

*Guide to Investment*  
Chelyabinsk Region



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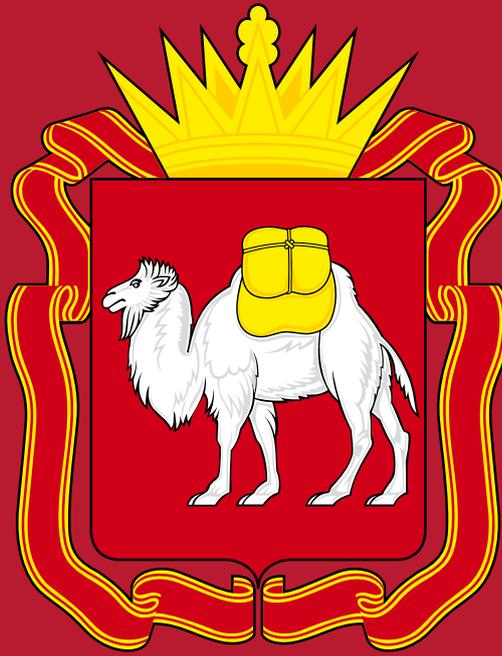
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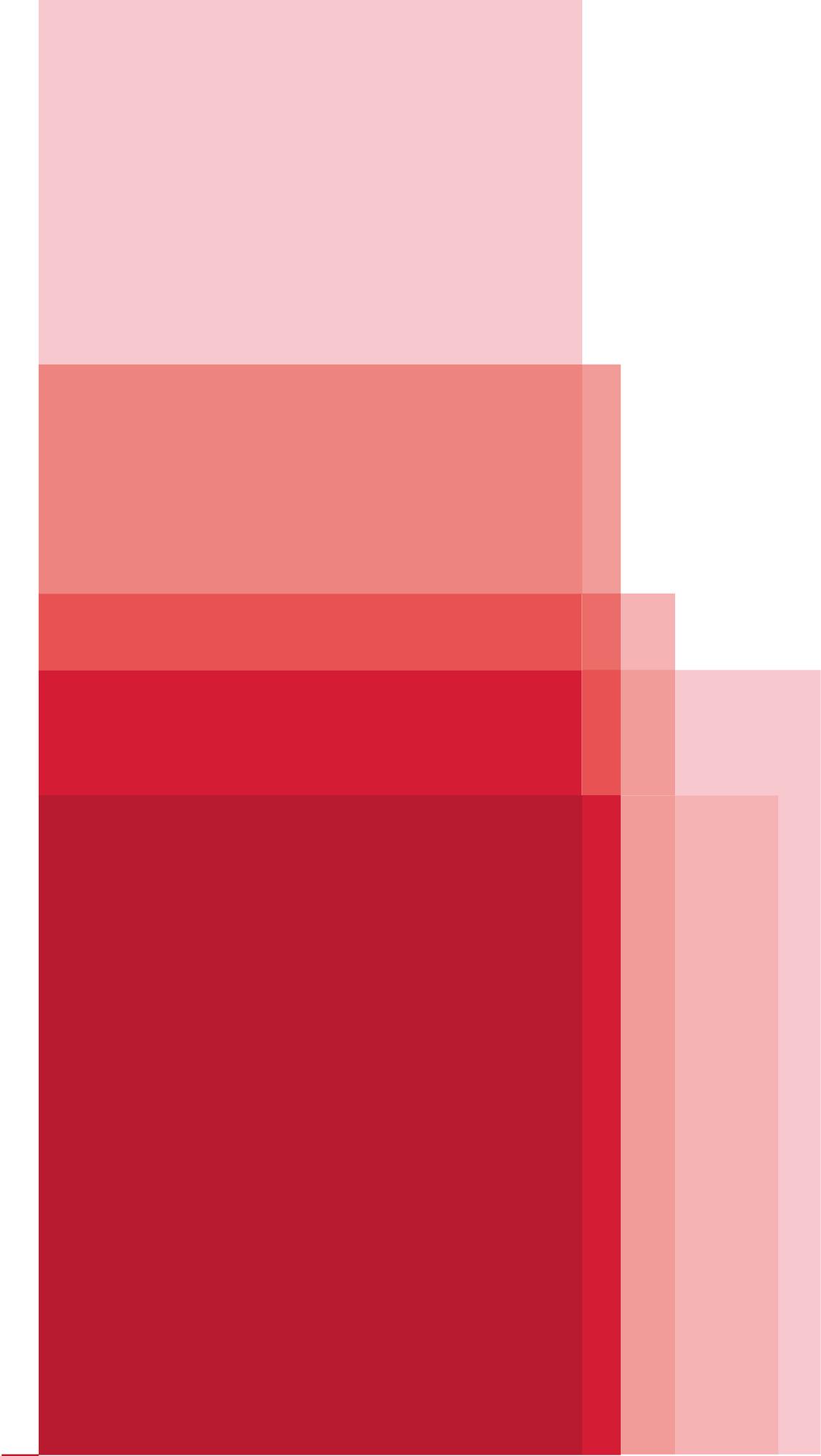
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This overview has been prepared in conjunction with and based on the materials provided by the Ministry of Economic Development of Chelyabinsk Region.

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

Dear friends,

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

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

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

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

In recent years, new enterprises have been established with the participation of such companies as Rexam (Great Britain), Rockwool (Denmark), SMS Group, Henkel Bautechnik, Knauf (Germany), CARBO Ceramics, Emerson (United States), and Fortum (Finland).

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

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

Sincerely,

***Mikhail V. Yurevich***

***Governor  
Chelyabinsk Region***





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# Foreword

Dear all,

The Chelyabinsk Region has a unique geographical position, occupying a vast territory on the boundary between Europe and Asia. The region's geographical position and wealth of natural resources have been key factors in its economic development as a hub for logistics, mining, heavy industry, tourism and transport.

Thanks to its abundant natural resources, the Chelyabinsk Region holds a monopoly within Russia for the production and processing of magnesium carbonate, graphite and talc, which is why many leading mining companies are based in the region.

For many years, the Chelyabinsk Region has experienced stable economic growth. Among the region's most highly developed industries are agriculture, particularly poultry and cattle breeding; metallurgy; transport; and retail and wholesale trade.

Tourism is one of the region's most promising areas for future growth. Visitors to the Chelyabinsk Region can choose from among about 20 European-class ski resorts, which are becoming increasingly popular among both foreign and Russian tourists.

The Chelyabinsk Region Government has placed a high priority on creating attractive conditions for foreign businesses operating in Russia, and promoting new investment projects.

To aid this process, in 2011 the regional government established the Start-up office for foreign investors, which is successfully working with foreign investors to help them get established in the region.

This Guide to Investment is aimed at helping potential investors understand how they can participate in and profit from the Chelyabinsk Region's economic success story. It was prepared by PwC Russia in collaboration with the Chelyabinsk Region Ministry of Economic Development, which has generously provided data and materials.

We are confident that this Guide to Investment will be an invaluable tool for helping potential investors to succeed in their new ventures, and wish the Chelyabinsk Region Government much success in promoting the region's future growth and prosperity.

Very truly yours,

**David Gray**



**Managing Partner**  
**PwC in Russia**

# *Chelyabinsk Region: an overview*



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

### **Administrative divisions / population / major cities**

The region has 314 municipalities including 16 urban districts, 27 municipal regions, 27 urban settlements, and 244 rural settlements.

The region has 3,479,600 inhabitants, of which more than 82% live in cities.

The region's administrative centre is the city of Chelyabinsk, with a population of 1,143,200 and located 1,919 km from Moscow.

Other major cities in the region are Magnitogorsk (409,300 inhabitants), Zlatoust (175,800), Miass (166,100) and Kopeysk (140,500).

### **Geographical position**

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

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

The Chelyabinsk Region borders the Sverdlovsk Region to the north, the Kurgan Region to the east, the Orenburg Region to the south, and the Republic of Bashkortostan to the west. Part of the region's south-eastern border (892 km) also forms Russia's international border with Kazakhstan.



*The region's administrative centre is the city of Chelyabinsk, with a population of 1,143,200 and located 1,919 km from Moscow.*





## ***Natural resources***

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





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***The Chelyabinsk Region has a monopoly within Russia in the extraction and processing of:***

magnesium carbonate (95%)

graphite (95%)

furnace dolomite (71%)

talc (70%)



## Transport and communications

The Chelyabinsk Region is among Russia's major transportation hubs. It is located at the intersection of major north-south and east-west motor routes and railroads. In 2011 the freight volume was 93.1 million tonnes, while the freight turnover amounted to 50,205,800 tonnes-kilometre.

### Air transportation



The cities of Chelyabinsk and Magnitogorsk have international airports. The Chelyabinsk Airport can handle all types of aircraft. Regular flights serve such international destinations as Austria, Germany, Turkey, the United Arab Emirates, Egypt, Thailand, and China.

### Railways

The Trans-Siberian Railway, which crosses the European and Asian continents, runs through the Chelyabinsk Region. The region has a total of 1,796 km of railroad track, 72.7% of which is electrified.

### Highways



**THE TRANS-SIBERIAN RAILWAY**  
and main others Russian transit railways



Major highways that traverse the Chelyabinsk Region are the M5 Ural motorway (Moscow-Chelyabinsk), the M36 motorway (Ekaterinburg-Kazakhstan border) and the M51 Baikal motorway (Chelyabinsk-Chita). In total, there are 9,985.7 km of paved, public roads in the region. There is well-developed bus service between Chelyabinsk and neighbouring regions, with daily trips to Ekaterinburg, Ufa, Kurgan, Orenburg and other regions, as well as Kazakhstan.

## Communications



The Chelyabinsk Region is characterised by highly developed information and communication technologies. It is among the top ten Russian regions in the level of network digitalisation, as well as the volume of new technologies implemented and Internet services. The available technical capabilities offer users virtually all kinds of modern communications services.

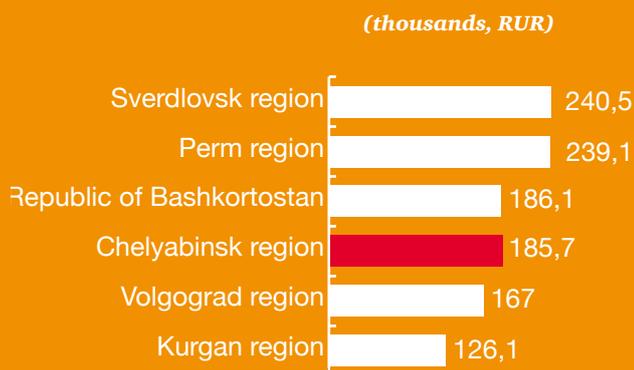
## Geographic advantages

1. Macroregional hub of the Ural Federal District offering easy access to consumer markets in neighbouring regions.
2. Thanks to its proximity with Kazakhstan, the region has a highly developed customs infrastructure on the Russian-Kazakh international border.
3. The region's remoteness from seas and oceans creates favourable climatic conditions and reduces the risk of major natural disasters.
4. The region's location at the intersection of trade routes between Europe, Asia, and the Middle East.
5. Well-developed transportation system (highways, trunk railways, air service).
6. Highly developed communications infrastructure and information technologies.
7. A wealth of minerals and natural resources, including a monopoly within Russia for the production of key minerals such as graphite, magnesium carbonate, talc, and dolomite.

# Economic and industrial potential

The Chelyabinsk Region is one of Russia's key regions in terms of economic development.

## Gross regional product per capita in 2010



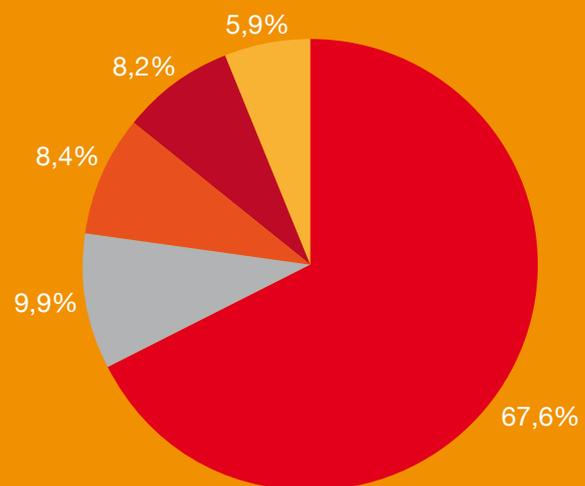
Among Russia's regions, the South Urals rank first in production of ready-made steel and rolled products, as well as pasta products; third in poultry production by agribusiness enterprises; fifth in volume of manufactured goods shipped; sixth in volume of foreign investment; twelfth in volume of retail sales and agricultural production; and thirteenth in housing construction volume.

## Manufacturing



The Chelyabinsk Region has an extensive industrial base, which is dominated by metallurgy, heavy engineering, construction, and food processing. Metallurgical enterprises in the region produce 27% of Russia's overall output of rolled products, 26% of Russian steel, and 12% of Russia's steel pipe output.

## Industrial production



- Metallurgy
- Production of food products, including beverages and tobacco
- Production of construction materials
- Heavy engineering
- Other



the Chelyabinsk Region’s largest enterprises, which export to the entire world, including:

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

### *Metallurgy*

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



The largest pipe manufacturer in the Chelyabinsk Region is OJSC Chelyabinsk Pipe Rolling Plant (ChTPZ), a business unit of CJSC ChTPZ Group. The plant has carried out the Vysota 239 project (Pipe Electric Welding Shop No. 3) for producing large-diameter pipes using thick-sheet steel plate made by OJSC MISW’s 5000 rolling mill.



The metallurgical sector is represented by some of



## **The region's metalworking sector**

includes a number of enterprises engaged in producing ready-made metal products, including metal sections and products for construction, metal tanks, steam boilers, forged products, and consumer goods. Among others, these include OJSC Uralskaya Kuznitsa (Chebarkul), OJSC Chelyabinsk Forge-and-Press Plant, CJSC Chelyabinsk Construction Ironworks, and OJSC Magnitogorsk Hardware Calibrating Plant MMK-METIZ.

These enterprises have a modern production base, and are making large-scale investments in production modernisation and mastering new types of high value-added products.

The following major, high-tech enterprises are engaged in non-ferrous metals manufacturing, producing zinc, copper, cobalt and nickel:

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



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

## **The heavy engineering sector**

relies on its own metallurgical base. Machine-building plants use various modern metal processing methods: stamping, forging, grinding, turning, milling, heat, laser, and hydraulic treatment.

Heavy engineering enterprises produce a wide range of goods, including:

- mechanical equipment, hoisting cranes, loaders, industrial machine tools, tractors, bulldozers, and road-building machinery (major enterprises include: LLC Chelyabinsk Tractor Plant - Uraltrak, CJSC Chelyabinsk Road-Building Machines, OJSC Kopeysk Machine-Building Plant, and OJSC Chelyabinsk Mechanical Plant);
- automobiles, automobile trailers and semi-trailers, railway rolling stock (locomotives, tram cars), and auto parts and components (OJSC Ural Automobile Plant, OJSC Chelyabinsk Forge-and-Press Plant, Federal State Unitary Enterprise Ust-Katayevsk Coach Building Plant, CJSC Trek Production Association, KEDR Industrial Group, and CJSC Plastik);
- electric motors, generators and transformers, lighting equipment, metering devices, and medical equipment (OJSC Miaselektroapparat, OJSC Miass Machine Building Plant, OJSC Teplopribor, PG Metran, OJSC ENERGOPROM - Chelyabinsk Electrode Plant).



## **Construction**



The region's construction industry includes more than 3,500 construction and erection companies performing work of all degrees of complexity. More than 400 enterprises manufacture construction and wall materials, precast concrete units and metal structures. The construction industry relies on its own mining base. In 2011 1,315,800 square metres of new residential housing was commissioned in the region.

Major industrial construction enterprises include:

- CJSC Chelyabinsk Mine-Building Enterprise;
- CJSC Ularmetallurgremont Group of Companies;
- CJSC Vostokmetallurgmontazh-1;
- CJSC INSISTROY;
- OJSC NEKK.

## **Market volume**

With its favourable geographical location, highly developed transport infrastructure, and abundant mineral wealth, the Chelyabinsk Region makes construction materials that are in demand in certain regions of European Russian as well as the Urals and Siberia, which account for 16.1 million square metres of newly built housing (or 27.5% of the Russia-wide total of new housing).

## **Energy**

Local power plants provide 80% of the region's electricity needs. Within the next five years the region will achieve energy self-sufficiency.



Since 2009 the Chelyabinsk Region has been carrying out a special programme for improving the energy efficiency of the regional economy through 2020, which aims to achieve an annual reduction of 4% in the power intensiveness of the gross regional product.

Small-scale hydro power is being developed in the Chelyabinsk Region. Five pilot projects are now under

way to build small-scale hydro power facilities with an overall capacity of 2,400 kilowatts (Argazinskoye, Kusinskoye, Porozhskoye Reservoir, Yuryuzan River Reservoir, and Nyazenpetrovsky Pond).

A number of Chelyabinsk Region companies are also involved in developing renewable energy resources, including LLC Vertikal, which is a participant in the Skolkovo project.

Each year, new gas pipelines and networks go into operation; the overall level of gasification in the region reached 68.5% in 2011. A new project has been launched for the comprehensive modernisation of 145 boiler rooms and the water supply system.

## **Agriculture**

is a key sector of the Chelyabinsk Region's economy, with 80% of the region's land area suitable for agricultural activities. Most agricultural land, which has a relatively high level of fertility (black earth) and is particularly suitable for grain production, dairy farming, raising meat animals, and vegetable farming, is located in the steppe and forest-steppe zones.



The agricultural sector is currently undergoing consolidation with the creation of holding company structures that combine the production, processing, marketing, and distribution of agricultural products in a single network. Among these are the SoyuzPisheprom Association, LLC Ariant Food Industry Centre, the Sitno Association, OJSC Makfa and CJSC Chebarkulskaya Ptitsa (Poultry).



The region's major agribusiness enterprises include:

in the meat segment: LLC Ravis - Ptitsefabrika Sosnovskaya, OJSC Agrofirma Ariant, CJSC Uralbroiler, CJSC Healthy Farm, and the Rodnikovskiy swine farm.

in the flour-and-cereals and pasta products segments: OJSC Makfa, CJSC Magnitogorsk Baked Foods Combine – SITNO, CJSC Zlak Baked Goods Combine, and CJSC Grigorovich Baked Foods Combine.

## **Poultry**

In 2011 200,000 tonnes of poultry meat was produced. Four projects were launched that will help achieve a nearly twofold increase in overall poultry production:



LLC Ural Meat Company – production of 50,000 tonnes of poultry meat per year;

CJSC Healthy Farm – production of up to 70,000 tonnes of poultry meat per year;

LLC Nagaybasky Poultry Complex – production of 50,000 tonnes of poultry meat per year; and

LLC Bektysh – a poultry plant with production volume of 4,500 tonnes per year.

## Livestock

Thirty stud farms operate within the region, of which 16 are involved in meat production (Hereford and Simmental breeds). Brood cows make up over half (52.4%) of the overall livestock population of beef cattle.



In addition, five projects have been launched that will help achieve a more than threefold increase in pork production.

CJSC Healthy Farm – production of up 18,000 tonnes of pork products per year (Rodnikovskiy swine farm);

LLC Uiysky Hereford-Agro Centre – raising 40,000 head of beef cattle (Herefords);

LLC MK Romkor – swine-breeding complex with 2,520 head of productive breeding pigs and 65,000 fattened pigs per year;

SPK Podovinnoye – increase in cattle herd to 2,300 head;

OJSC Agrofirma Ariant – meat-processing plant with a capacity of 140,000 tonnes of meat products.

## Market volume.

Chelyabinsk Region food processing companies are well represented in the consumer markets of

neighbouring regions with very strong demand for agricultural products.

The region's agribusiness sector is represented as well in 17 Russian regions, which together have a permanent population of 39.1 million (27.4% of Russia's overall population), and in 2011 had a retail trade volume of RUR 4.4 trillion, or 26.5% of Russia's total retail trade volume.

## Banking

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

- nine regional banks, including such major banks as OJSC Chelindbank, OJSC Chelyabinvestbank, OJSC Bank Snezhinskiy, OJSC KUB, OJSC Uralprombank, and others;

- fifty-four branches of banks based in other regions, including thirteen branches of Sberbank of Russia, OJSC VTB Bank, OJSC SMP Bank, OJSC Rosselkhozbank, and OJSC URALSIB;

- branches of foreign banks: Raiffeisenbank (Austria), UniCredit Bank (Italy), Uniastrum Bank (Cyprus), OTP Bank (Hungary), OJSC NBK-Bank (Kazakhstan), and others;

- operational and credit & cash offices of such foreign banks as: GE Money Bank (United States), Home Credit and Finance Bank (Czech Republic), Bank Intesa (Italy), and others.



Credit institutions maintain an extensive branch network of additional offices, operating desks, credit and cash offices. Overall, there are 938 separate banking outlets operating in the region.

**Chelyabinsk Region's economic advantages include:**

1. Highly developed metallurgical and heavy engineering sectors.
2. Modernisation of the manufacturing base in favour of competitive, high value-added products.
3. A robust construction industry relying on local resources and building materials.
4. Well-developed poultry and livestock industries using advanced technologies.
5. A leading position in production of pasta and poultry products.
6. The region enjoys a high level of energy self-sufficiency.
7. Well-developed gas distribution infrastructure.
8. A leader among Russian regions in introducing energy conservation measures.
9. A well-developed support system for small and medium-sized enterprises (SME), including financial, advisory, and property support.
10. A strong banking sector.

**Labour resources**

The Chelyabinsk Region has a population of 3.5 million people (2.5% of Russia's overall population). The working population is nearly 1.8 million people.

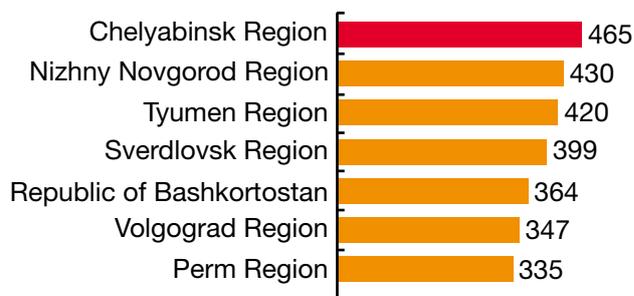
The region is home to 46 scientific research organisations, 62 secondary professional educational institutions, and 44 higher educational institutions (29 public, 15 private).

In the 2010/2011 academic year, the region had the following number of students:

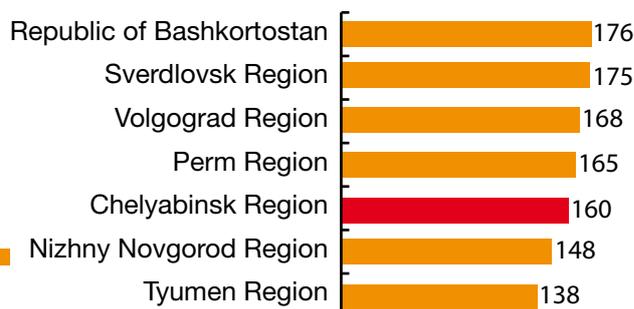
- secondary professional educational institutions – 55,700;
- higher educational institutions – 181,200.

The region has highly qualified, skilled professionals, ranging from top managers to specialised production workers. The availability of language training in the region, through local universities' language departments and various language centres, has promoted greater knowledge among the region's population of major European and Asian languages.

**Number of students in higher educational institutions for 10,000 people (2010/2011 academic year)**



**Number of students in secondary professional educational institutions for 10,000 people (2010/2011 academic year)**



**Income levels**

Ongoing economic development has had a positive impact on the living standards of the region's population. In 2011:

- total income grew by 7.6% up to RUR 750.4 billion;

- the average monthly per capita income was nearly RUR 18,000, representing growth of 7.6% over 2010; and

- the average monthly wage was RUR 20,200, or 15.5% higher than in 2010.

### Consumer spending

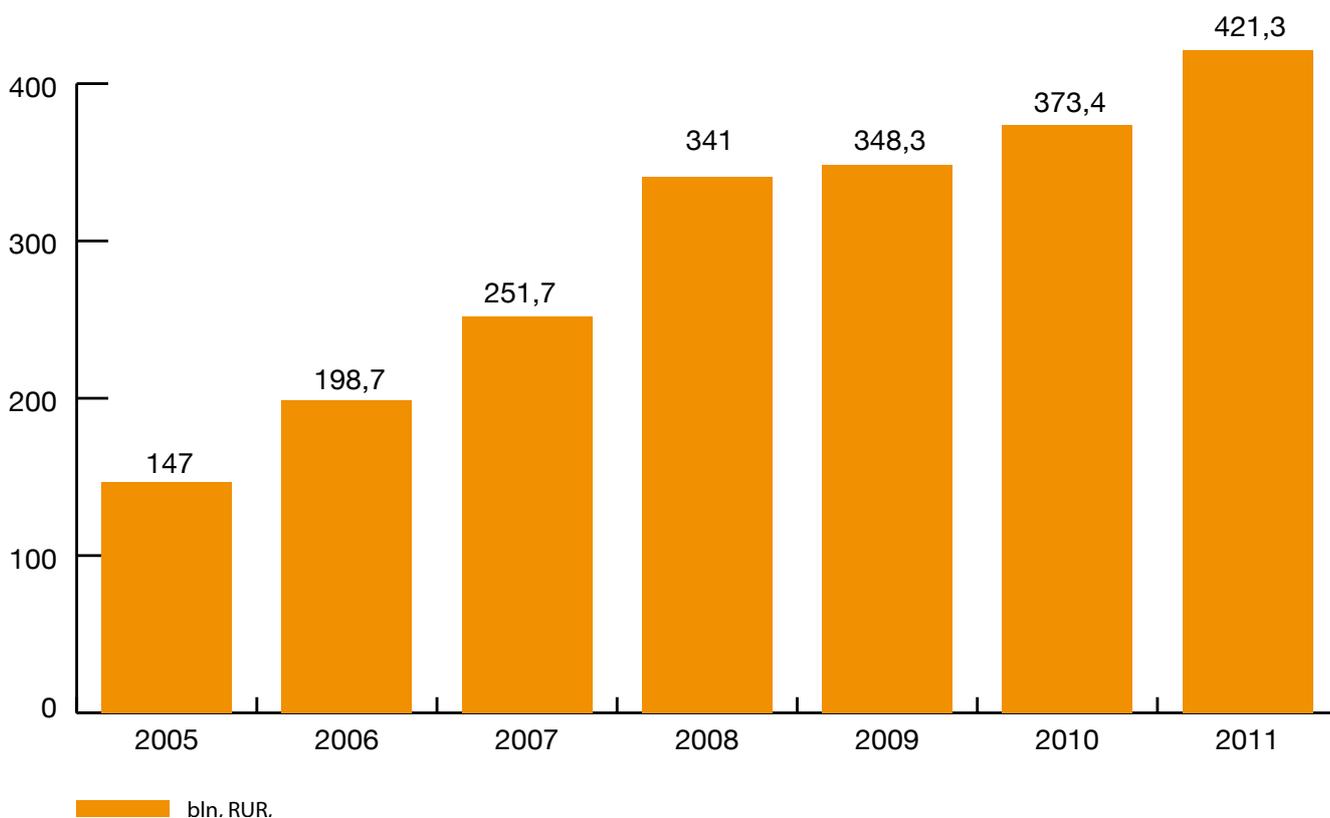
in 2011 grew by 7.3%, up to RUR 688.2 billion.

The region's retail sales volume for 2011 reached RUR 421.3 billion, equal to RUR 121,200 per capita (13.9% growth over 2010). Non-food products represented 55.5% of total sales, while food products accounted for 44.5%.

### The Chelyabinsk Region's major advantages include:

1. A large pool of qualified, skilled personnel with higher education (both in technical and liberal arts disciplines), and availability of professionals with proficiency in major European languages.
2. An extensive market for consumer goods.
3. Lower labour costs compared to Moscow and St Petersburg.

### Retail Sales Volume



# International and interregional cooperation

## International cooperation

The Chelyabinsk Region maintains active foreign trade relations. For 2011 the region's foreign trade turnover was worth USD 7.5 billion, representing exports of USD 5.5 billion and imports of USD 2 billion.

The region's exports consist mainly of ferrous and non-ferrous metals, machinery, and consumer goods.

Major import items are machinery, ferrous and non-ferrous metals, petrochemicals, mineral products, food, and consumer goods.

The region's main foreign trade partners are Iran, Ukraine, Belgium, Turkey, Uzbekistan, Germany, Italy, the Netherlands, China, and South Korea.

## Foreign trade turnover



- Export to CIS countries
- Export to non-CIS countries
- Import from CIS countries
- Import from non-CIS countries



## Foreign trade institutions

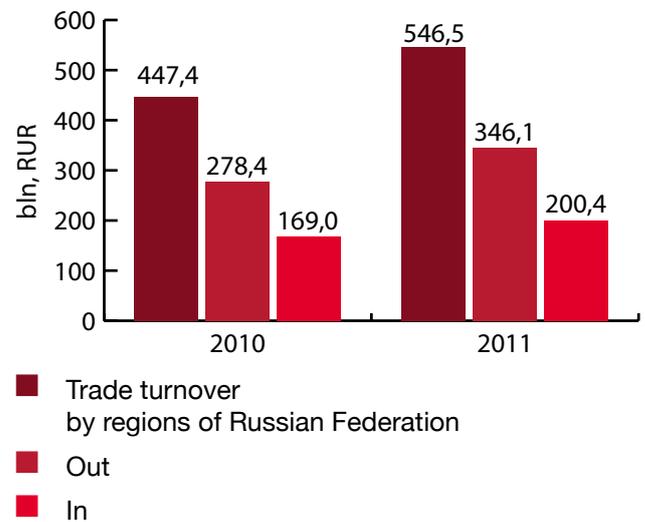
The Chelyabinsk Region has four major institutions devoted to developing the region's foreign trade relations: the South Urals Chamber of Commerce and Industry, the Chelyabinsk International Trade Centre, and the Russian-Chinese Business Centre, representative office of non-profit organization 'Assistance and Advocacy of Italian enterprises 'GIM-Unimpresa'. These organisations help local businesses and international companies to locate suitable partners and establish business relationships. They provide a wide range of services to the region's organisations, including translation, marketing research, tourism, legal, patent and information services, as well as certification of management system quality, expert examination of goods and transport, rental services, valuation services, arbitration and more.

## Interregional cooperation

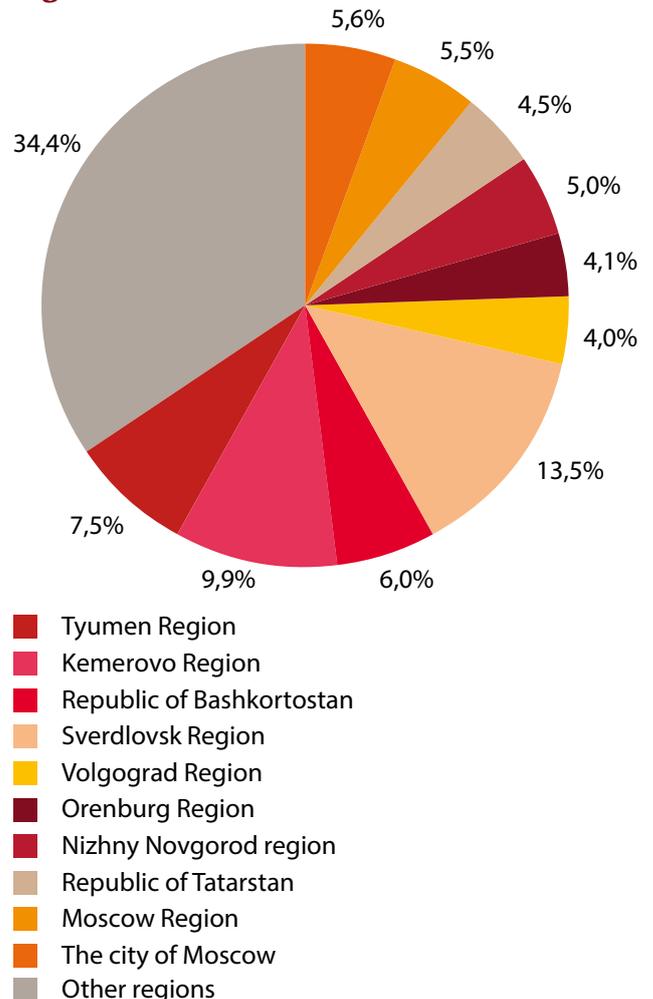
The Chelyabinsk Region's trade turnover with other Russian regions was RUR 546.5 billion as of the end of 2011 (122.2% growth versus 2010).

As of 1 January 2012, the region was party to 54 interregional agreements on trade and economic, scientific, technical, social and cultural cooperation, as well as seven protocols for implementing such cooperation agreements.

## Trade turnover by Russian regions



## Structure of trade turnover by Russian regions



## ***Exhibitions and trade shows / hotels and conference facilities***



As the centre of the South Urals, the Chelyabinsk Region has a number of world-class hotels and conference venues. Major hotels in Chelyabinsk include the Holiday Inn Chelyabinsk-Riverside, the Park City business class hotel, the Smolinopark Hotel, the Slavyanka, the Grand Hotel Vidgof, and the Beryozka.

In 2011, various exhibition centres and the South Urals Chamber of Commerce and Industry, with support from the Chelyabinsk Region Government, organised 118 exhibitions and conventions.



The region played host to 65 events in which over 6,000 local enterprises, 32 other Russian regions, and 10 foreign countries (Belarus, Germany, China, Italy, Japan, etc.) were represented. Exhibitions and trade shows attracted over 500,000 visitors.

## ***Chelyabinsk Region's major advantages in international cooperation include:***

1. Development of international relations at the regional level with CIS, EU, EurAsEC and APEC member countries.
2. Conducting international exhibitions and conventions.
3. High export potential.
4. Specialised institutions devoted to promoting the region's foreign trade relations.
5. Strong interregional ties.





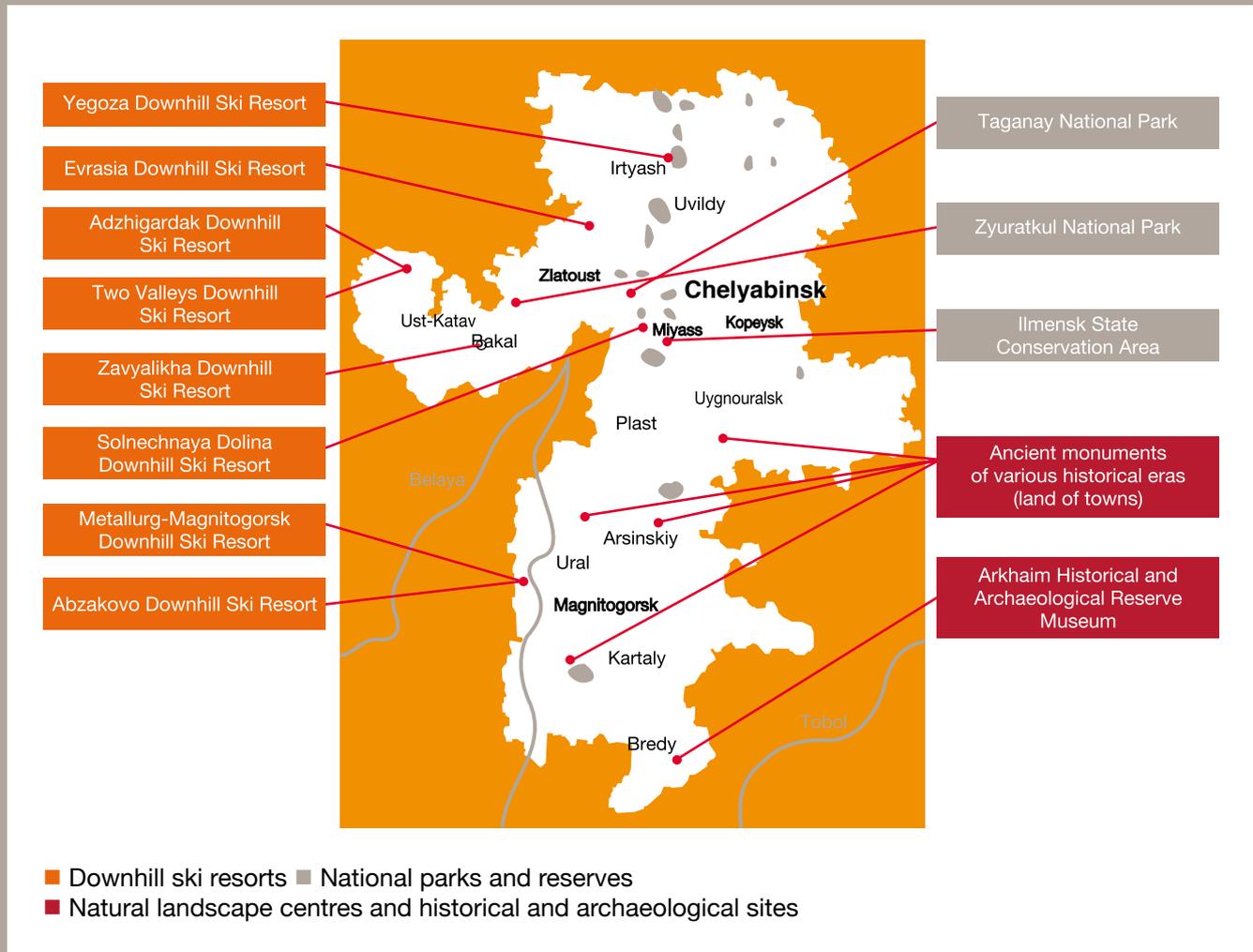
ДОБРО ПОЖАЛОВАТЬ

DB

# Tourism and recreation

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

## Chelyabinsk Region: conservation and recreation areas



### Conservation areas and reserves

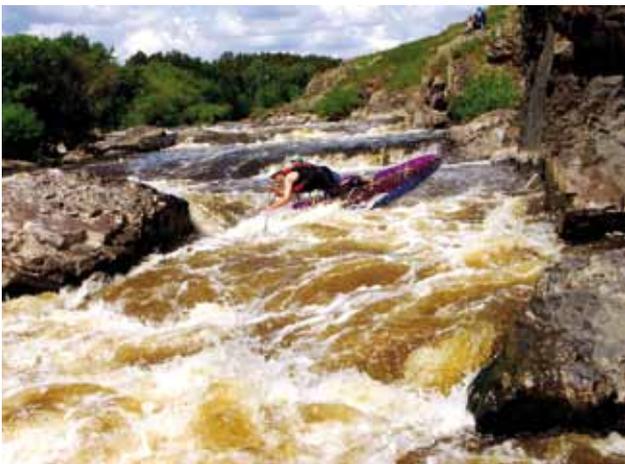
The region has more than 170 specially protected areas, including:

- the world-famous Mineral Paradise - Ilmensk State Conservation Area;
- Arkhaime Historical and Archaeological Reserve Museum, recognised as one of the most important archaeological finds of the century;

- Ignatyevskaya Cave with prehistoric drawings;

- Zyuratkul National Park, which lies among the highest mountain peaks of the South Urals; and

- Taganay National Park, one of Russia's newest national parks. The park's natural beauty is often compared to famous Alpine landscapes, earning it the name "Russia's Switzerland".



### *Rivers and lakes*

Many rivers have their source within the region. Major rivers are the Ural and the Miass. The aggregate length of all rivers in the region is 10,235 km.

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

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

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



The region ranks as one of Russia's leading areas for its variety of therapeutic muds. Organic muds are widely used at such resorts as Uvildy, Bolshoy Kisegach, Yelovoe, Solyonoye, Sladkoye, and Gorkoye.

### *Health resorts*

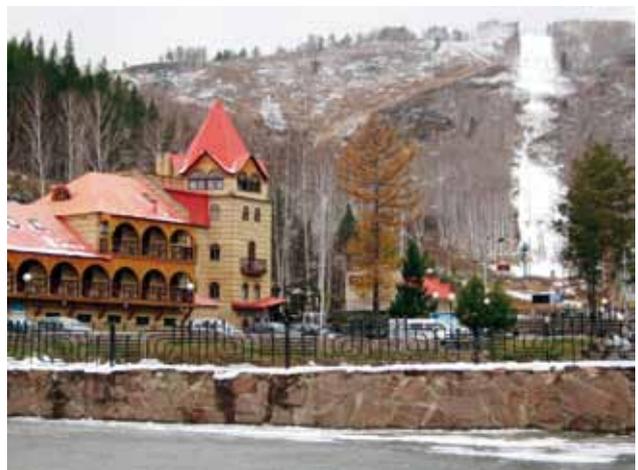
The region has a well-developed sanatorium and health resort system, which includes health resorts, and vacation and recreation centres that make wide use of mineral waters and therapeutic muds



for promoting health and wellness and for medical treatment. The most well-known health resorts are Kisegach, Uvildy, Ural and Karagayskiy Bor.

### *Downhill skiing*

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



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### *Chelyabinsk Region's major advantages in tourism include:*

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

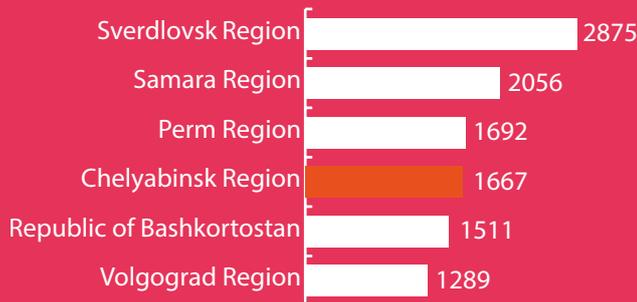


# Investment climate

In 2011, the Standard & Poor's rating agency affirmed its long-term credit rating of BB+ for the Chelyabinsk Region and its national scale rating of ruAA+ and "Stable" outlook.

In 2011, the region's volume of foreign investment was USD 3.8 billion (114.1% growth versus 2010). The volume of capital investment was USD 5.8 billion (106.2% growth versus 2010).

## Capital investments per capita for 2011 (USD thousands)



## Foreign investment per capita for 2011 (USD)



## Foreign investment

Foreign investment into the region comes from diverse sources, representing about 40 countries. In recent years, the following international companies have been active in the region.

- Fortum (Finland) – heat and electric power generation
- Rexam (Great Britain) – manufacturing of aluminium cans for beverages
- CARBO Ceramics (United States) – manufacturing of propping agents
- Emerson (United States) – manufacturing of “smart” automation devices
- Rockwool (Denmark) - manufacturing of mineral wool boards
- Henkel Bautechnik (Germany) - manufacturing of dry construction compounds
- Metro Cash & Carry (Germany) - small-batch retail
- SMS Siemag (Germany) – servicing Russian metallurgical plants, including producing spare parts for the metals production process
- OMIA (Switzerland) – manufacturing of crushed marble
- Lafarge (France) – cement production
- Saint-Gobain (France) – production of thermal insulation materials
- Auchan (France) – supermarket and hypermarket chain
- Castorama (France) – retailing household goods

## **Government support for investment activities**

One of the Chelyabinsk Region Government's top priorities is creating a favourable investment climate and promoting increased investment by enterprises active in the region.

A solid investment support infrastructure has been created in the region, including:

A regulatory system aimed at providing government protection and support for Russian and foreign investors, as well as developing partner relationships. This includes the enactment of laws on stimulating investment activity, developing public-private partnerships, and providing government guarantees and regional profits tax and property tax benefits;

An Industrial Innovation Park offering production-ready sites with all necessary infrastructure;

The Start-up office for foreign investors offering free consulting and translation services, and use of offices and office equipment, which has been operating successfully since 2011;

The [www.oblinvest74.ru](http://www.oblinvest74.ru) website (in Russian and English), which features information on investment opportunities in the region as well as catalogues of vacant land plots, incomplete construction sites, and industrial enterprises.



## **The Chelyabinsk Region Government offers investors:**

- land plots for carrying out investment projects;
- creation of infrastructure (gas, electricity, roads, etc.) for such land plots financed with regional budget funds;
- administrative support for obtaining all necessary permits; and
- guarantees and tax relief (on a tender basis).



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***Chelyabinsk Region's major investment advantages include:***

1. Active support of the Chelyabinsk Region Government for foreign investors.
2. High investment and national credit rating.
3. Strong inflow of investment, including by foreign companies.
4. Financial, infrastructure, and information support for investors.
5. An established legal and regulatory framework that guarantees support for investors and protection of their interests.



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



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