PROPOSALS ON COOPERATION

TULA REGION

Region's population - more than 1.5 mln people

TULA METROPOLITAN AREA - LARGEST IN THE CENTRAL FEDERAL DISTRICT
1 100 000 people

Total area - 25,700 km2
Climate - moderately continental

Biggest cities:
Tula - over 552,000 people
Novomoskovsk - over 138,000 people

Highways:
M2 Crimea
M4 Don
R132 Kaluga-Ryazan
R140 Tula-Novomoskovsk

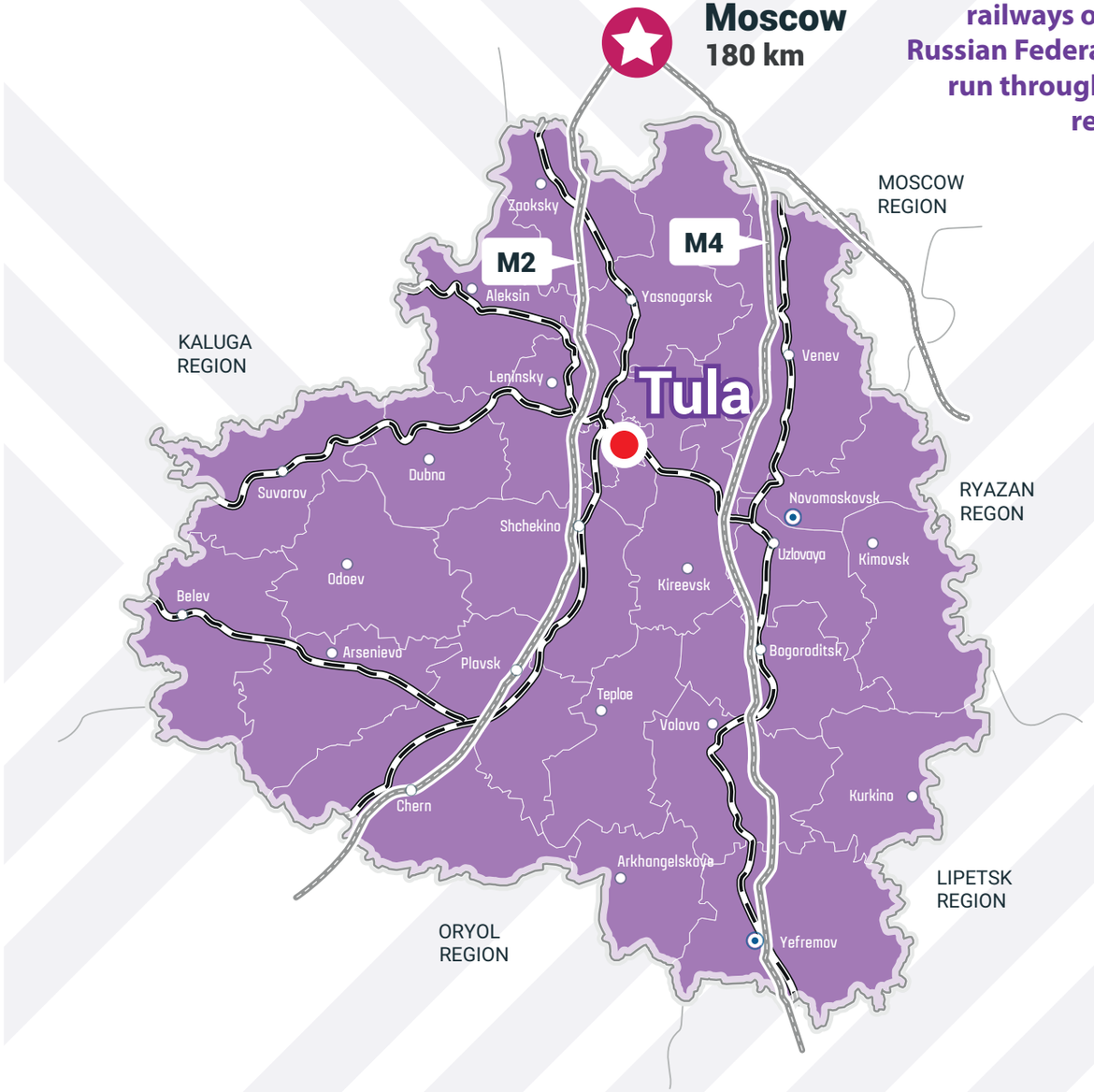
Railways:
Moscow-Kharkov-Simferopol
Moscow-Donbass

Airports:
Domodedovo - 170 km
Vnukovo - 180 km
Sheremetyevo - 210 km

6 power generating substations

7 main gas pipelines

Major highways and railways of the Russian Federation run through the region



COMPONENTS OF A FAVOURABLE INVESTMENT CLIMATE

Effective team

Professional workforce

Industrially developed economy

Developed infrastructure

Advantageous logistics

Preferences

Innovative potential

Comfortable environment

BIGGEST COMPANIES IN THE REGION

MECHANICAL ENGINEERING

CJSC Tyazhpromarmatura
OJSC AK Tulamashzavod
OJSC Transmash
JSC OKB Octava
Tokvarkovsky High-Voltage Equipment Plant
OJSC NPO Splav
PJSC NPO Strela
JSC KBP Instrument Design Bureau named after Academician A. Shipunov
JSC Resource
OJSC TPP Bazalt
JSC Aleksinsky Experimental Mechanical Plant
LLC Stankostroitelny Plant
Tulamash Research and Production Enterprise
JSC Tulatochmash
JSC Tulaelektroprivod
LLC Tarpan
LLC Severo-Zadonsky Capacitor Plant
OJSC Plavsky Machine-Building Plant Plava
OJSC Kimovsky Radio Electromechanical Plant
JSC Gazstroydetal
LLC Telex
LLC IEK METAL-PLAST

CHEMICAL INDUSTRY

JSC NAK Azot
OJSC Shchekinoazot
LLC Procter and Gamble-Novomoskovsk
OJSC Plastik
LLC Polyplast-Novomoskovsk
LLC Aerozol-Novomoskovsk
LLC Cryogas-Tula
LLC Novomoskovsk Chlorine
FKP Aleksinsky Chemical Plant
OJSC Khimvolokno
JSC Strategy (Aleksinsky Glass)
OJSC Yefremovsky Synthetic Rubber Plant

METALLURGICAL INDUSTRY

OJSC Tulachermet
LLC Tulachermet-Steel
OJSC Kosogorsky Metallurgical Plant
OJSC Polema
OJSC Vanadium-Tula
LLC Metal-Rolling Plant
LLC TPO Promet
LLC Eurogroup
LLC NPP Vulkan-TM

CONSTRUCTION MATERIALS PRODUCTION

OJSC Knauf Gypsum Novomoskovsk
LLC HeidelbergCement Rus
LLC BRAER Brick Plant

PULP AND PAPER PRODUCTION

LLC SCA Hygiene Products Russia
CJSC Aleksinskaya Paper and Cardboard Plant
JSC Gotek-Centre

LIGHT INDUSTRY

LLC Avgol-Ros
LLC BTK Group

AGROINDUSTRIAL COMPLEX AND FOOD INDUSTRY

LLC Cargill
LLC Unilever Rus
AIH Miratorg
LLC Volovsky Broiler
LLC Aviagen
LLC Maxim Gorky
LLC Baltika Breweries
LLC Intercross
LLC TPK BioFood
OJSC Yasnaya Polyana Tula Confectionery Factory
LLC SAF-NEVA

ENERGY SECTOR

OJSC Inter RAO-Power Generation
JSC IDGC of Centre and Volga Region
OJSC Gazprom Gas Distribution Tula
OJSC Kvadra

STATE SUPPORT FOR INVESTMENT ACTIVITIES

- Signing of a special investment contract (SPIC)
- Tax incentives for investment in the form of capital investments
- Financing for the construction/reconstruction of infrastructure facilities using the budget funds of Russia's regions
- Reimbursement of the investor's expenditures on the construction/reconstruction of infrastructure facilities
- Provision of land without bidding
- Provision of concessional financing by the Industrial Development Fund
- Subsidising the modernisation of production facilities
- Organisation of training and personnel training programmes based on requests from investors

COOPERATION WITH DEVELOPMENT INSTITUTIONS:

Vnesheconombank, the Russian Industry Development Fund, the Russian Direct Investment Fund, the Federal Corporation for the Development of Small and Medium Enterprises (SME Corporation), the Russian Export Credit and Investment Insurance Agency (EXIAR), the Agency for Strategic Initiatives and the Russian Export Centre (REC).

GENERAL
(applied throughout the entire region, including in single-industry municipalities)

- **Federal**
  - Industry Development Fund
- **Regional**
  - Infrastructure
  - Agriculture
  - Small and medium-sized business

SPECIFIC
(applied exclusively in single-industry municipalities)

- Single-Industry Town Development Fund
- Tax incentives for the residents of priority socioeconomic development areas in single-industry towns

STATE SUPPORT MEASURES FOR SMALL AND MEDIUM-SIZED BUSINESS

- subsidising a portion of the expenses associated with the payment of interest on loans from Russian credit institutions for the construction (reconstruction) of industrial buildings and structures, the procurement of equipment and the modernisation of production facilities in an amount of up to RUB 10 mln per recipient
- subsidising a portion of expenses under leasing agreements in an amount of up to RUB 3 mln per recipient
- subsidising a portion of expenses associated with the acquisition of equipment in an amount of up to RUB 3 mln per recipient
- subsidising the expenses of small and medium-sized enterprises engaged in socially significant activities in an amount of up to RUB 500,000 per recipient
- provision of grants to start-up entrepreneurs in single-industry towns for up to RUB 500,000
- provision of microloans at an interest rate of 8.25% for up to 3 years in an amount of up to RUB 3 mln
- provision of guarantees on bank loans

STATE SUPPORT MEASURES FOR AGRICULTURE

STATE SUPPORT MEASURES

- reimbursement of a portion of expenses on the payment of interest on investment loans from Russian credit institutions (for a period of 2 to 15 years) in the amount of 87% of the key interest rate of the Central Bank of the Russian Federation
- reimbursement of a portion of the interest rate on short-term loans (for up to 1 year) in the amount of 87% of the key interest rate of the Central Bank of the Russian Federation

Regulated by: Resolution No. 418 of the Government of the Tula Region dated 20 August 2014

- reimbursement of a portion of the direct costs on the construction and modernisation of agro-industrial complex facilities (up to 20% of the cost of the facility)

GENERAL REQUIREMENTS FOR SUPPORT RECIPIENTS

- obtaining the credit (loan) from Russian credit institutions and agricultural consumer credit cooperatives
- spending the credit (loan) on the purposes prescribed by current legislation;
- confirmation of the intended use of the credit (loan)
- fulfilment of obligations for the repayment of the principal debt and the payment of accrued interest
- the absence of wage arrears
- the absence of a decision on the liquidation or introduction of one of the procedures used the bankruptcy cases with respect to the borrower

SET OF DOCUMENTS REQUIRED TO RECEIVE REIMBURSEMENT

- application
- reference calculation
- copies of the certificates for the commissioning the agro-industrial facilities certified by the Applicant
- copies of contracts for the performance of work and the supply and/or installation of machinery and equipment with copies of the primary documents attached
- copies of acceptance (receipt) statements for equipment and statements on the acceptance and transfer of equipment for installation
- statement on the absence of wage arrears from the company's executive
- statement on the absence of a decision on the liquidation or introduction of one of the procedures used the bankruptcy cases with respect to the borrower

CO-FINANCING FOR CONSTRUCTION EXPENSES ON EXTERNAL INFRASTRUCTURE FOR INVESTMENT PROJECTS IN SINGLE-INDUSTRY TOWNS

PROCEDURE FOR OBTAINING CO-FINANCING

1. a region of the Russian Federation submits documents to a working group of the non-profit organisation Single-Industry Town Development Fund (hereinafter the Fund) for consideration
2. the working group makes a decision on whether the Fund can consider the feasibility of providing financial support
3. a general agreement is concluded between the Fund and the region of the Russian Federation
4. the region of the Russian Federation files an application for the Fund to co-finance expenses to implement measures for the construction and/or reconstruction of infrastructure facilities
5. the Fund analyses the application
6. the Fund's Supervisory Board makes a decision on the feasibility of co-financing measures for the construction and/or reconstruction of infrastructure facilities
7. an agreement is concluded on co-financing for the construction and/or reconstruction of infrastructure facilities

FINANCING STRUCTURE

Up to **95%** of the cost of facilities is financed by the Fund; at least **5%** of the cost of facilities is financed by the region of the Russian Federation.

Set of documents:

- application;
- information about the land plots (territory) required to implement the new investment projects and also about land plots where infrastructure facilities are planned to be built ;
- a feasibility study on the development of the territory;
- information about the new investment projects that require the construction and/or reconstruction of the infrastructure facilities;
- an exceprt from the law (draft law) of the region of the Russian Federation on the region's budget and/or a decision (draft decision) on the local budget that reflects the planned receipt and spending of the Fund's resources, the budgetary funds of the Russian region and/or the funds of the local budget that are required to implement the new investment projects;
- a data sheet on the integrated investment project using the form approved by the Ministry of Finance of Russia;
- documents confirming the information specified in the application;
- a draft agreement on the co-financing of spending by the Russian region in order to undertake measures for the construction and/or reconstruction of the infrastructure required to implement new investment projects in single-industry towns (hereinafter the co-financing agreement) as previously agreed with the region of the Russian Federation.

INCENTIVES FOR RESIDENTS OF PRIORITY SOCIOECONOMIC DEVELOPMENT AREAS (PSDA) OF SINGLE-INDUSTRY TOWNS

REQUIREMENTS TO OBTAIN THE STATUS OF A PSDA

- the creation of at least 20 jobs during the first year of the project or at least the average number of employees over the last 3 years for existing projects
- capital investments of at least RUB 5 mln during the first year of the project
- the legal entity is registered and carries out activities on the territory of the single-industry town (as opposed to branches and individual subdivisions)
- the legal entity is not a backbone organisation of the single-industry town or a subsidiary organisation thereof

INCENTIVES FOR PSDA RESIDENTS

- Corporate profit tax:
  - first 5 years - up to 5%
  - 5-10 years - at least 10%
- Use of a special coefficient to calculate the mineral extraction tax (from 0 to 1)
- Corporate property tax (up to 0% for 10 years)
- Land tax (up to 0% for 5 years)
- Insurance premiums:
  - 7.6% of the payroll for 10 years (6% - Pension Fund, 1.5% - Social Insurance Fund and 0.1% - Federal Compulsory Medical Insurance Fund)

PROCEDURE FOR OBTAINING THE STATUS OF A PSDA

- an application is submitted to the Russian Ministry of Economic Development by the Russian region to establish a PSDA in the single-industry town (signed by the head of the region) following endorsement with the local government authorities (the application form was approved by Minutes No. 1 (53-CA) from a meeting of the Commission on the Establishment and Functioning of PSDAs in Single-Industry Towns on 9 September 2015)
- the application is considered at a meeting of the Commission (approval of the application by the Commission or return for further revision)
- the heads of the region of the Russian Federation who submitted the application are notified (copy of the minutes of the Commission meeting, proposals for the revision of the application, availability of suspensive conditions, etc.)
- a resolution of the Government of the Russian Federation is approved on the establishment of PSDA in a the single-industry town
- representatives of the regional/local authorities and potential residents sign an agreement on the implementation of activities in the PSDA in the single-industry town
- the information about the legal entity is entered in the register of PSDA residents in single-industry towns

REGULATED BY:

- Federal Law No. 473-FZ dated 29 December 2014 "On Priority Socioeconomic Development Areas in the Russian Federation"
- Resolution No. 614 of the Government of the Russian Federation dated 22 June 2015 "On the Specifics of the Establishment of PSDAs in Single-Industry Towns"

I HOUSING CONSTRUCTION
1. DESCRIPTION OF THE INDUSTRY

New housing construction amounted to 622,600 square metres in 2016, and the plans for coming years envisage 650,000 square metres in 2017, 700,000 square metres in 2018 and 750,000 square metres in 2019.
The total area of housing space in the Tula region amounted to 41.5 mln square metres in 2016.
The primary market made up 13% of the total real estate market volume in 2016 versus 11% in 2015.
New economy class buildings form the basis of the primary housing market in the region with high demand among the population. Such housing mainly consists of buildings that are 9 floors or higher and built using monolithic brick construction technology. One-room apartments in such new buildings have space of 42-45 square metres, while two-room apartments start at 54 square metres and three-room apartments range from 80 square metres.
The most indicative real estate market is that of Tula since it is the largest city in the region and has the most developed construction sector. In 2016, the average price of 1 square metre on Tula's primary market fluctuated from RUB 43,500 at the start of the year to RUB 42,200 at the end of the year, marking a 3% decrease in prices on the primary housing market on average in 2016. The main trends in housing development are the construction of new microdistricts with a full range of social infrastructure. This includes the Molodezhny small residential complex near Venevskoye highway; the Petrovsky settlement in the rural area of Inshinskoye; the Levoberezhny microdistrict located in southeast Tula near the Eastern Bypass, Ryazanskaya Street and Novomoskovskoye Highway; the Southwest microdistrict is being built near Kaulya Street, Novomoskovskaya Street and the Eastern Bypass in between the Upa River and Rogozhnya Creek. In these parts of Tula, new buildings are cheaper, and cost RUB 38,000-42,000 per square metre.
The secondary housing market in Tula saw a 13.6% decrease in demand in 2016 compared with 2015. The average price of 1 square metre on the Tula secondary market declined from RUB 55,800 at the start of the year to RUB 52,850 by the end of the year, marking an average price decrease of 5.3% for the year. Two-room apartments traditionally accounted for the biggest supply on the market with a share of 38%. One-room apartments accounted for 27.5% and three-room apartments for 33.7%.
The role of mortgages on the real estate market is also worth mentioning. There were a total of 8,357 mortgage credits (loans) issued in the region in 2016, i.e. 26.2% of transactions were made using credit funds. This indicator was 19.2% (6,964 loans) in 2015. The share of mortgage loans on the primary market has increased, accounting for 51.5% (1,805 loans) in 2015 and 53.2% (1,911 loans) in 2016.
A total of 2,602 mortgage loans were issued in January-April 2017 (+4.0% versus the same period of 2016) for a total of RUB 4.356 bln (+9.97%) (with an average weighted interest rate of 11.69%). Over the same period of 2016, 2,501 mortgage loans were issued for a total of RUB 3.961 bln (average weighted interest rate of 12.68%).
In the Russian Federation as a whole, 259,996 mortgage loans were issued in January-April 2017 (-0.43% versus the same period of 2016) for a total of RUB 470.577 bln (+5.44%) (with an average weighted interest rate of 11.69%). Over the same period of 2016, 261,125 mortgage loans were issued for a total of RUB 446.285 bln (with an average weighted interest rate of 12.60%).
Forecast of 2017:
The share of dilapidated and substandard housing is high in the region, and state programmes to improve housing conditions are popular among the population (there are roughly 1,250 families on the waiting list for for the subprogramme 'Provision of Housing to Young Families in the Tula Region in 2014-2021' (young families and subsidy recipients of the Mortgage Loan Fund), while there are 768 families on the register for the 'Housing for Russian families' programme).
In this regard, there is high demand among the region's population for improvements in housing conditions.

INVESTMENT PROPOSALS FOR 300,000 M² INTEGRATED LOW COST RESIDENTIAL DEVELOPMENT IN TULA

1. **Cadastral number: 71:30:020516:5**
   Land plot area: 33,3 Ha

2. **Cadastral numbers:**
   71:14:030501:316, 71:14:030501:317, 71:14:030501:315, 71:14:030501:318, 71:14:030501:320, 71:14:030501:324, 71:14:030501:321, 71:14:030501:323, 71:14:030501:322, 71:14:000000:8114, 71:14:030501:4360, 71:14:030501:325
   Land plot area: 121 Ha, 12 plots

3. **Cadastral number: 71:14:020701:1245**
   Land plot area: 27,8 Ha

4. **Cadastral number: 71:30:000000:7070**
   Land plot area: 9,6 Ha

5. **Cadastral number: 71:30:080411:604**
   Land plot area: 0,2 Ha

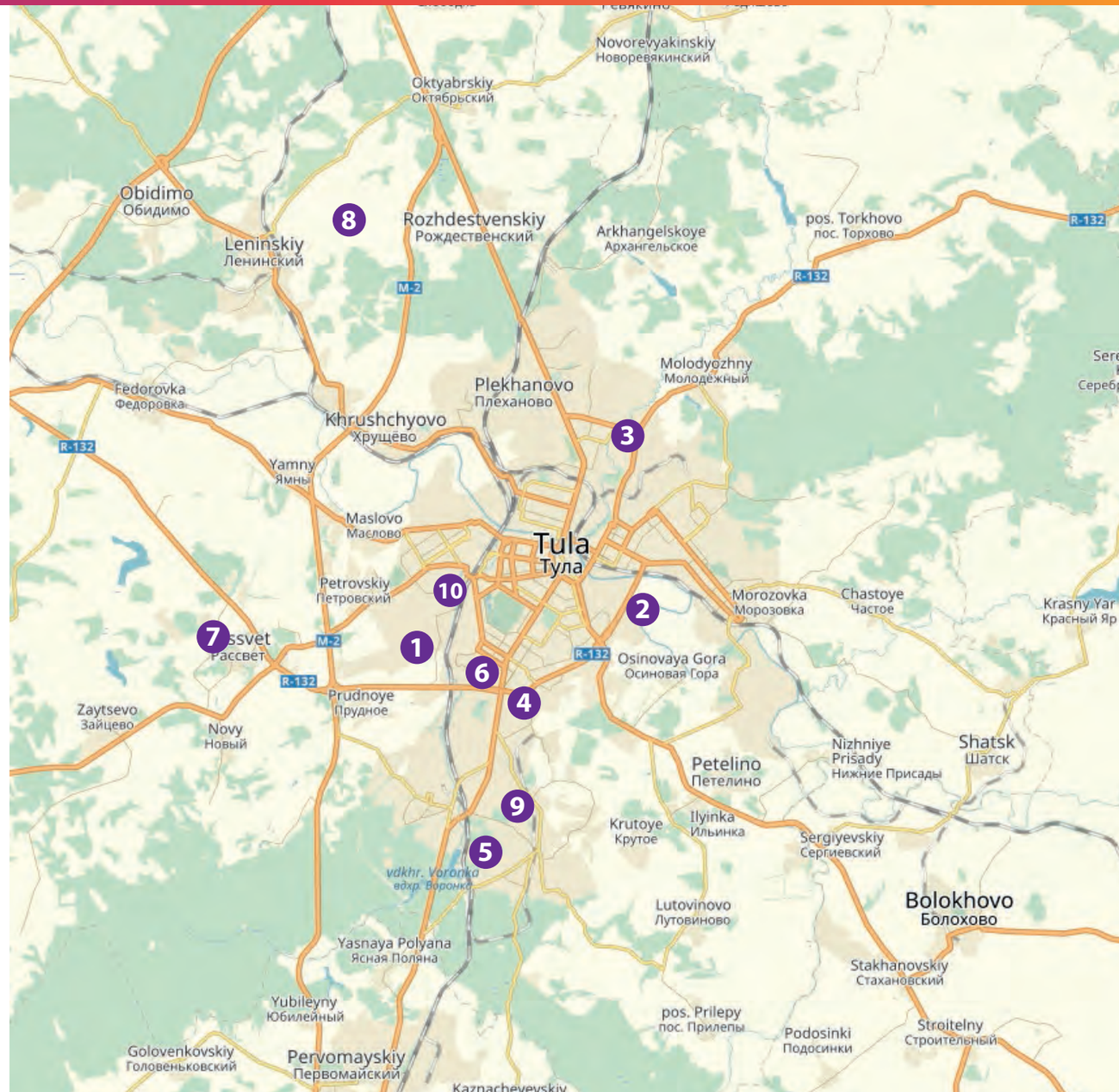
6. **Cadastral number: 71:30:020407:153**
   Land plot area: 3,7 Ha

7. **Cadastral number: 71:14:040501:1322**
   Land plot area: 5,8 Ha

8. **Cadastral number: 71:14:010201:392**
   Land plot area: 22 Ha

9. **Cadastral number: 71:30:080216:148**
   Land plot area: 1,4 Ha

10. **Cadastral number not formed**
    Land plot area: 9,4 Ha



Tula Region, Tula, Privokzalny District, Kaluzhskoye Highway

LAND PLOT DESCRIPTION

Cadastral number
71:30:020516:5

Area
33,3 Ha

Form of ownership
Federal property

Land category
Residential area

Permitted use
For other types of housing development

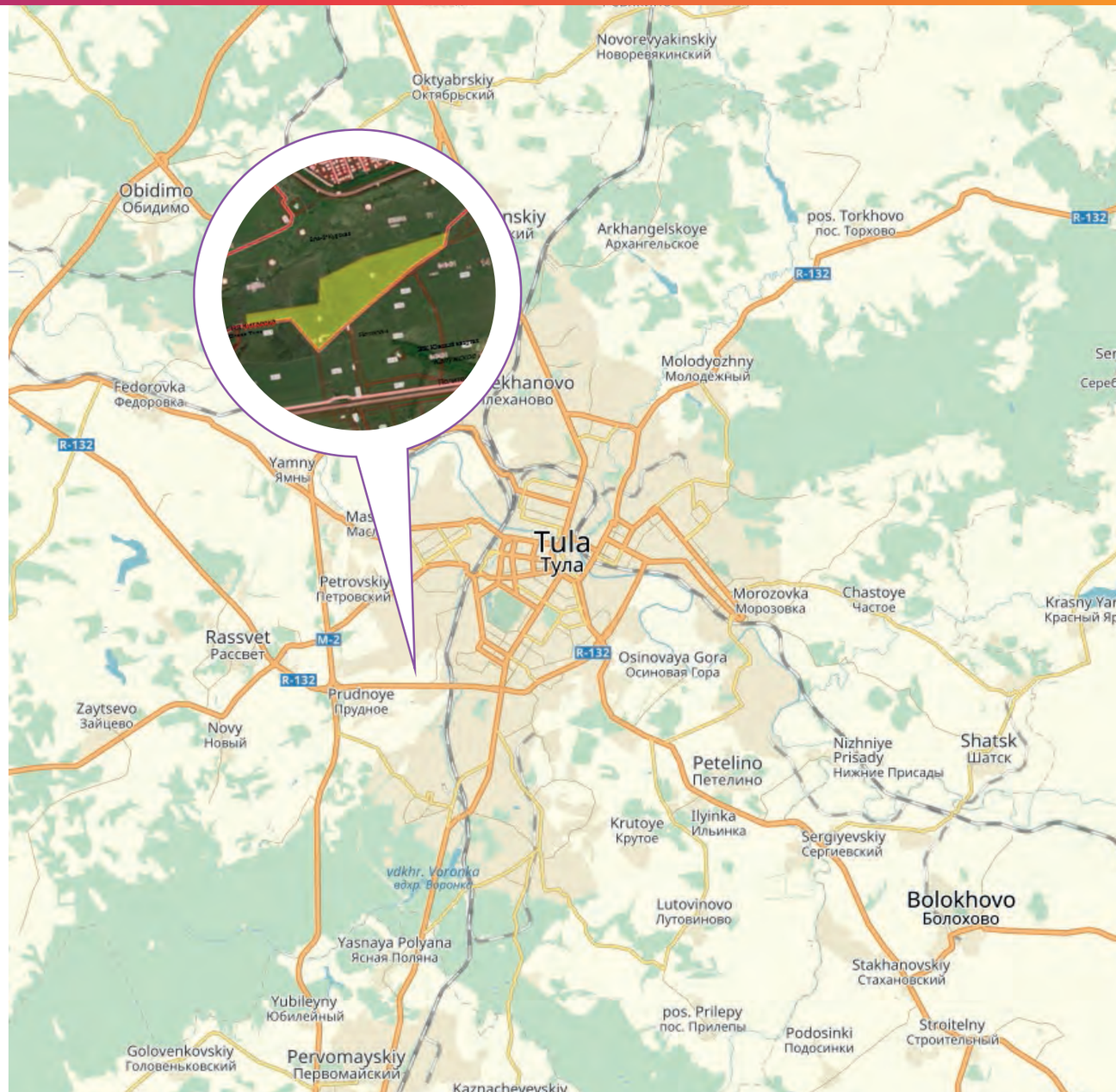
INFRASTRUCTURE COST (CALCULATED BASED ON SIMILAR FACILITIES)

Power supply
Construction of a new PS110/10 kV substation with capacity of 2x25MW; cost of substation - RUB 350 mln + power lines - RUB 50 mln

Gas supply
Construction of a new gas distribution plant with gas consumption - 4,000 m^3/h; cost of the gas distribution plant - RUB 130 mln, gas pipeline - RUB 100 mln

Water supply
2,400 m^3/h; cost - RUB 80 mln

Local treatment facilities
2,400 m^3/h; cost - RUB 140 mln



Tula Region, Tula, Eastern Bypass

LAND PLOT DESCRIPTION

Cadastral numbers
71:14:030501:316, 71:14:030501:317, 71:14:030501:315, 71:14:030501:318, 71:14:030501:320, 71:14:030501:324, 71:14:030501:321, 71:14:030501:323, 71:14:030501:322, 71:14:000000:8114, 71:14:030501:4360, 71:14:030501:325

Area of land plots
121 ha, 12 plots

Ownership form
Private property

INFRASTRUCTURE COST (CALCULATED BASED ON SIMILAR FACILITIES)

Power supply
Construction of a new PS110/10 kV substation with capacity of 2x40MW; cost of the substation - RUB 450 mln + power lines - RUB 100 mln

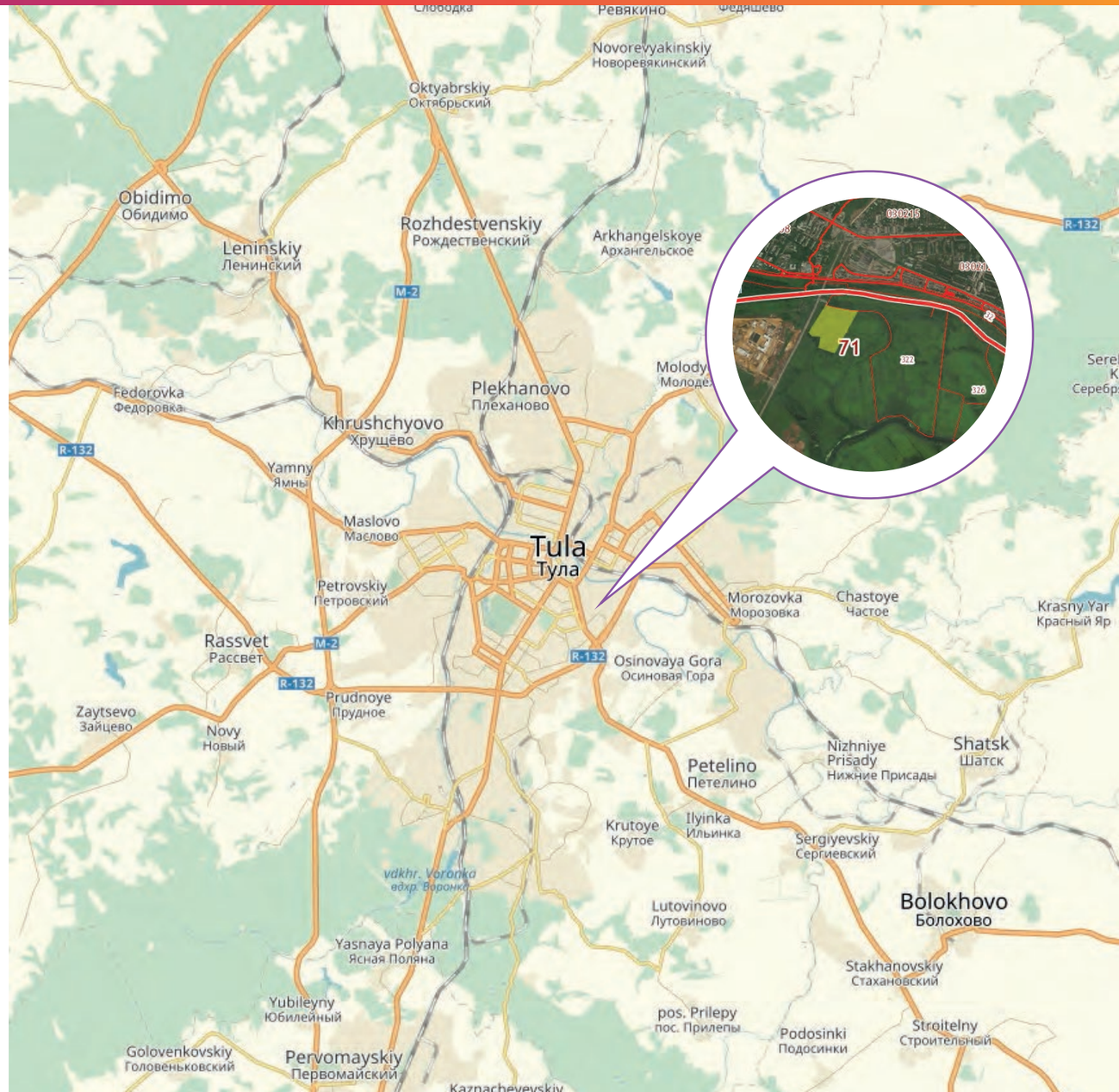
Gas supply
Construction of a new gas distribution plant with gas consumption - 14,000 m^3/h; cost of the gas distribution plant - RUB 160 mln, gas pipeline - RUB 70 mln

Water supply
8,500 m^3/h; cost - RUB 220 mln

Local treatment facilities
8,500 m^3/h; cost - RUB 480 mln

Additional information

The sites are located in one of Tula's most promising and rapidly developing areas, just 10 minutes from the centre.
There are hypermarkets nearby, and 4 daycare centres and 3 schools within a 1-km radius.



Tula Region, Tula, Proletarsky District, Venevskoye Highway

LAND PLOT DESCRIPTION

Cadastral number
71:14:020701:1245

Area of land plot
27,8 Ha

Form of ownership
Private property

Land category
Residential area

Permitted use
For other types of agricultural use

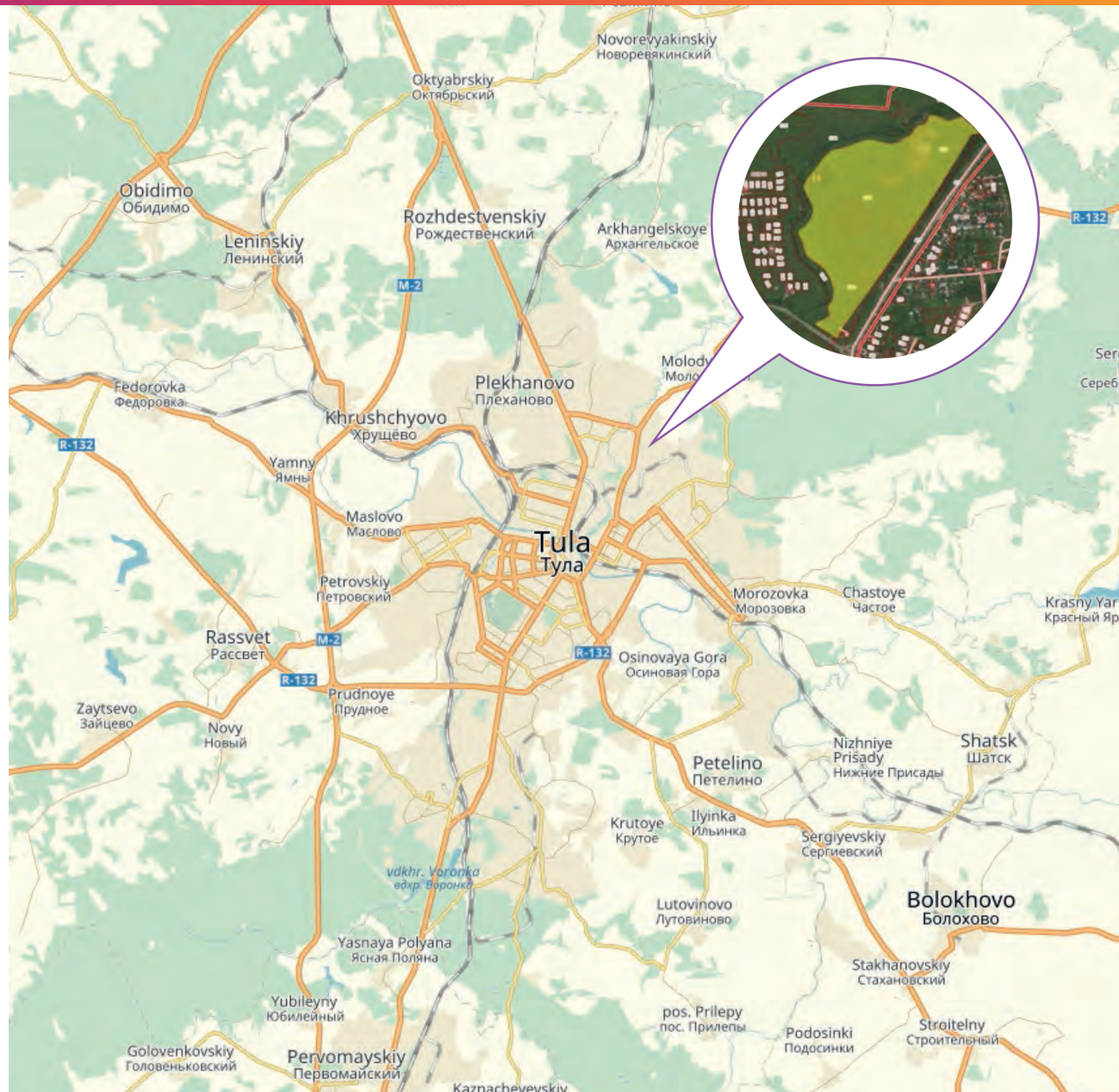
INFRASTRUCTURE COST (CALCULATED BASED ON SIMILAR FACILITIES)

Power supply
Construction of a new PS110/10 kV substation with capacity of 2x16MW; cost of substation - RUB 330 mln + power lines - RUB 100 mln

Gas supply
Construction of a new gas distribution plant with gas consumption - 3,600 m^3/h; cost of the gas distribution plant - RUB 40 mln, gas pipeline - RUB 60 mln

Water supply
2,100 m^3/h; cost - RUB 60 mln

Local treatment facilities
2,100 m^3/h; cost - RUB 120 mln



Tula Region, Tula, Tsentralny District, Ryazanskaya Street

LAND PLOT DESCRIPTION

Cadastral number
71:30:000000:7070

Form of ownership
Ownership not delineated

Area
9,6 Ha

Land category
Residential area

Permitted use
For low-rise construction

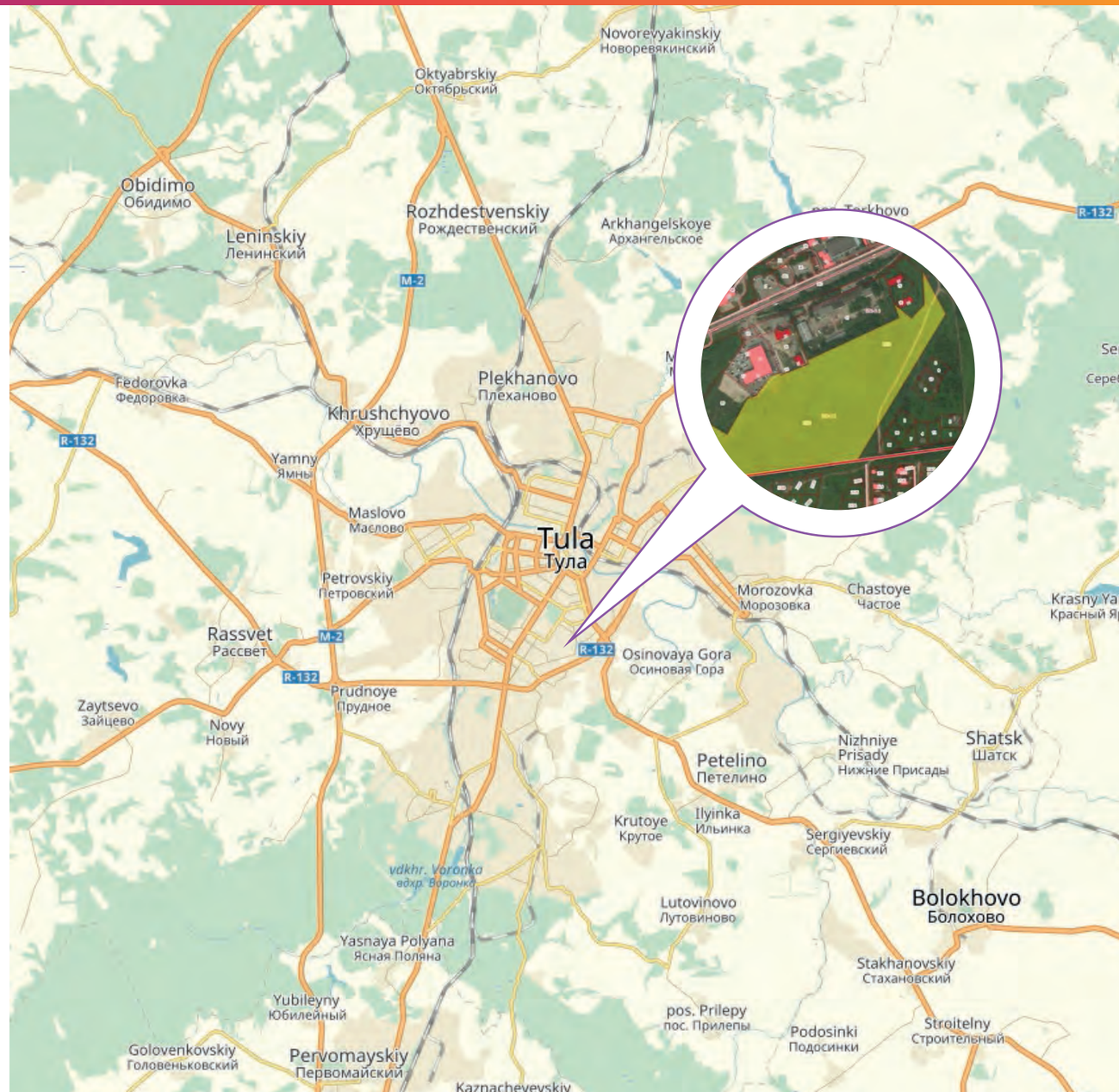
INFRASTRUCTURE COST (CALCULATED BASED ON SIMILAR FACILITIES)

Power supply
Construction of a new PS110/10 kV substation with capacity of 2x10 MW; cost of substation - RUB 300 mln + power lines - RUB 50 mln

Gas supply
Construction of a new gas distribution plant with gas consumption - 1,200 m^3/h; cost of the gas distribution plant - RUB 20 mln, gas pipeline - RUB 30 mln

Water supply
800 m^3/h; cost - RUB 20 mln

Local treatment facilities
800 m^3/h; cost - RUB 40 mln



Tula Region, Tula, Tsentralny District, 2nd Zapadny village, 50 Mayakovskovo Street

LAND PLOT DESCRIPTION

Cadastral number
71:30:080411:604

Area
0,2 Ha

Ownership
Property of public and legal entities

Land category
Residential area

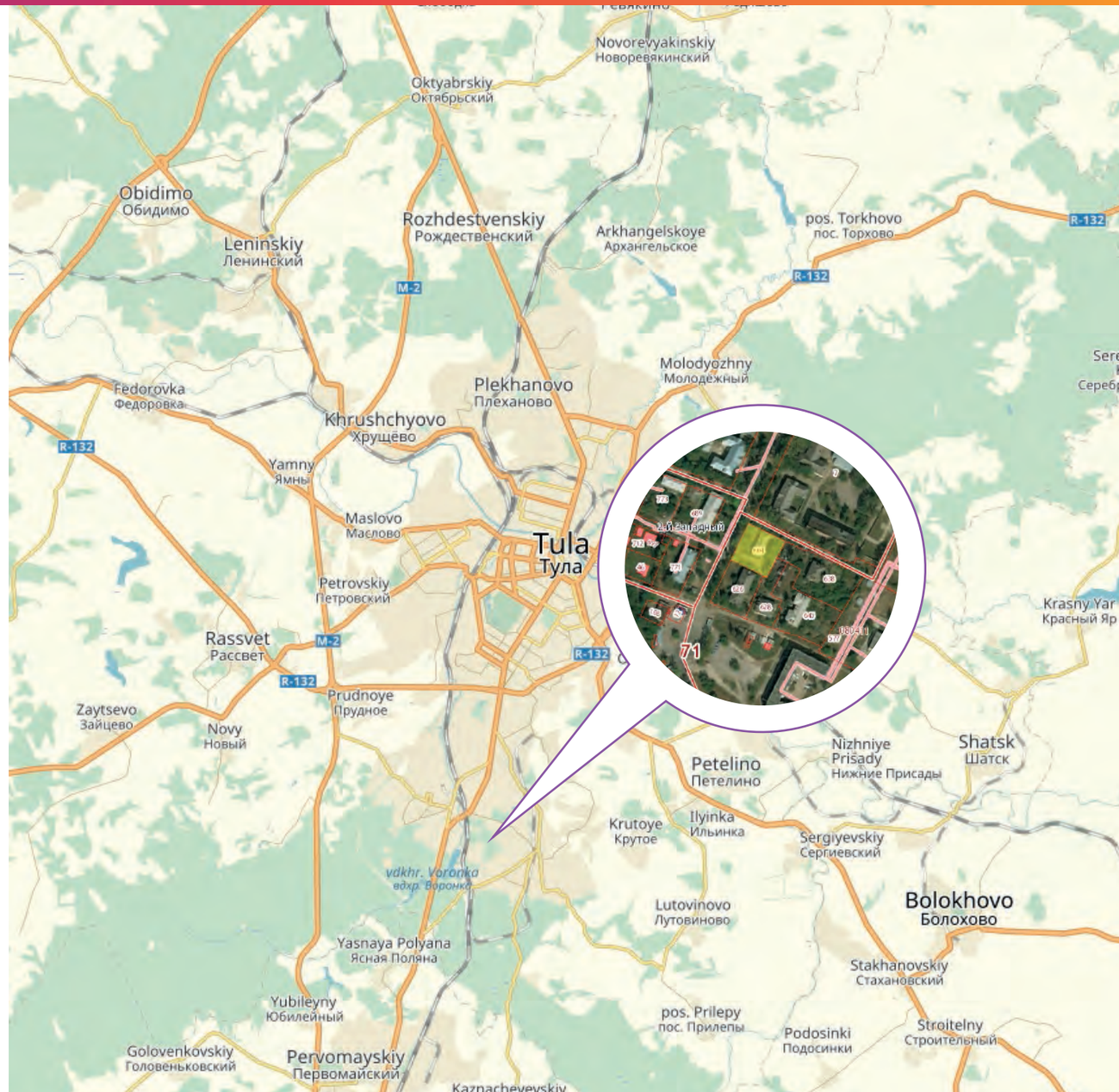
Permitted use
For high-rise construction

INFRASTRUCTURE

Power supply
Connection possible

Gas supply
Connection possible

Water supply
Connection possible



Tula Region, Tula, Provokzalny District, Kaluzhskoye Highway

LAND PLOT DESCRIPTION

Cadastral number
71:30:020407:153

Area
3,7 Ha

Land category
Residential area

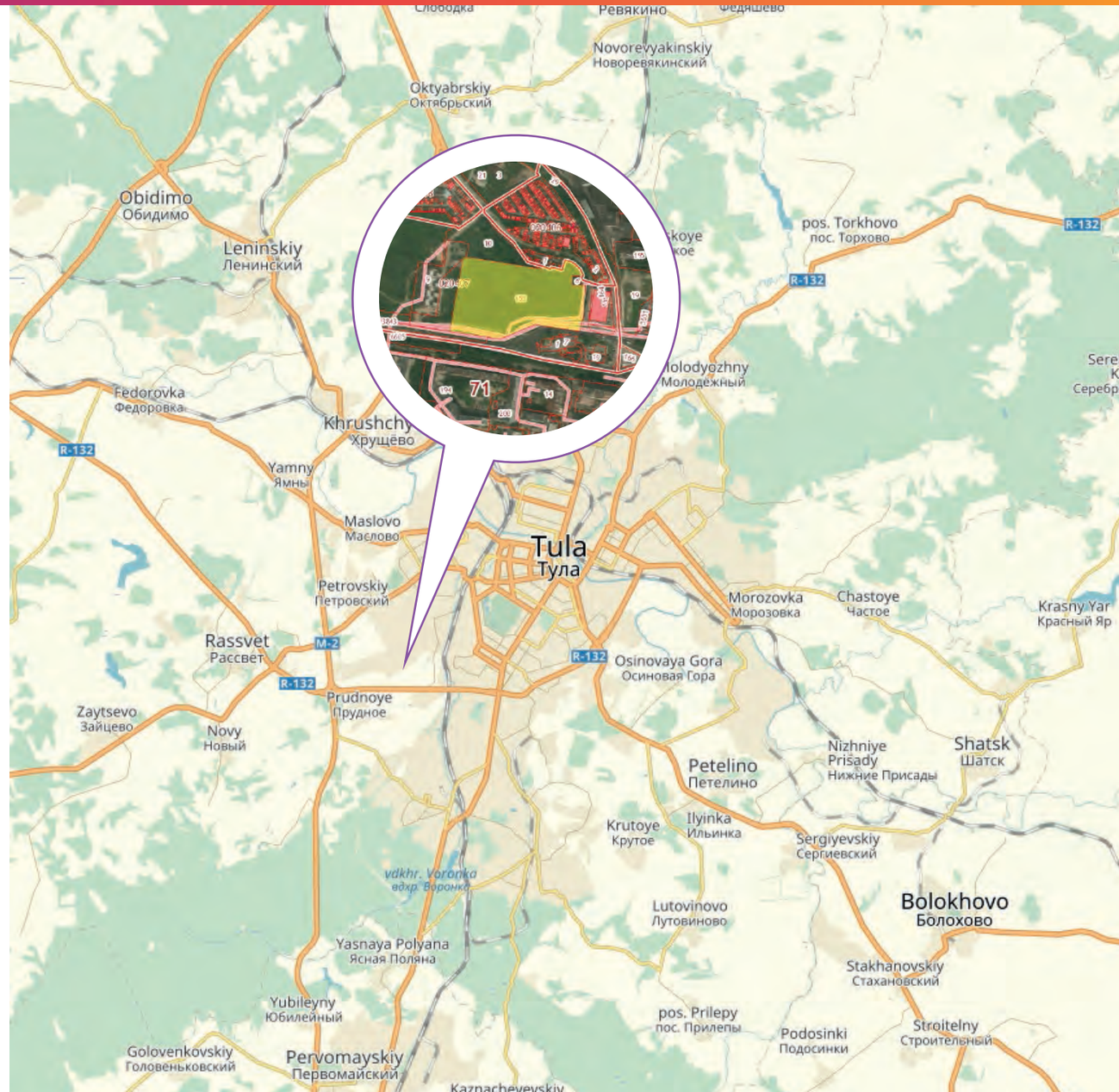
Permitted use
For siting of physical fitness and sports facilities

INFRASTRUCTURE

Power supply
Connection possible

Gas supply
Connection possible

Water supply
Connection possible



Tula Region, Tula, Rassvetovsky Rural District, Rassvet village

LAND PLOT DESCRIPTION

Cadastral number
71:14:040501:1322

Area
5,8 Ha

Land category
Residential area

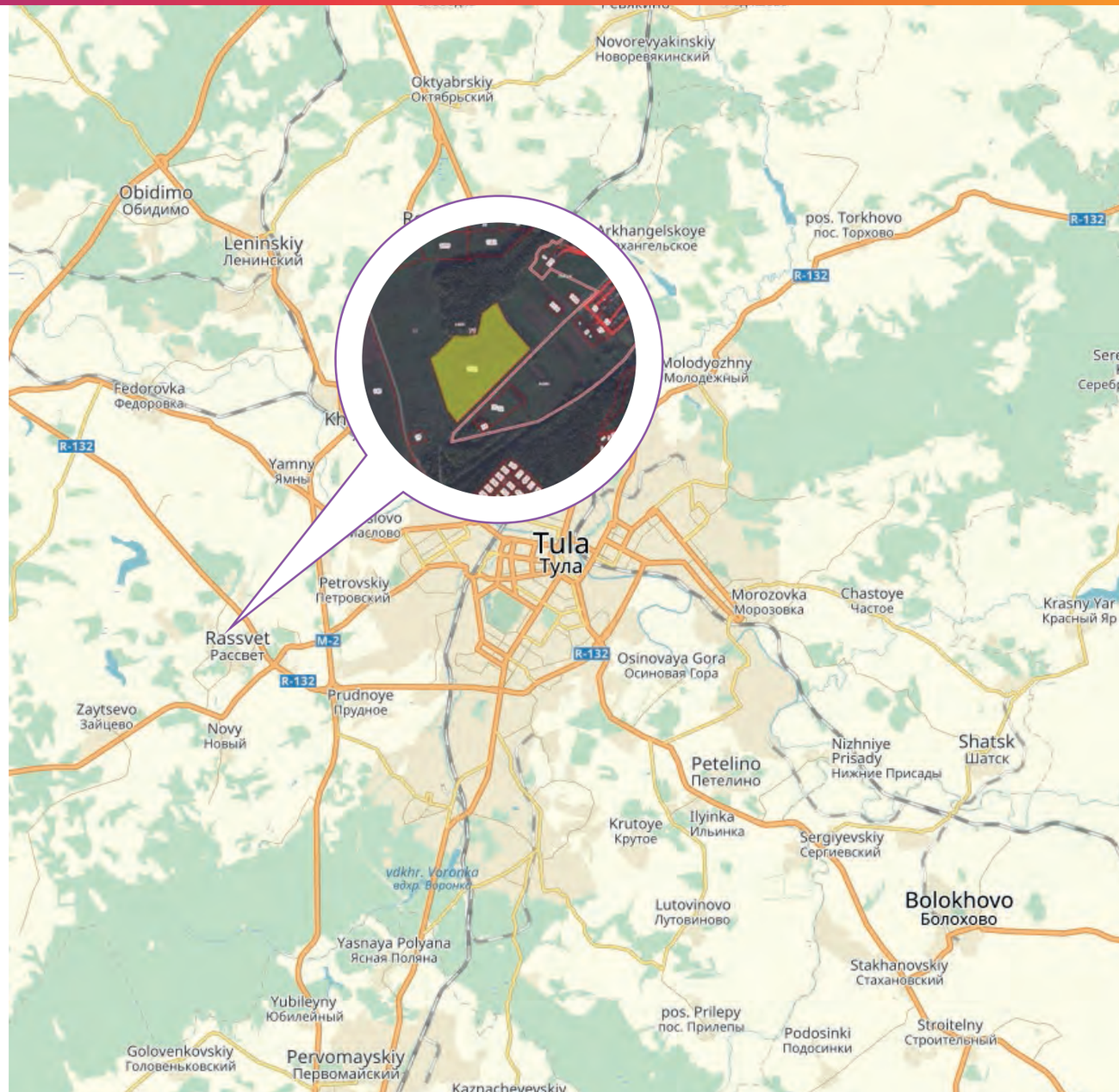
Permitted use
For residential development facilities

INFRASTRUCTURE

Power supply
Available

Gas supply
Within the zone of operational responsibility
of JSC Gazprom Gas Distribution Tula in Kosaya Gora village

Water supply
Connection possible



Tula Region, Tula, Leninsky District, Rozhdestvenskoye rural settlement, Lipki village

LAND PLOT DESCRIPTION

Cadastral number
71:14:010201:392

Area
22 Ha

Ownership
Property of public and legal entities

Land category
Residential area

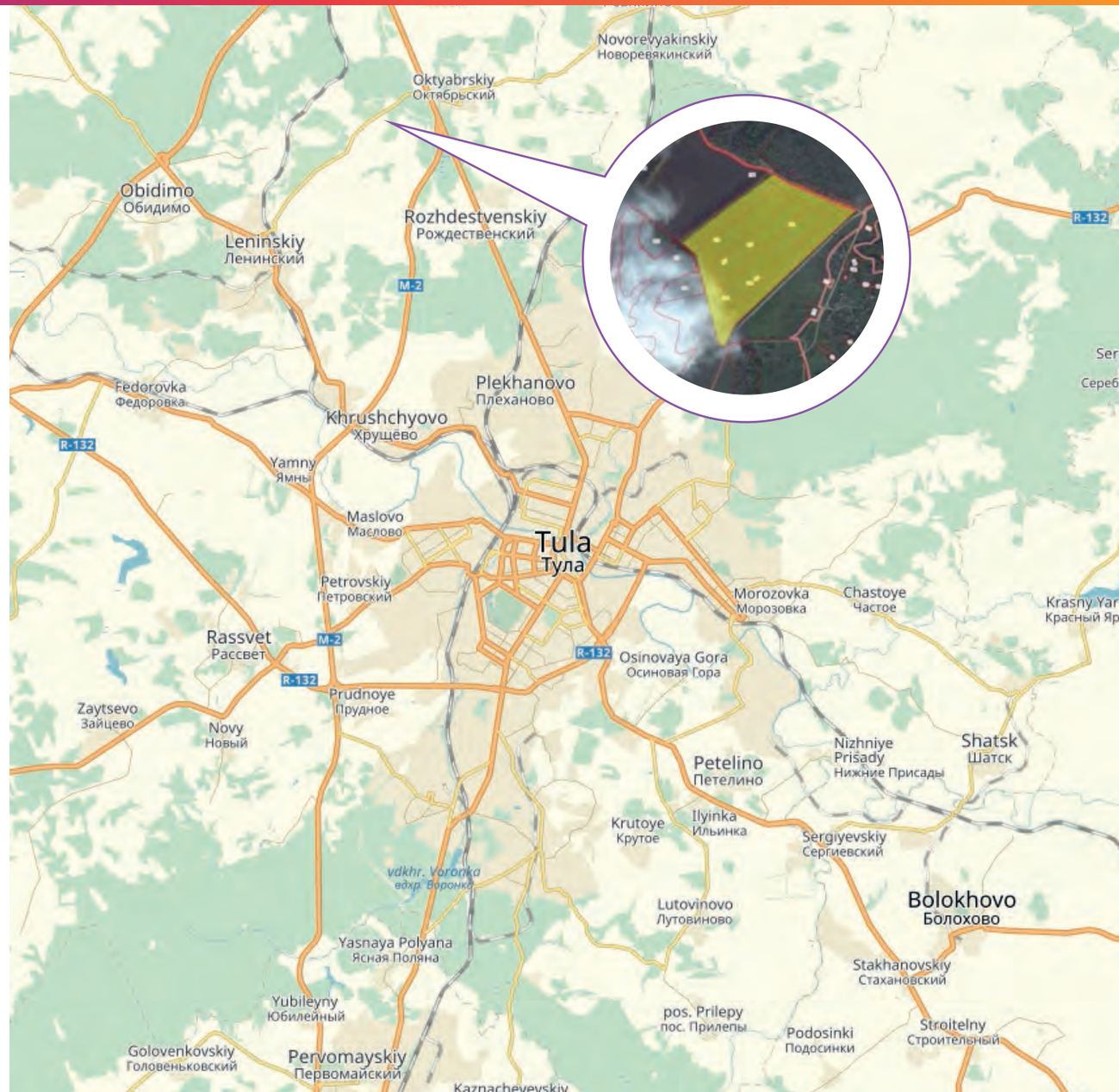
Permitted use
For other types of residential development

INFRASTRUCTURE

Power supply
Connection possible

Gas supply
Connection possible

Water supply
Connection possible



Tula Region, Tula, Tsentralny District, Rudakovo village, in the area between Tolstovo Street and Dachnaya Street

LAND PLOT DESCRIPTION

Cadastral number
71:30:080216:148

Area
1,4 Ha

Land category
Residential area

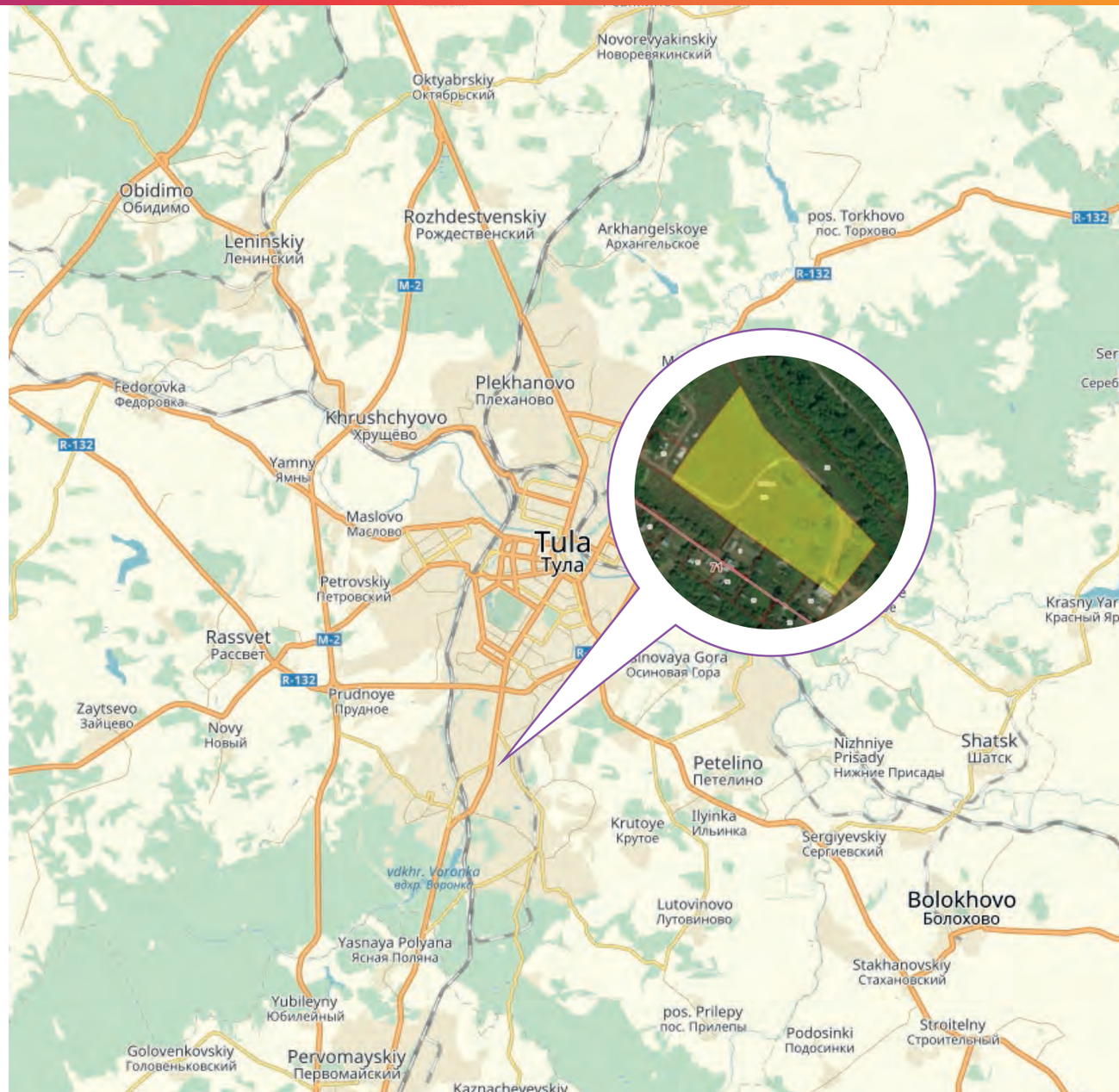
Permitted use
For individual residential development

INFRASTRUCTURE

Power supply
Connection possible

Gas supply
Connection possible

Water supply
Connection possible



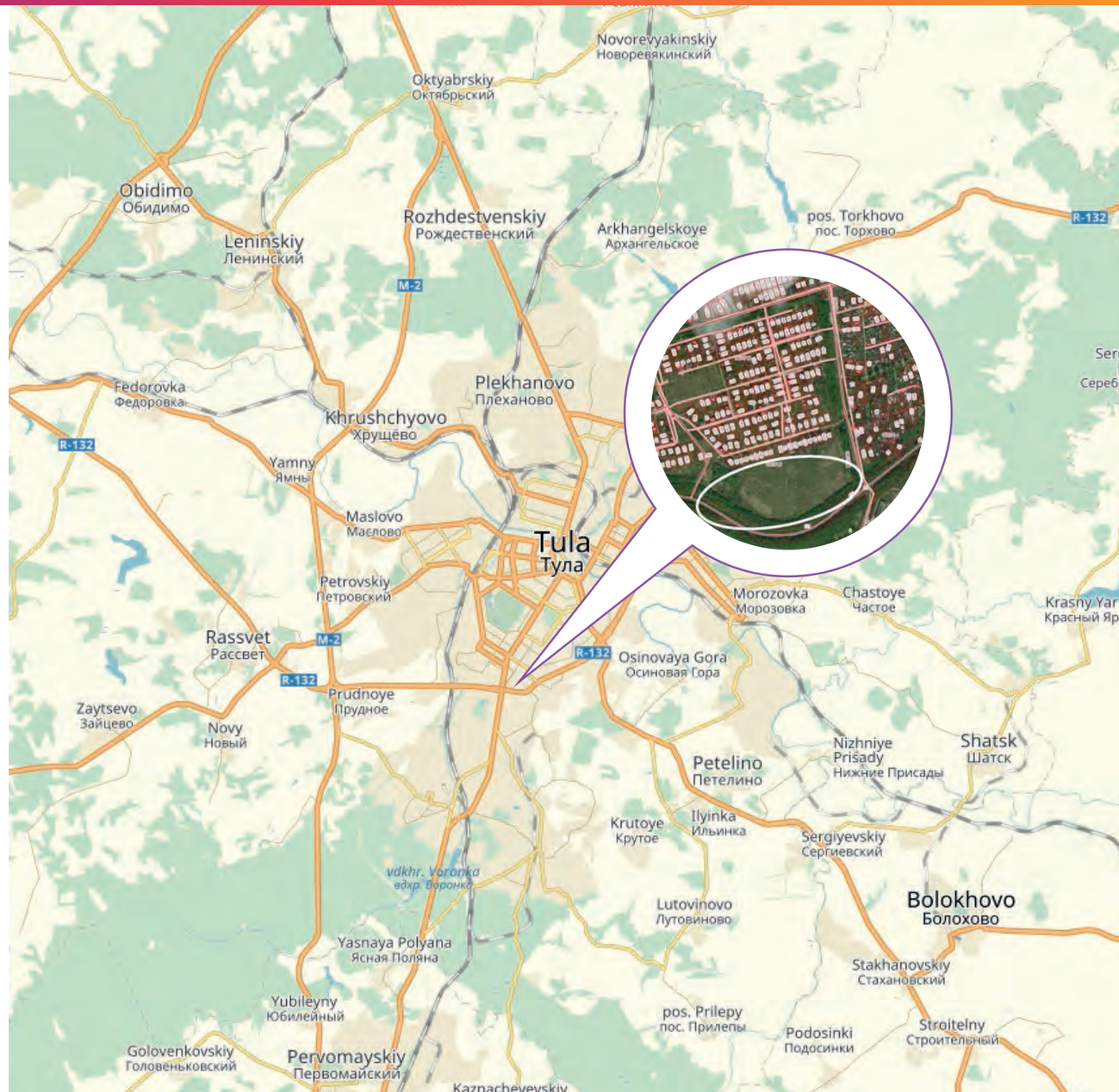
Tula, Privokzalny District, Mikhalkovo village, Mikhalkovskaya Street

LAND PLOT DESCRIPTION

№ **Cadastral number**
Land plot not formed

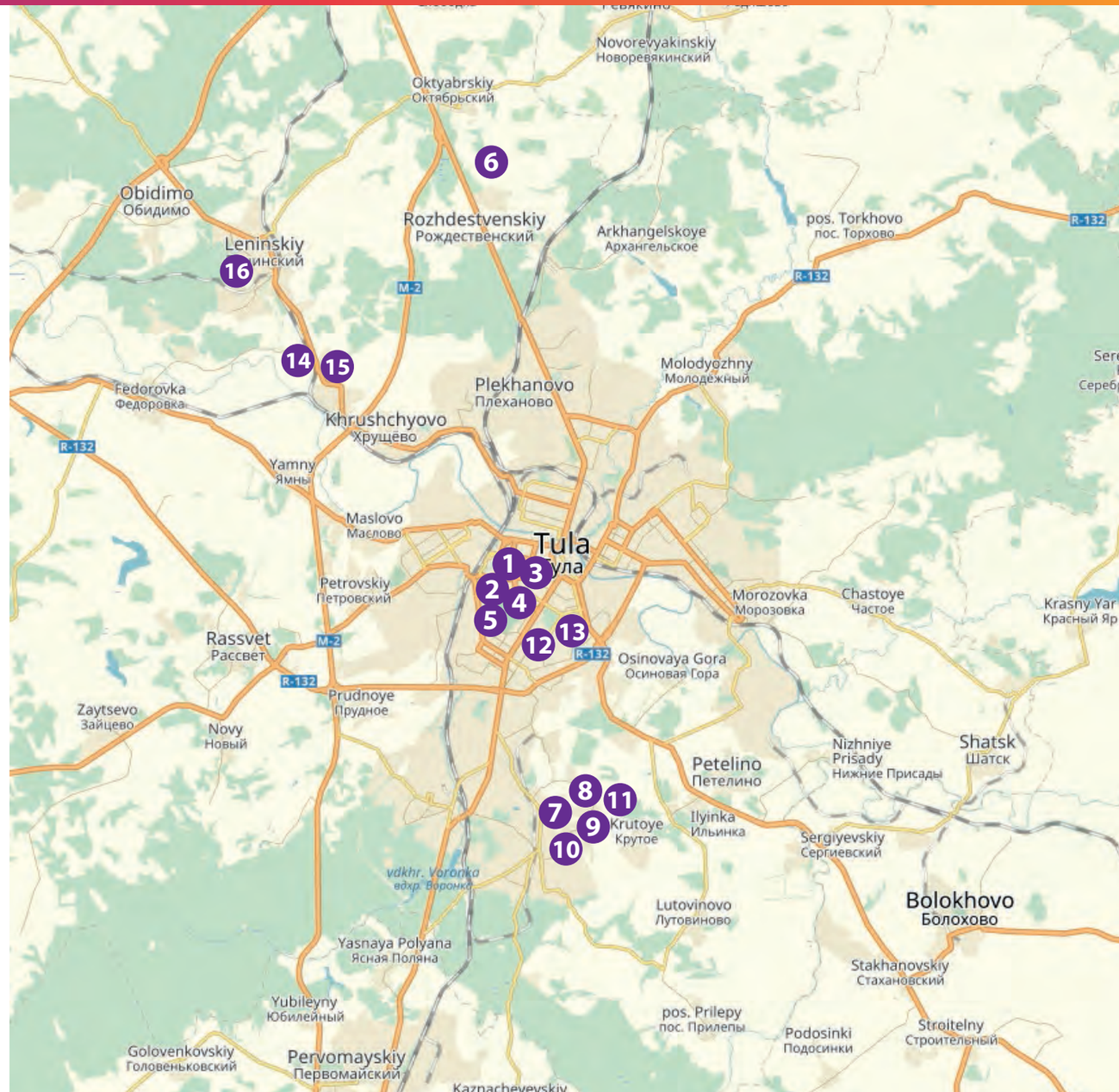
Land plot not formed
8,4 Ha

Changes need to be made to the draft lines of the town planning regulation to include this territory in the boundaries of the red lines. In addition, either a permit needs to be obtained for a conventionally permitted type of use or changes need to be made to the rules for land use and development as regards changing the territorial zone.



LAND PLOTS FOR THE CONSTRUCTION OF APARTMENT BUILDINGS

1. **Cadastral number: 71:30:090402:631 Zone Zh-2**
   Plot area: 1,861 sq. m.
   Address: Tula, Tsentranly District, Pobeda village, 2 Frunze Street
2. **Cadastral number: 71:30:090402:632 Zone Zh-2**
   Plot area: 2,438 sq. m.
   Address: Tula, Tsentralny District, Pobeda village, 4 Frunze Stree
3. **Cadastral number: 71:30:090402:633 Zone Zh-2**
   Plot area: 2,451 sq. m.
   Address: Tula, Tsentralny District, Pobeda village, 6 Frunze Street
4. **Cadastral number: 71:30:090402:623 Zone Zh-2**
   Plot area: 2,548 sq. m.
   Address: Tula, Tsentralny District, Pobeda village, 8 Frunze Street
5. **Cadastral number: 71:30:090402:626 Zone Zh-2**
   Plot area: 2,346 sq. m.
   Address: Tula, Tsentralny District, Pobeda village, 11 Frunze Street
6. **Cadastral number: 71:30:080410:126 0 Zone Zh-1**
   Plot area: 2,346 sq. m.
   Address: Tula, Tsentralny District, Oktyabrsky village, 115
7. **Cadastral number: 71:00:000000:111 416 Zone Zh-1**
   Plot area: 941 sq. m.
   Address: Tula, Tsentralny District, Trudovoy village, 11
8. **Cadastral number: 71:30:090404:296 Zone Zh-**
   Plot area: 836 sq. m.
   Address: Tula City, Tsentralny District, Trudovoy village, 125
9. **Cadastral number: 71:30:090404:297 Zone Zh-1**
   Plot area: 917 sq. m.
   Address: Tula, Tsentralny District, Trudovoy village, 133
10. **Cadastral number: 71:30:090402:577 Zone Zh-1**
    Plot area: 3,511 sq. m.
    Address: Tula, Tsentralny District, Trudovoy village, 142
11. **Cadastral number: 71:30:090404:339 Zone Zh-1**
    Plot area: 5,105 sq. m.
    Address: Tula, Tsentralny District, Trudovoy village, 84
12. **Cadastral number: 71:30:090301:125 1 Zone Zh-2**
    Plot area: 2,566 sq. m.
    Address: Tula, Tsentralny District, Yuzhny village, 4 Sovetskaya Street
13. **Cadastral number: 71:30:090302:593 Zone Zh-2**
    Plot area: 1,131 sq. m.
    Address: Tula, Tsentralny District, Yuzhny village, 13 Shakhtarskaya Street
14. **Cadastral number: 71:14:010404:1571**
    Plot area: 32,031 sq. m.
    Permitted use: for the siting of apartment buildings
15. **Cadastral number: 71:14:010901:3402**
    Plot area: 25,000 sq. m.
    Permitted use: For housing construction
16. **Cadastral number: 71:14:010404:1555**
    Plot area: 4,000 sq. m.
    Permitted use: for the siting of apartment buildings



RESETTLEMENT PROGRAMME FROM DILAPIDATED AND SUBSTANDARD HOUSING. INVESTMENT PROPOSALS

At present, the municipality administrations of the Tula Region are forming a register of substandard apartment buildings in the Housing Reform administrative information system, which already includes roughly 337 buildings with total area of 126,100 square metres that have been recognised as substandard after 1 January 2012.

The new programme for the resettlement of citizens from substandard housing will be developed after the completion of the current regional targeted programme. The timeline for its development is the third quarter of 2017.

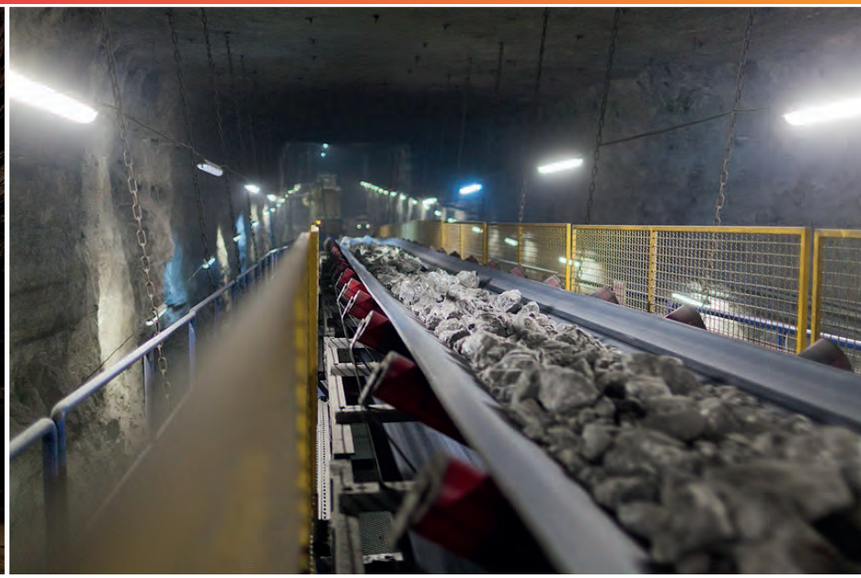
The resettlement of citizens from substandard residential buildings, which have been recognised as such after 1 January 2012, to new comfortable housing is envisaged using regional funds without the financial support of the state corporation Support Fund for the Reform of the Housing and Utilities Sector.

Funds of RUB 1 bln per year are to be allocated to achieve this goal, which will make it possible to resettle about 25,000 square metres of substandard housing annually. Land plots for the construction of residential buildings will be formed after the adoption of a regional programme for the resettlement of citizens from substandard housing.

In accordance with the subprogramme 'Development of Mortgage Housing Loans in the Tula Region for 2014-2021', in order to stimulate mortgage lending by the Regional Mortgage Fund, state support is provided from the budget of the Tula Region in the form of one-time social payments to the following categories of citizens to purchase housing as an initial contribution:
citizens living in residential premises that are unsuitable for permanent residence, substandard and subject to demolition - 60%;
large families - from 40% to 90%, depending on the number of children in the family;
employees of state and municipal institutions of the Tula Region - 50% of the estimated cost of housing.
In 2017, RUB 50 mln were allocated from the Tula Region budget to implement this programme.
In addition, the Fund developed and implemented special programmes to provide preferential mortgage lending to:
- medical workers,
- pedagogical workers,
- workers in the Tula Region's defence industry complex,
- Tula Region families with two or more children,
- young families in the region.

This includes the following programmes:
- 'My Home' under which a loan is provided for the construction of individual homes at a rate of 6.25% for families with two or more children, medical workers, defence industry complex workers, pedagogical workers and young families of the Tula Region;
- 'Affordable Housing' under which a loan is provided to purchase housing on the primary and secondary markets at a rate of 8.9% and 10.9% (respectively) for families with two or more children, medical workers, defense industry complex workers and pedagogical workers of the Tula Region.

As part of the subprogramme 'Provision of Housing for Young Families in the Tula Region', state support is provided to young families in the form of social payments for the purchase (construction) of housing, including to pay an initial installment upon receiving a mortgage loan or a loan for the purchase of housing.
This subprogramme is being implemented within the framework of the 'Housing' federal target programme.
In accordance with the established funding limits, 460 families have been included in the list of young applicants for social benefits under the subprogramme in 2017.

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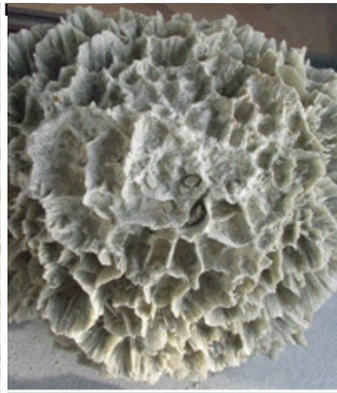


II MINERAL EXTRACTION AND PROCESSING
1. DESCRIPTION OF THE INDUSTRY

The subsoil resources of the Tula Region is extremely rich in nonmetallic solid minerals. Rock salt, gypsum and carbonate rocks - limestones and dolomites, clays and loams, sands and sandy-gravel mixtures - are used in various sectors of the national economy. Rich deposits of rock salt have been found in the region. Almost half of the region's territory is situated on a thick salt layer.

More than 160 deposits of various raw materials that can be used to produce building materials have been explored throughout the Tula Region and 60 of them have been put into industrial development. The region ranks first in the Central District in terms of building stone resources - gypsum - and has significant reserves of raw materials for the production of cement and wall materials. Combustible minerals found in the Tula Region include brown coal and peat.

The projected resources of rock salt are estimated at 557 bln tonnes, which means the region could create a major salt-mining and processing industry that is capable of supplying all of Russia's central regions with table salt (sufficient for production of more than 400 mln tonnes of table salt) .

More than 20 promising sites containing strontium ores have been discovered with total projected resources of approximately 200 mln tonnes. There are anomalies of precious metals, polymetals, cadmium, copper, barium and lithium, and sands containing zirconium (up to 26-30 kg/t) in the northern part of the region. Agro-chemical mineral raw materials are widely distributed throughout the region.

A deposit of celestine ores has been discovered in the south-east of the region.

The prospective zone for the development of celestine minerals has a total area of 21,000 km2. A total of 28 manifestations of celestine ore have been identified here.

The projected resources of celestine ores in the Tula prospect zone are very large and could contain several large strontium deposits with run-of-mine ore (25-30% of celestine).

The Tabolskoye field contains enriched sections of celestine ore with reserves of about 2.0 mln tonnes and a SrO content of 30-35%. The development of this deposit could produce more than 600,000 tonnes of strontium.

Considering that Russia only currently meets 30% of its needs for celestine concentrate using its own resources, putting this depoit into operation would eliminate this deficit.

The gypsum reserves in the region could fully meet the needs of both the Tula Region and neighbouring regions.

Limestone is one of the main minerals of the Tula Region. The largest reserves of limestone are concentrated to the north and west of Tula, not far from the city of Aleksin.

The deposits are 35-40 metres thick here. There are large deposits of limestone in the Dubensky, Venevsky and Suvorovsky Districts. The region has very pure limestones in terms of its chemical composition. In addition to construction, limestone can be used for the manufacture of faience, in the the sugar and rubber industries, chemistry, etc.

The proven reserves of gypsum deposits allow for producing gypsum plaster in the following quantities: Bolokhovskoye deposit - more than 90 mln tonnes of gypsum, Obolenskoye deposit - more than 106 mln tonnes of gypsum and Skuratovskoye deposit - more than 173 mln tonnes of gypsum.

The region's brick clays and loams are raw materials for the production of building bricks.

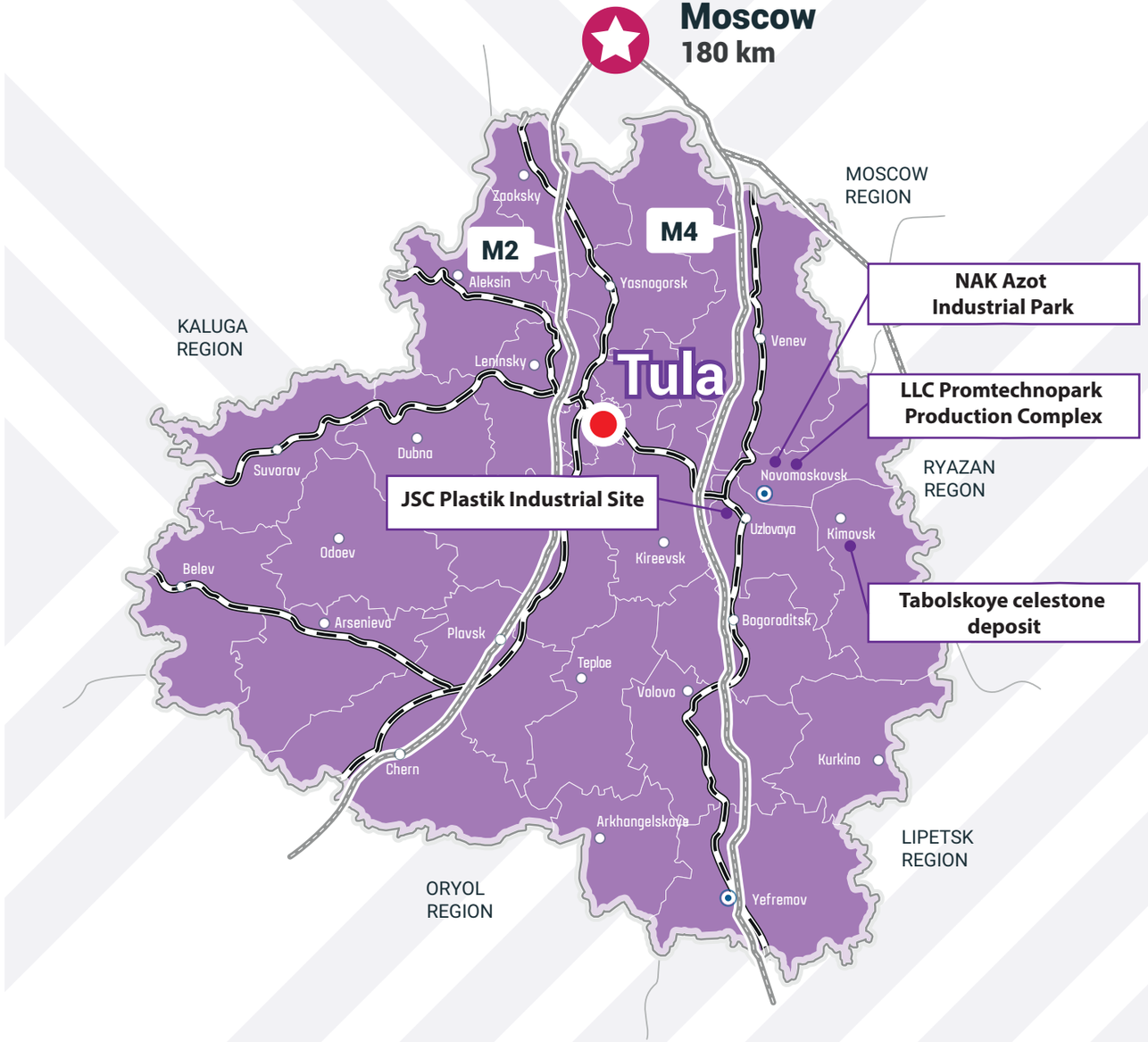
The Tula region is exceptionally rich in mineral waters with medicinal qualities. In terms of its chemical composition, the water contains sulphate-hydro-carbonate, sulphate, chloride and mixed properties.

The Tula Region's phosphorite reserves are estimated at 563 mln tonnes, which is enough of a reason to set up cost-effective production facilities to process phosphorite ore in order to meet the needs of the region's agro-industrial complex for phosphate mineral and complex organo-mineral fertilisers. One of the main advantages is that the deposits are not deep. The yield of phosphorus-containing minerals from the deposit's reserves is more than 1.4 mln tonnes.

Celestine is a raw material that can provide strontium compounds used in sugar, glass, ceramics, pharmaceuticals and pyrotechnics.
The total area of the prospective zone for celestite mineralisation is 21,000 km2. A total of 28 ore manifestations of celestine have been revealed in the region, one of which - Tabolskoye - has been studied in greater detail. The ore bodies have a lenticular form and are deposited according to the host rocks with thickness of 0.5-7.7 metres. In some areas, the ore is deposited at shallow depths and is accessible for open-pit processing. There are also conditions for adit-cut mining.
The celestite content in the isolated ore bodies varies within a very wide range: from 10-15.0% to 74.5%.
Acid is the main component used in the leaching of the original mineral - celestine and the extraction of strontium compounds from it, which are used in many industrial fields - pharmaceuticals, industrial, metallurgical as well as the production of displays, glass, ferrites, tiles and ceramics. When extracting strontium, an equally important secondary component is formed - dolomite, which is used in the production of refractory materials, building materials and rubber.
The Tabolskoye field is located in close proximity to one of the largest production facilities of JSC Novomoskovsk Nitrogen. JSC NAK Azot is part of the EuroChem holding. The company is a leader in the production of acids, nitrogen fertilisers and methanol. JSC NAK Azot is developing successfully.
The industrial park offers land plots equipped with infrastructure to accommodate chemical industry enterprises. As an alternative to the land plot, we are ready to offer the production complex of LLC Promtechnopark and the site of JSC Plastik with established utilities and finished facilities located near Novomoskovsk Azot.
The developed infrastructure of the Tabolskoye deposit zone includes: an asphalted highway, a railway station, gas and electricity supply as well as the Russian market's demand for dolomite - all of which proves the prospects for developing the deposit.

The samples taken during various stages of exploration and analysed by the Central Geological Research Institute for Nonferrous and Precious Metals and GIGSKh institute (weighing 120 to 590 kg) showed satisfactory enrichment:
- concentrate with a celestine content of 88.6-88.8% was obtained by flotation scheme with extraction of 60-70.7% ;
- according to the gravity diagram, these figures were 85.28-90.9% and 51-61.1%, respectively;
- celestine concentrate with a content of more than 85% and extraction of at least 68-72% was obtained according to the calcination scheme of enrichment; slaked lime, suitable for the production of building materials (brick, crushed stone, etc.) was obtained as a by-product of enrichment (slurry).
Overburden rocks can be used to produce crushed stone. The hydro-geological conditions of the deposit are assessed as basic and favourable for its development.
The latest results of exploration work indicate that within the Tabolskoye field, enriched sections of celestine ore with a content of 30-35% SrO and reserves of about 2.0 mln tonnes can be extracted. In addition, rich ore deposits can also be extracted when carrying out prospecting and evaluation works on prospective areas.

USE OF CELESTINE



Bolokhovskoye gypsum deposit

The commercial gypsum deposit is located at a depth of 88-133 metres and has capacity of 20.1-28.5 metres (predominantly 22-24 metres).

Dolomite limestone and marly dolomite gypsum are divided into 2-3 layers. The middle layer is the most promising with a prevalent thickness of 14.5-16.5 metres.

According to the laboratory of Mosbassuglegeologia Trust, the CaSO4 * 2H2O content in the gypsum ranges from 85.4% to 96.9% (predominantly 80-92%).

The reserves can be increased due to the exploration of the flanks of the field.

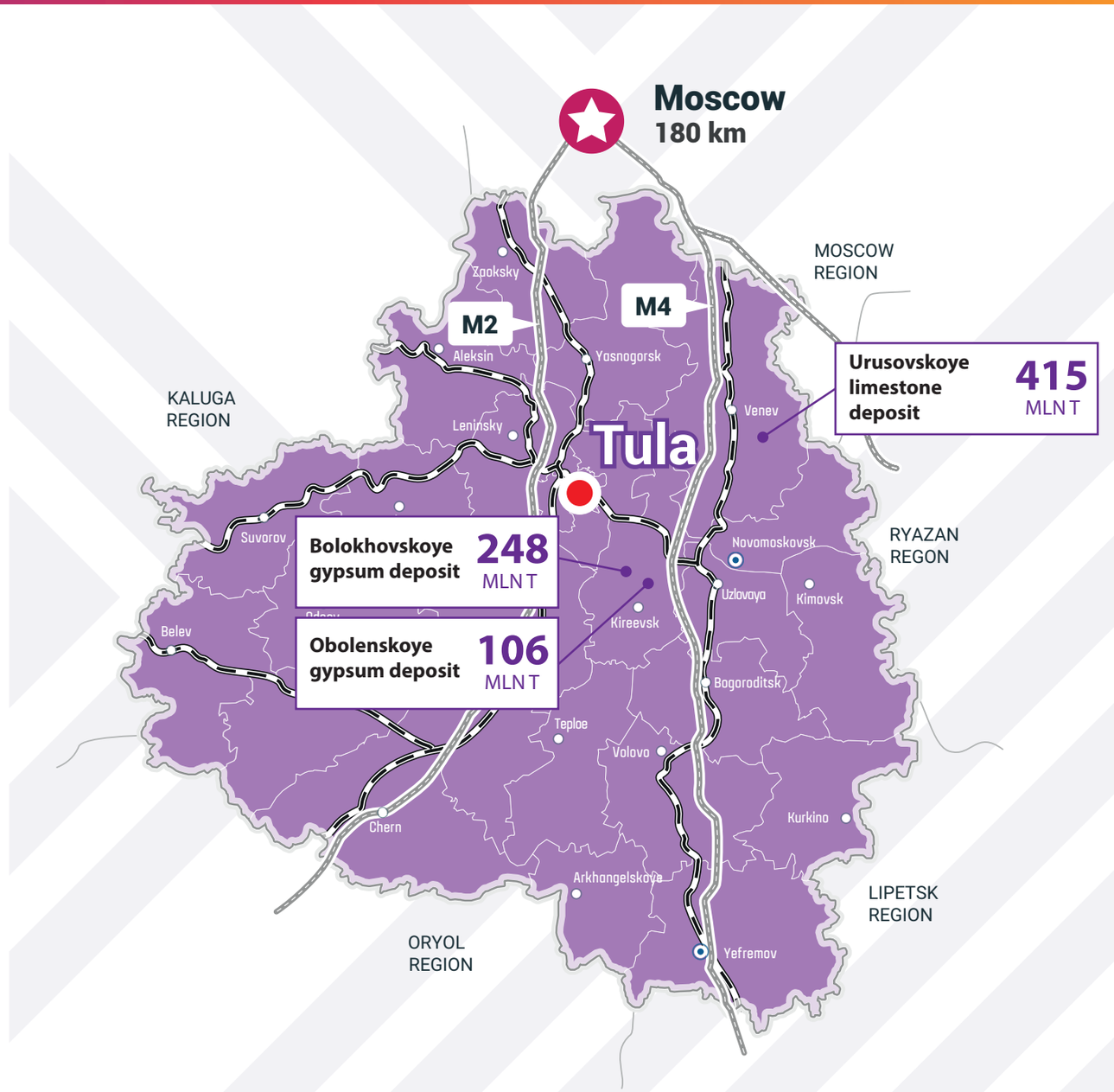
Obolenskoye gypsum deposit

According to the laboratory of Mosbassuglegeologia Trust, the CaSO4 * 2H2O content in the gypsum ranges from 58.1% to 97.4% (weighted average of 91.1%).

The gypsum reserves are calculated separately for the three layers and approved by Protocol No. 2006 of the State Reserves Committee dated 8 October 1957.

Urusovskoye limestone deposit

The deposit's productive stratum is represented by almost horizontally positioned limestone. The limestone thickness from 15 to 29 metres and averages 20 metres. Analyses concluded that the limestone quality has sufficient continuity for all the limited components.



Rock salt

Deposits: Obidimskoye - 587,000 tonnes and Aleksinskoye - 735,000 tonnes. The average chemical parameters of the brine are as follows (in g/l): NaC-309.8; Na2S04 - 5.71; Mg - 0.163; Cp -1.72; SO4 - 3.83. Table salt converted to 100% NaCl is used in the production of caustic soda and partly as a chemical reagent. Salt is extracted using underground leaching method.

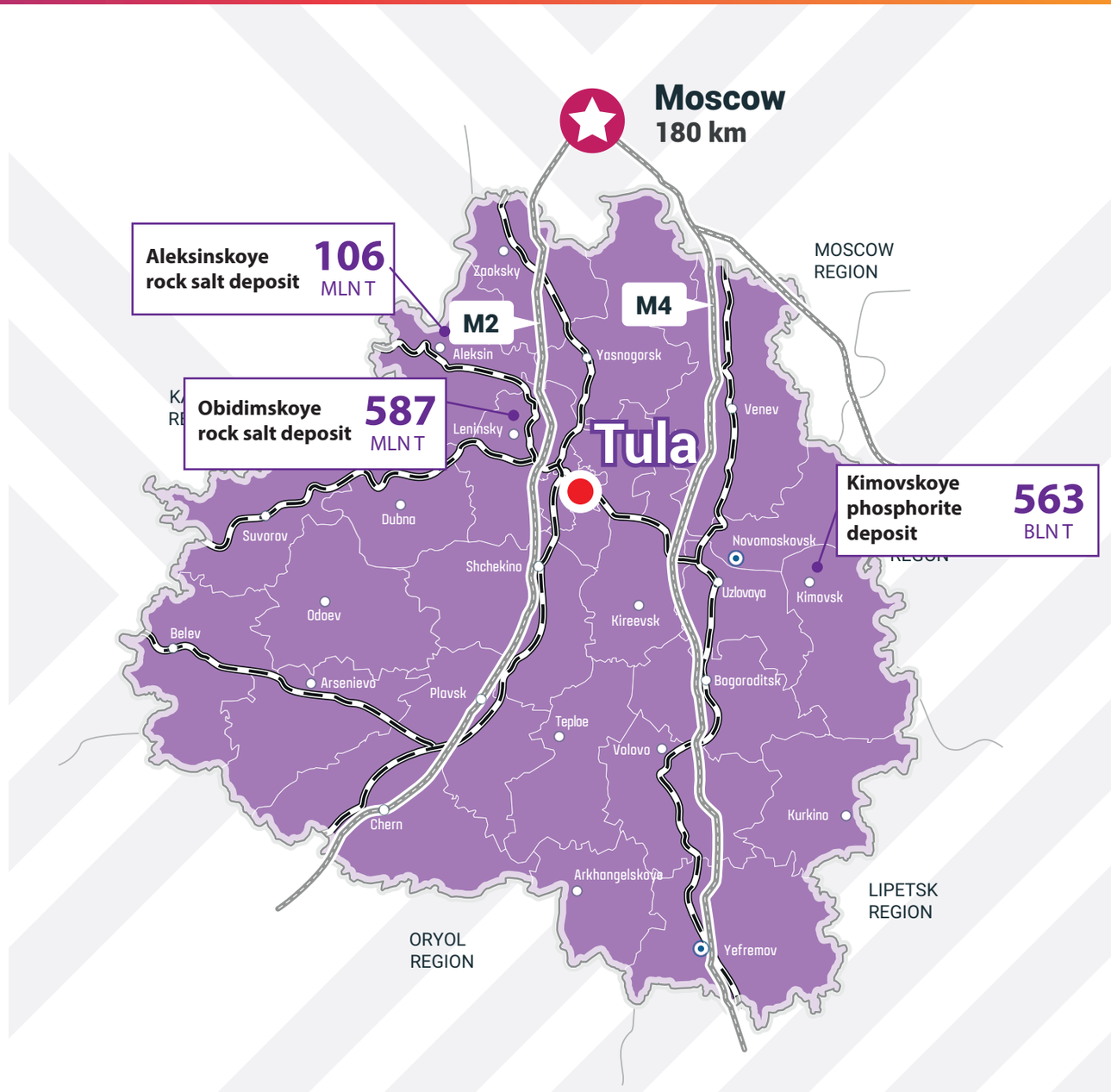
Phosphorites

The Kimovskoye deposit of nodular phosphorites, which is located in the eastern part of the region, unites 14 deposits and 22 lenses of phosphorites, of which 6 deposits have been explored in detail and the rest have been prospected.

The main minerals are phosphate (18-70%), quartz (37-70%), glauconite and iron hydroxides; auxiliary minerals include rutile, zircon, garnet and disthene, among others.

The chemical composition of the phosphorites (%) is as follows: P2Os 5.8-18 (rarely as high as 22), SiO2 57-70, Fe2O3+Al2O3 16-30, TiO2 as high as 0,5, CaO 7-33, MgO as high as 1 (rarely to 3), SO3 as high as 1 (rarely more), K2O + Na2O as high as 1 (rarely up to 4).

The balance sheet includes Deposit No. 8 with phosphorite ore reserves under categories A+B+C1 of 3.076 mln tonnes. The Tula Region's phosphorite reserves are estimated at 563 mln tonnes, which is enough of a reason to set up cost-effective production facilities to process phosphorite ore in order to meet the needs of the region's agro-industrial complex for phosphate mineral and complex organo-mineral fertilisers. One of the main advantages is that the deposits are not deep.



1 LLC Orgsintez production complex
Novomoskovsk, 72 Komsomolskoye Highway

Land plots equipped with infrastructure are offered for projects.
Transaction form: sale.
The complex has developed infrastructure:
- electricity at a reduced price;
- gas supply;
- water supply;
- steam supply;
- centralised sewage system;
- internal railway spur;
- 24 hour security;
- amenity service for employees.

2 NAK Azot (EuroChem) production complex
Tula region, Novomoskovsk, 10 Svyazi Street

Land plots equipped with infrastructure are offered for projects.
Transaction form: sale.
The complex has developed infrastructure:
- electricity supply at a reduced price;
- gas supply;
- water supply;
- steam supply;
- centralised sewage system;
- internal railway spur;
- 24-hour security;
- amenity service for employees.

3 JSC PLASTIK TECHNOPARK
Tula Region, Uzlovaya, 1 Tulskaya Street

Production, storage and office facilities.
Area: 26,811 sq. m.
Gas supply.
Power supply 2x40 mW.
Water supply.
Hazard class: I.
(The complex has developed infrastructure: power supply at a reduced price, gas supply, water supply, steam supply, centralised sewerage, internal railway spur; 24-hour security, customs terminal, amenity service for employees).

4 BOGORODITSKY TECHNOPARK
Tula Region, Bogoroditsk, 2 Zavodskoy Proyezd

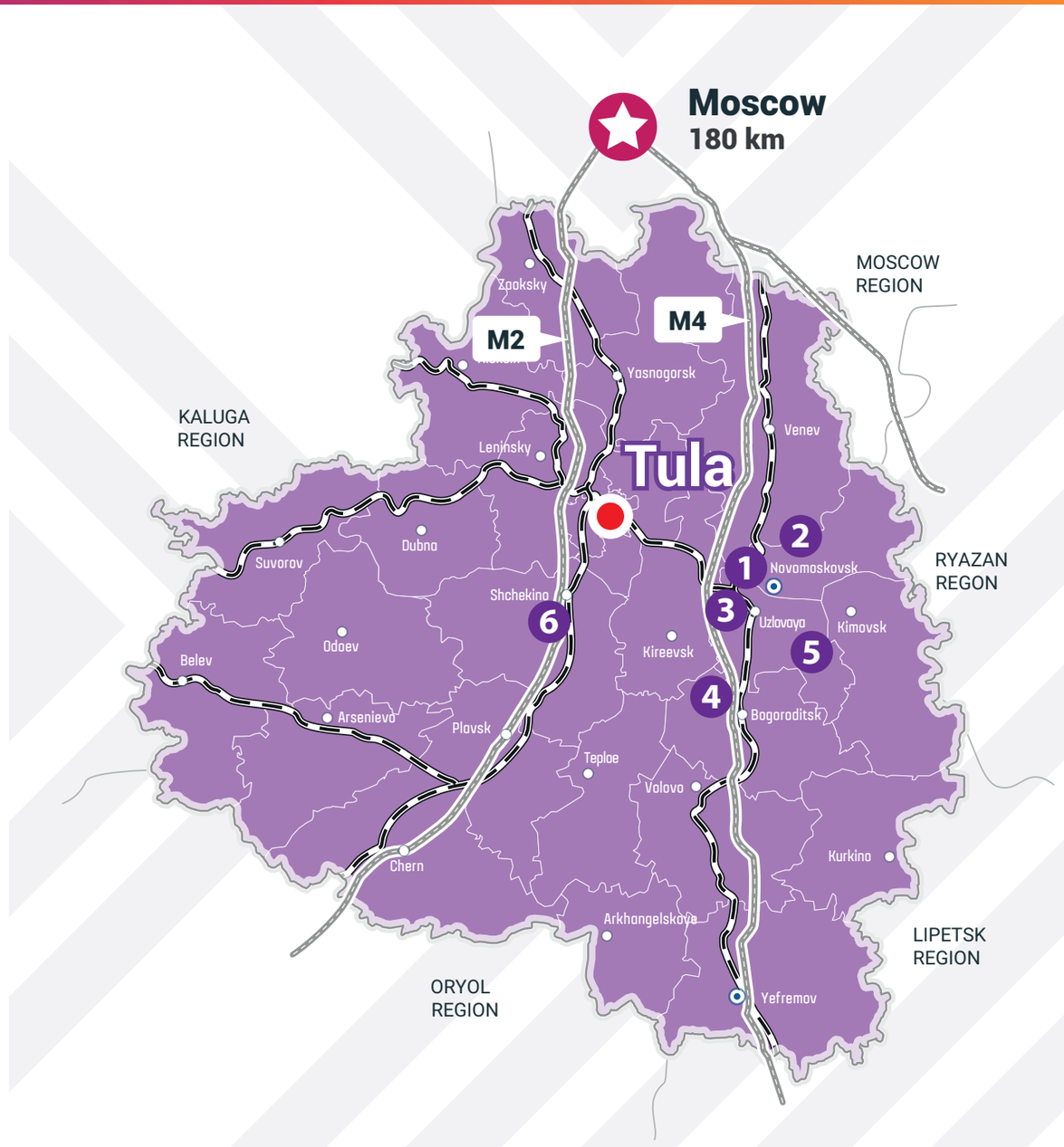
Area 10 ha.
Electricity supply 6kV.
Water supply.
Hazard class: IV.

5 MO Uzlovsky District, 3 Molodezhnaya

Production, storage and office premises are offered for the implementation of the project.
Land plot area: 4.74 ha.
lindustrial premises area: 10,900 sq. m.
Transaction form: sale, lease by agreement.
Lease price: by agreement.
Plot price: RUB 120 mln.
Ceiling height: 5-7 metres.
The complex has developed infrastructure:
- electricity supply 2 mV;
- gas supply;
- water supply.

6 PERVOMAYSKY TECHNOPARK

Water supply 408 m3/day.
Electricity supply up to 5 MVA.
Water supply.
Hazard class: I.



The share of Russian-made products offered on the commercial market exceeded the share of imported products in 2016. The reason for this was growth in apple production in Russia (by 15.6% versus the previous year) as well as a decrease in imports (by 31.1% compared with 2015).

In-kind apple sales are expected to grow by 1.7-9.9% per year in 2017-2021. Increased demand from the commercial manufacturing sector will contribute heavily to the growth in sales.

In 2016, RUB 3.34 bln were allocated for the development of horticulture, including RUB 1.84 bln to subsidise the costs of planting and caring for perennial fruit and berry plantations.

Demand for domestic fruit products has increased due to restrictions on food imports, in particular fruits. Russian juice producers meet up to 95% of the domestic market's demand.

The juice consumption level in Russia is 20 litres per person per year, yet according to the Russian Union of Juice Producers (RUJP), most domestic juice processing plants are currently using 50-70% of their capacity.

At present, the Tula Region has about 2,000 hectares for horticulture development in the Aleksinsky, Belevsky, Venevsky, Volovsky and Odoyevsky districts. The average selling price of a commercial apple was RUB 35 per kg in the 2016-2017 season.

This promising industry continues to grow: whereas in recent years about 300 hectares of intensive gardens were planted in the region, in 2016 roughly 500 hectares were planted.

A stimulating factor in the industry's development will be the further planting of intensive gardens and the construction of modern fruit storage facilities.

Target model for the project's implementation:
Planting of 100 hectares of intensive gardens annually. Construction of fruit storage facilities for 5,000–10,000 tonnes for the region's needs.

Rationale for the need to implement the project:
Presence of old orchards in the Region that could be uprooted with the subsequent planting of new orchards.
Lack of modern capacity for long-term storage. Storage capacity amounts to roughly 6,800 tonnes despite average output of 20,000–25,000 tonnes of apples per year at agricultural organisations.

Economic rationale:
The average selling price of a commodity apple was RUB 35 per kg in the 2016–2017 season.

Siting of the facility:
At present, there are about 2,000 hectares of unused old orchards in the region in the Aleksin, Belyov, Venyov, Volovo and Odoyev districts.

State support:
As part of the Tula Region's state programme "Development of the Agro-Industrial Complex of the Tula Region", the following measures of state support are envisaged:
1.1. Reimbursement of a portion of expenses on the planting of intensive orchards. Reimbursement amount – up to RUB 250,000 per hectare.
1.2. Reimbursement of a portion of expenses on caring for perennial fruit plantations before the period of their commercial fruition. Reimbursement amount – up to RUB 27,000 per hectare.
1.3. Reimbursement of a portion of direct costs on the construction and/or modernisation of storage facilities. Reimbursement amount – 20 percent of the estimated cost of the facility (but no more than the maximum cost of the facility).
As part of Resolution No. 1528 of the Government of the Russian Federation dated 29 December 2016, financial stability is supported with the provision of short-term and investment loans at a reduced rate (no more than 5% p.a.).

As part of the Tula Region's state programme "Development of the Agro-Industrial Complex of the Tula Region", the following measures of state support are envisaged:

1.1. Reimbursement of a portion of expenses on the planting of intensive orchards.
Reimbursement amount – up to RUB 250,000 per hectare.
The payment procedure is to be confirmed in 2017.

1.2. Reimbursement of a portion of expenses on caring for perennial fruit plantations before the period of their commercial fruition. Reimbursement amount – up to RUB 27,000 per hectare.
The payment procedure is to be confirmed in 2017.

1.3. Reimbursement of a portion of direct costs on the construction and/or modernisation of fruit storage facilities.
Reimbursement amount – 20 percent of the estimated cost of the facility (but no more than the maximum cost of the facility).

The rules for granting and distributing subsidies from the federal budget to the budgets of the regions of the Russian Federation for the reimbursement of a portion of the direct costs on the construction and/or modernisation of agro-industrial complex facilities as well as the purchase of machinery and equipment (Appendix No. 11 to the State Programme for the Development of Agriculture and Regulation of Agricultural Products, Raw Materials and Food for 2013–2020).

As part of Resolution No. 1528 of the Government of the Russian Federation dated 29 December 2016, financial stability is supported with the provision of short-term and investment loans at a reduced rate (no more than 5% p.a.).

Milk production in Russia has been relatively stable for several years. Milk production at the country's agricultural organisations and farms grew by 11.8% over the last ten years. Production is relatively evenly distributed by region, and there are no distinct leading regions with decisive values for industry as a whole.

Milk production at all categories of farms totalled: 30.79 million tonnes in 2014, 30.796 million tonnes in 2015, 30.724 million tonnes in 2016 and 6.407 million tonnes in the first quarter of 2017 (up 1.45% compared with the same period in 2016). The estimate for 2017 is around the same level as 2016.

The commercial sector (agricultural organisations and farms) accounted for 54.4% of total production in 2015.

The independent analytical company Daily Market Research Centre, which conducts research on the dairy industry in Russia, noted that the largest dairy producers are concentrated in the Central Federal District.

Annual milk production at farms of all categories in the Tula Region totalled 176,700 tonnes in 2014, 187,300 tonnes in 2015 and 185,800 tonnes in 2016. Milk production at agricultural organisations was down 4.6% in January–April 2017 compared with the same period last year. The average milk yield per cow was 1,930 kg (up 6.6% versus the corresponding period of 2016) compared with 1,811 kg in January–April 2016.

At present, milk processing facilities in the Tula Region have total processing capacity of more than 250,000 tonnes per year. The largest consumers of raw milk are: Aleksinsky Dairy Plant, Arsenievsky Butter Factory, Yefremovsky MSK, Odoevsky Butter Factory, Tula Daily and Uzlovsky Dairy.

The average purchase price for raw milk currently ranges from RUB 24–28 per litre depending on the quality.

TOP 10 MILK PRODUCING ENTERPRISES IN RUSSIA

No.	Enterprise	Milk production volume, tonnes per year	Total number of livestock	Total dairy herd	Region
1	EcoNivaAgro	120,211	35,600	18,000	Voronezh Region
2	Tkachev Agrocomplex Company (Vyselkovsky District)	59,060	34,530	18,450	Krasnodar Territory
3	Belorechenskoe AC	42,000	15,000	6,600	Irkutsk Region
4	Interkros Centre	40,972	8,841	4,395	Tula Region
5	Voschazhnikovo Agricultural Production Association	37,587		4,000	Yaroslavl Region
6	Truduvoi Stud Farm	36,718.4		4,000	Saratov Region
7	Kubansky Dairy Products Complex	36,518	10,458	3,790	Krasnodar Territory
8	Sibirskaya Niva	33,914	12,650	4,500	Novosibirsk Region
9	Rodina	31,100	8,000	3,300	Krasnodar Territory
10	Kuban Agricultural Association	29,584	7,019	3,613	Krasnodar Territory

Target model for the project's implementation:
at least 5,000 head of milking cows with milk production of over 35,000 tonnes per year.

Rational for the need to implement the project:
availability of milk processing facilities in the region.
At present, milk processing facilities in the Tula Region have total capacity of more than 250,000 tonnes per year.

Economic rationale:
the average procurement price for raw milk currently ranges from RUB 24-28 per litre depending on the quality.

Most suitable municipal districts for the siting of the facility:
1) The Bogoroditsk District has roughly 12,000 hectares of available uncultivated agricultural land, including about 5,700 hectares of uncultivated agricultural land owned by district administrations and rural settlements.
2) The Aleksin district has roughly 20,000 hectares of available uncultivated agricultural land, including about 12,700 hectares of uncultivated agricultural land owned by district administrations and rural settlements.
3) The Suvorov District has roughly 20,000 hectares of available uncultivated agricultural land, including about 8,000 hectares of uncultivated agricultural land owned by district administrations and rural settlements. In addition, approximately 2,000 hectares of uncultivated land are unclaimed land shares that are expected to be registered by the municipal administration of the Dubna District and rural settlements in 2017–2018.
4) The Dubna District has roughly 22,000 hectares of available uncultivated agricultural, including about 4,000 hectares of uncultivated agricultural land owned by the government of the Tula Region, district administrations and rural settlements. In addition, approximately 4,500 hectares of uncultivated land are unclaimed land shares that are expected to be registered by the municipal administration of the Dubna District and rural settlements in 2017–2018.

State support
As part of the Tula Region's state programme "Development of the Agro-Industrial Complex of the Tula Region", the following measures of state support are envisaged:
1.1. Reimbursement of a portion of direct costs on the construction of dairy livestock complexes.
Reimbursement amount – 30 percent of the estimated cost of the facility (but no more than the maximum cost of the facility).
1.2. Subsidies for the acquisition of young pedigree dairy cattle.
Reimbursement amount – RUB 80–120 per kg of young pedigree dairy cattle.
1.3. Subsidies per 1 litre of commercial milk sold.
Reimbursement amount – RUB 1.0-2.2 per litre depending on the productivity of the milk herd.
As part of Resolution No. 1528 of the Government of the Russian Federation dated 29 December 2016, financial stability is supported with the provision of short-term and investment loans at a reduced rate (no more than 5% p.a.).

As part of the Tula Region's state programme "Development of the Agro-Industrial Complex of the Tula Region", the following measures of state support are envisaged:

1.1. Reimbursement of a portion of direct costs on the construction of dairy livestock complexes.
Reimbursement amount – 30 percent of the estimated cost of the facility (but no more than the maximum cost of the facility).
The rules for granting and distributing subsidies from the federal budget to the budgets of the regions of the Russian Federation for the reimbursement of a portion of the direct costs on the construction and/or modernisation of agro-industrial complex facilities as well as the purchase of machinery and equipment (Appendix No. 11 to the State Programme for the Development of Agriculture and Regulation of Agricultural Products, Raw Materials and Food for 2013–2020).

1.2. Subsidies for the acquisition of young pedigree dairy cattle.
Reimbursement amount – RUB 80–120 per kg of young pedigree dairy cattle.
The payment procedure is to be confirmed in 2017.

1.3. Subsidies per 1 litre of commercial milk sold.
Reimbursement amount – RUB 1.0–2.2 per litre depending on the productivity of the milk herd.
Resolution No. 71 of the Government of the Tula Region dated 22 February 2017 "On the approval of rules for the provision of subsidies to improve productivity in dairy cattle breeding".

As part of Resolution No. 1528 of the Government of the Russian Federation dated 29 December 2016, financial stability is supported with the provision of short-term and investment loans at a reduced rate (no more than 5% p.a.).

The total area planted with agricultural crops at farms of all categories amounted to 823,400 hectares, an increase of 42,600 hectares from 2015. Grain crops (570,500 hectares) increased by 42,800 hectares (8.1%). Of this amount, winter grain crops grew by 33,400 hectares (12.8%) to 294,100 hectares, spring grain crops and leguminous crops increased by 9,400 (3.5%) to 276,400 hectares.

The planting of industrial crops increased by 4,200 hectares (4.1%) and amounted to 106,700 hectares.

In 2016, farms of all categories harvested 15.548 million centners of grain (in weight after processing), an increase of 890,000 centners from 2015. The increase in the gross grain harvest was due to an increase in crops planted (8.1%). The average yield of grain crops in weight after processing was 29.9 centners from one harvested hectare and 27.3 centners from one hectare of planted area versus 27.9 and 27.8 centners, respectively, in 2015.

Agricultural organisations produced the lion's share of grain crops (79.2%).

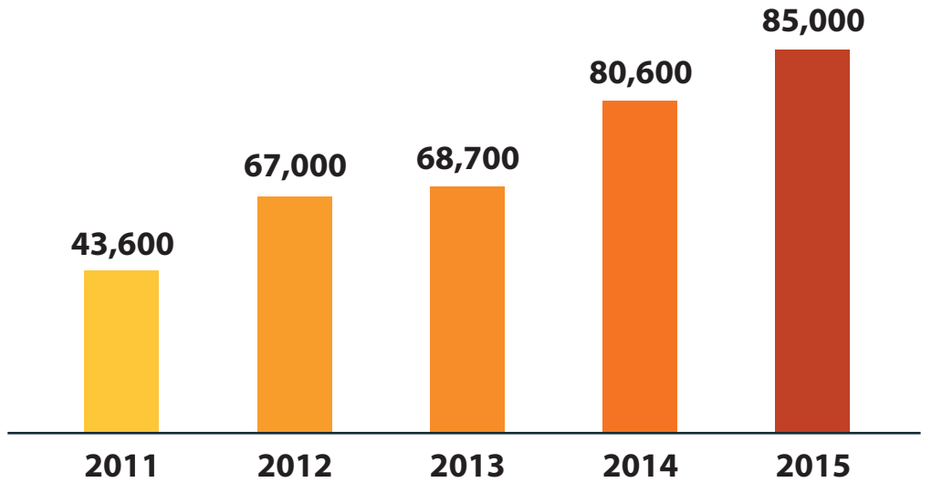
Peasant farms and individual entrepreneurs harvested 3.231 million centners of grain (in weight after processing), or 20.8% of the total gross harvest at farms of all categories.

The sales volume of mixed fodders in Russia increased by 33.9% over the past five years: from 17.9 million tonnes in 2011 to 24 million tonnes in 2015; 60% of this volume was produced by enterprises in the Central and Volga Federal Districts. As of February 2015, 529 companies officially worked in the production of mixed fodders, premixes and additives in the Central and Volga Federal Districts. Feed mills and shops that are part of poultry farms and livestock complexes supplied roughly the same volume: such products are intended for sale within the holding and are often not included in sales reports. This makes it possible to estimate the whole market of mixed fodder consumption at 36–40 million tonnes per year. Proceeding from the assumption that each tonne of mixed fodder produces 1–4 kg of lysine, we estimate the volume of the lysine market in Russia at around 80,000-100,000 tonnes per year. The world market for feed-based acids and microelements is expected to soar to USD 14.1 billion. The driver for this will be the growing awareness among livestock producers about the benefits of using feed amino acids. In Russia, this segment grows by 5–7% per year. The country's livestock complex needs 102,000 tonnes of these substances per year.

Lysine is a highly important amino acid found in wheat and used as a feed additive for animals. It is used to increase the weight of animals and birds, increase milk yield and increase the egg production of hens. This is the reason for the investment activity seen in recent years to create domestic production. Investors are also attracted by the fact that lysine is a highly profitable product (with an average margin of 15–20% for manufacturers). But high profit can only be ensured with large production volume. This can be clearly seen in the structure of the world market as eight to nine large plants account for up to 75% of total production. The largest consumers of lysine in Russia are agricultural holdings that are interested in creating their own import-substituting products.

STAGE 1	Production of protein-vitamin feed additives. Products: Lysine (main product), protein vitamin-mineral concentrate fodder
STAGE 2	Production of high-tech protein-vitamin fodder additives
STAGE 3	Production of ingredients for the food and cosmetic industry
STAGE 4	Production of ingredients for the pharmaceutical industry

GROWTH IN LYSINE IMPORTS TO RUSSIA, T



Target model for the project's implementation:
Construction of grain crop processing facilities for 300,000 tonnes per year and the construction of a lysine production plant with capacity of up to 20,000 tonnes per year.

Rationale for the need to implement the project
Demand in the region for grain processing facilities.
The grain harvest in the Tula Region amounted to about 1.6 million tonnes in 2016.
Farms are also increasing the area planted with grain and leguminous crops.
Meanwhile, the region's grain processing capacity is currently about 700,000 tonnes per year.

Economic rationale:
Creation of a value-added product.

Siting of the facility:
Grain processing facilities can be sited in the southern parts of the region that provide the largest grain production: the Yefremov, Kamensky, Kurkino and Volovo districts.
A lysine production plant could be sited in the Yefremov, Kamensky and Volovo districts.

Russia has seen a growth trend in the areas planted with sugar beets and the gross harvest of this crop over the last two years as the cost of imported sugar on the Russian market has increased.
The area planted with sugar beets in Russia amounted to 1.022 million hectares in 2015, an increase of 11.3% from 2014. In 2016, the area planted with sugar beets increased to 1.11 million hectares, an increase of 8.6%, or 88,100 hectares, from 2015.
The gross sugar beet harvest in Russia at farms of all categories totalled 39.031 million tonnes in 2015, which is 16.5%, or 5.517 million tonnes, more than in 2014.
According to the Ministry of Agriculture of the Russian Federation, the harvest increased to 41.755 million tonnes in 2016, an increase of 27.2%, or 8.93 million tonnes, from 2015.

Sugar beet production by region. 2016 rating

The Tula region has become one of Russia's top 20 regions in terms of the gross sugar beet harvest, ranking 16th (385,400 tonnes, or 0.9% of the total harvest volume).
Other regions from the Central Federal District that have joined the top 20 include:
The Kursk region ranks second and harvested 4.604 million tonnes of sugar beets in 2016 (11.0% of the total harvest). The harvest increased by 32.7%, or 1.134 million tonnes, compared with 2015.
The Voronezh Region ranks third in terms of the gross sugar beet harvest (4.571 million tonnes, or 10.9%). Output increased by 38.5%, or by 1.271 million tonnes, over the year.
The Lipetsk Region came in fourth place in total sugar beet production (4.286 million tonnes, or 10.3% of the total harvest).
The Tambov Region harvested 3.776 million tonnes of sugar beets (9.0% of the total harvest).

The Belgorod Region ranks sixth in terms of sugar beet output (3.441 million tonnes). The region's share in the overall Russian sugar beet harvest was 8.2%. The region increased its harvest by 71.7%, or 1.437 million tonnes, in 2016.
The Oryol Region produced 1.922 million tonnes of sugar beets (4.6%, 8th place), an increase of 25.2%, or 386,800 tonnes, for the year.
The Ryazan Region harvested 311,500 tonnes for an 0.7% share of the total harvest and ranked 17th.
Sugar beet production at farms of all categories in the regions not included in the top 20 amounted to 218,100 tonnes in 2016 (0.5% of total sugar beet production in Russia).

Target model for the project's implementation:
The construction of sugar beet processing facilities with capacity of 200,000–300,000 tonnes per year.

Rationale for the need to implement the project
Demand in the region for sugar beet processing facilities.
The sugar beet harvest in the Tula Region amounted to 450,000 tonnes in 2016.
In addition, farms are increasing the area planted with sugar beets.
Meanwhile, the region currently has sugar beet processing capacity of 330,000 tonnes per year.

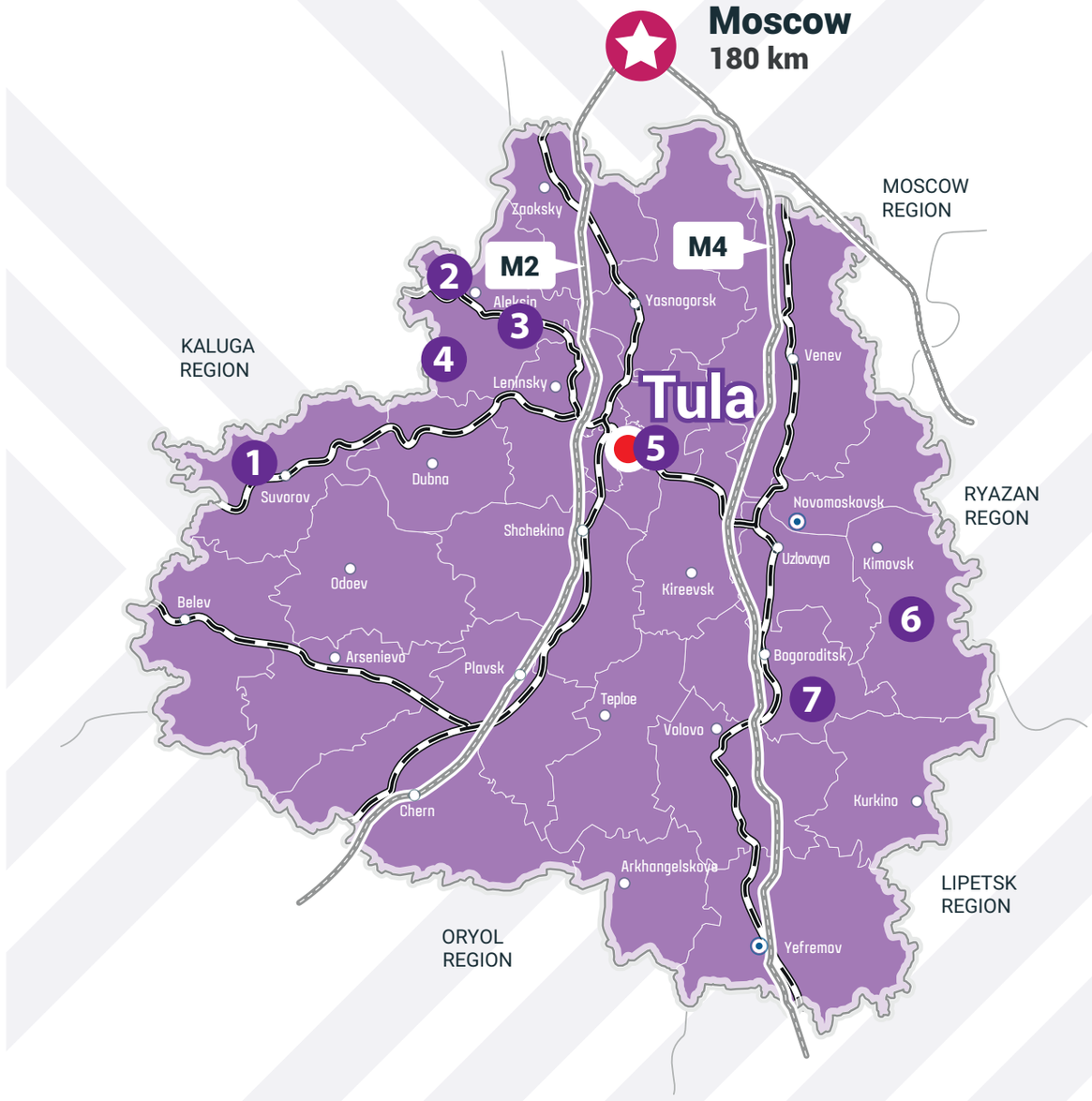
Economic rationale:
Creation of a value-added product

Siting of the facility:
Sugar beet processing facilities could be sited in the districts that produce the most sugar beets: Yefremov, Kamensky, Kurkino and Volovo.

As part of Resolution No. 1528 of the Government of the Russian Federation dated 29 December 2016, financial stability is supported with the provision of short-term and investment loans at a reduced rate (no more than 5% p.a.).

The provisions of Law of the Tula Region No. 1390-ZTO "On preferential taxation for investment activities in the form of capital investments in the Tula Region" envisage the possibility of investors receiving benefits on corporate property tax and corporate income tax in the event that certain conditions are met.

1. **Cadastral number: 71:18:030102:241**
   Plot area: 4,47 Ha
2. **Cadastral number: 71:24:030108:1**
   Plot area: 48,2 Ha
3. **Cadastral number: 71:24:030215**
   Plot area: 23 Ha
4. **Cadastral number: 71:01:020503:81**
   Plot area: 37,9 Ha
5. **Cadastral number: 71:14:040401:146**
   Plot area: 6,7 Ha
6. **Kimovsk district**
   Total area of plots under the ownership of public and legal entities:
   3 236 Ha
   Total area of private property plots:
   6 000 Ha
7. **Bogoroditsk District**
   Total area of plots under the ownership of public and legal entities:
   3 356 Ha
   Total area of private property plots:
   337 Ha



IV TOURISM AND RECREATION
1. DESCRIPTION OF THE INDUSTRY

The main trend in the modern Russian tourism industry is import substitution, which envisages the formation of a competitive domestic tourism product that can meet the growing demand among Russians. The domestic tourist flow in Russia reached 55 million people in 2016. Experts reckon it could grow by about 10% in 2017.

New kinds of tourism are being established: rural vacations far away from civilisation for those wishing to completely get away from work and spend their holidays where there is no cellular signal. Young people are increasingly choosing active and adventure tourism. They prefer tours with extreme programmes: kayaking, off-roading, kiting, jumping and hot-air balloon rides.

Due to its geographical location (in the centre of Russia, near Moscow and international airports and along Russia's main transportation lines) and a general set of cultural, historical and natural attractions, the Tula Region is a promising area for the development of domestic and inbound tourism. The region has a developed transport network. Major federal highways pass through the Tula Region: M-2 Crimea, M-4 Don and a small section of M-6 Caspian as well as regional highways: Kaluga–Tula–Mikhailov–Ryazan and Kaluga–Peremyshl–Belyov–Oryol, which make it easy for tourists to get to Tula and the region by car or bus. Regular rail service is also offered. For example, high-speed Lastochka trains run several times a day and are only a 2-hour trip from Moscow.

The tourist flow has increased at a steady rate of 5–7% in recent years. The tourist flow to the region totalled 496,800 people in 2014 and 541,500 in 2015.

In 2016, the Tula region became one of the country's top ten regions in terms of the development of the tourism industry. The all-Russian rating on the assessment of the effectiveness of the regional executive authorities in tourism affairs was compiled by the Ministry of Culture of the Russian Federation.

The tourist flow to the Tula Region amounted to 580,000 people in 2016, an increase of 7.1% from 2015 (541,500 people). The total tourist flow in January–May 2017, according to preliminary estimates, amounted to 247,000 people.

The number of visits to tourist sites increased from 2.532 million people in 2015 to 3.273 million people in 2016, an increase of 29.3%.

The total volume of tourism services increased by RUB 2.35 million in 2016 (an increase of 6.5% from RUB 2.206 million in 2015). The total volume of tourism services rendered in January–May 2017 amounted to RUB 866.4 million.

The number of places in collective accommodation facilities was estimated at 13,666 places (a 4% increase from 2015).

The Tula Region currently has more than 300 travel agencies of which 22 are included in the Unified Federal Register of Tour Operators. Tourists from roughly 30 regions of the Russian Federation come to the Tula Region each year.

The target audience for tourists coming to the Tula Region includes individual middle-aged tourists with children as well as young people with above average incomes.

The average tourist's check (hotel accommodation, meals, purchase of souvenirs and entrance tickets to museums) is RUB 4,500 per day.

There are 161 collective accommodation facilities in the region, including 43 hotels and 22 sanatorium- and resort-type health centres.

Sanatorium treatment is comprehensive and includes the internal and external application of 4 types of unique "Krainskaya" mineral water, mud therapy, physiotherapy, climatotherapy, therapeutic nutrition and exercise therapy, among other things. In addition to sanatorium and health resort organisations, the Tula Region has a large number of tourist hotels, preventive health clinics and recreation camps that are ready to offer recreation and health improvement services for anyone at any time of the year.

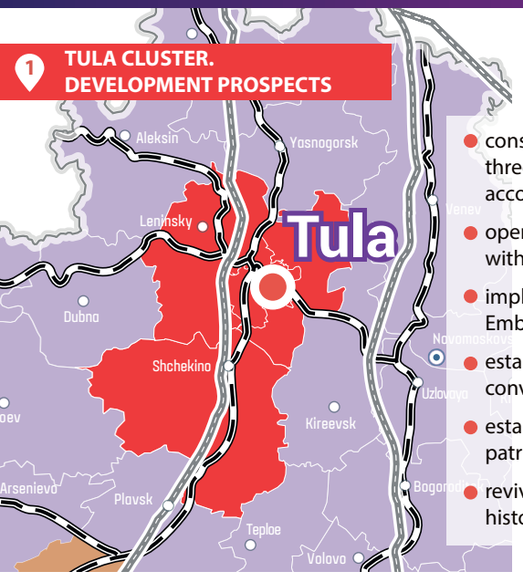
In addition, the Tula Region has eight institutions that offer sanatorium health camps for more than 1,700 people in the Zaoksk, Aleksin, Yefremov and Shchyokino districts of Novomoskovsk as well as 16 organisations for children's recreation and rehabilitation that can accommodate 3,109 people in the city of Tula and the Yefremov, Kimovsk, Aleksin, Bogoroditsk, Shchyokino, Leninsky, Venyov and Zaoksk districts.

The region is home to 70 museums and museum branches, including four national museums (the Yasnaya Polyana Museum Estate of Leo Tolstoy State Memorial and Natural Preserve, the Kulikovo Field State Military Historical and Natural Museum Reserve, the Polenov State Memorial Historical and Art and Natural Museum Reserve and the Tula State Museum of Arms). Two of them (the Yasnaya Polyana and Kulikovo Field museums) are classified as especially valuable cultural heritage sites of the people of the Russian Federation.

Thanks to the region's natural and recreational resources, unique display items, reserves and parks as well as the famous brands of the Tula Region (Tula gingerbread, Tula samovars, Belyov pastille and lace, Filimonovo toys, Tula accordion) almost all types of tourism are capable of developing in the region. At present, the most popular types of tourism are cultural, educational, military, patriotic, religious and event-related tourism.

Promising types of tourism in the region include rural, industrial, gastronomic, active, extreme and caravanning.

1 TULA CLUSTER. DEVELOPMENT PROSPECTS

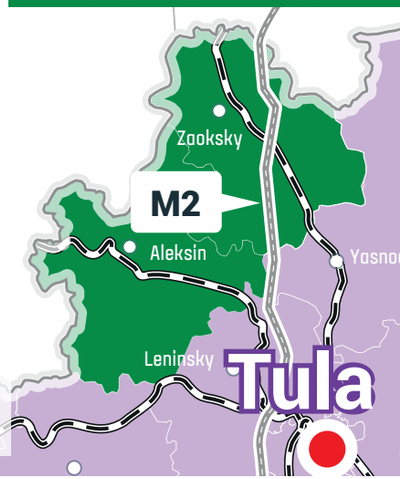


- construction of two- and three-star collective accommodation facilities
- opening of a chain of restaurants with traditional Tula cuisine
- implementation of the Tula Embankments investment project
- establishment of a business convention and exhibition centre
- establishment of a military and patriotic park
- revival of the Krapivna small historical national settlement

INVESTMENT PROPOSAL – CONSTRUCTION OF A CHAIN OF TWO- AND THREE-STAR HOTELS WITH 30–100 ROOMS

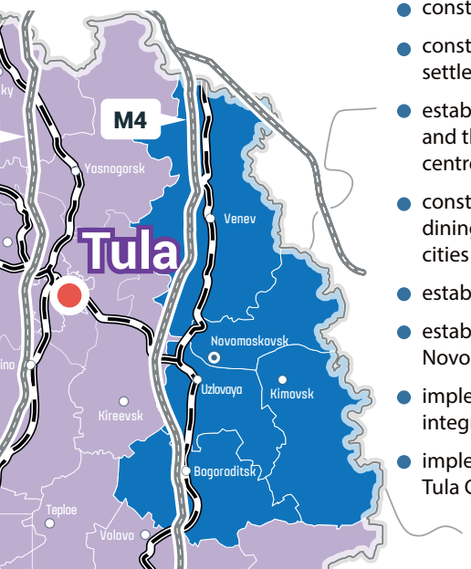
The hotels will include travel itineraries of the Tula Region and national travel itineraries

2 OKA CLUSTER. DEVELOPMENT PROSPECTS

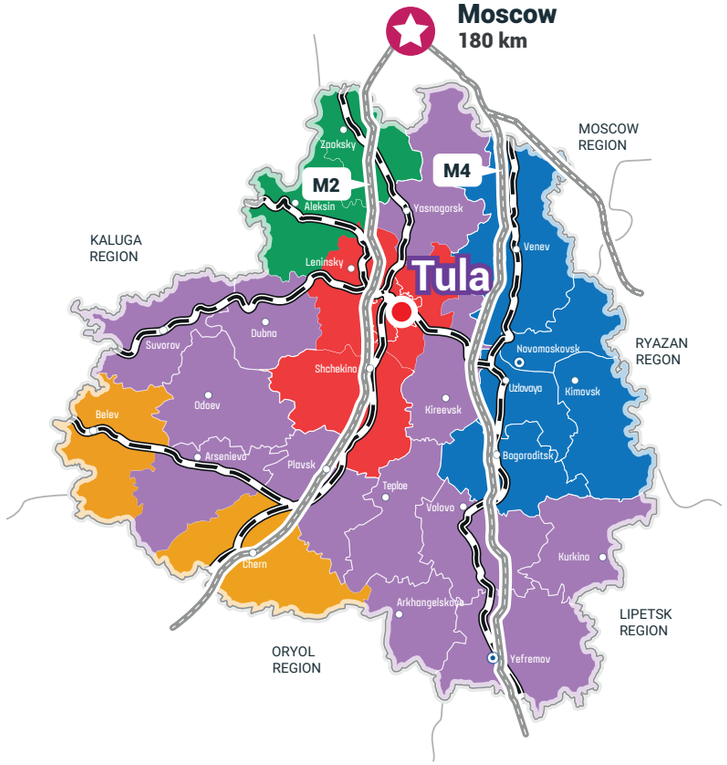


- construction of a water park and cultural and tourism centres and the organisation of a light aviation club, among other things
- construction of two- to four-star collective accommodation facilities with sufficient year-round entertainment infrastructure (bowling, billiards)
- establishment of a water tourism and extreme recreation centre
- establishment of eco villages and modern recreation centres
- construction of a natural amusement park
- construction of a safari park

3 KULIKOVO CLUSTER. DEVELOPMENT PROSPECTS



- construction of camping sites
- construction of hotels and dining facilities in historical settlements of the cluster (Venyov and Yepifan village)
- establishment of tourism infrastructure in Sebino village and the opening of a hotel, dining facility and a visitor centre for tourists
- construction of collective accommodation facilities with dining facilities and entertainment infrastructure in the cities of Novomoskovsk and Uzlovaya
- establishment of a business centre
- establishment of a private miner's museum in Novomoskovsk
- implementation of the Yepifan – City of Merchant Life integrated project
- implementation of the Don River Head – Origin of the Tula Cossacks integrated project in Novomoskovsk



GEOGRAPHY OF THE RUSSIAN ESTATES PROJECT IN THE TULA REGION

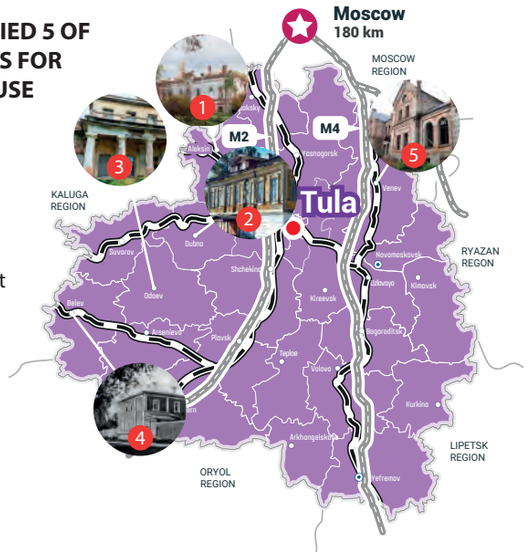
A PILOT PROJECT HAS IDENTIFIED 5 OF THE MOST PROMISING ESTATES FOR RESTORATION AND FURTHER USE

1. **Paskhalov Estate,** Aleksin
2. **Mosolov Estate,** Dubna District
3. **Mirkovich Estate,** Odoev District
4. **Mishenskoye Estate,** Belyov District
5. **Fon-Mekk Estate,** Venyov District

TOTAL

305

OLD ESTATES



IV TOURISM AND RECREATION
3. INVESTMENT SITES

1. **Site for the construction of a three-star hotel (Tula, 13, Sovetskaya Ul.)**
   Cadastral number: 71:30:050101:26
   Plot area: 8 907 sq. m.
   Permitted use: for accommodation of facilities typical for residential areas

2. **Site for the construction of a three-star hotel (Kazanskaya Nab.)**
   Cadastral number: 71:30:050102:137
   Plot area 58 000 sq. m.
   Permitted use: for other uses typical for residential areas

3. **Site for the construction of a three-star resort complex (Aleksin Municipal District)**
   Cadastral number: 71:01:010401:520
   Plot area: 75 888 sq. m.

4. **Site for the construction of a three-star resort complex (Aleksin Municipal District)**
   Cadastral number: 71:01:010301:96;71:01:010301:73; 71:01:010301:38; 71:01:010301:40
   Plot area: 125 000 sq. m.
   Permitted use: lands of specially protected areas and facilities; residential area land

5. **Site for the construction of a four-star resort complex (Zaoksk District)**
   Cadastral number: 71:09:010101:3503
   Plot area: 920 000 sq. m.
   Permitted use: for accommodation of recreational facilities (territories)

6. **Detached building for the siting of an apartment hotel (Tula, 2, Ul. Metallistov)**
   Cadastral number: 71:30:050102:844
   Plot area: 901 sq. m.
   Permitted use: for an apartment building

7. **Detached building for the siting of an apartment hotel (Tula, 6, Ul. Metallistov)**
   Cadastral number: 71:30:050102:775
   Plot area: 1057 sq. m.
   Permitted use: for an apartment building

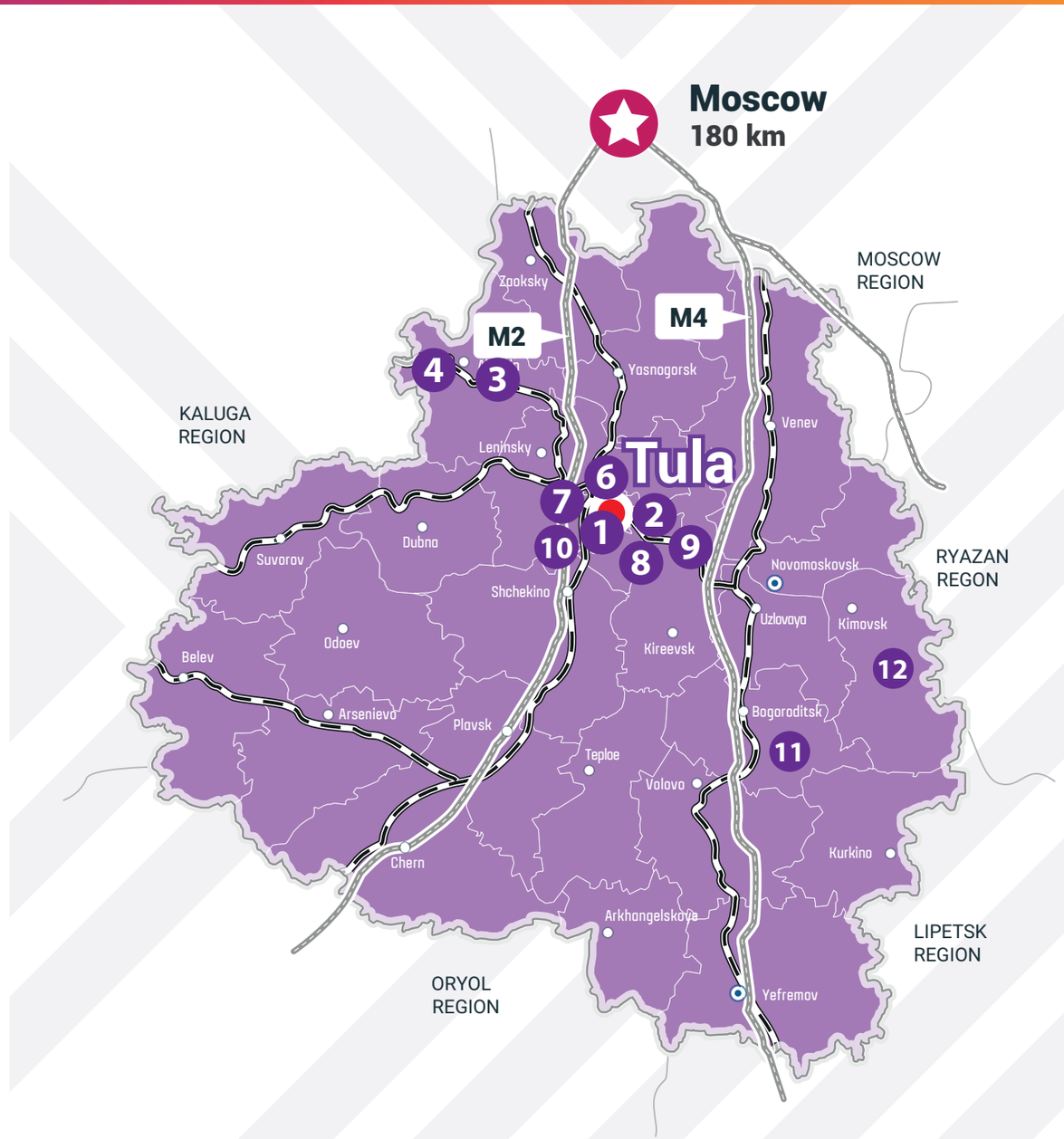
8. **Detached building for the siting of an apartment hotel (Tula, 18, Ul. Metallistov)**
   Cadastral number: 71:30:050102:843
   Plot area: 1082 sq. m.
   Permitted use: for an apartment building

9. **Detached building for the siting of an apartment hotel (Tula, 20 Metallistov Street, letters A, B, V)**
   Cadastral number: 71:30:050102:1282
   Plot area: 1411 sq. m.
   Permitted use: for an apartment building

10. **Detached building for the siting of an apartment hotel (Tula, 20, Ul. Metallistov, letters G, D)**
    Cadastral number: 71:30:050102:842
    Plot area: 1313 sq. m.
    Permitted use: for an apartment building

11. **Site for a resort complex (Tula Region, Bogoroditsk District, Alexandrinsky farm)**
    Cadastral number: cadastral work needs to be performed
    Plot area 55 000 sq. m.

12. **Site for the construction of a three-star hotel (Tula Region, Kimovsk District, Buchalki village, former building of the Buchalki nursing home)**
    Cadastral number: 71:11:030310
    Plot area: 500 sq. m.



CONSTRUCTION OF A RECREATION COMPLEX 100 KM FROM MOSCOW ON THE OKA RIVER

The Dancing Green project is a recreational product geared towards the residents of megacities.
It is based on the concept of a short vacation in nature.
Entertainment infrastructure of the park: river centre, water park and a multifunctional hall that provides a huge variety of activities.

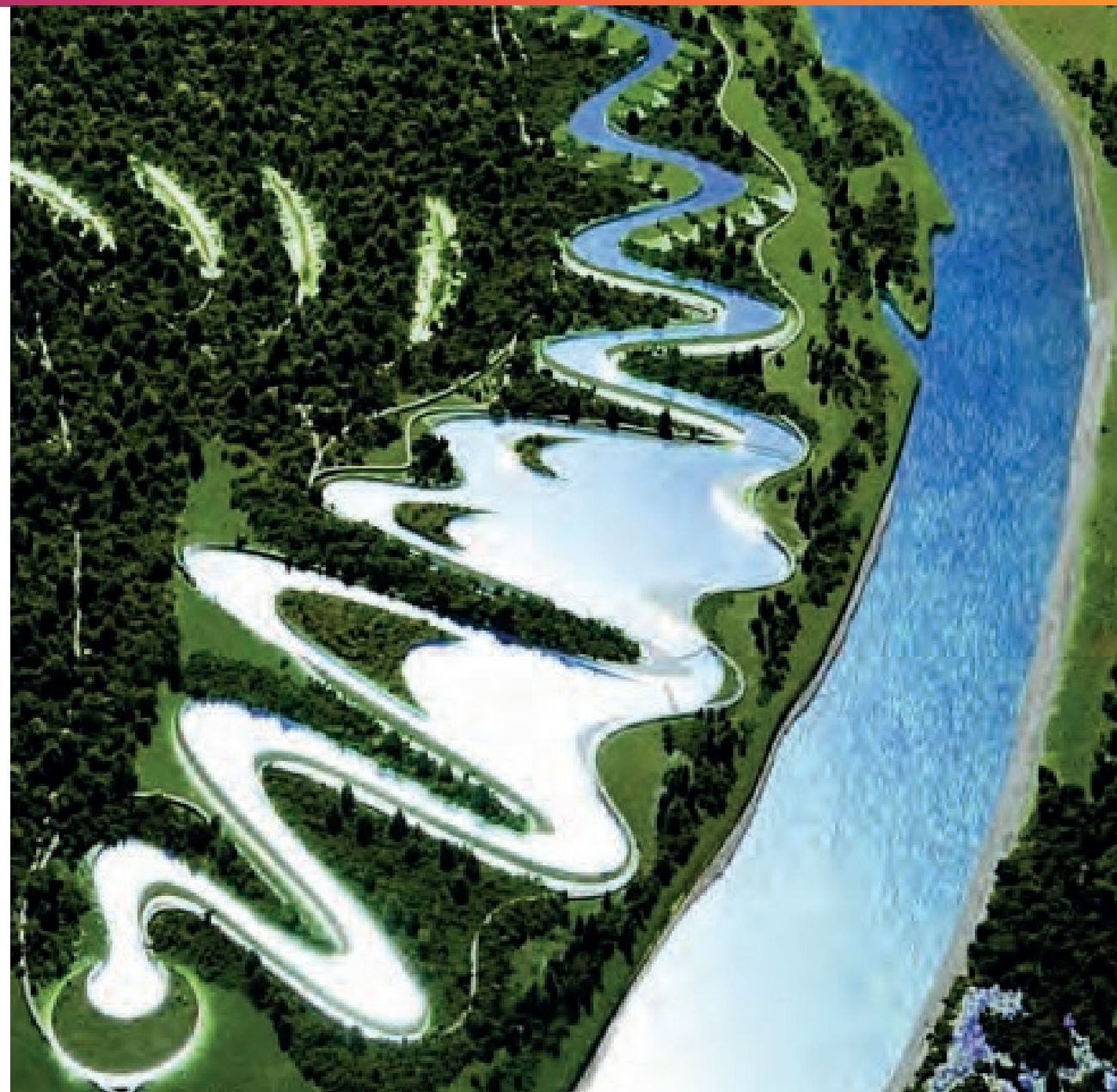
Area
200 Ha

Low-rise buildings
730 (4-star)

Hotel rooms
250

Financial estimates based on an exchange rate of RUB 65 / USD 1.
1. Total investment (to be made excluding existing investment) – approximately RUB 22 billion with capital accounting for RUB 4.5 billion of that amount and a loan for RUB 17.5 billion.
2. Total area of the development footprint – roughly 200 hectares.
3. Development areas:
- guest accommodation facilities – villas and a hotel – 81,000 sq. m.;
- tourism and recreational infrastructure facilities – 24,000 sq. m.;
- other infrastructure facilities – about 15,000 sq. m.;
- an artificial lake with area of more than 40 hectares.
4. Total current capitalisation of the project – RUB 4.5 billion.
5. IRR of the project (at 10% of the capitalisation rate) – 21% .
6. NVP of the project (at 16% of the discount rate) - RUB 20 billion.
7. IRR of participating capital (at 10% of the capitalisation rate) – 25% .
8. Discounted period of return on investment – 7 years.
9. Annual EBITDA (starting from year 3) – over RUB 6.7 billion.
10. Tourist flow (starting from year 3) per year – 350,000 people.
11. Average occupancy of the accommodation facilities (starting from year 3) – 85%.
12. Net annual flow (starting from year 3) – RUB 4.5 billion.
13. Construction period – 3 years.

Benefits:
- reduction of the profit tax rate to 15.5% for a period of up to 4 years;
- reduction in the property tax rate to 0% for a period of up to 4 years.



V MECHANICAL ENGINEERING
1. DESCRIPTION OF THE INDUSTRY

The domestic machine-tool industry market was valued at RUB 85.7 billion in 2017. The industry employs more than 150 production, research and design organisations that employ over 23,000 people.
According to the Federal State Statistics Service, the production volume of the machine-tool industry amounted to roughly RUB 7.7 billion in 2016, a 4% increase from 2015.
Exports of machine-tool products grew significantly last year (an increase of 24.6%) and amounted to RUB 2.28 billion.

Forecast for production and market volume in 2017
According to industry experts, domestic consumption is expected to grow by around 5% in 2017. Meanwhile, the production of metal-cutting machines is projected to grow by roughly 15% this year.

Support for the industry
In 2016, RUB 450.9 million were allocated from the federal budget to support the machine-tool industry, including:
• subsidies for R&D costs as part of the Machine-Tool Industry Sub-Programme – RUB 270 million;
• subsidies for R&D as part of the implementation of Federal Target Programme No. 1 – RUB 137.9 million;
• subsidies for expenses incurred on the payment of interest on loans as part of the implementation of Resolution No. 214 of the Government of the Russian Federation dated 12 March 2015 – RUB 32 million;
• subsidies for Russian organisations to compensate for a portion of the cost of the production and sale of pilot batches of manufacturing equipment to consumers in 2016 as part of the implementation of Resolution No. 1143 of the Government of the Russian Federation dated 8 November 2016 – RUB 11 million.
Volume of support for the industry via the Industrial Development Fund
In 2016, funding was approved for ten projects valued at more than RUB 3.6 billion (loan agreements signed for RUB 1 billion –NPO Stankostroenie, Stankotech).

Legislative initiatives in 2016
In an effort to further stimulate consumers of machine-tool equipment, the Government of the Russian Federation adopted Resolution No. 1143 dated 8 November 2016 "On the provision of subsidies from the federal budget to Russian organisations to compensate for a portion of the cost of the production and sale of pilot batches of manufacturing equipment to consumers in 2016".
The mechanism aims to solve the problem of getting a pilot batch of equipment on the market in the absence of references and operational experience.

Main objectives for 2017
The concept for the new sub-programme 'Development of the Production of Manufacturing Equipment' envisages support in terms of providing subsidies to compensate for a portion of expenses on the production and sale of pilot batches of industrial products to consumers. The federal budget for 2017 and the planned period of 2018 and 2019 envisages further financing for the sub-programme in the amount of RUB 3.4 billion, including RUB 0.956 billion in 2017. In addition, the Action Plan of the Government of the Russian Federation, which aims to ensure the stable socioeconomic development of the Russian Federation in 2017, has earmarked RUB 3 billion for this purpose.
The Industrial Development Fund also plans to provide funding in the amount of RUB 18.2 billion, part of which (depending on the need) will be spent on machine-tool industry projects, among other things.
The Russian Ministry of Industry and Trade is developing a Strategy for the Development of the Machine-Tool Industry for the Period until 2030 and a plan for its implementation in 2017-2020, which will be submitted to the Government in June 2017.
Upon completion of this work, proposals will be formulated to build new principles for the industry as well as additional tools to support the machine-tool industry. In addition to the Industrial Development Fund's existing Machine-Tool Building programme, the Component Parts programme is also slated to be implemented in 2017 to provide concessional loans for the development of the component market.
Given that the domestic machine-tool industry's dependence on imported components is critical, such funding mechanisms will stimulate the creation of component production in the industry's interests and its further localisation by 2018.

V MECHANICAL ENGINEERING
1. DESCRIPTION OF THE INDUSTRY

The Tula Region is a developed industrial centre. Mechanical engineering is one of the main production sectors. The region's industrial production index stood at 102.7% in the first quarter of 2017. The region has achieved an advanced level of industrial production. The industrial production index has had an average value of more than 110% for seven consecutive years.

Tula is home to several companies and plants that are among the largest leading enterprises in Russia, such as the Tula Arms Plant, the Tula Machine-Building Plant (Tulamashzavod Production Association), FSUE Stamp Machine-Building Plant, the Tula Cartridge Plant (TCP), the KBP Design Bureau of Instrument Engineering, Tula Combine Plant, Tulatomash, Tulazheldormash, FSUE GNPP Splav, the Stankoservice Mechanical Repair Plant, Tula Chain Factory, PKF Avtomatika and Skuratov Machine-Building Plant, among others.

GROSS REGIONAL PRODUCT
in existing prices (2016, estimated)

496 billion rubles

⬆ **102,5%**

GROWTH IN INDUSTRIAL PRODUCTION
in comparable prices (2016)

112,6%

INVESTMENT VOLUME
in existing prices(2016)

112,6 billion rubles

⬆ **100,2%**

1. We propose implementing a project to localise the production of machine-tools and/or spindle and chisel components.

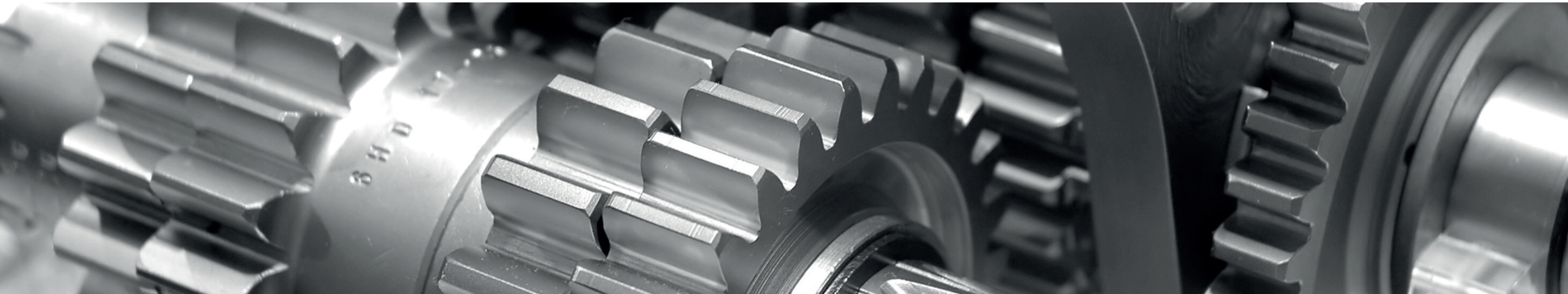
2. Sites equipped with infrastructure are available in the Uzlovaya Special Economic Zone to build production facilities in addition to potential cooperation with SEZ residents and the Uzlovaya industrial park in the automotive industry and more.

3. Establishment of a joint venture in the Tula Region with the Atlant Group, which was established in 2015 and has experience working with Chinese companies in machine-tool construction as well as experienced engineering personnel for the modernisation and repair of various types of machines. The Atlant Group is a reliable Russian partner in the development and production of numerical control machines in Russia. The company has a production facility in Tula equipped with infrastructure.
The Atlant Group regularly takes part in tenders for the supply of machine tools to numerous state-owned and private Russian companies. The company's partners are leading Russian institutes in mechanical engineering.

No.	State support measures	Category of state support recipient	Details and name of the regulation/legislative act that governs the receipt of state support	Conditions for receiving state support
1	Preferential lending programme for SME "Programme 6.5".	Small and medium-sized enterprises (SME).	"Programme 6.5" is being implemented by Federal Corporation for the Development of Small and Medium-Sized Enterprises jointly with the authorised banks; the Tula Region Committee for Entrepreneurship and the Consumer Market informs SME.	Loan rates starting at 9.6% p.a., a minimum loan amount of RUB 10 million and a preferential financing period of up to 3 years.
2	Export Support Centre.	Small and medium-sized enterprises (SME).	Address: Tula, 2, Ul. Zhavoronkova, 2nd floor, office 4 Contact information: Tel.: (4872) 25-98-34 Email: ric@hub71.ru www.ric-tula.ru	The Export Support Centre provides the following services for free: - conducting marketing research of foreign markets for SME; - consulting services involving third-party experts on external economic activities; - creation in a foreign language or modernisation of existing websites of export-oriented SME; - organising and conducting international and interregional business missions; - organising and holding conferences, forums, seminars, roundtables and master classes; - organising and holding exhibition, fair and convention events.
3	Preferential taxation for investment activities (in accordance with Law No. 1390-ZTO of the Tula Region dated 6 February 2010).	Organisation that made investment in the form of capital investments.	Law No. 1390-ZTO of the Tula Region dated 6 February 2010 "On preferential taxation for investment activities in the form of capital investments in the Tula Region".	Benefits are granted to: - organisations that have made capital investments in excess of RUB 50 million, in the form of a reduction in the profit tax rate to 15.5% and property tax rate to 0% depending on the cost ratio of the fixed assets versus the residual value of the fixed assets on the balance sheet of the organisation; - lower tax rates are applied by taxpayers starting from the tax period following the tax period in which the real estate facility (facilities) was commissioned over the course of the payback period of the investment project, but not more than four tax periods that follow uninterruptedly.
4	Preferential taxation in accordance with Law No. 33-ZTO of the Tula Region dated 27 April 2017 "On preferential taxation for taxpayers that are parties to special investment contracts".	A legal entity or individual entrepreneur that undertakes the obligation to build or modernise and/or develop the production of industrial products in the Tula Region.	Resolution No. 58 of the Government of the Tula Region dated 17 February 2017 "On establishing the Procedure for Conclusion of Special Investment Contracts in the Tula Region". Law No. 33-ZTO of the Tula Region dated 27 April 2017 "On preferential taxation for taxpayers that are parties to special investment contracts".	- minimum volume of investments – RUB 750 million; - creation of at least 30 jobs. The validity period is equal to the time it takes the project to turn operating profit plus five years (but no more than 10 years).

No.	State support measures	Category of state support recipient	Details and name of the regulation/legislative act that governs the receipt of state support	Conditions for receiving state support
5	Subsidies from the budget of the Tula Region for the reimbursement of expenses on the payment of interest on loans for technological modernisation and the development of new competitive products by industrial complex enterprises of the Tula Region.	Legal entities with a staff of more than 200 people which are registered and pay taxes in the Tula Region.	Resolution No. 367 of the Government of the Tula Region dated 24 July 2013 "On the approval of the Procedure for Providing Subsidies from the Budget of the Tula Region for the Reimbursement of Expenses on the Payment of Interest on Loans for Technological Modernisation and the Development of New Competitive Products by Industrial Complex Enterprises of the Tula Region".	Subsidies from the budget of the Tula Region are provided under loan agreements with credit institutions (banks) in an amount calculated as 100% of the discount rate of the Central Bank of the Russian Federation in effect as of the day on which the law of the Tula Region on the budget of the Tula region for the relevant fiscal year and planned period enters into force. The loan agreements must be concluded in roubles with a credit institution (bank) that holds a license from the Central Bank of the Russian Federation. Detailed conditions for obtaining subsidies are set forth in this regulatory legal act .
6	Budget allocations from the investment fund of the Tula Region.	Bodies of municipal districts (city district) in which investment projects are implemented.	Resolution No. 759 of the Government of the Tula Region dated 18 December 2012 "On the approval of the Procedure for the Formation and Use of Budget Allocations from the Investment Fund of the Tula Region".	Share of project financing from the investor: 1) from RUB 50 million – at least 80%; 2) from RUB 500 million – at least 50%; 3) from RUB 5 billion – at least 25%.
7	Subsidies from the budget of the Tula Region to organisations that have made investments in the form of capital investments in the Tula Region.	Organisations that made investments in the form of capital investments in the Tula Region (with the exception of state and municipal institutions).	Resolution No. 354 of the Government of the Tula Region dated 16 July 2013 "On the approval of the rules for the provision of subsidies from the budget of the Tula Region to organisations that have made investments in the form of capital investments in the Tula Region".	To obtain a subsidy, the capital intensity of the projects must be: 1) in agriculture – at least RUB 500 million; 2) in industrial production – at least RUB 1 billion; 3) other industries – at least RUB 3 billion. The maximum term for granting a subsidy is no more than 4 years.

No.	State support measures	Category of state support recipient	Details and name of the regulation / legislative act that governs the receipt of state support	Conditions for receiving state support
8	Provision of grants from the Government of the Tula Region in science and technology.	Organisations engaged in business activities in the Tula Region.	Resolution No. 265 of the Government of the Tula Region dated 19 June 2012 "On grants from the Government of the Tula Region in science and technology".	Grants are awarded in 3 categories: - innovative projects (the maximum grant amount is RUB 250,000); - research projects (the maximum grant amount is RUB 100,000); - preparation and publication of scientific works, registration of applications to obtain a patent for an invention, organisation and holding of scientific conferences and seminars (the maximum grant amount is RUB 50,000).
9	Provision of prizes from the Government of the Tula Region in science and technology.	Scientists, specialists and inventors in the Tula Region who perform outstanding scientific achievements and highly important knowledge intensive developments.	Law No. 362-ZTO of the Government of the Tula Region dated 5 January 2003 "On the approval of prizes from the Tula Region in science and technology".	The following are awarded annually: - Stechkin Prize – for a significant contribution to the development of natural and technical sciences and the development and implementation of technology, technologies, machinery and materials; - Ushinsky Prize – for a significant contribution to the development of the humanities. The size of each prize is RUB 200,000.



VI SITING IN THE SEZ AND MANAGING PRIVATE IP

We offer spaces for production siting in Uzlovaya Special Economic Zone

- **244 Ha** total area
- **power supply**
- **gas supply**
- **water supply**
- **Class II Freeway**

BENEFITS

Profit tax:
in the first 5 years - **3%**, in the next 5 years - **7%**, then - **15,5%**.

Property tax for 10 years: **0%.**

Transportation tax for 10 years: **0%.**

Land tax for 5 years: **0%.**

Free customs zone regime.

We offer for consideration the option of private industrial park development and management in the Tula Region.

Criteria for making the decision to establish and develop an industrial park:

1. The company may exercise its functions (establishing a high-quality industrial park, managing it, attracting Chinese companies);

2. Availability of the right partner (the opportunity of obtaining a very favorably located land plot);

3. Macro-environment (growing domestic demand that stimulates industry; growing export-oriented production).

All these criteria are complied with; the government of the Tula Region is prepared to offer comprehensive support for the project.

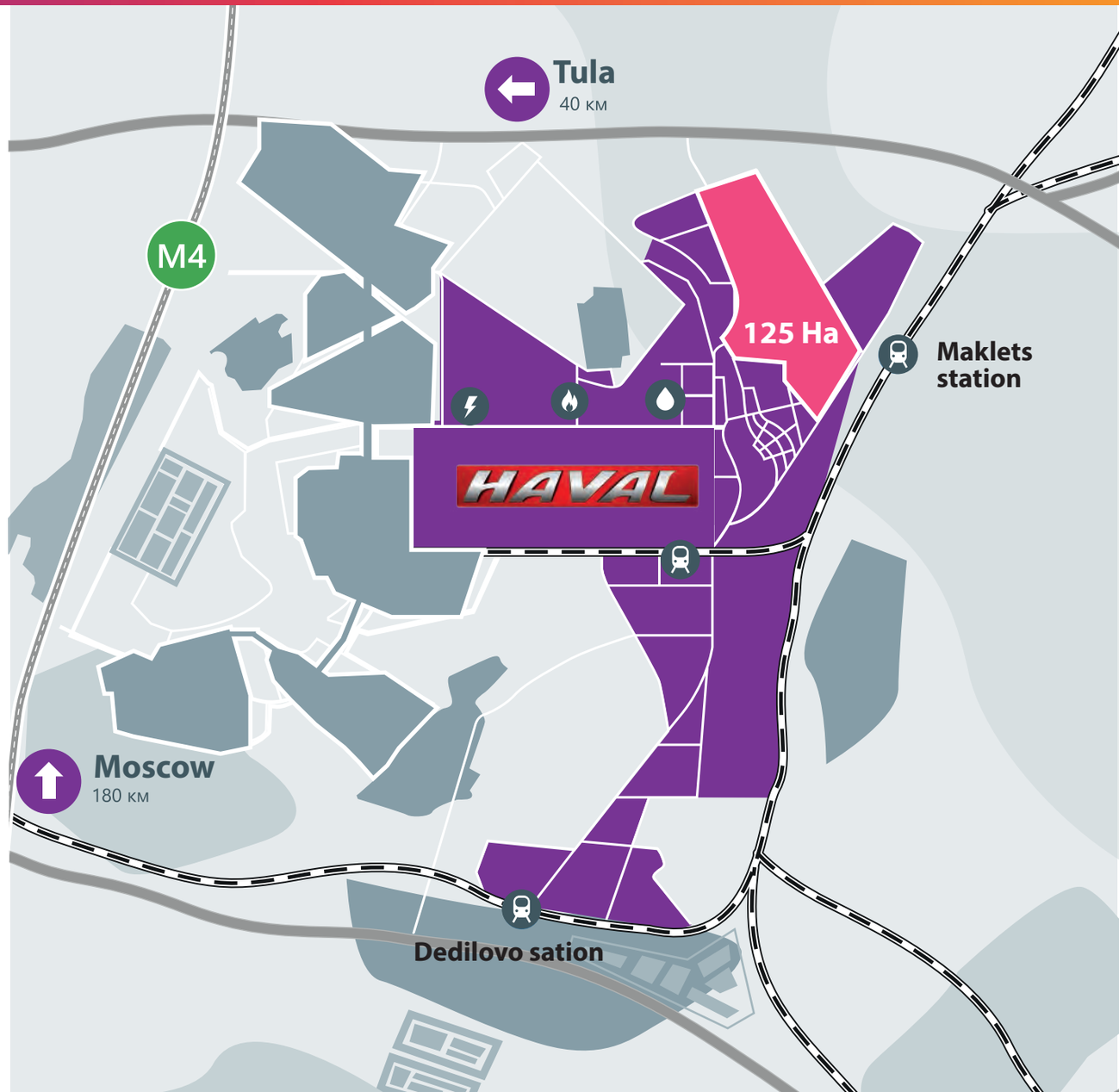
The unquestionable advantage is the establishment of industrial zones in compliance with Chinese standards in order to attract a wide range of Chinese manufacturers, taking into account cooperation in technological production chains.

Proposal for managing part of the territory of Uzlovaya Industrial Park (125 hectares in the park's northern part)

- **125 Ha** area
- **power supply**
- **gas supply**
- **water supply**
- **M-4 "Don" Highway** along the plot's border
- **Railway tracks**

BENEFITS

Profit tax for up to 10 years: **15.5%**.
Property tax for up to 10 years: **0%**.



Land plots on offer for constructing and managing private industrial parks

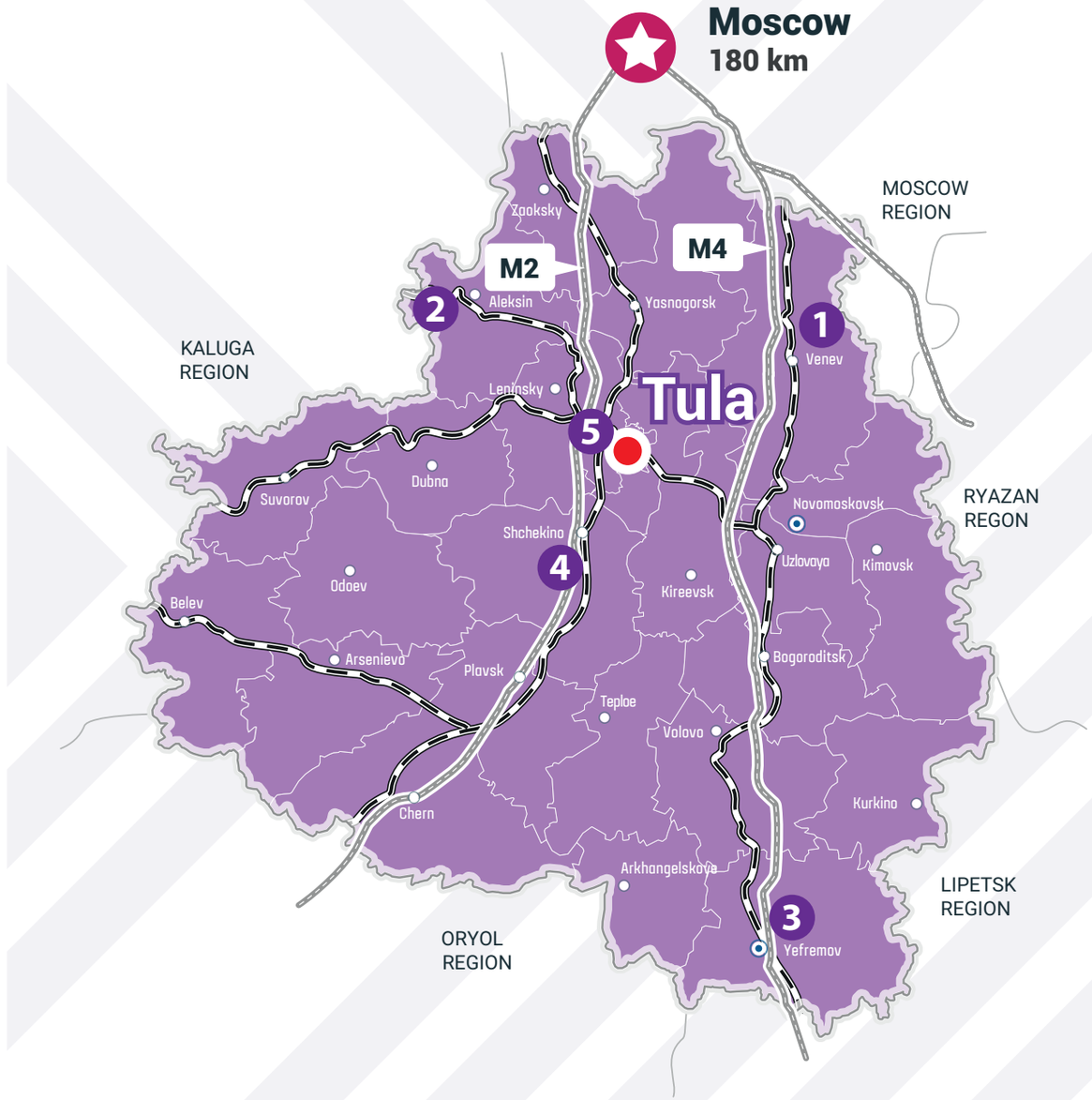
1 **The Venyov District**
Cadastral number: 71:05:050501:126
Plot area: 592 Ha

2 **The Aleksin City District (single-industry city)**
Cadastral numbers: 71:01:020501:612
71:01:020501:620, 71:01:020505:85, 71:01:020501:617, 71:01:020505:130,71:01:020503:81, 71:01:020501:616, 71:01:020503:82
Plot area: 192 Ha

3 **Yefremov (single-industry city)**
Cadastral number: 71:08:050101:0136
Plot area: 412 Ha

4 **The Shchyokino District**
Cadastral numbers: 71:22:020501:45
71:22:020501:86, 71:22:020501:44, 71:22:020101:189
Plot area: 803 Ha

5 **Tula City District**
Plot area:1156 Ha



VII CONSTRUCTING MOSCOW–TULA HIGH-SPEED RAILWAY
1. PROJECT DESCRIPTION

Project goal: increasing speed and accessibility of the railway service between the Moscow Metropolitan Area and the southern regions of the Central Federal District in order to increase the railway's share in passenger traffic and to increase the pace of economic growth.

Project tasks:

1. Constructing the Moscow–Tula HSR section as the first stage in building the Moscow–Rostov-on-Don–Adler line (HSR-3);
2. Reconstructing and modernizing the Tula–Belgorod railway section;
3. Providing high-speed service between Moscow and Domodedovo, Russia's largest airport, and direct high-speed service between Tula, Oryol, Kursk, and Belgorod and the airport;
4. Stimulating additional demand for passenger traffic on the prospective section of the Moscow–Kazan high-speed railway by creating "through" routes;
5. Increasing profitability of regular passenger service in the project's attraction zone;
6. Advanced development of major metropolitan areas and improving the settlement system;
7. Increasing capitalization of territories in the HSR/RT (rapid transit) attraction zone by creating prerequisites for implementing comprehensive territorial development projects;
8. Ensuring demand for a state-of-the-art RT and HS rolling stock.

Financing and implementation plan

The project is financed via the HSR/RT Development Foundation.

The Agreement on establishing a JPC (joint project company) is concluded between the HSR/RT Development Foundation, the High-Speed Railways, authorized agencies of the executive authorities of the Moscow Region, authorized agencies of the executive authorities of the Tula Region.

Agency contract for execution of commissions is concluded with Russian Railways.

The project's indicators

The overall effect of the Moscow–Tula section on the Tula. Region's consolidated budget (in 2016 prices) – 414.5 billion rubles.

Capital expenses for the construction of the Moscow–Tula HSR section: 363.3 billion rubles.

Federal budget (FB) revenues from the Moscow–Tula HSR project

436 billion rubles: additional FB budget revenues from effects on investment and agglomeration effects.

63 billion rubles: short-term government loan to finance the construction.

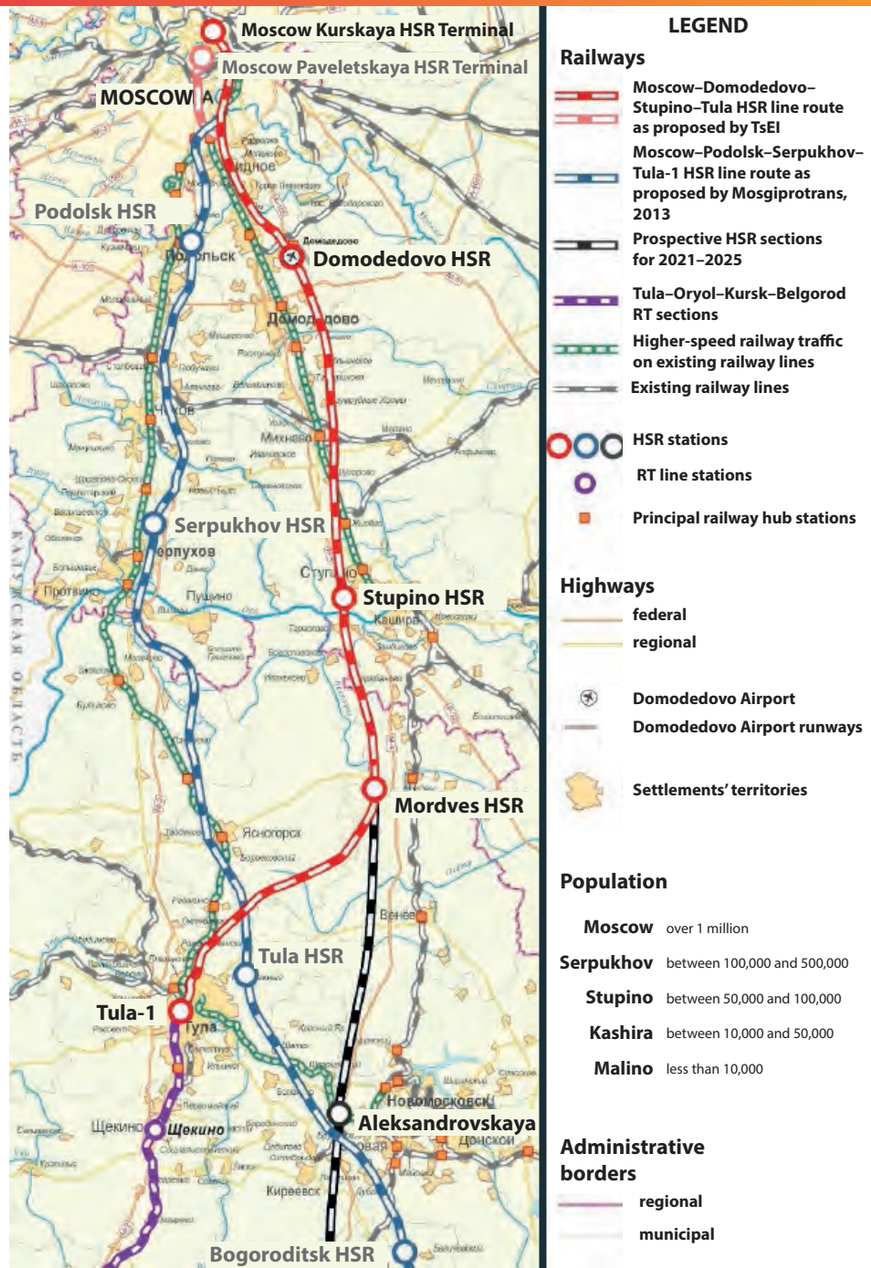
40 billion rubles: loans issued at construction stage paid back with interest by the regions.

New jobs

3,920 jobs.

Current status:

Feasibility study is currently underway with the tentative completion in the first quarter of 2018.



VIII CONSTRUCTING A TOLL EXPRESSWAY LINKING M-2 “CRIMEA” AND M-4 “DON” FREEWAYS

VIII CONSTRUCTING AN M-2–M-4 TOLL HIGHWAY
1. PROJECT DESCRIPTION

Project's required resources
Developing feasibility study – 30 million rubles.
The project's preliminary budget: 20 billion rubles, of that amount, 1 billion is preliminarily allocated for developing design specifications and estimates.
Approximately 20% from the region, 20% from the Russian Federation's budget, 60% from the investor (to be adjusted pursuant to the results of the feasibility study).

Project participants
The Government of the Tula Region, Tula Region Development Corporation, administrations of the municipal entities of the Tula Region.

Project goals
Project rationale:
- increasing the speed of passenger traffic and of trade turnover; reducing transportation expenditures;
- reducing accident rate and increasing traffic safety;
- routing transit vehicles to bypass Tula.

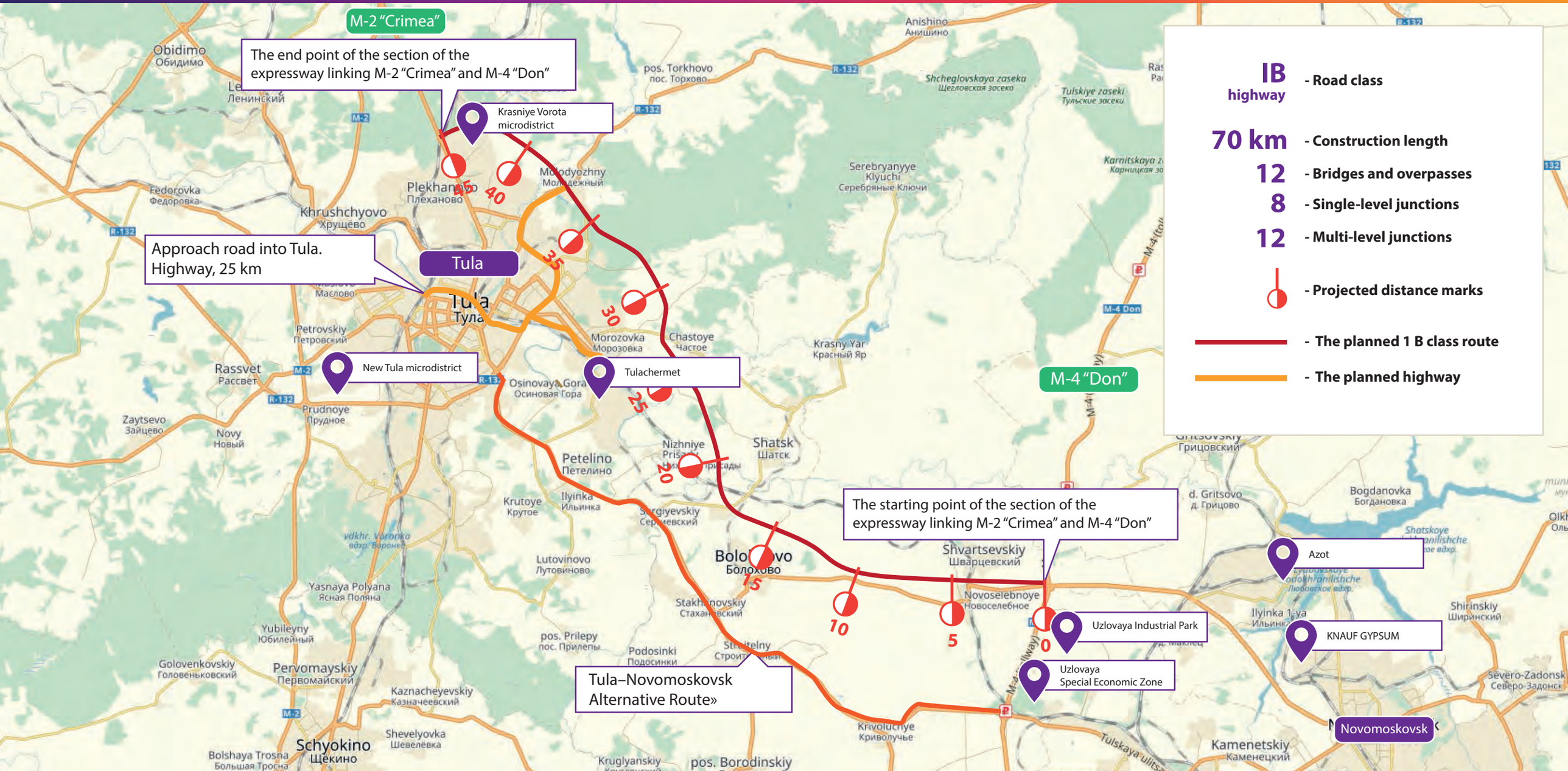
The list of problems and possible solutions
No investor for implementing the project.
Increased estimated costs.
Failure to meet the construction deadlines.

Describing principal strategic goals of the project and the ways of achieving them
The goal is constructing a Class I toll road based on the public-private partnership principles:
- connects M-2 "Crimea" and M-4 "Don" highways;
- serves as a relief road for the Tula–Novomoskovsk that links the Tula Region's two major industrial centers;
- a full-fledged bypass route around Tula for transit vehicles.

KEY SPECIFICATIONS OF THE HIGHWAY PROJECT

Construction type	New construction	
Highway Class	I B	Highway
Length	45 km	25 km
Design speed	120 km/h	100 km/h
Number of lanes	4	2
Road topping	Capital	
Surfacing type	Asphalt concrete, SMA-20	
Bridges (number / length in meters)	7/360	
Overpasses in the highway's body (number / length in meters)	5/600	
Single-level junctions, number	8	
Multi-level junctions, number	12	
Hard surfacing area	1,09 sq. km	
Predicted traffic density	2020 – 21,00 cars/24hrs; 2040 – 42,400 cars/24hrs	
Construction time	4 years	

VIII CONSTRUCTING AN M-2–M-4 TOLL HIGHWAY
1. PROJECT DESCRIPTION



No.	The project's principal parameters	Value
1	The project's principal goal	Constructing a new expressway in the Tula Region by the end of 2022
2	Project level	Regional
3	Project implementation type	Concession agreement
4	Agreement subjects	The expressway length: 70 km (stage 1: 45 km; stage 2: 25 km) Class: 1 B, lanes: 4 Junctions at various levels: 10–12
5	Tentative implementation time	Overall implementation time of the project's investment stage is approximately 5 years. Developing and obtaining approval for design specifications and estimates – 1 year Preliminary work and procedures: up to 1 year Construction: up to 3 years
6	Timeline for implementing the project's principal stages	- pre-project preparations – 6 months - tender procedures – up to 1 year - investment stage – up to 3 years - operations stage – up to 25 years
7	The estimated overall cost of implementing the project	19 billion rubles

THANK YOU FOR YOUR ATTENTION

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