Industrial Park “Bronka“

Investment Proposal

Proposal

Enterprise	Development of the industrial park „Bronka“
Investment proposal	• **Purchase of the enterprise** • **Collaborative development of the enterprise according to the industrial park model**
Object of investment	**Land area of 176,5 hectares**: • Distance to the seaport Bronka — only 5 km • Possibility to locate the industrial branches with IV–V hazard class • Availability of free energetic capacities in the site location area
Location	**Land areas:** • Cadastral number 47:14:0203004:1. Leningrad Region, Lomonosov district, ZAO "Plodoyagodnoe", plot of land Zamanilovka, quarter 4, area 4; • Cadastral number 78:40:2061302:3. St. Petersburg, Lomonosov city, plant "Plodoyagodnoe", area 3; • Cadastral number 47:14:0203004:5. Leningrad Region, Lomonosov district, ZAO "Plodoyagodnoe", plot of land Zamanilovka, quarter 4; • Cadastral number 47:14:0203004:4. Leningrad Region, Lomonosov district, ZAO "Plodoyagodnoe", plot of land Zamanilovka, quarter 4.

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8 key advantages for investment

The advantages of the land plot:

- **Surrounding infrastructure**
- **Economic environment in the region**
- **Physical characteristics**

1 **Proximity of the major seaport Bronka**
the distance to the seaport < 5 km

2 **Proximity of transport nodes**
International airport, railway and car roads (incl. KAD[1])

3 **Proximity of Russia‘s second largest metropolis**
Population of St. Petersburg > 5,2 million people

4 **Location in a rapidly developing region in Russia**

5 **Presence of major international investors in the region**

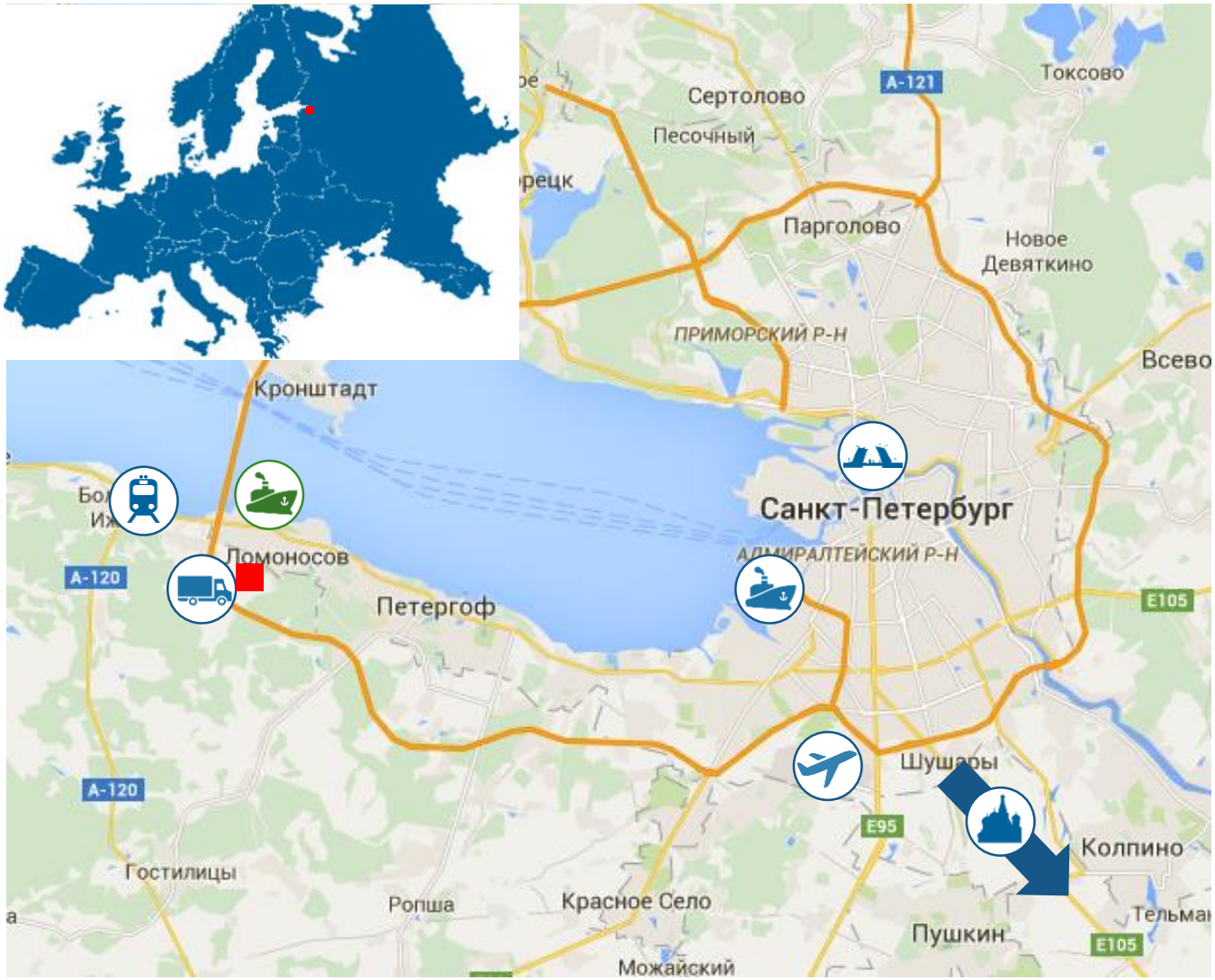
6 **Proximity of the biggest transport corridors**
“ North – South“, Export to Europe

7 **plot area > 170 ha**
Possibility of integrated development with creation of synergies

8 **Terrain (>90% of the area — flat land)**
No need in significant investment in flattening of the terrain

1 Ring Road (KAD Koltsevaya Avtomobilnaya Doroga) — a key transport artery of St. Petersburg which connects all major roadways divergenting from the center of St. Petersburg in directions of Helsinki, Murmansk, Moscow, Kiew and Tallinn.

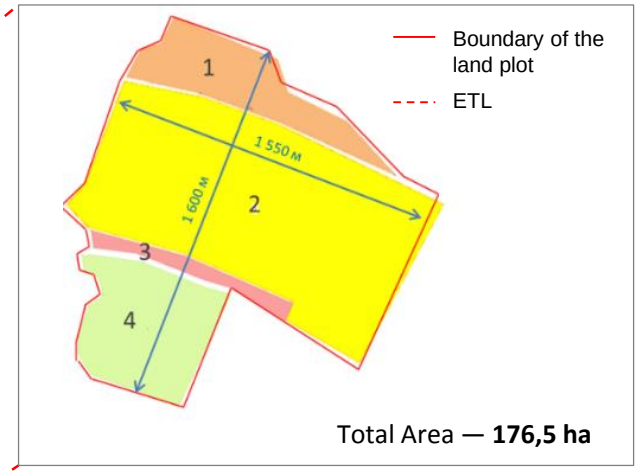
Direct nearness to the major transport nodes in the region



- Land plot
- Seaport St. Petersburg | 57 km
- Seaport Bronka | 5 km
- Railway station | 2,5 km
- KAD | 3,5 km
- Pulkovo[1] | 56 km
- Downtown St. Petersburg | 65 km
- Moscow | 750 km

1 International airport (passenger flow — 13,5 million passengers/year)

All needed connections to the trunk infrastructure for the development of the land plot



Roads

- Connection to KAD ~140–316 mln RUB
- Roads in the plot area ~10 mln RUB/km

Heat supply

- Boiler station ~55–140 mln RUB (1,5–6 MW)
- Heating networks in the plot area DN100 mm ~ 15 million RUB/km

Power supply

- Connection to HV line-110 kV ~ 19,5 million RUB/MVA, incl. installation of HV lines, modular substations 110/10 kW, PTS[1] 10/0,4 KV

Water supply and sewage

- Water supply: ~230–320 ths. RUB/cu m
- Sewage: ~230–350 ths. RUB / cu m (sanitary), ~120–140 ths. RUB / cu m (rain)

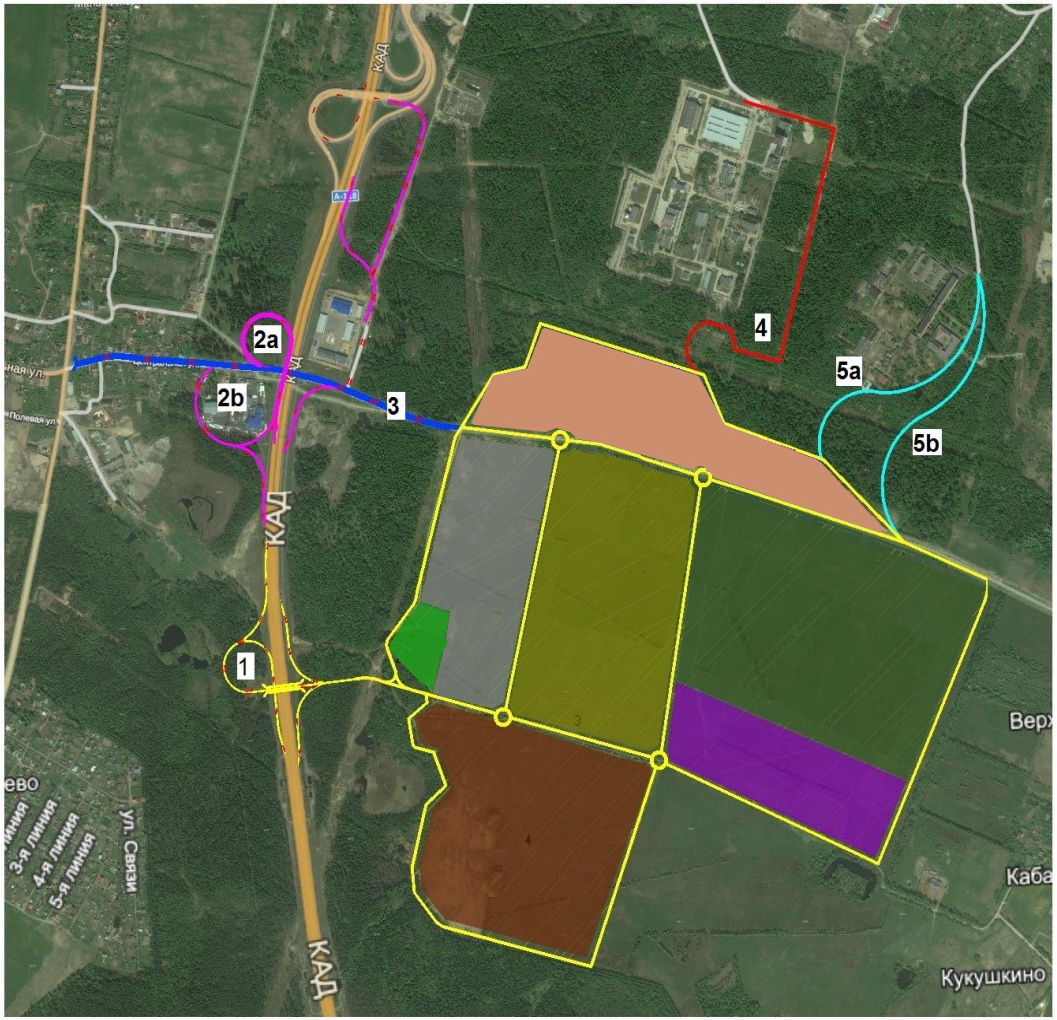
Gas supply

- Gas pipeline DN 100 mm ~4,4 million RUB

1 PTS - packaged transformer station

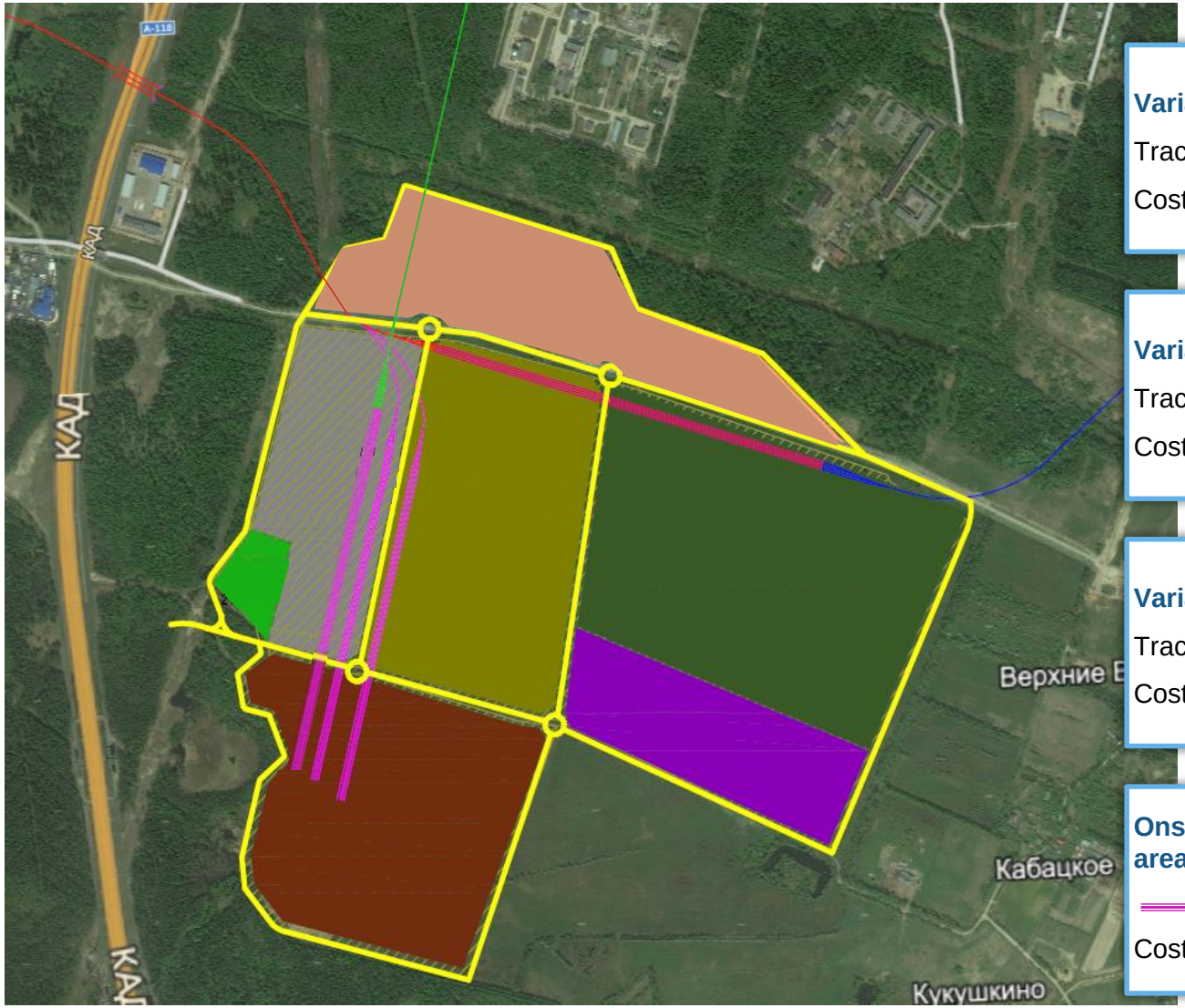
Variants of road connections

Possible variants of roads



Variant	Length km	Cost million RUB
No. 1	1,8	316
No. 2a	1,9	135
No. 2b	1,4	109
No. 3	1,15	33
No. 4	1,36	39
No. 5a	0,78	20
No. 5b	0,86	22

Variants of railroad connections



Variant 1

Track length: 3,24 km

Cost: 791 million RUB

Variant 2

Track length: 2,74 km

Cost: 779 millon RUB

Variant 3

Track length : 1,95 km

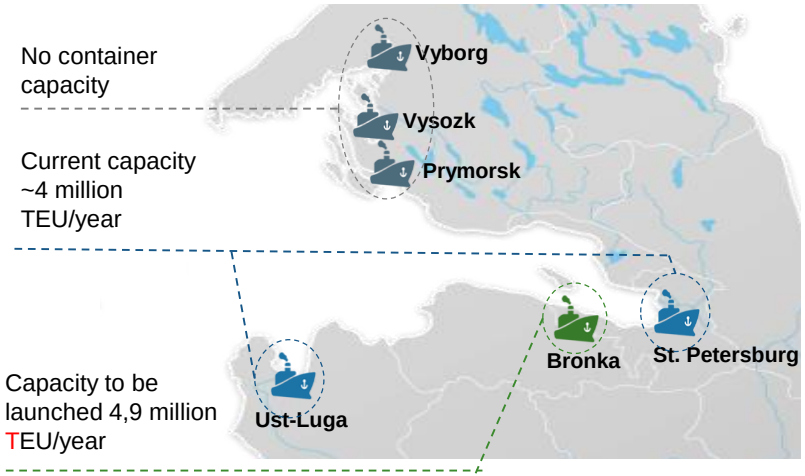
Cost: 685 million RUB

Onsite tracks and loading areas

Cost: 74 million RUB/km

Close proximity to the port Bronka, the biggest container terminal in the Baltic waters of Russia, is the key competitive advantage

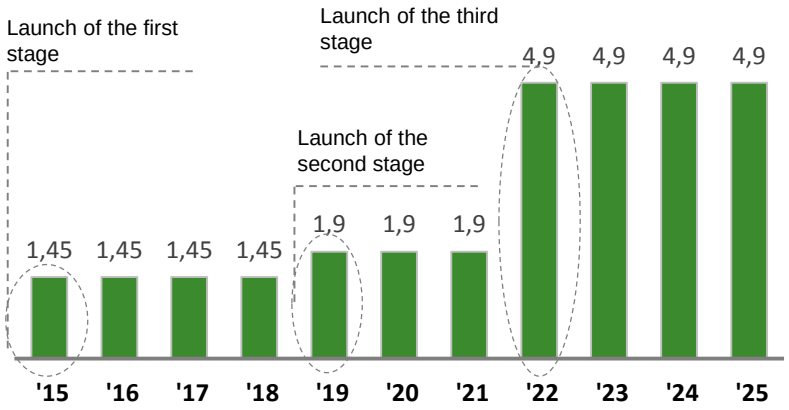
St. Petersburg and Leningrad region are the main gates for the cargo from Europe



- The Leningrad region and St. Petersburg are located at the beginning of **the "North-South" transport corridor**. There are **six working seaports** in the region.
- The current capacity of these ports for transshipment of containerized cargo is **~4 million TEU annually.**[1] The planned for launch capacity of the port Bronka is **approx. 120% of all existing container capacities in the Baltic waters**.
- The work of the port will initiate:
  - Demand for **logistic capacities in the port area;**
  - **Offer for transshipment capacities** for the branches that depend on import or are export oriented.

Achievement of the port Bronka its full capacity will be a mighty driver for the development of the port area

Capacity of the container terminal of the seaport Bronka 2015–2025
million TEU/year



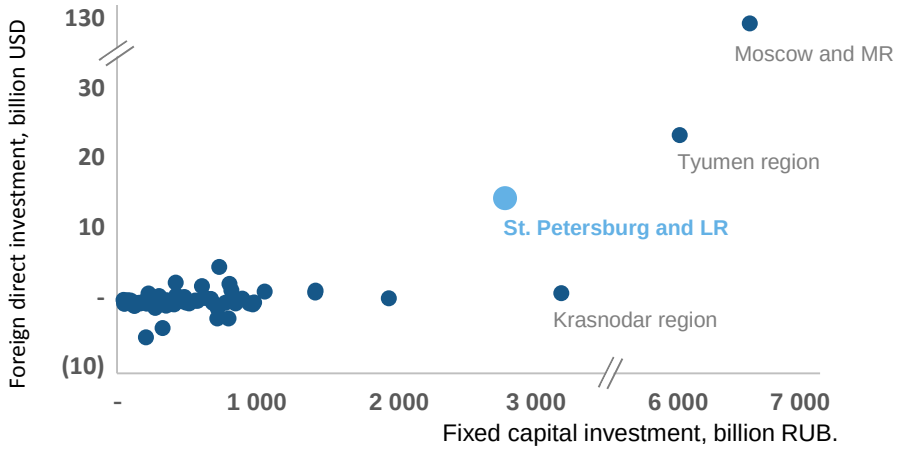
- Port Bronka was put into operation at the end of 2015. The achieving its full capacity will take 2-3 years.
- **The key factors making port Bronka highly competitive**:
  - **A deeper ship's draft than in the seaport of St. Petersburg** (14m and 11m respectively) will attract a part of the cargo flow from the seaport of St. Petersburg and from European transit ports;
  - Available **undeveloped port area** with well developed transport infrastructure;
  - A possible **transfer of the Baltic Customs posts** of the St. Petersburg port to the port Bronka.

1 Excluding the seaport Bronka

St. Petersburg and Leningrad region (LR) are among the leading regions with favorable investment climate

- **GRP** in 2014 — **3,5 trillion RUB** (4th place among the federal subjects of the Russian Federation)
- **The foreign trade turnover for 9 months in** 2015 — **34,2 billion USD** (8% of the turnover structure of Russian Federation)
- **Population — 6,9 million people** (5% of population of Russia)
- The region has a tremendous pool of human resources: there are 78 institutions of higher education in St. Petersburg and LR
- **192 million t — the turnover of the ports in the region for 10** months in 2015 (35% turnover structure of all ports of Russia)
- **Foreign direct investment in the region's economy in** 2011–2014 — 15 billion USD (3rd place among the federal subjects of the Russian Federation)
- There are **more than ten industrial clusters** in the region

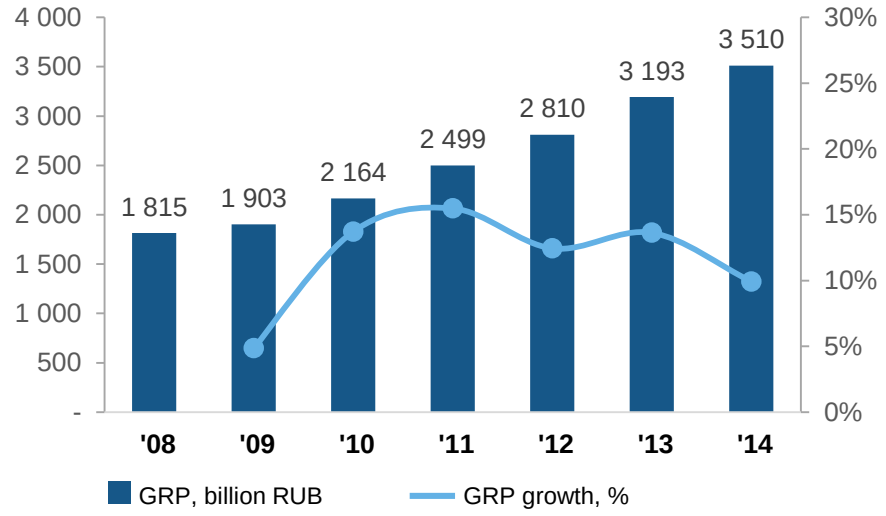
Investment activity of the russian regions in 2011–2014



Foreign companies that successfully placed their production in the region

SIEMENS
CATERPILLAR®
Schneider Electric
PHILIP MORRIS INTERNATIONAL
Kraft
Henkel
NISSAN
HYUNDAI
Ford
TOYOTA

The GRP dynamics in St. Petersburg and LR for 2008–2014



Types of possible industry branches taking into account the existing sanitary restrictions

Processing of wood and wood products

- Factories: sawmill, plywood, parts for wood products
- Assembling of furniture with varnishing and painting
- Production of pellets

Rubber and plastic products

- Plastic processing:
  - casting
  - extrusion
  - pressing
  - vacuum forming

Agriculture

- Greenhouse and greenhouse facilities
- Storage for fruits, vegetables, potatoes and grain
- Cattle frams up to 100 heads

Electrical equipment

- Lighting fixtures if without casting or using quicksilver
- Electric generators, capacitors, transformers for small foundries

Vehicles, machinery and equipment

- Machinery manufacturing with metal processing and varnishing but without casting
- Jig-boring machines
- Repair of road vehicles, cars, bodies etc.

Nonmetallic mineral products

- Glassblowing, grinding and etching of glass
- Concrete making plant

Metal industry and metalware

- Metall processing with iron, steel[1] and nonferrous[2] casting
- Recycling of nonferrous metals[3]
- Iron mold casting[4]

Textile and clothing manufacture

- Production of clothing, hosiery, calico printing, silk weaving manufacture, sports equipment
- Yarn and woven fabrics of wool, cotton, linen

Chemical industry

- Household chemicals from finished raw materials and storages
- Formulations (without producing substances)

Food industry

- Milk, oil and cheese production
- Non-alcoholic and alcoholic beverages
- Confectionery and bakery

Pulp and paper industry

- Paper production from finished pulp and rags
- Paper production from waste paper

Leather, leather goods and footwear

- Production of patent leather and articles made of fine leather
- Footwear manufacturing
- Temporary storage of unprocessed leather

1 Up to 10 th t/year **2** Up to 100 t/year **3** Up to 1 th t/year **4** 10–20 th t/year

Placement of logistics capacities in the industrial park for handling goods and cargo flow from the seaport Bronka and industrie branches in the region

Seaport Bronka

Capacity of the cargo transshipping 4,9 million TEU[1] a year (~47 million t a year)

Logistical capacities in the Industrial Park “Bronka“

Dry Port

- Handling containers bounding for the seaport Bronka (from the port): storage, repacking, cross docking
- Experience of using the “dry“ container terminals shows that they can manage about 20% of the port turnover

Dry port can handle cargo of the neighbouring ports in the region as well[2]

Servicing Industrial Area

- Providing logistic capacities to the factories located in the industrial area
- Handling/transport of the imported raw materials, preparation of the finished export goods

Specialized Logistics

- Capacities for handling the import-export goods requiring special storage
- For example an agri-port including a warehouse for storaging and after ripening of fruits imported into Russia

St. Petersburg is the gateway for ~30% of the fruits imported into Russia

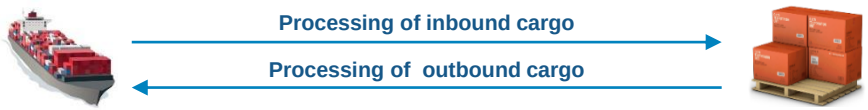
1 By achievement of its full capacity in 2022

2 The big port of St. Petersburg and of Ust-Luga

Variants of industrial branches in the Industrial Park[1]

Warehouse complex for logistics

Services: handling of containers, repacking, cross docking,
Agri-port, warehouses servicing the factories located in the industrial area



Key factors

- The container port Bronka located at 5 km from the land plot will be able in the medium term **to handle cargo up to 4.9 million TEU per year**
- Growth of the cargo flow will create demand for logistic services. In accordance with the experience of the world's major ports this demand can be met by creating **a dry port**.
- **The demand for the dry port services** (depending on the work load of the seaport) **may reach ~20% of the cargo turnover of the port Bronka.**

Production of plastic goods

Production: plastic goods

Key factors

- Russia is a growing market of consumption of polymers; the growth of the polymer consumption in Russia in 2000-2014 was 8,4–19,9% per year.
- **Current consumption of plastic** per capita **in Russia** is **~2 times lower than in** Europe and in the USA
- Among the promising branches-consumer of polymers are: military-industrial complex, agribusiness industry, FMCG, building, pharmaceuticals and medicine
- Despite the well developed oil industry in Russian Federation, **Russia still depends on import of processible plastic.**

Pharmaceutical production

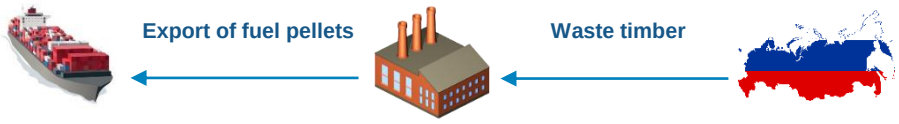
Production: Finished dosage forms (FDF) from finished substances

Key factors

- The Russian pharmaceutical market - one of the fastest growing in the world (CAGR 2008–2014 ~14%)
- **Consumption of drugs per capita is 3 times less in Russia than in Europe and 8 times less than in the US**
- **~69% of the pharmaceutical market in Russia are imported products,** mainly from European countries
- Russian legislation aims at **reducing the share of import by promoting the localization of production in Russia**.

Production of pellets fuel / wood pellets

Production: Biochar

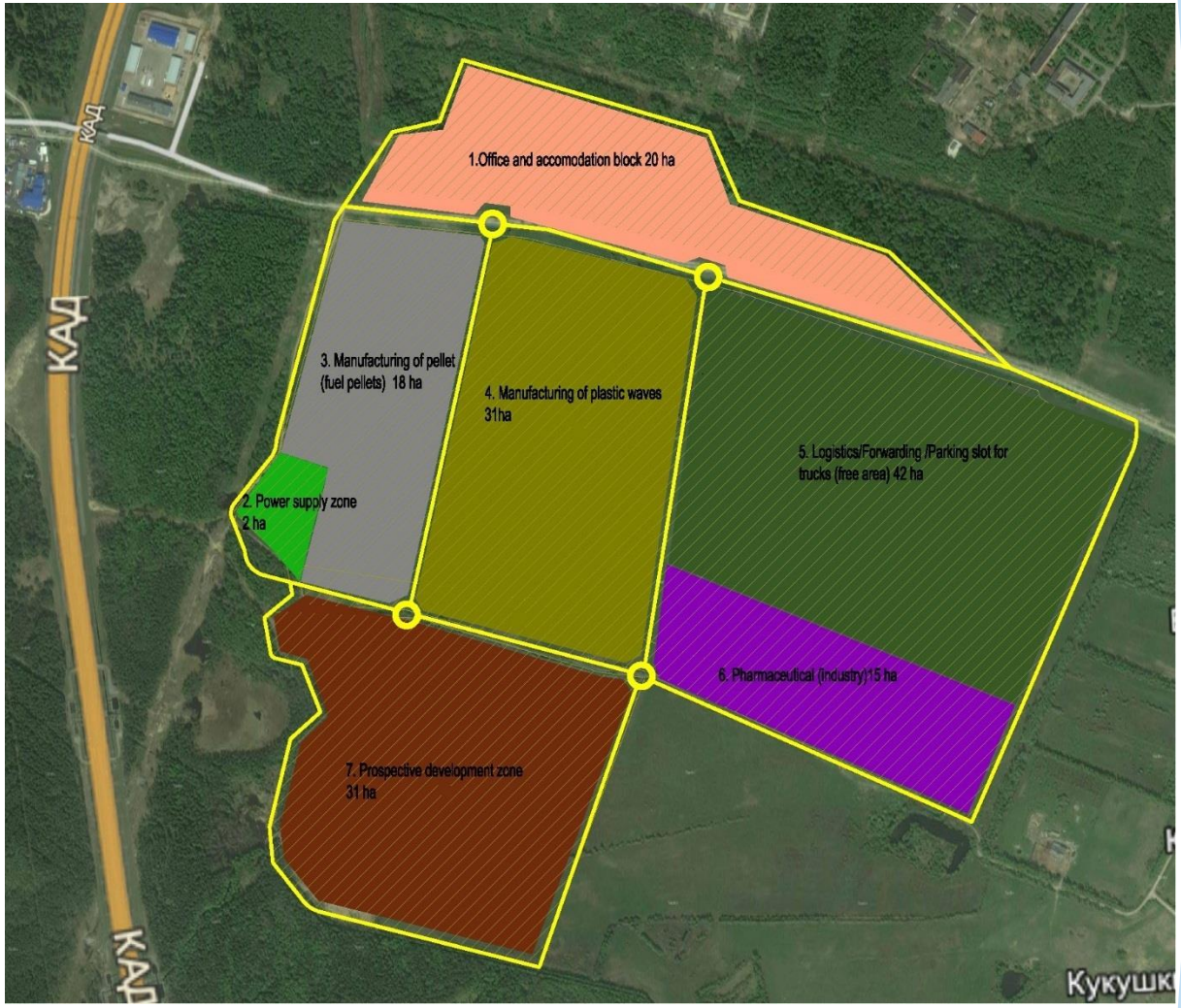


Key factors

- **Deficiency of pellets** in the European market is 4.6 million tons / year (> 23% of total consumption)
- **The growth of the pellet market in the next 5 years will be at least 10%**
- The sales price of wood pellets in Europe is more than **2 times higher than the cost of their production** in Russia
- **Over 80%** of the world's supply of pellets is **carried out by water transport**

1 Taking into account the most promising industry branches of the Russian Federation and Northwestern Federal District as well considering the synergies with port Bronka and resource and sanitary constrains of the land plot

The possible division of the land plot into functional sections



Key Technical and Economic Indicators[1]

Drug production

- 50 - 100 million packages
- 4-5 ha
- 4-6 billion RUB
- 3 years
- 100-200 jobs

Manufacturing of plastic products

- 5 - 10 th t
- 1 ha
- Up to 1 billion RUB
- 1 year
- Up to 200 jobs

Manufacturing of fuel pellets

- 150 th t
- 16 ha
- 30 - 40 million EURO
- 1 year

Logistic warehouse complex

Fluctuation of indicators in dependence upon the cargo turnover of the seaport

Production output in physical units | Capital expenditure | Production space | Construction time | Staff number

1 Technical and economic indicators: estimation based on one production facility in accordance with industry averages of similar productions

Current work status on the project

Completed steps

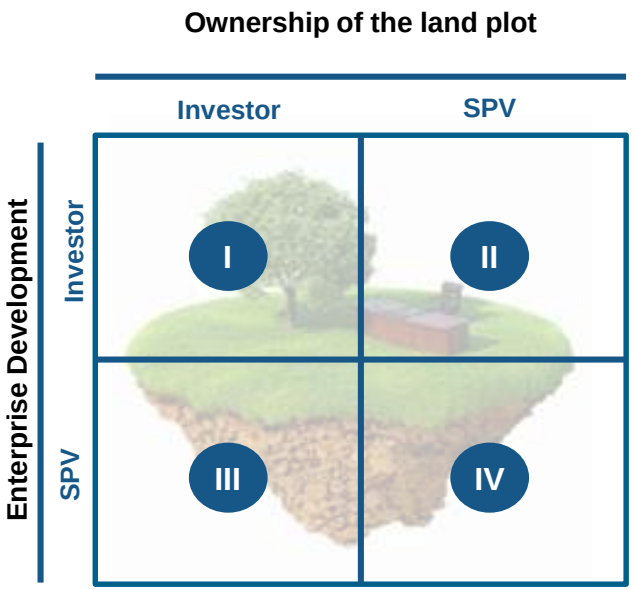
Acquisition of the land plot	Alteration of the permitted use	Obtainment of technical specifications	Design of schemes of connection to the infrastructure	Design of the development conception of the land plot
• The land plot was registered under the ownership	• The former category of the land plot as farming land was changed to industrial land	• Prerequisits for connection of gas and electricity were obtained	• A preliminary schemes of connection to the transport and energy infrastructure were designed	• A conception of complex development of the land plot was designed

Next steps

Cooperation with investors	Preparation of an investment project	Design work	Construction and assembling; connection to the external networks	Operation and development
• Search for investors interested in the project and defining forms of collaboration	• Obtainment of approvals • Conclusion of preliminary agreements • Advance of the project	• Geotechnical investigation • Development of design estimate and working documentation	• Preparation of the land plot • Construction and assembling works • Connection to the gas, electricity, water supply and sewage networks.	• Project management during the operating phase

Four possible variants of interaction between the present land owner and an investor

- The investor is offered to purchase the Enterprise (in whole or in part) and/or a collaborative development of the Enterprise on the land plot by creating a SPV



The withdrawal of the land owner from the whole Enterprise I

- The presend land owner sells the whole Enterprise to the investor and doesn‘t take part in its development

Co-ownership II

- The investor acquires a stake in SPV having ownership of the land plot
- The investor manages the Enterprise independedly (without the second SPV participant)

Co-management III

- Investor acquires ownership of the land
- The joint SPV develops the Enterprise

Co-ownership and co-management IV

- The investor acquires a stake in SPV that:
  - is in title to the land plot;
  - develops the Enterprise.