
- an official delegation from Chelyabinsk Region headed by the Governor visited Italy;
- Chelyabinsk Region sent trade missions to Italy, Turkey, Kazakhstan, China and Qatar;
- delegations from Chelyabinsk Region visited Kazakhstan, Belarus, Ukraine, France, Israel, Finland, Qatar, China and Japan; and
- meetings were conducted with representatives of such foreign companies as Czech Export Bank and GKR Holding (Czech Republic), Sinoma International Engineering Co. Ltd (China), DLG and ROCKWOOL (Denmark), Deutsche Vilomix Tierernährung, Stauff

and ThyssenKrupp AG (Germany), Danielli, Pirelli, Simest and Banca Intesa (Italy), Lafarge and Saint Gobain (France), ROTOBO (Japan), and John Deere, ADM, Cargill, Tyson Foods, Smithfield Foods, Ford, Honeywell, J&J, Dow Chemicals, Caterpillar, DuPont, General Dynamics, 3M and AES (United States).

The following events were also conducted: III International Industrial Forum-Exhibition on Reconstruction of Industrial Enterprises-Breakthrough Technologies in Metallurgy and Machine-Building; the International Forum-Exhibition on Climate Change and the Ecology of the Industrial City, attended by companies and organisations from the UK, Germany, Austria, Japan, France, Denmark, the Czech Republic, Finland, and the United States; and the Governor of Chelyabinsk Region met the heads of foreign diplomatic missions in the Ural Federal District.



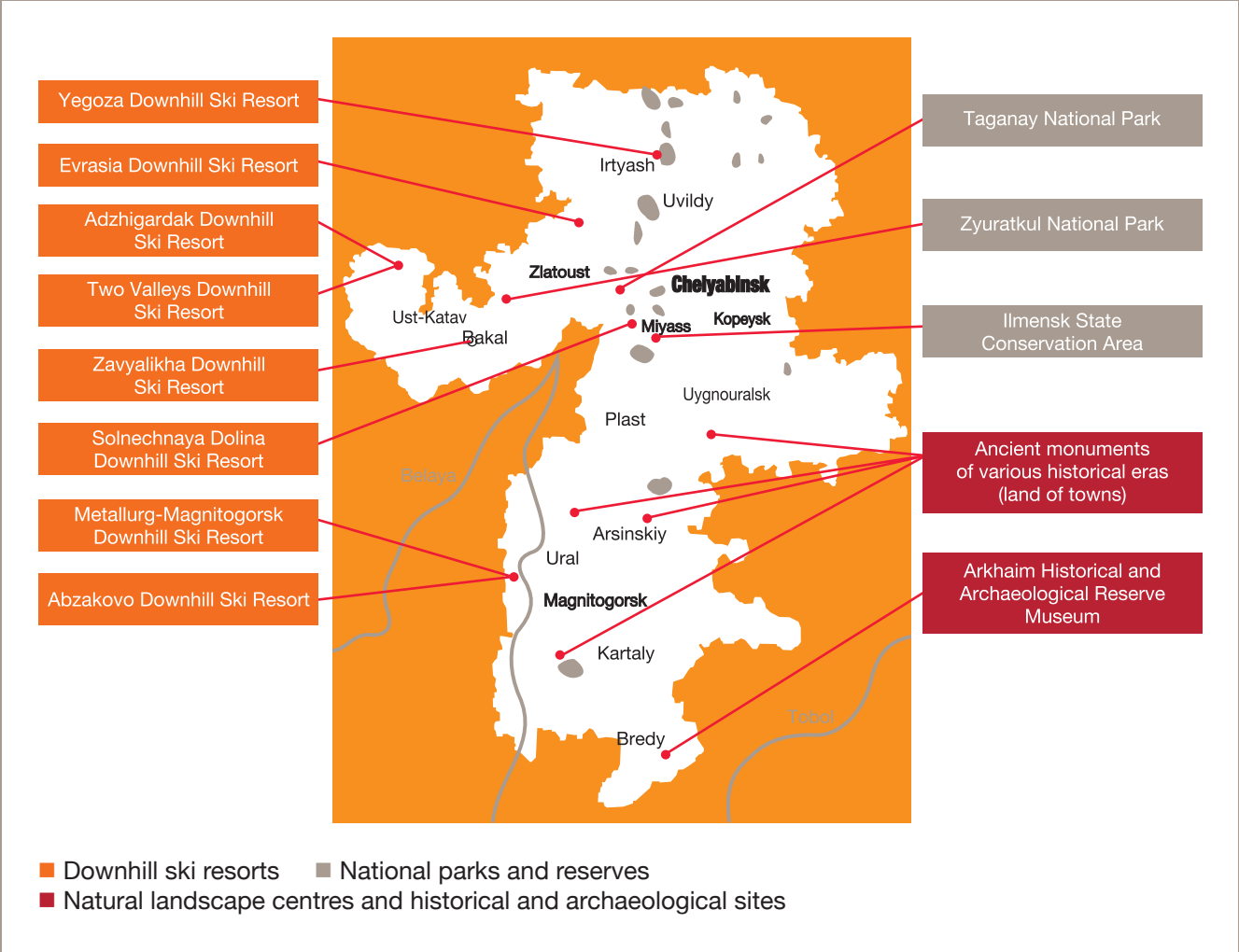
Chelyabinsk Region’s major advantages in international cooperation include:

1. Development of international relations on the regional level with CIS, EU, EurAsEU and APEC countries.
2. Conducting international exhibitions and congresses.
3. High export potential.
4. Specialised institutions devoted to promoting the region’s foreign trade relations.

Tourism

Chelyabinsk Region has a unique natural environment and climatic conditions, including picturesque landscapes, lakes, forests, caves and natural healing springs. Our recreation centres are popular far beyond the borders of the region.

Chelyabinsk Region: conservation and recreation areas



Conservation areas and reserves

The region has more than 170 specially protected areas, including:

- the world-famous Mineral Paradise - Ilmensk State Conservation Area;
- Arkhaim Historical and Archaeological Reserve Museum, recognised as one of the most important archaeological finds of the century;
- Ignatyevskaya Cave with prehistoric drawings; and
- Zyuratkul National Park, which lies among the

highest mountain peaks of the South Urals; and – Taganay National Park, one of Russia’s newest national parks. The park’s natural beauty is often compared to famous Alpine landscapes, earning it the name “Russia’s Switzerland”.

The total land area of all specially protected natural territories is 1 034 000 hectares, or 11% of the region’s territory; the land area of reserves and national parks is 220 800 hectares, or 2.5% of the region’s total land area.



Rivers and lakes

Many rivers have their source within the region. Major rivers are the Ural (Caspian Sea basin) and the Miass (Ob River basin). The aggregate length of all rivers in the region is 10 235 km.

Chelyabinsk Region is often called the “land of lakes” as there are 3 170 lakes within its borders with a total area of 2 125 square km. The most well-known of them are Turgoyak Lake, a younger brother of Lake Baikal which is listed as among the world’s most valuable lakes and one of the country’s most beautiful natural landscapes. Lake Zyuratkul is the Ural’s answer to Lake Ritsa in the Caucasus Mountains. Lake Uvildy is the pearl of the Urals, one of the largest and most unique of the South Urals lakes.

The region also has many saline lakes and lakes rich in various balneological resources (organic and mineral muds, alkaline waters).

The region ranks as one of Russia’s leading areas for its variety of therapeutic muds. Organic muds

are widely used at such resorts as Uvildy, Bolshoy Kisekach and Yelovoe. Such lakes as Tuazatkul, Gorkoye, Podbornoye, Solyonoye, Sladkoye, Bolshoy Shantrapay and Maliy Shantrapay are famous for their mineral muds. The region’s sanatorium and health resort system is continuing to develop from year to year. Such sanatoriums as Uvildy, Ural and Yelovoe are nationally known.

Health resorts

The Region has a well-developed sanatorium and health resort system, which includes health resorts, and vacation and recreation centres that make wide use of mineral waters and therapeutic muds for promoting health and wellness and for medical treatment. The most well-known health resorts are Kisekach, Uvildy, Ural and Karagayskiy Bor.



Downhill skiing

The region’s advantageous geographical position creates unique opportunities for downhill skiing enthusiasts. The region has 20 downhill ski resorts, the largest of which include Abzakovo, Adzhigardak, Zavyalikha and Metallurg-Magnitogorsk. These resorts meet the highest European standards and are very popular among both Russian and foreign visitors.

Chelyabinsk Region’s major advantages in tourism include:

1. Availability of many natural attractions (lakes, rivers, caves, nature reserves, national parks), offering extensive opportunities for developing tourism.
2. Well-developed network of sanatoriums and health resorts.
3. Extensive opportunities for active recreation and sports tourism (downhill ski resorts, rafting, ecotourism, amateur and sport fishing, etc.).

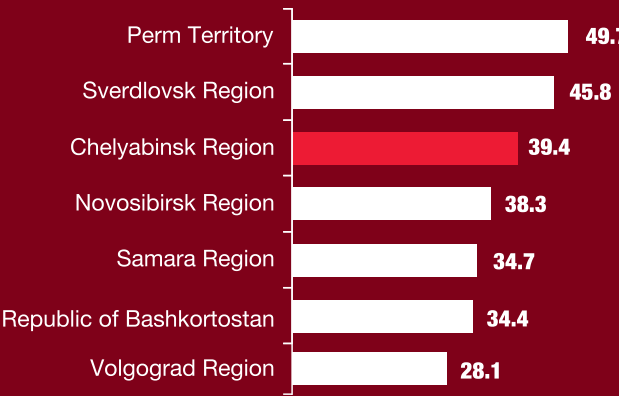


Investment climate

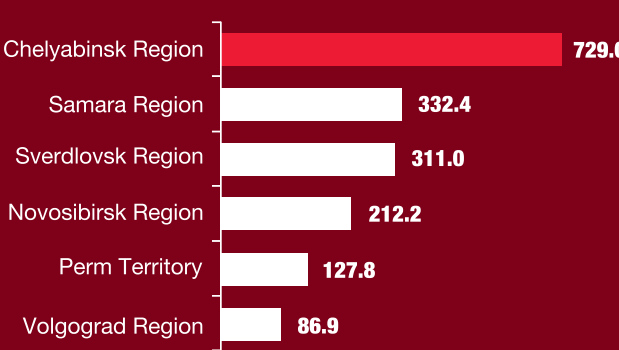
In December 2010, Standard & Poor’s rating agency gave Chelyabinsk Region a long-term credit rating of ‘BB+’ and a national scale rating ‘ruAA+’ “Stable” forecast.

According to the Expert rating agency, the region is among Russia’s top ten regions in terms of labour, consumer, institutional, innovative and tourism potential, and ranks 13th in investment potential.

Capital investments per capita for 2009 (RUR thousands)



Foreign investment per capita for 2009 (USD)



Capital investments

The volume of capital investments reached RUR 138.8 billion in 2010. The major source of investment is enterprises’ own funds.

During the year 2010, 156 new enterprises started operations and 4 054 new jobs were created in the region.

In July 2010, two significant manufacturing facilities were commissioned, with Prime Minister Vladimir Putin in attendance at their opening ceremonies:

- ‘Vysota 239’ pipe electric welding shop of Chelyabinsk Pipe Rolling Plant OJSC; and
- a facility for producing high-quality stainless steels as part of the reconstruction of ESPTs-6, Chelyabinsk Iron and Steel Works OJSC.



Foreign investment

In 2010, foreign investment in the region exceeded USD 3.3 billion, which represented 30.1% growth over 2009.

The geographical origin of foreign investments in the region is diversified, representing about 50 countries around the world, including projects of foreign companies carried out in recent years:

1. Fortum (Finland) - production of electric power; investment volume reached USD 1 880 000 000.
2. Rexam (UK) - manufacturing of aluminium cans for beverages; investment volume exceeded USD 80 million.
3. Rockwool (Denmark) - manufacturing of mineral wool boards; investment volume reached USD 10.8 million.
4. CARBO Ceramics (United States) - manufacturing of propping agents; investment volume reached USD 30 million.
5. Metro Cash & Carry (Germany) - small-batch retail; investment volume reached USD 27 million.
6. Henkel Bautechnik (Germany) - manufacturing of dry construction compounds; investment volume exceeded USD 13.8 million.

Government support for investment activities

Chelyabinsk Region has an integrated regulatory system aimed at providing government protection, support and guarantees for Russian and foreign investors.



The following resources are available to investors:

- 1) The Getting Started Office for foreign investors offering free consulting services, translation services, and use of an office and office equipment;
- 2) The Investments in Chelyabinsk Region website (www.oblinvest74.ru) in both Russian and English, which contains all necessary information for investors as well as catalogues of:
 - vacant land plots;
 - incomplete construction sites and industrial enterprises; and
 - investment projects in the region.

The region has launched a project to create an Industrial Innovation Park, which will be used for creating production-ready sites with all necessary infrastructure.

Chelyabinsk Region has implemented a “One Window” investment project support system, which helps investors expedite the process of obtaining all necessary approvals from federal, regional and local authorities, as well as natural monopolies (electric and gas utilities, rail transport providers), and obtain such permits as quickly as possible.

The Chelyabinsk Region Government offers investors*:

- free land plots with transfer of ownership for carrying out investment projects;
- allocation of regional budget funds to create infrastructure (gas, electricity, roads, etc.) for such land plots;
- investment agreements with the Region Government;
- administrative support for obtaining all necessary permits; and
- regional tax relief according to the relevant legislation.

* – the entire scope of investor preferences is provided for those projects that meet Chelyabinsk Region’s social and economic development needs.



Innovation

From 2006 to 2009, the region created three innovation parks which are now operating successfully: two in Chelyabinsk city, NP Innovation Technopark YuUrGU-Polet and Chelyabinsk Production Accessories Plant CJSC (specialising in oil production equipment with an area of 15 000 sq m), and one in Miass, Miass Machine-Building Plant OJSC (specialising energy conservation with an area of 3 000 sq m).

In order to support small innovation-driven enterprises, the region has created four business incubators to help promote the establishment of innovation-driven companies:

- NP Magnitogorsk Innovation Business Incubator;
- MU Ozersk Innovation Center - Business Incubator;
- OGU Innovation Business Incubator of Chelyabinsk Region; and
- Independent municipal educational institution Gorod Snezhinsk INFORMKOM.

Chelyabinsk Region’s major investment advantages include:

1. Active support of the Chelyabinsk Region Government for foreign investors.
2. High investment and national credit rating.
3. Strong inflow of foreign investment.
4. Well-developed innovation support system (financial, infrastructure, information).
5. Creation of the Getting Started Office for foreign investors in Chelyabinsk.



Organisations that approve the establishment of new enterprises in Chelyabinsk Region*

Name and contacts of organisation

Realty Installations Federal Agency Administration in Chelyabinsk Region 85 Ul. Yelkina Chelyabinsk 454048 Tel.: (351) 237-6745 e-mail: justupr@chel.surnet.ru	Chelyabinsk Regional Gas Sales Company LLC 116 Ul. Kalinina Chelyabinsk 454084 Tel.: (351) 247-4828 e-mail: office@rg074.ru
Federal Property Agency Territorial Administration for Managing Federal Property in Chelyabinsk Region 59 Pr. Lenina Chelyabinsk 454091 Tel.: (351) 263-7722 e-mail: mail@rosim74.ru	Chelyabinskorgaz OJSC 8 Ul. Ryleeva Chelyabinsk 454078 Tel.: (351) 261-2096
State Regional Autonomous Institution entitled “The Project Documents and Territorial Planning Design Documents and Site Engineering State Expertise Board” (or Gosexpertiza of Chelyabinsk Region) 68 Ul. Marksa Chelyabinsk 454000 Tel.: (351) 263-9701 e-mail: chelgge@rambler.ru	Chelyabenergo branch of MRSK OJSC of Urals 5 Pl. Revoliutsii Chelyabinsk 454000 Tel.: (351) 267-8359 Fax: (351) 267-8010 e-mail: secr@chel.elektra.ru
Chelyabinsk Region Ministry of Construction, Infrastructure and Road Development 77 Ul. Yelkina Chelyabinsk 454048 Tel.: (351) 237-8388 e-mail: main@uprdor.chel.ru	Chelyabinsk Region State Traffic Safety Inspectorate under the GUVd (Internal Affairs Ministry Main Administration) 20 Ul. Kharlova Chelyabinsk 454018 Tel.: (351) 256-2222 e-mail: gai@gai.uvd.chel.su
Chelyabinskrgazkom OJSC 69A Ul. Soni Krivoy Chelyabinsk 454080 Tel.: (351) 247-9021 www.gazkom74.ru	Chelyabinsk Region Ministry of Industry and Natural Resources 57 Pr. Lenina Chelyabinsk 454091 Tel.: (351) 263-4384 e-mail: uprom@mail.ru
	Water Resources Managing Department in Chelyabinsk Region under Nizhne-Obsky Basin Water Managing Administration

13a Ul. Kalinina Chelyabinsk 454084 e-mail: ubvu@chel.surnet.ru	Chelyabinsk Region Minerals Exploitation Administration (Chelyabinsknedra)
Technological and Ecological Supervision Service of Rostekhnadzor (Federal Service for Ecological, Technological and Nuclear Supervision) in Chelyabinsk Region	8a Ul. Bliukhera Chelyabinsk 454048 Tel.: (351) 232-8716 Fax: (351) 232-8715 e-mail: chelbnedra@rosnedra.com
83 Pr. Lenina Chelyabinsk 454080 e-mail: norm74rtn@mail.ru	Chelyabinsk Region Forestry Administration
Chelyabinsk Region Ministry of Ecological and Nuclear Safety	54 Ul. Engelsa Chelyabinsk 454092 Tel.: (351) 262-9252 e-mail: all@chul.chel.su
57 Pr. Lenina Chelyabinsk 454091 Tel.: (351) 264-6680 e-mail: priroda@chel.surnet.ru	Federal Service for Supervision in the Sphere of Protection of Consumers' Rights and Human Welfare in Chelyabinsk Region
	73 Ul. Yelkina Chelyabinsk 454092 tel.: (351) 263-64-90 e-mail: rospn@chel.surnet.ru

Major investment projects

Information on investment projects is available on the website of the Chelyabinsk Region Ministry of Economic Development on the “Ministry's activities/Investment activities” page (<http://www.econom-chelreg.ru/activityinvestmentscatalogip>).

The tables below provide information on major investment projects in the region’s primary industries: manufacturing, energy and resource conservation equipment and technologies, agriculture, construction, logistics, innovation and tourism.
All information is as of November 2010.

Manufacturing

Innovation centre, created on the basis of the Ust’-Katav Carriage Works FSUE, for developing intra-urban and suburban transport infrastructure

Name and address of the project initiator	S.M. Kirov Ust’-Katav Carriage Works FSUE 1 Ul. Zavodskaya, Ust’-Katav 456040
Organisation head	Pavel Viktorovich Abramov
Activities	Production of tram cars, and products for the oil and gas industry
Project profile	Creating an innovation centre, on the basis of the Ust’-Katav Carriage Works FSUE, for developing intra-urban and suburban public transport infrastructure. The centre will provide consulting services on local urban infrastructure development, as well as design projects for modern transport systems
Project cost	RUR 313 million for creation and operation of the innovation centre
Required investment	RUR 183 million
Project payback period	8 years
Project contact	Evgeniy Alexandrovich Samoylov Tel.: 8 (35167) 71288, 8 (912) 794-0123

Plate production modernisation

Name and address of the project initiator	Zlatoust Machine-Building Plant OJSC 1 Parkoviy Proyezd, Zlatoust 456207
Organisation head	Sergey Antonovich Lemeshevskiy
Activities	Production of household electrical appliances
Project profile	Introduction of new models of plates and parts, acquisition of advanced equipment and replacement of old equipment
Project cost	RUR 200-400 million

Required investment	RUR 140-280 million
Project implementation period	2011-2014
Project contact	Evgeniy Ivanovich Morozov Tel.: (3513) 634-278

FLOAT-Line mounting to produce thermally polished glass

Name and address of the project initiator	Magnitogorsk Glass Works LLC (Magniza LLC) 12-49 Ul. Leningradsкая, Magnitogorsk 455044
Organisation head	Vitaly Viacheslavovich Belousov
Activities	Sheet polished glass production
Project profile	Creating modern production line to manufacture 400 tonnes per day of high-quality polished sheet glass
Project cost	RUR 3 372 000 000
Required investment	RUR 3 372 000 000
Project payback period	8 years
Project contact	Vitaly Viacheslavovich Belousov Tel.: (3519) 248-552

Crushed stone production based on Kristal’noye granite quarry

Name and address of the project initiator	Kristall CJSC 2008 1 Ul. Timurovskaya, Plast 457020
Organisation head	Petr Mikhaylovich Telepenin
Activities	Open-cast operations at the Kristal’noye granite quarry to extract building stones and produce crushed stones
Project profile	Crushed stone production at the Kristal’noye granite quarry
Project cost	RUR 245.9 million
Required investment	RUR 210 million
Project payback period	-
Project contact	Petr Mikhaylovich Telepenin Tel.: 8 (902) 612-2461

Creation of production capacity for manufacturing consumer and special-purpose diesel engines

Name and address of the project initiator	Chelyabinsk Tractor Plant LLC – URALTRAK 3 Pr. Lenina, Chelyabinsk 454007
Organisation head	Valery Mikhaylovich Platonov
Activities	Production of: - road-making machines and diggers; - diesel engines and spare parts, special-purpose production; and - consumer goods
Project profile	Manufacturing diesel engines designed for consumer and special purpose use that are comparable or superior to imported analogues in terms of capacity, reliability, ecological safety, and size and weight specifications.
Project cost	RUR 4 255 000 000
Required investment	RUR 1 766 000 000
Project payback period	6.9 years
Project contact	Alexandr Gerasimovich Gordeyev First Deputy General Director for Economic and Social Issues Tel.: (351) 773-0702

Energy and resource conservation equipment and technologies

Achieving and improving energy efficiency in the Zlatoust Urban District economy

Name and address of the project initiator	Zlatoust Urban District Administration 1 Ul. Taganayskaya, Zlatoust 456200
Organisation head	Alexandr Nikolaevich Karavaev, Head of Zlatoust Urban District
Activities	Local government authority
Project profile	Creation in 2010 of all necessary conditions and mechanisms for transforming Zlatoust into a favourable investment destination and for attracting extra-budgetary investment in energy efficiency projects
Project cost	RUR 9.873 billion (in 2010 prices)
Required investments	RUR 9,544.8 million 2010 – RUR 30.0 million 2011 – RUR 247.8 million 2012 – RUR 461.6 million 2013-2015 – RUR 2,421.6 million 2016-2020 – RUR 6,383.8 million
Project payback period	-

Project contact	V.S. Dmitrieva, Acting Head of MU Zlatoust Investment and Innovation Project Centre Tel.: (3513) 622-047
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Agriculture

Dairy and stock-raising complex

Name and legal address of the project initiator	Agapovka Municipal District Administration 29a Ul. Proletarskaya, Agapovka rural settlement,
Chelyabinsk Region 457400	
Organisation head	A.N. Dombayev, Head of Agapovsky Municipal District
Activities	Local government authority
Project profile	Construction and subsequent operation of a stock-raising complex for raising free-range cattle and stables for dairy production
Project cost	RUR 600 million
Required investment	RUR 600 million
Project payback period	Five years, excluding construction period, subject to accelerated depreciation
Project contact	P.I. Bondiaev Tel.: 8 (351) 901-4131 e-mail: bondaev@mmk.ru A.M. Mitchin Tel.: 8 (912) 895-8406 e-mail: mit@mmk.ru

Modernisation of poultry and feed milling facilities at Ravis LLC – Poultry Factory Sosnovskaya

Name and legal address of the project initiato	Ravis LLC – Poultry Factory Sosnovskaya Roschino settlement, Sosnovsky District 456513
Organisation head	Petr Alexandrovich Podgornov
Activities	Poultry farming; feed milling; providing fodder; cattle breeding; swine breeding; bovine meat production, by-products from swine, sheep, goats, horses, poultry and rabbits; wholesale and retail meat and poultry sales, including eggs and various by-products
Project profile	Upgrade outdated equipment in 2010-2012 to increase poultry output and optimise water and electricity consumption
Project cost	RUR 1 800 000 000

Required investment	RUR 1 400 000 000
Project payback period	73 months
Project contact	A.A. Ishmametyev, Deputy General Director for Finance and Economics Tel.: (351) 775-7076

Construction

Gres ceramic tile production

Name and address of the project initiator organization	ZKS LLC 76 Ul. Shirokaya, P.O. Box 469 Snezhinsk 456770
Organisation head	Sergey Ivanovich Mostinets
Activities	Ceramic tile production
Project profile	Investment project for technical re-equipping of Gres ceramic tile plant in Snezhinsk with modern equipment. The additional capacity of the plant’s 4th production line will be 2.5 million square metres of tile per year
Project cost	EUR 12.5 million
Required investment	EUR 10 million
Project payback period	3 years
Project contact	Svetlana Viktorovna Klimenko Tel./fax: (35146) 26046

Logistics

Logistics Centre

Name and address of the project initiator	Construction Company Povorot LLC 77 Ul. Kaslinskaya, Chelyabinsk 454000
Activities	Construction
Project profile	The terminal will be located on the Chelyabinsk Region’s northwest border between the villages of Shagol and Krasnoye Pole. Total area of the planned warehouse is 140 000 square metres. Total are of the designed lot is 327 570 square metres; development zone area is 140 309 square metres
Project cost	RUR 3.5 billion
Required investment	RUR 3.5 billion

Project payback period	8-12 years
Project contact	Semion Vladimirovich Pichugin Tel.: (351) 796-3965, 8 (919) 313-2000

Innovation

Designing and creating high-tech biological waste re-processing and recycling production

Name and address of the project initiator	Miass Machine-Building Plant OJSC 1 Turgoyakskoye Shosse, Miass 456320
Organisation head	Oleg Valeryevich Biushkin, General Director
Activities	Production of: Spare parts, appliances and units for aerospace industry. Electrical appliances and equipment for transport vehicles and engines. Spacecraft and missile carriers. Metal products processing using main machine–building processes. Automated and remote-controlled instruments and equipment. Precious stones and gems. Fibre optics. Non-processed block glass as balls, pivots, pipes or tubes. Metal structures for construction. Electrical switchgears and control equipment.
Project profile	To design and create advanced production for re-processing and recycling biological waste to obtain biological fertilisers and synthesis-gas for producing electrical and thermal energy through recycling animal waste.
Project cost	RUR 340 million
Required investment	RUR 150 million
Project payback period	3 years
Project contact	Andrey Alexandrovich Kalinkin, Commercial Director Tel.: (3513) 298-109

Tourism

Blizkaya Gora Sports and Entertainment Complex

Name and address of the project initiator	SPAS LLC 14 Ul. Tsiolkovskogo, Office 65, Korkino 456550
Organisation head	Pavel Alexandrovich Suchkov, General Director
Activities	Sports, entertainment, leisure and cultural activities

Project profile	Creation of the Urals region’s largest state-of-the-art, year-round sports and entertainment park with a total area of 120 hectares. The park will feature extreme amusements along with modern sports and family leisure activities, including an aqua park, amusements for children, various sports facilities, a cozy beach, downhill skiing routes, a snowboard park and many other things. For a 3D film presentation, see http://armstd.ru/ARMvideo.html
Project cost	RUR 2 billion
Required investments	RUR 1 billion
Project payback period	5 years
Project contact	Pavel Alexandrovich Suchkov Tel.: 8 (902) 600-6074, 8 (351) 775-3231, 776-7035

Construction of Two Valleys Winter Sports and Tourist Recreation Complex

Name and address of the project initiator	Ashaturservis 127A Ul. Engelsa, CJSC Asha 456010
Organisation head	Boris Petrovich Chistiakov, Director
Activities	Recreation and tourism
Project profile	Two Valleys winter sports and tourist recreation complex located in the town of Asha. Designed for hosting downhill skiing, snowboarding, plain skiing and freestyling tournaments. Facilities for team practice sessions and seminars as well as exhibitions, expositions and cultural events and celebrations.
Project cost	RUR 2.1 billion
Required investment	RUR 1 billion
Project payback period	7 years
Project contact	Boris Petrovich Chistiakov, Director Tel.: (35159) 31506 e-mail: alexch_13@mail.ru

Contact details:

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