



SPECIAL
ECONOMIC
ZONE **TOGLIATTI**

2015 RESULTS CONSTRUCTING THE FUTURE





SPECIAL ECONOMIC ZONES – RUSSIAN ECONOMY

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DMITRY KOZAK



DEPUTY PRIME MINISTER OF THE RF

The Togliatti SEZ enters the top five most efficient special economic zones of our country. I am sure it will be not only in the top five, but in the top three by efficiency, considering experience and vigour of the region's governor who has now been delegated full SEZ management powers. At the national government level we are willing to do our best to provide comfortable conditions for investors and make available all preferences created in the Special Economic Zone.



NIKOLAY MERKUSHKIN



MIKHAIL BABICH



PRESIDENTIAL PLENIPOTENTIARY ENVOY TO THE VOLGA FEDERAL DISTRICT

Special Economic Zones are growth areas and competence centers that allow attracting new investment. There are four SEZs of different types operating in the Volga Federal District, and all of them rank among the leaders in the development of such a form of investment raising. It makes no difference to us where an investor comes from. What counts is he works here, creates the product, trains our people and introduces technologies we have not earlier possessed.

GOVERNOR OF SAMARA REGION



In my opinion, a Special Economic Zone is one of the most favourable projects for accelerated and efficient development of a territory.

The first construction stage of the Togliatti SEZ has already been completed, there is active development of the second stage and the third stage planned. Around 25,000 jobs could be created here when all the three project stages are implemented.

It can be called a new industrialization phase performed on a new basis, with a whole set of investor preferences and special treatment of investors.

The first pile had been driven in here on November 2, 2012, and three years later the first project stage with an area of 181 hectares was complete. Undoubtedly, the project goes on and will be further developed: this is a task of paramount importance for the city of Togliatti as well as for the Samara region.

SPECIAL ECONOMIC ZONES — RUSSIAN ECONOMY DEVELOPMENT TOOLS

PROJECT OF A NATIONWIDE SCALE

Special Economic Zones (SEZs) are a large-scale project aimed at development of the Russian regions by attracting domestic and foreign investments. Each SEZ has a special legal status, with certain benefits and preferences for the resident companies and favorable business development conditions.

ACTIVITY OF THE SPECIAL ECONOMIC ZONES IS SUPPORTED BY:



**GOVERNMENT
OF THE RUSSIAN
FEDERATION**



**MINISTRY OF ECONOMIC DEVELOPMENT
OF THE RF (DEPARTMENT OF REGIONAL
DEVELOPMENT)**

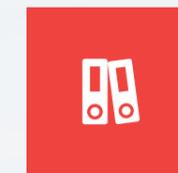


**SPECIAL
ECONOMIC ZONES JSC**



**TERRITORIAL ENTITIES
OF THE RUSSIAN FEDERATION**

PREFERENCES FOR INVESTORS:



**TAX
BENEFITS**



**READY-MADE
INFRASTRUCTURE**



**FREE CUSTOMS
ZONE REGIME**



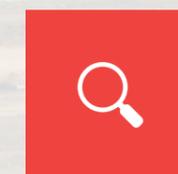
**ACCESS TO SKILLED
MANPOWER**



**GUARANTEES FROM THE
RUSSIAN GOVERNMENT**



**SPECIAL
ADMINISTRATIVE REGIME**



**TRANSPARENT
MANAGEMENT SYSTEM**



Pictures: Aydar Murtazin, NCRC JSC, Dubna SEZ, Lipetsk SEZ

32 SEZS IN RUSSIA

434
RESIDENT
COMPANIES

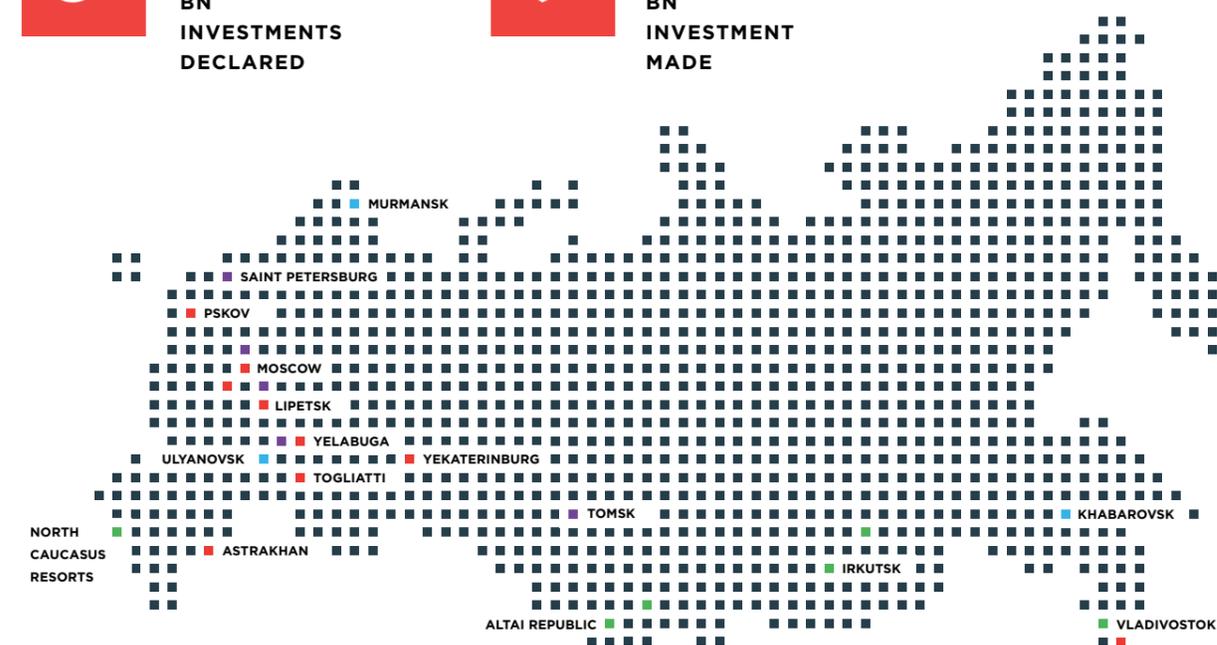
15 773
JOBS
CREATED

>70
FOREIGN
INVESTORS

29
COUNTRIES

RUB 555
BN
INVESTMENTS
DECLARED

RUB 173
BN
INVESTMENT
MADE



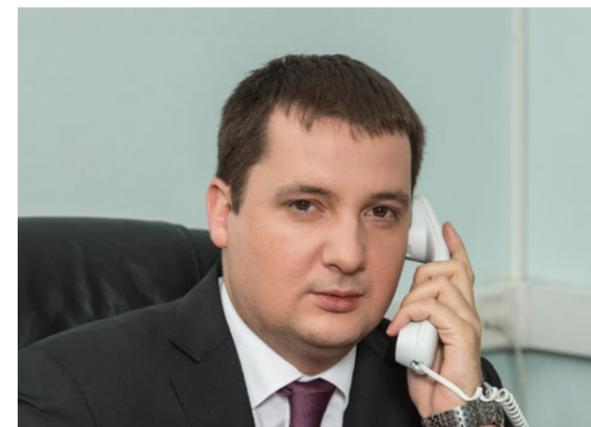
9 INDUSTRIAL &
PRODUCTION SEZS

5 TECHNOLOGY &
INNOVATION SEZS

15 TOURIST & RECREATION
SEZS

3 PORT SEZS

"TOGLIATTI SEZ IS ONE OF THE MOST EFFICIENT IN RUSSIA"



ALEXANDER TSYBULSKIY



DEPUTY MINISTER OF ECONOMIC DEVELOPMENT OF THE RF

The Togliatti SEZ is a site with an astonishing growth rate. Actual implementation of the project just started at the end of 2012, and today it is already accommodating 17 resident companies, 10 plants are under construction, while the declared investments amount to RUB 22 bn.

We are always arguing about the priority of the tasks: to build the infrastructure first and then to attract investors, or to come to an agreement with an investor and create customized communications. Our colleagues from the Samara region have not wasted any of their time on that

discussion but started implementation of the two tasks concurrently. As we can see now, this approach delivers the maximum result.

An important thing is that at the outset the government representatives, SEZ and investors have reached an agreement having promised to perform their obligations, believed in one another and stayed loyal to their commitments. It shows that on the one hand, the investors are interested in the project, and on the other hand, they have confidence in the team working here.



ANDREY BOGINSKIY



DEPUTY MINISTER OF INDUSTRY AND TRADE OF THE RF

The Togliatti Industrial and Production SEZ has proven to be an efficient innovative development mechanism of the Samara region, and its team undoubtedly earned trust for the hard work on project implementation. In the course of its still short life the SEZ managed to achieve high performance indicators and become an example for many other investment sites.

MAIN INVESTMENT PROJECT OF THE REGION



The Togliatti Industrial and Production Special Economic Zone was established in 2010. On August 12 the RF Government signed a decree on its creation on the territory of the Stavropolsky district of the Samara region.

The SEZ occupies an area of 660 ha which is larger than the existing premises of AVTOVAZ, the biggest Russian car manufacturer located in Togliatti.



THE SEZ CREATION IS TO BE CARRIED OUT IN THREE STAGES, CONCURRENTLY WITH THE CONSTRUCTION OF THE RESIDENTS' MANUFACTURING FACILITIES, TO REDUCE THE TERRITORIAL DEVELOPMENT TERM.

PRIORITY SPECIALIZATIONS:



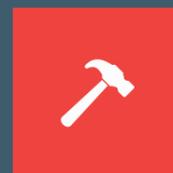
MACHINE BUILDING



CONSTRUCTION MATERIALS



CAR MANUFACTURE AND PRODUCTION OF CAR COMPONENTS



CONSUMER GOODS

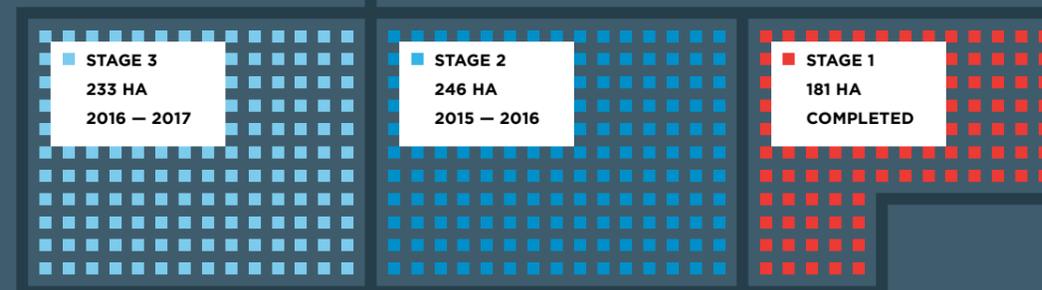


CHEMICAL INDUSTRY



METAL WORKING

DEVELOPMENT OF STAGE 1 WITH AN AREA OF 181 HA STARTED IN NOVEMBER 2012



DEVELOPMENT DYNAMICS

2011



2012



2013



2015

2014



SEZ TODAY



AUGUST 12, 2010

Togliatti SEZ establishment pursuant to the RF Government Decree No.621



NOVEMBER 2, 2012

First pile driven in on SEZ territory



AUGUST 12, 2014

Test start of the first manufacturing site – Nobel Automotive Rusya LLC



SEPTEMBER 11, 2015

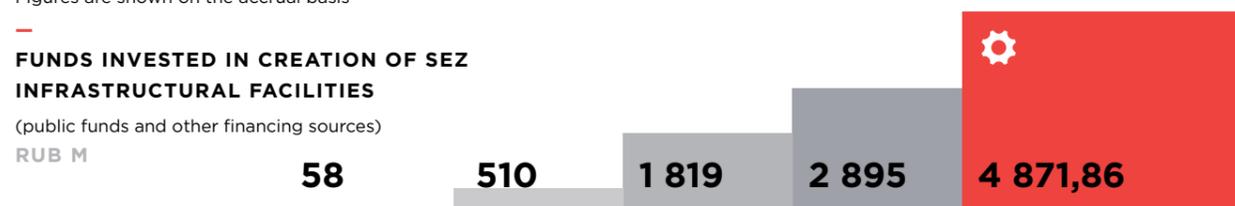
Opening of stage 1 of the Togliatti SEZ



Figures are shown on the accrual basis

FUNDS INVESTED IN CREATION OF SEZ INFRASTRUCTURAL FACILITIES

(public funds and other financing sources)
RUB M



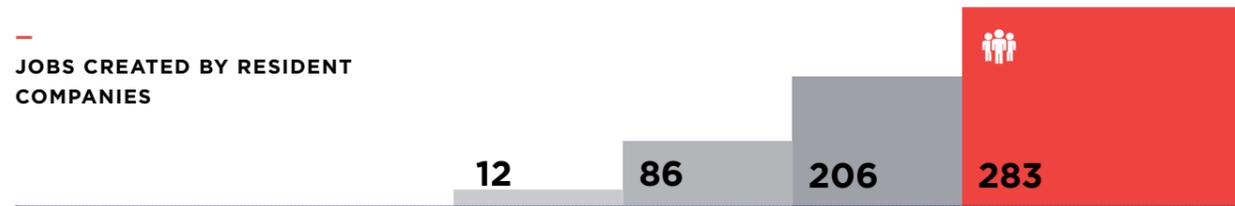
NUMBER OF OPERATING PRODUCTION FACILITIES



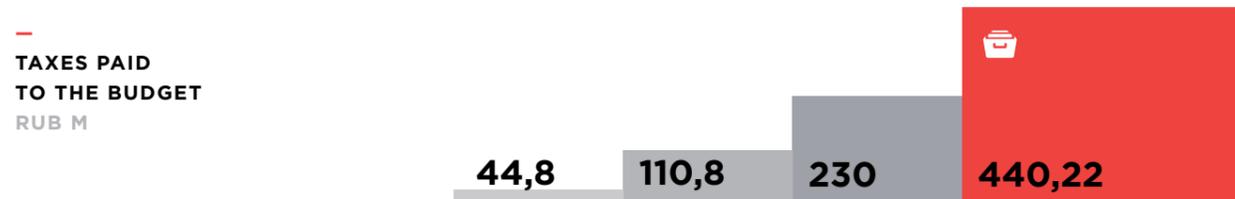
INVESTMENTS MADE BY RESIDENT COMPANIES



JOBS CREATED BY RESIDENT COMPANIES

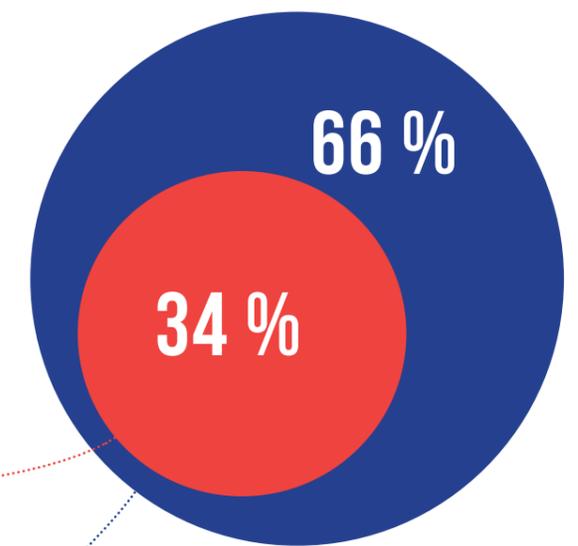


TAXES PAID TO THE BUDGET



INVESTMENTS IN SEZ CREATION

RUB 11,963.52M



RUB 4,017.98M

BUDGETARY FUNDS

RUB 7,945.54M

EXTRABUDGETARY FUNDS



RUB 1

STATE INVESTMENTS

RUB 1.98

PRIVATE INVESTMENTS

RUB 1.35 IN 2014

INFRASTRUCTURE FOR INVESTORS



STAGE 1

START — 2015



ELECTRIC POWER

Supplier: Energetika i Svyaz Stroitelstva CJSC

8,206 M

length of overhead cable tray systems

20.3 MW

power

12,000 M

total length of off-site utilities

57,000 M

total length of on-site utilities



NATURAL GAS

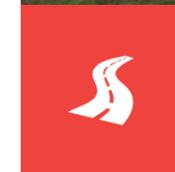
Supplier: Gazprom mezhtregiongaz Samara LLC

8,122 M

gas-pipe length

15,000 M³/H

pipe capacity



ROADS

8,765 M

Length of internal roads on the site

1,000 VEHICLES PER HOUR

One-way capacity



COMMUNICATION NETWORKS

61,632 M

Networks for the engineering infrastructure supervisory control system

31,575 M

Information & telecommunication networks



WATER SUPPLY AND DRAINAGE

Utility and drinking water system (B1)
Supplier: Avtograd-Vodokanal LLC

Length: **8,400 M**

Capacity: **2,920 M³ PER DAY**

Industrial water pipeline (B2)
Supplier: AVTOVAZ

Length: **7,700 M**

Capacity: **14,248 M³ PER DAY**

Utility sewage system (K1)

Length: **7,200 M**

Capacity: **2,920 M³ PER DAY**

Runoff water system (K2)

Length: **9,140 M**

Capacity: **2,052.4 M³ PER DAY**

STAGE 2

CONSTRUCTION — 2015-2016



7,200 M
Internal roads



7,500 M
Utility and drinking water supply system



49,000 M
Electric power network



7,500 M
Industrial water pipeline



6,952 M
Gas pipe



6,950 M
Utility sewage system



63,400 M
Information & telecommunication network



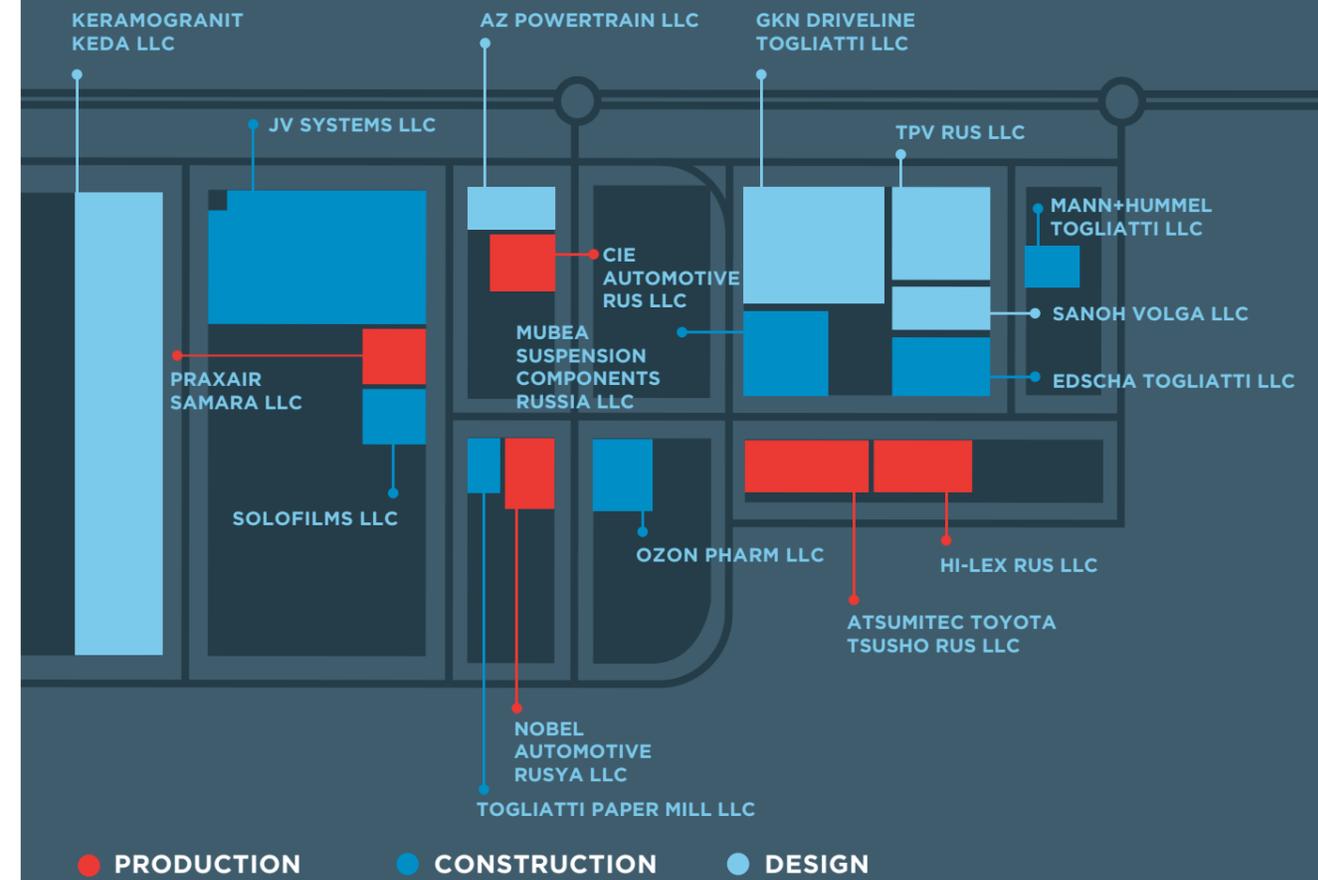
93,500 M
Networks for the engineering infrastructure supervisory control system



7,820 M
Runoff water system

RESIDENT COMPANIES

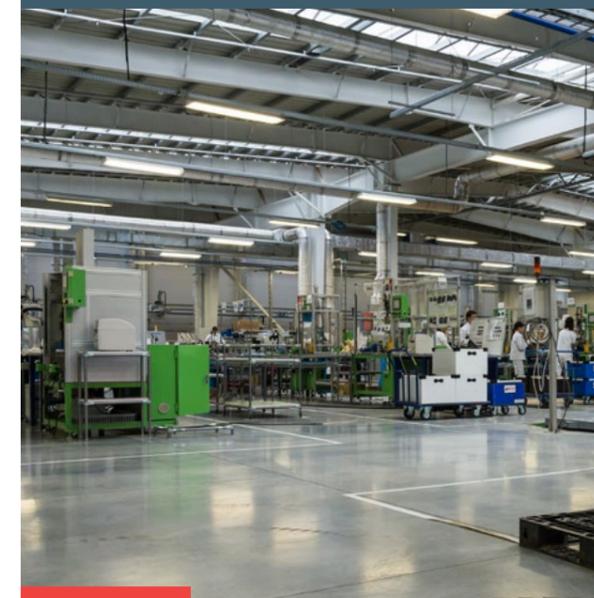




17
resident

RUB 21.939 BN
investment declared by resident companies

4,791
jobs being created



PROJECTS OF TOGLIATTI SEZ RESIDENT COMPANIES



TOGLIATTI PAPER MILL LLC

Waste paper recycling, corrugated cardboard, corrugated packaging and "green" fiber production

Area — 2 HA

Groundbreaking — 2014

Start of production — 2016



SOLOFILMS LLC

Three-layer polyethylene films

Area — 2 HA

Groundbreaking — 2015

Start of production — 2016 год



PRAXAIR SAMARA LLC

Industrial and specialty gas supplier

Area — 2.4 HA

Groundbreaking — 2014

Start of production — 2015



OZON PHARM LLC

Pharmaceuticals

Area — 6 HA

Groundbreaking — 2015

Start of production — 2016



KERAMOGRANIT KEDA LLC

Ceramic granite tiles for exterior and interior finish of buildings

Area — 20 HA

Groundbreaking — 2015

Start of production — 2016



HI-LEX RUS LLC

Control cables, car window cables

Area — 4 HA

Groundbreaking — 2014

Start of production — 2015



EDSCHA TOGLIATTI LLC

Hinges for doors, hoods and trunks, door jambs, brake levers

Area — 2.5 HA

Groundbreaking — 2013

Start of production — 2016



MANN+HUMMEL TOGLIATTI LLC

Car air filters and intake modules

Area — 1.65 HA

Groundbreaking — 2014

Start of production — 2016



JV SYSTEMS LLC

Car bodies for assembly at GM-AVTOVAZ CJSC

Area — 20.9 HA

Groundbreaking — 2013

Start of production — 2017



MUBEA SUSPENSION COMPONENTS RUSSIA LLC

Car suspension springs

Area — 5.6 HA

Groundbreaking — 2014

Start of production — 2017



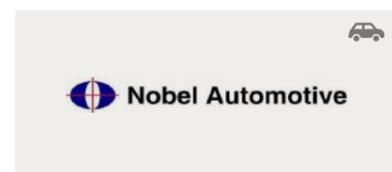
SANOH VOLGA LLC

Components for fuel and brake systems

Area — 2.9 HA

Groundbreaking — 2016

Start of production — 2018



NOBEL AUTOMOTIVE RUSYA LLC

Fuel lines, windshield washer units, flexible cables, seat frames, springs for engine units

Area — 3.25 HA

Groundbreaking — 2013

Start of production — 2014



CIE AUTOMOTIVE RUS LLC

Cast aluminium parts for automobile engines

Area — 3 HA

Groundbreaking — 2014

Start of production — 2015



ATSUMITEC TOYOTA TSUSHO RUS LLC

Car MT/AT shifter systems

Area — 5 HA

Groundbreaking — 2014

Start of production — 2015



GKN DRIVELINE TOGLIATTI LLC

Constant velocity joints for cars

Area — 10.5 HA

Groundbreaking — 2016

Start of production — 2018



AZ POWERTRAIN LLC

Car engines

Area — 2.9 HA

Groundbreaking — 2016

Start of production — 2017



TPV RUS LLC

Car seats

Area — 5.4 HA

Groundbreaking — 2012

Start of production — 2017

EVENT OF THE YEAR

SEPTEMBER 11, 2015

OPENING OF STAGE 1 OF THE TOGLIATTI SEZ



1,043

DAYS HAVE PASSED FROM THE START OF CONSTRUCTION TO THE OPENING OF SEZ STAGE 1



ALEXANDER TSYBULSKIY
DEPUTY MINISTER OF ECONOMIC DEVELOPMENT OF THE RF

Investors come here with state-of-the-art technologies and equipment, which has been exactly the reason for the SEZ creation. As a consequence, it triggers improvement of quality of the products made by AVTOVAZ and the manufacturers cooperating with the SEZ resident companies.



NIKOLAY MERKUSHKIN
GOVERNOR OF SAMARA REGION

All government bodies, both local and federal, should do their best to support development of the territory, investor business and implementation of the large-scale state Togliatti SEZ project.



EDUARD VAINO
VICE PRESIDENT OF AVTOVAZ

Construction speed is really remarkable. It is comparable to the one of the AVTOVAZ construction.



SEZ AS SEEN BY INVESTORS





ATSUMITEC TOYOTA TSUSHO RUS

NEW JAPANESE PRODUCTION DESCRIBED BY THE EMPLOYEES

What results did your company manage to achieve in 2015?

The site got ready for operation in 2015. All exterior and interior works were completed, utilities (water, electricity and gas) were connected and the area adjacent to the plant was improved. We also performed production test launch.

Tell us about the goods that will be produced at the plant.

Our company manufactures transmission shifter assemblies for Granta, Datsun, Priora, Kalina, Vesta and Gazel Next. We have gained vast experience in producing shifters for CVTs, automatic, manual transmissions and AMT. We make shifters connected mechanically or electronically with the

gear box, floor- or dashboard-mounted, with different classes of protection against dust and moisture. Production is equipped with advanced machinery featuring a high degree of automation built by the leading international manufacturers.

Who are the users of your products? Do you have customers abroad?

The main buyer of ATTR (Atsumitec Toyota Tsusho Rus) products is AVTOVAZ. Our components are also supplied to UAG, Izhevsk and GAZ, Nizhny Novgorod. At the moment, we only aim at the Russian car manufacturers, and are not planning any export.



What advantages does the placement of the production site in the Special Economic Zone offer?

By placing production in the Togliatti SEZ we get the lowest and the most competitive price resulting in an ability to quickly address any design changes or possible component defects. Our products feature an affordable price and compact dimensions which allows saving the car interior space and improving ergonomics.

Are you planning cooperation with other SEZ resident companies?

We have already established cooperation with HI-LEX RUS and do not plan to cooperate with other companies.

Have you already recruited production staff? Who can apply to you for a job?

The company's staff is now complete. All workers have experience in the car manufacturing industry and specific process knowledge. Most new employees are trained on the job with the assistance of foreign specialists.

What is your assessment of the personnel training level in Togliatti?

We are quite satisfied with the qualification level of technical specialists and can assess it as rather high.

And finally, let us in on your plans for the next year.

The key objectives for 2016 include further development of the sales market, finding new customers, expanding our product range and increasing the localization level.





CIE AUTOMOTIVE RUS

FROM FURNACE TO ENGINE:
TOUR OF A SPANISH FACTORY

The film crew is approaching a neat new workshop built of white panels with a blue stripe in the middle. CIE Automotive Rus is the second plant that started working in the Togliatti SEZ. Not the ground breaker, but exceptional in its kind: a high-tech facility specializing in aluminium casting that has been constructed within a year. However, every resident company is now special for the SEZ, because each of them believed in the future of the project at a time it was just a greenfield. And this belief has not been a miscalculation.

The CIE Automotive Rus factory has been built by the Spanish CIE Automotive group, the international team that has been supplying parts to the biggest car manufacturers like Renault, Chrysler, Ford, GM and many other renowned brands for as long as a decade. Cars having CIE Automotive components like engine, transmission, interior and exterior, roof and glazing parts can be seen in any country of the world.

Today CIE Automotive has 80 plants worldwide. In the Samara region, the holding is developing manufacture of cast aluminium parts for car engines.

The visitors are welcomed by the factory manager, Spaniard of Bulgarian origin speaking good Russian. Pronunciation mistakes are more than compensated by his cordiality, at once he seems to be one of our guys. He

even has an almost Russian name – Vasil Pavlov. He leads the visitors to a workshop located directly behind the entrance to the building. The team is joined by Eduardo Ruiz de Olano, Quality Director who easily communicates in English.

ACCORDING TO EDUARDO WHO HAS ALREADY HELD INTERVIEWS WITH MANY JOB SEEKERS DESIRING TO WORK AT CIE AUTOMOTIVE RUS, IT IS VERY DIFFICULT TO FIND A SPECIALIZED ENGLISH-SPEAKING ENGINEER IN TOGLIATTI. AS FOR SPANISH, PRACTICALLY NOBODY SPEAKS IT, THOUGH HE HAS MET A COUPLE OF SPANISH-SPEAKING PEOPLE HERE.

The factory tour starts at the sanctuary of the foundry, a huge aluminium melting furnace. The temperature inside the furnace is constantly maintained at 750-800°C. The furnace is working 24/7 and a single power cut could turn it into a huge piece of useless metal. That is why the condition of the electric power network is closely monitored, and there are always alternative power sources at hand.

The flame in the furnace looks quite impressive and resembles launching a rocket from Baikonur. The furnace door is shut after a short while to prevent the viewers from turning into barbecue. One can feel fierce heat after only a couple of minutes. Such a furnace holds 3 tons of aluminium and can process 2 tons of metal per year.

SEZ AS SEEN BY INVESTORS

The whole furnace is tilted right in front of our eyes, and aluminium starts pouring out from a small hole into a special portable container. The oily flow of the molten metal resembles a liquid mirror. One can see through a window that the furnace insides are glowing red. The container is closed and taken away to the workshop on a forklift truck. The metal is poured out again, this time into a smaller furnace maintaining the required temperature. There begins the stamping process with a robot playing the main part. The human involvement in the process is reduced to checking and laying out of parts.

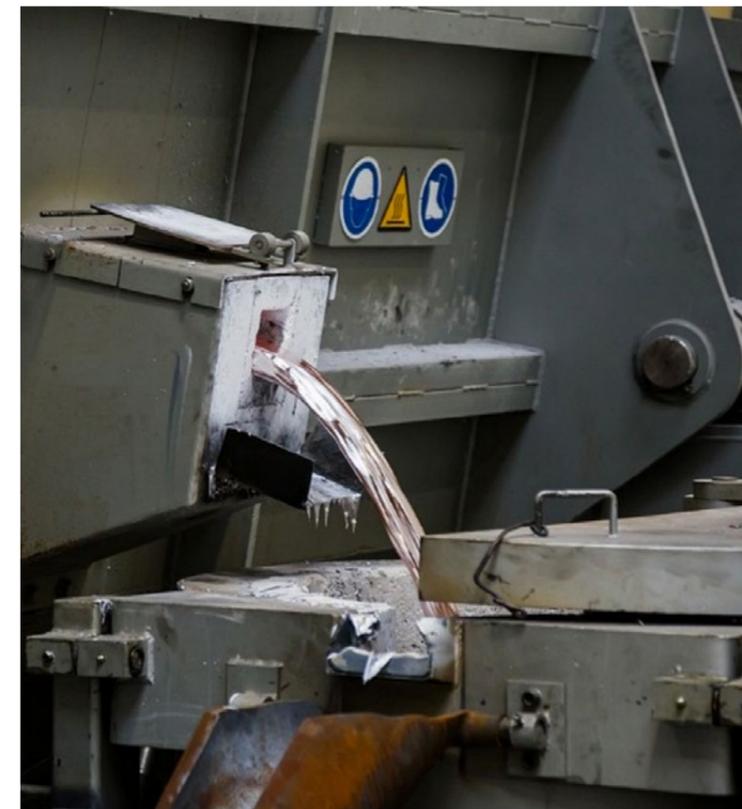
CIE Automotive Rus is currently manufacturing seven H4MK engine part types for the Renault vehicles: cooling system outlet connectors, crankcases with and without oil level sensors, auxiliary unit brackets, cylinder head covers and valve trains. Each part passes through four main steps – melting, stamping, processing and assembly. A stamped workpiece has excessive metal and minor burrs on it which have to be removed using special equipment.

Product quality is checked at every stage, automatically and manually. The parts are inspected using high precision electronic devices to check purity, thickness, presence of cavities and contaminations not only on the surface but also inside the metal. The CIE Automotive Rus factory development plan includes three stages. The target volume of manufactured goods is 150,000 units at stage one, 300,000 units at stage two and 450,000 units at stage three. At the moment the company is on stage two.

The production automation level is generally very high, but there is also place for people. In the perspective the factory will offer employment for 230 persons. At the current commissioning stage the engineers from Spain, Romania and Bulgaria are seen all over the workshop. They have arrived from other CIE Automotive manufacturing sites to train the local workers. Having shared their experience, the foreign specialists will return home or go to assist starting-up new factories in other countries.

Today's principal partners of the CIE's Togliatti branch are AVTOVAZ and the Renault factory in Bursa (Turkey), the products are already being dispatched to. Eduardo gives an insight to the company's plans by saying that it considers taking part in other cooperation projects.

2015 RESULTS



The SEZ opportunities such as access to ready-made infrastructure, tax benefits and support in dealing with the state authorities are of paramount importance for the factory development. The company has held a lot of negotiations with the customs authorities and has been one of the first SEZ residents to apply the free customs zone regime that in certain cases exempts from payment of duties on raw materials and finished products.

At the end of the tour there has remained a question not related to production – what impression the foreigners have of Togliatti after having stayed there for such a long time.

IN VASIL'S OPINION, TOGLIATTI IS A YOUNG DEVELOPING CITY. MANY RUSSIAN AND FOREIGN COMPANIES FROM THE CAR MANUFACTURING AND OTHER SECTORS ARE PRESENT HERE OFFERING OPPORTUNITIES FOR DEVELOPMENT. APART FROM THAT, THE UNIQUE NATURE AND PICTURESQUE LANDSCAPE CREATE FAVOURABLE CONDITIONS FOR WORK AND RECREATION. BUT THE GREATEST MARVEL OF THE COUNTRY IS THE COMBINATION OF HARSH WINTERS AND GOOD-NATURED KIND PEOPLE.

PRAXAIR SAMARA

Andrey ANDREEV
Regional Director



DMITRY KOZAK
DEPUTY PRIME MINISTER
OF THE RF

We congratulate the investors for coming to Russia, and thank them for their interest to this country. Praxair occupies a stable position in the respective production sector, and the choice for Russia of a correct strategic decision.

Tell us about the major events in the development of your project in 2015.

The engineering survey was completed, the main engineering works on construction of foundations and buildings were performed, and the whole manufacturing equipment complex was installed in 2015. Capacity of the cylinder filling station is 15,000-20,000 gas cylinders per month and the product types will depend on various customer demands and activities. It is possible thanks to a multi-purpose character of the process equipment. We continue purchasing auxiliary lifting machines, instrumentation and control devices. We have preliminarily selected such equipment suppliers as Servomex, TECO, Teledyne, Thermodyne (instruments & controls), Lincoln Electric and Thermco (welding equipment).



What does your factory produce?

High quality competitive products like gaseous oxygen, argon and other air separation products in high-pressure.

Where are your products used?

Our products are delivered to food manufacturing, processing, chemical, petrochemical and car manufacturing enterprises. Compressed gases in cylinders are extensively used in welding and metal cutting processes of production of cable, spare parts and car components, instrument engineering, and production of carbonated beverages.

Which companies are you already cooperating with? Any plans to export your products?

Our company uses specialized vehicles to deliver industrial gas, gas mixtures and gases for food industry to a number of companies located in the Samara region. We are also available for cooperation with the former Soviet republics: Kazakhstan, Uzbekistan etc. Prospective customers are the companies of the same industrial sectors as in Russia.

Do you consider other Togliatti SEZ resident companies your consumers and partners?

Praxair is cooperating with some resident companies supplying them with our products. We want to extend this cooperation. In the near future we are going to sign a contract with one more SEZ company.

Tell us about technological process at your facility. What kind of equipment do you use?

Our production facility applies a process of gasification of liquid air separation products obtained by low-temperature rectification, with subsequent filling of the containers (gas cylinders, monoblocs and Dewar vessels). All our equipment has been imported and meets any applicable safety and energy efficiency regulations.

Do you adopt any special technologies to reduce environmental impact?

Our raw material is air separation products, their emissions have no adverse impact on the atmosphere.

What skills are required for those seeking a job at your plant? How is staff trained?

The general requirements for the majority of our positions include technical background and experience of work in production using pressurized equipment. The important personal qualities are responsibility, decision-making ability and desire to improve. Newcomers have to undergo training and pass an exam to meet the official qualification requirements established by the state authorities. Training is conducted at institutions of further education and skill improvement as well as in the company ensuring that the workers understand particularities of our processes and objectives of the work to be performed.

How do you assess the skill level of technical specialists in Togliatti?

The general level of training is high. We are satisfied that many job seekers have experience of work in the respective job in accordance with vocational educational qualification or in a similar area, and are willing to master a wider range of skills or a supplementary job. We ask for higher technical engineering education for a majority of positions in our company, the worker's jobs require secondary technical education. Many technical documents are written in English, and the correspondence



NIKOLAY MERKUSHKIN
GOVERNOR OF THE
SAMARA REGION

The chemical sector is a key industry of the regional economy. We support the implementation of projects by Praxair. The corporation is introducing innovative technologies and creating new jobs. This will enhance the interest in our region from the investors belonging to various branches, since Praxair products are broadly used.

is conducted likewise. So, the knowledge of English is beneficial, both at a conversational and writing level. We have been hiring graduates from VAZ Technical College of Togliatti, State University of Togliatti, Samara State Aerospace University named after the academician S.P. Korolev, Togliatti Technical School of Mechanical Engineering and Metallurgical Technical School of Samara.

What are in your opinion particularities of doing business in Russia?

Praxair hopes that the trend towards a steady growth of the target market in the Samara region will keep on. We have at our disposal many quality assurance programs intended for specific types of products and processes. They include plans aimed at promoting differentiation of our products through reliability, cost, technology, adding value, distribution and logistics. Just to make an example: the Praxair StarSolver™ program focused on improving efficiency of welding operations unites our capabilities of the leader in the gas production field and the technical expertise related to the choice of materials and process requirements. Praxair is quite sure that such benefits will be in demand in the Samara region.

What are your plans for 2016?

During 2016-2026, after reaching the target capacity, Praxair intends to make an additional investment of around RUB 350m in the SEZ project. We also want to hire 10-20 new employees during the above mentioned period. Our company shall manage all security aspects, since we have an irreproachable reputation in the sphere of project implementation and operational security.

NOBEL AUTOMOTIVE RUSYA



WE PERCEIVE LONG-TERM SUCCESSFUL PROSPECTS OF WORK ON THE RUSSIAN MARKET

Vitaly KHRIST
Factory Manager

How is work of Nobel Automotive Rusya progressing?

The Turkish holding Nobel has been working in Russia since 2011. At the beginning, we rented premises in Togliatti, while we were constructing a new manufacturing site in the SEZ.

Nobel Automotive Rusya's production facility was inaugurated in August 2014. We manufacture such products as fuel lines by vapor forming and thermal forming methods, as well as seat frames, tank filler necks, hood release and hand brake cable controls. Our major customers are AVTOVAZ-Renault-Nissan Alliance and other car manufacturers, both in Russia and abroad. About 70 workers are engaged in production. We have been operating within the SEZ for a year now, and we perceive long-term successful prospects of activity on the Russian market backed by proper quality of our products, stock of orders and customer base.

Have the difficulties in the Russian economy had an adverse effect on your activities?

Like any other enterprise confronted with such economic phenomena, we have to react, first of all in operational terms, optimize our processes, cut costs, strive for higher productivity while meeting all other requirements of our customers. We certainly have to adapt our operational costs to the actual product market demand. However, the company's investment program has undergone no significant change. We hope the market will recover in a long or mid-term perspective, and we do not suspend development of this site, since we understand that it is a key to consolidating our position as a big car component supplier on the Russian market.

OZON PHARM

CURRENT PHARMACY SERVICES IN TOGLIATTI

Dilshod ABDURASULOV
Director



Ozon Pharm is a unique company for the Togliatti Special Economic Zone, since you are the only pharmaceuticals industry representative here. Would you explain in detail what kind of products you are going to make in your factory?

We intend to produce a large variety of pharmaceuticals in different dosage form: pills, powders, lyophilizates (preparations dried and processed in a special way). They can be used for curing such illnesses as arterial hypertension, angina pectoris, cardiac insufficiency, chronic ischemic heart disease, gastric and duodenal ulcer etc.

When will the production start?

We plan to complete construction and make the first product batch in 2016.

What processes are you going to adopt in production? What quality standards will they meet?

We are buying up-to-date equipment made in Europe that meets all GMP (Guide to Good Manufacturing Practice for Medicinal Products) EC requirements. By using such equipment we will be able to manufacture products



competitive not only in Russia, but in Europe, too. Our quality task is to obtain the international GMP certificate.

Why have you decided to set up a plant in the Togliatti SEZ and how can you assess the support of your project by the SEZ's Management Company?

We were attracted by the benefits and preferences provided for the SEZ resident companies. We have also counted on the availability of skilled personnel in Togliatti. We positively assess the support of the Management Company. In our opinion, they are a team of professionals capable of solving any problem.



EDSCHA TOGLIATTI



WE PAY ATTENTION TO PRODUCTION LOCALIZATION

Alexandr PEREVOSCIKOV
CEO

What are the main events of 2015?

In 2015 EDSCHA TOGLIATTI entered the final stage of the preparations to launch manufacture on our own site. The plant construction on the SEZ territory is fully completed, the company moved into a new office building, we signed agreements with the main suppliers and customers. Besides, we started relocating equipment from the Czech Republic and hiring production staff. Commissioning work in the factory is also being carried out.

What products are you going to manufacture?

At production stage one, we will make door and trunk lid hinges for cars.

How will the process of manufacture be arranged?

Our main advantage is an innovative approach to product development, permanent product improvement and individual treatment of every customer: design of a production line to meet the individual requirements and parameters, stringent quality control.

A specific feature of our production technology is its stability. No matter how much we manufacture, our products are made with no deviation from the customer parameters. This helped us achieve zero defects quality



level, or 0 ppm. Our manufacture meets the European standards, the equipment is delivered from Germany and the Czech Republic.

What measures do you implement to reduce the environmental impact of your production?

Generated industrial waste will be thoroughly separated by waste category. By adopting energy saving technologies we will be able to reduce energy consumption and consequently decrease gas emission quantities. The boiler station runs on natural gas that generates low volumes of air pollutants.



Where will your products be used?

Our first big customer will be AVTOVAZ. The decisive factors for taking the decision to set up EDSCHA Togliatti LLC were close proximity of the Togliatti Special Economic Zone to AVTOVAZ and, as a result, convenient logistics arrangement. Our components will be fitted on the Lada Granta, Lada Niva and Lada Vesta cars.

Are you going to cooperate with other Togliatti SEZ resident companies?

At the moment we do not have any specific plans for

cooperation with other residents, but we are constantly seeking new partners in the Samara region and elsewhere in Russia, as we pay increased attention to production localization.

Do you intend to deliver your components abroad?

No, we do not plan any export, since our factory has been constructed specifically to make components for domestic customers. Thanks to a high degree of localization we will be able to offer our products at an attractive price.

How many people will be employed in your plant? How can you assess the training level of specialists in Togliatti?

By the end of 2016 we will have about 60 employees. We are quite satisfied with the training level of the Togliatti specialists.

What are your plans for 2016?

We have already launched production in a test mode. In 2016, we will start making commercial components. Our further programs provide for growth and development – product range extension, hiring more personnel, introduction of new equipment and technologies.





SOLOFILMS

**A NEW PRODUCER
OF POLYETHYLENE FILMS**

Dmitry Novikov
Project manager

What was the reason for your decision to set up a production facility in the Togliatti SEZ?

Our founder is SuperPrint, a company dealing with flexographic printing and industrial packaging. We were planning to create a film-making facility, because today we have to buy such material from third parties. We have considered several sites for factory construction, and some existing workshops. The Togliatti SEZ has been chosen for such reasons as customs and tax preferences,

plus free connection to utilities. Resident companies also have the option of buying their land plot at a low price. On the whole, the Special Economic Zone is a promising investment place. Its potential and additional opportunities can also be used in our activities as a resident.

What are you going to make here?

SoloFilms will manufacture three-layer polyethylene films, including overprinted (bearing images, logos etc.)



films intended for a variety of uses: packaging food, powder detergents, fertilizers, pharmaceuticals and other products.

Our product range will also include agricultural films, stretch wraps for pallets, shrink films, vapor and water barrier materials etc.

This year you have started implementation of your project. How much work has been done?

We have obtained the construction permit. A part of the project passed a non-state expert evaluation. We wanted to additionally secure ourselves, because our building will be high (26 m). Now, earthwork is being carried out on the site, and access roads are being arranged. By the end of the year we plan to put up fencing, finish earthwork, construct the foundation of the first building, and also to

install the substation and connect our facilities to electric mains.

Tell us about your plans for 2016.

In the next year we plan to commission the first building, install equipment inside and start producing goods, as well as begin constructing the second building.

How can you assess the support of your project by the SEZ's Management Company?

We highly appreciate their support. Whenever we apply to a SEZ manager of any level, be it a rank-and-file employee or Mr Pakhomenko, CEO, we always receive due attention, assistance and advice in settling various problems which emerge in the course of the project implementation.



TOGLIATTI PAPER MILL

Artem ANTASHEV
Director



Our company will be the first in Samara region to recycle waste paper for making cardboard and fluting. Currently, we are at an advanced stage of the project implementation. We completed general construction work and began installing the paper-making machine. This up-to-date equipment has been purchased in Germany.

Plans for 2016 include the start of production and attaining the projected capacity of stage one. We also want to commence designing stage two that is going to produce in particular “green” fiber.

The main part of waste paper will be supplied by collectors from the Samara region. We also intend to work with some regional and external raw material suppliers. Respective cooperation with other SEZ resident companies is also being reviewed. Apart from that, we consider arranging waste collection from inhabitants of Togliatti.

HI-LEX RUS

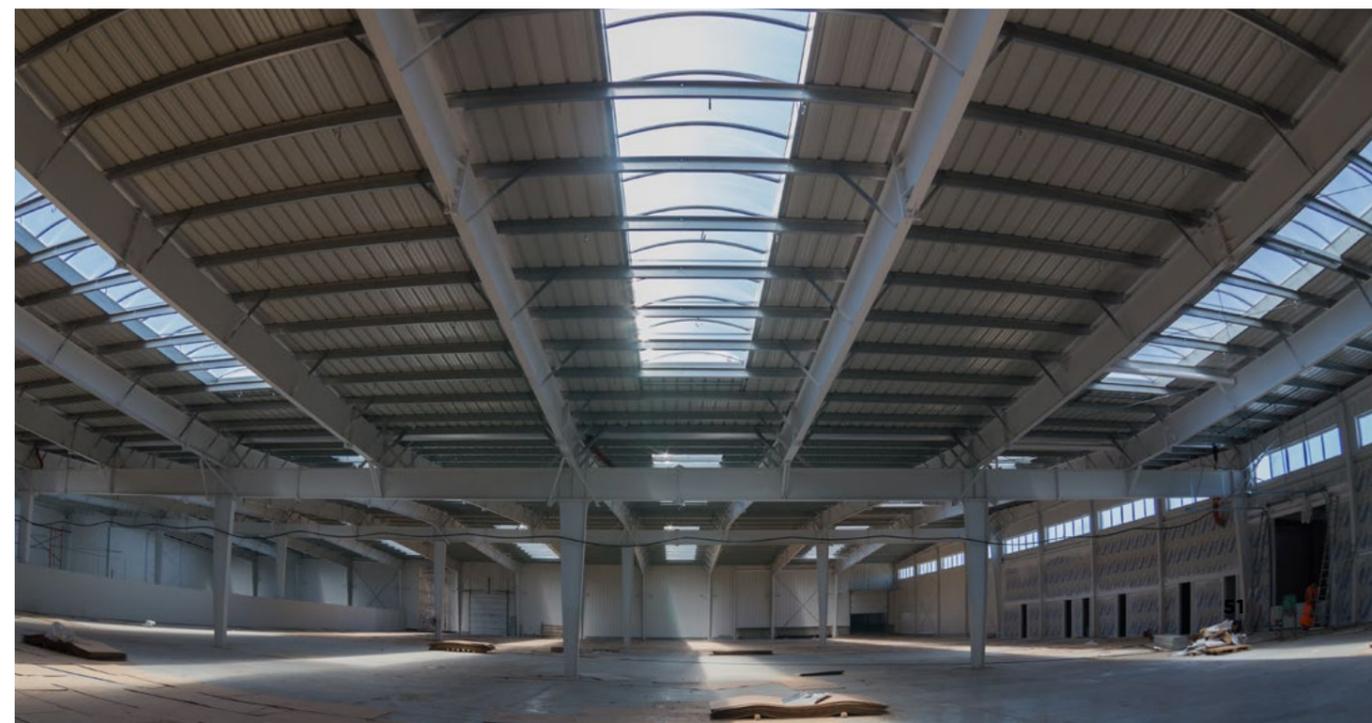
Takashi KIHARA
Director of Economic Affairs



Our company manufactures transmission shift cables. In the future we plan to make trunk and fuel tank door opening cables and window regulator cables. The principal customer is AVTOVAZ. Our parts are fitted on the Lada Vesta and Lada Priora cars.

Every unit of our process equipment is made in Japan and is safe for the environment. It is supplied by Hi-Lex Corporation, our parent company. We also use their experience in the sphere of management of all safety issues.

As for SEZ resident companies, we are in close cooperation with Atsumitec Toyota Tsusho Rus. They produce auto MT/AT shifters.





2015 PAGES OF SUCCESS



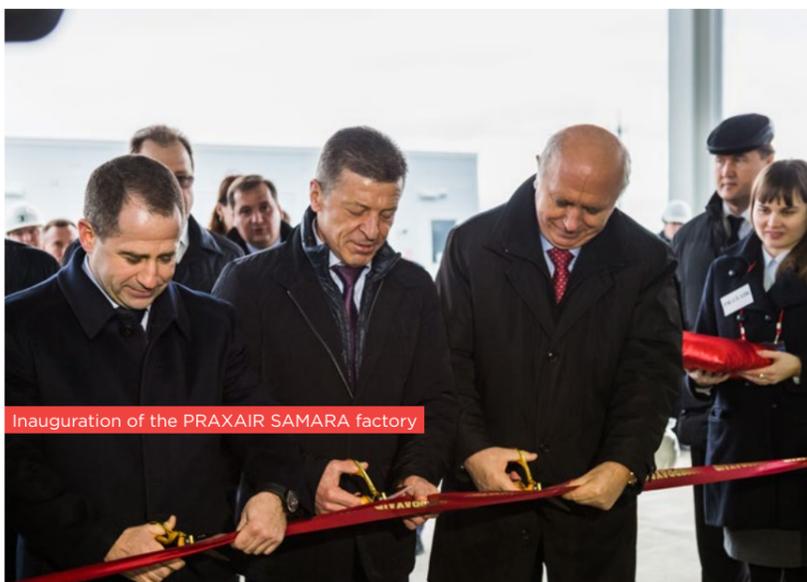
NOBEL AUTOMOTIVE RUSYA



PRAXAIR SAMARA



Office building of SEZ management company



Inauguration of the PRAXAIR SAMARA factory



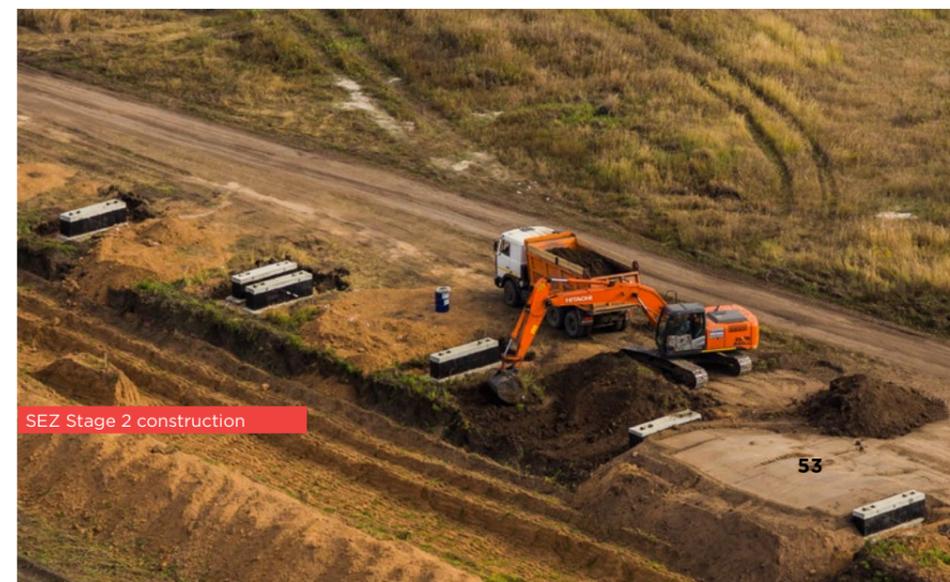
Utilities area: office building, warehouse, garage



Installation work in progress



ATSUMITEC TOYOTA TSUSHO RUS



SEZ Stage 2 construction



2ND QUARTER



SEZ Stage 2 construction



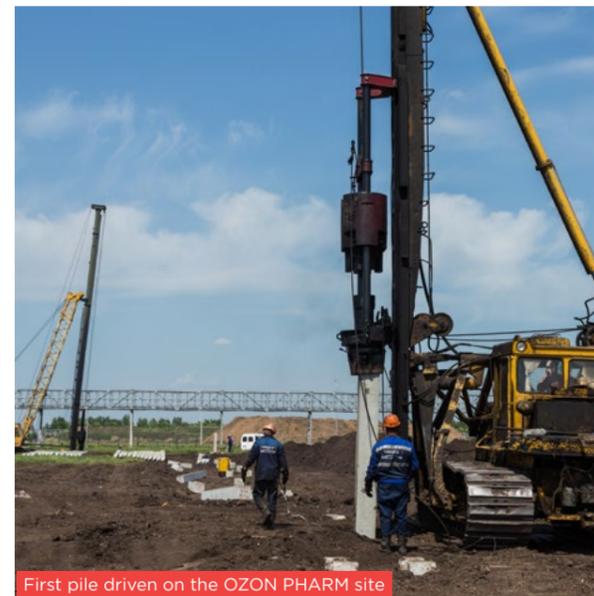
Infrastructure buildup



SEZ utilities area



CIE AUTOMOTIVE RUS



First pile driven on the OZON PHARM site



NOBEL AUTOMOTIVE RUSYA



Office building of the Managing Company



PRAXAIR SAMARA



ATSUMITEC TOYOTA TSUSHO RUS



Resident companies' factories



Stage 1 start



Utilities area



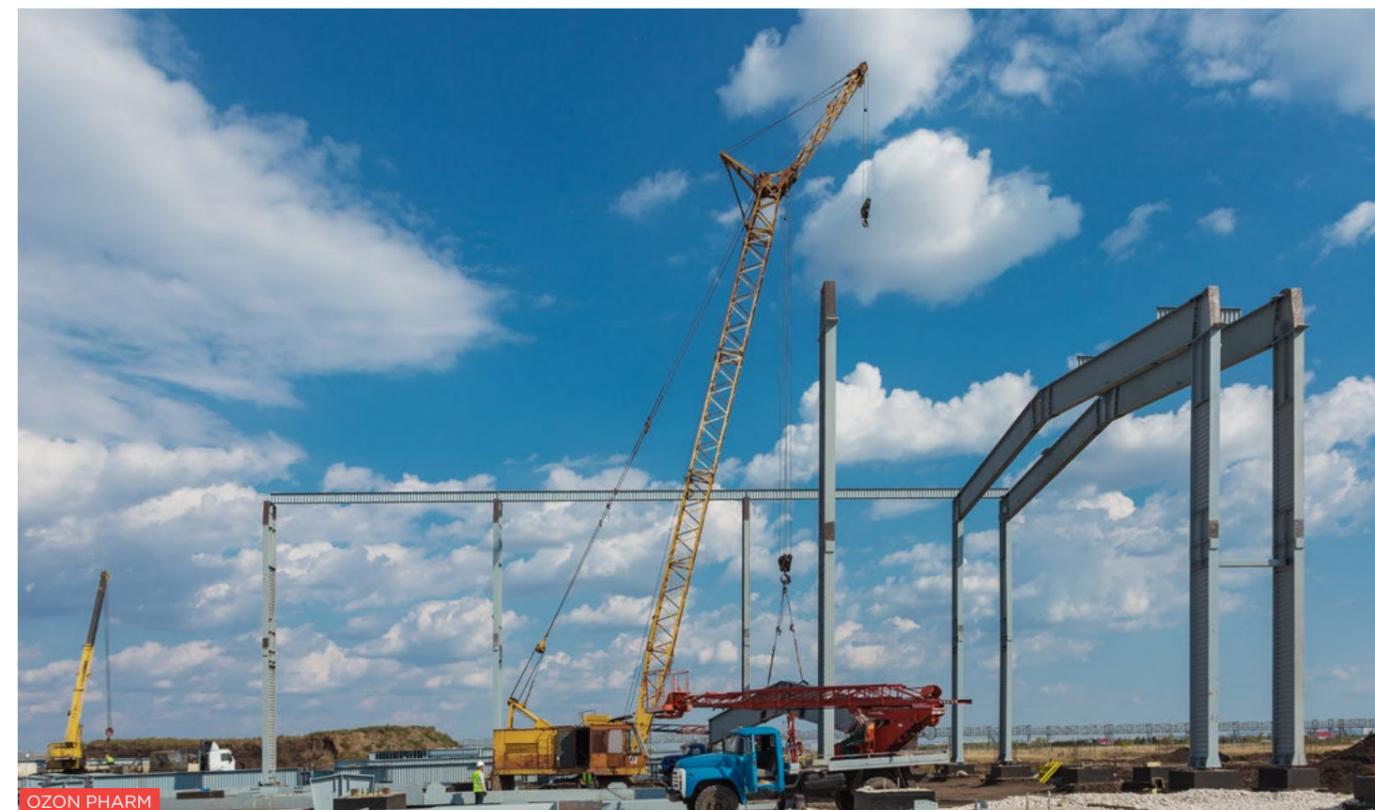
Meeting held in the SEZ by the Civic Chamber of Samara region



Stage 1 inauguration



HI-LEX RUS



OZON PHARM

4TH QUARTER



OZON PHARM



ATSUMITEC TOYOTA TSUSHO RUS



TOGLIATTI PAPER MILL



HI-LEX RUS



SOLOFILMS factory construction start



Meeting on execution of the Plan of Actions ("Roadmap") for Improving SEZ Management in Russia



PRAXAIR SAMARA factory inauguration



ALEXANDER KOBENKO

MINISTER FOR ECONOMIC DEVELOPMENT,
INVESTMENT AND TRADE OF
THE SAMARA REGION



The Special Economic Zone is the key project for the development of the Samara region in general and modernization of the economy in Togliatti in particular. The SEZ startup provided additional jobs and partially eased tension on the labor market even when the city was experiencing a rough time.

An increase in the number of non-car manufacturing SEZ resident companies can already be noted. Strengthening of this trend will contribute to the alteration of

the status of Togliatti as a single-industry city. Creation of new production facilities within the Special Economic Zone will change the structure of the regional economy, provide its growth through manufacture of products with high added value in demand both on the domestic and international markets, and improve the region's investment image.

The Government of the Samara region has been supporting the Togliatti SEZ project from the very beginning and shall continue rendering comprehensive assistance in its further development.



DISCUSSING 2015 RESULTS WITH THE
CEO OF THE SPECIAL ECONOMIC ZONE
OF INDUSTRIAL-PRODUCTION TYPE
"TOGLIATTI" JSC ALEXEY PAKHOMENKO

The past year 2015 was hard for the many. What about the Togliatti Special Economic Zone?

We started the year by setting quite ambitious goals. Only one plant, Nobel Automotive Rusya, was working on the SEZ territory, so we intended to increase the number of the operating manufacturing facilities. However, the degree of readiness of stage 1 infrastructure was not sufficient to enable running several factories. That's why we focused our efforts on starting up stage 1. Resident companies also kept constructing their workshops. We have been committed from the very beginning of the project to the principle of creating the infrastructure and constructing manufacturing facilities simultaneously.

In March, the SEZ was connected to natural gas supplies. Immediately after that CIE Automotive Rus started testing their plant equipment. Gas for them

is an essential resource. In summer we had a tough situation. The construction schedule did not permit us to relax even for a minute. At that very time we moved from our temporary office in Togliatti to the permanent location, a building with offices and amenities erected on the premises. We had to work in field conditions. But after a short time, the roads were constructed, the site improvement work performed and utilities connected. Work was being carried out on two fronts — in addition to finishing stage 1 activities we started implementing stage 2 of the project. In autumn we reaped a symbolic harvest of our labor: on September, 11 stage 1 of the Togliatti SEZ was inaugurated. In the course of subsequent months four manufacturing facilities of the resident companies were started one after another. During that period two deputy prime ministers, Dmitry Kozak and Arkady Dvorkovich, came to visit our site for the first time. They highly appreciated the project



development rate. The Economic Zone was also visited by Mikhail Babich, Presidential Plenipotentiary Envoy to the Volga Federal District, and Alexander Tsybulskiy, Deputy Minister of economic development of the RF. Their visits were a kind of an examination for all of us, including the resident companies. I can say that we have decently passed the exam.

The end of the year was marked by another significant event – our family of residents got larger. Keramogranit KEDA, a representative of an industry branch entirely new to us came here to become the biggest non-car manufacturing factory within the SEZ. They are going to produce ceramic granite tiles. This company is also important for us since that they will give a strong boost to logistics development on the site premises and beyond.

That's about the results of 2015. It was probably the richest year for the events as compared to the previous time. At the outset, we ourselves were afraid of the tasks we had planned. I should admit their solving was a challenging endeavor. Only three years ago, in November 2012, the first pile was driven in at the Togliatti SEZ site. If you look now at our Special Economic Zone, you won't recognize it.

At which stage is the project implementation now?

Stage 1 is complete. It is a territory of 181 hectares with all communications created and a utilities area functioning. Let me back up the evaluation of the extent of performed activities with some figures. Today the length of all networks exceeds 190 km. It is equal to the distance from Togliatti to Samara and back. We had built nine

kilometers of drive- and footways, with trees and shrubs planted along them. The site has the most pleasant view in summer, but in any season of the year we take care of it to make it look neatly by cleaning the roads and keeping the place tidy.

Construction work are continuing at the stage 2 territory. Its area is 245.6 hectares, which is nearly one and a half time as large as stage 1, but we plan to finish it within a shorter time. We have already gained the necessary experience. There is also an operating utilities area with the construction management office opened on the site. The infrastructure for stage 2 is supposed to be completed by 2017.

Would you tell us in detail about the SEZ resident companies and their plans? What is already being manufactured here and what production facilities are going to be created in the future?

Life makes allowances for the current situation, but on the whole, the resident companies managed to implement practically all their plans. As expected, the Spanish company CIE Automotive Rus and the US company Praxair Samara started running their facilities in a test mode. The inauguration ceremony took place on the same day, the 6th of November. I have already mentioned the Spaniards at the beginning. They have built one of the SEZ most advanced factories to make aluminium parts for car engines. They needed natural gas for melting processes. That's why we were doing our best to provide them with the gas supply.

CIE Automotive Rus immediately began to dispatch their products not only to the local customers, but also abroad. Praxair Samara is specialized in filling argon, oxygen and other air separation products in cylinders. Such gas is needed for various processes, from welding and instrument making up to fizzy drink production.

This year two Japanese makers have produced trial batches of car components. It is HI-LEX Rus that started to make control and window regulator cables, and Atsumitec Toyota Tsusho Rus making transmission shifter systems. HI-LEX and Atsumitec belong to the global leaders in their respective sectors, and it was here where they decided to build their first manufacturing facilities in Russia.



As a result, there are five factories, including Nobel Automotive Rusya, our groundbreaker, currently running on the SEZ territory. Togliatti Paper Mill postponed the start of production to the beginning of 2016, but they are already testing their equipment and will soon start recycling wastepaper and producing corrugated cardboard. It is going to be the first factory of that type in the Samara region. Interest of potential partners and customers in their products is quite high. This year, the German company Edscha Togliatti will begin to make door and trunk lid hinges. Another resident company from Germany, Mann+Hummel Togliatti had to postpone the SOP due to the change of the construction contractor. Two Russian companies appeared on their land plots in 2015. Exteriors of the workshop of Ozon Pharm, a pharmaceuticals producer, are practically finished. Their founder Ozon, a local firm, is among the pharm market leaders. The second resident, also a non-car manufacturing company, is SoloFilms. They began laying the foundation for a polyethylene film making facility. Their factory will be the tallest on the SEZ site, around 26 m high, which is comparable to a nine-storey

block. Such height is needed to put up film extruding equipment. Both companies, Ozon Pharm and SoloFilms, intend to start production in 2016.

You said that the infrastructure improvement activities are carried out at the same time as the resident companies' work. On the whole, such an approach is not typical of an investment site. How can you assess the result of that experiment?

I may say now that it was a correct decision. We had to overcome many difficulties and speed up creating the infrastructure in order to keep pace with schedules of the resident companies. We are grateful to them for making concessions and taking part in solving the problems encountered. It not only allowed us to significantly reduce the project implementation time, but also to achieve tangible results already at the initial stage. Due to this Togliatti SEZ has been highly evaluated by the Russian government. Dmitry Kozak, Vice Prime Minister, characterized our site as belonging to the top five most efficient economic zones of this country. It should be

noted that we have been also taken into consideration abroad. Our zone has for the first time been included in an international SEZ rating published by fDi Intelligence Magazine specializing in global investments.

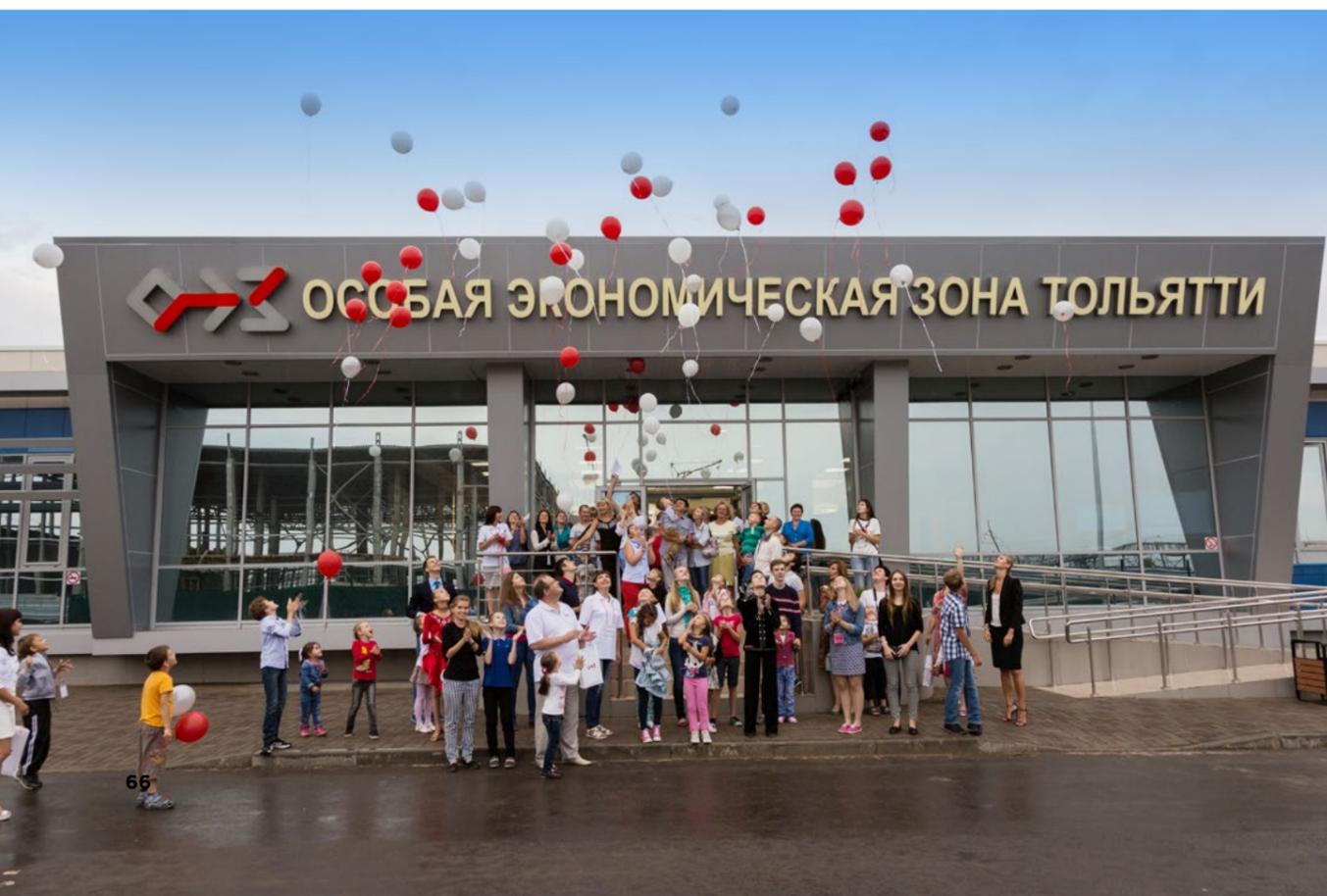
Current investments in the project amount to around RUB 12 bn, with two-thirds of the sum invested by the resident companies. On average, our state-to-private investment ratio is almost 1 to 2 RUB. Due to the fact that we were able to carry out simultaneously two fundamental activities — infrastructure development and resident attraction, — we have now in our SEZ global manufacturers who may have chosen another place under different conditions.

What will be accomplished in the Togliatti SEZ in 2016?

Within the year, we have to finish major construction work on stage 2, the more so, because there are already potential residents for that territory requesting all conditions: water, gas, electricity supplies and other communications. Our plans also include development

of a customs infrastructure so that the companies located in any SEZ part could have a possibility to make benefit of the preferences granted. The free customs zone regime currently applies only locally for the three resident companies who have filed application for taking advantage of it.

We laid a good foundation for the coming year. Earlier, we used to show to investors the SEZ Project as a presentation. Now, they can see with their own eyes an actually operating industrial site with their future neighbors that have already started making goods and are successfully developing their facilities. This is the best argument for a potential resident. We are confident that the investment attraction process will make progress. We are continuously supported by the Ministry of Economic Development of the RF, SEZ JSC, regional government and the Governor Nikolay Merkushkin himself. Thanks to such a solid support the project management team has already achieved significant results and simply must maintain the progressive trend throughout the year of 2016.



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