

TIME TO INVEST IN MOSCOW!



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CONTENTS:

1. MOSCOW TODAY

Socioeconomic situation

6

2. WHY MOSCOW?

Competitive advantages
for business

12

3. WHERE TO INVEST?

Promising investment areas

22

4. INFORMATION AND CONTACTS

Information, development
institutions, executive
authorities

34



ADDRESS BY MAYOR OF MOSCOW

SERGEI SOBYANIN

Dear Friends,

Moscow is one of the world's largest business and financial centres. It is a global metropolis running a large-scale programme of urban infrastructure development and offering a wide range of opportunities for investors from around the world.

Cutting-edge information technologies and communications, finances and insurance, construction and real estate business, transport and commerce, education and healthcare make the greatest contribution to the development of Moscow's economy. The industrial sector, which accounts for one sixth of Moscow's regional GRP, plays an important role as well.

For the 3 quarters of 2019, the capital asset investments reached USD 24.1 bn, 10.6% higher in comparable prices against the same period of the previous year. The amount is significant, but there are still reserves for increase.

Given the current economic situation, Moscow has gained additional competitive advantages. While retaining the quality of its investment climate, the city has become one of the world's most attractive metropolises in certain expenditure categories.

Recently, the capital city has taken a series of steps to reduce the costs of doing business, simplify administrative procedures and improve tax and tariff policies.

We are actively developing mechanisms for public-private partnership, including concessions, life-cycle contracts, and real estate leases with mutual obligations. New technoparks and technopolises are being established to launch hi-tech manufacturing.

All these factors taken together ensure Moscow's growing investment appeal. Our principal goal is to transform the capital of Russia into a metropolis that is convenient for people to live in and for businesses to work in. While working toward this, we hope for continued fruitful cooperation with the investment community. Our joint work will result in new projects benefiting Moscow and its residents.

Mayor of Moscow

Sergei Sobyenin

1 MOSCOW TODAY

Socioeconomic situation



MOSCOW IS ONE OF THE WORLD'S LARGEST URBAN ECONOMIES



> \$250 bn GRP



1/5 of the gross value added (GVA) of all Russian regions



Moscow is among the world's **Top-10** metropolises by Gross Regional Product (GRP)

ONE OF THE BIGGEST CONSUMER MARKETS

Population of the Moscow metropolitan area:



20_m
people



14%
of Russia's population



> \$180_{bn}
annual consumer spending
3rd place among European cities



15%
of Russia's retail trade turnover

STABLE INVESTMENT GROWTH

\$ 39.5^{bn}
fixed capital investments
in 2018

14%
of total investment in fixed
assets in Russia



investment grew **2,1**
times in 8 years



~50%
of all foreign direct
investment in Russia

\$248^{bn}
in total accumulated foreign direct
investment (as of July 1, 2019)

LEADER IN PUBLIC-PRIVATE PARTNERSHIP (PPP) DEVELOPMENT

\$17.3^{bn} signed public-private partnership agreements (PPP)
(2013 - 2019)



1st place
in PPP Development in Russian Regions Ranking
(in 2016 - 2019)

INTERNATIONAL CENTRE FOR BUSINESS AND COMMERCE

- proximity to core consumer markets in Russia, Eastern Europe, CIS countries and the Baltic
- **Global** business hub: most of the world's biggest international companies have offices in Moscow
- **more than 700 thousand** legal entities, **20%** of the overall number of companies registered in Russia

STABLE POSITIONS IN INTERNATIONAL RANKINGS

1st place
in United Nations E-Government
Survey 2018



6th place
in the European Cities and Regions
of the Future ranking: Financial Times/FDI
Intelligence



5th place
in the quality of life ranking: World's Best
Cities



18th place
in Global Cities Index AT Kearney



MOSCOW IS A MODERN METROPOLIS THAT IS CONVENIENT TO LIVING AND ATTRACTIVE FOR DOING BUSINESS

Convenient transport infrastructure



single integrated public transport grid



15 Metro lines and
232 Metro stations,
31 MCR stations



more than 1,000
ground transport routes



more than 23,000
carsharing vehicles



>50 000
licensed taxis

The Moscow traffic situation has improved, as has road safety:*

- average speed on the road has risen by **16%**
- number of traffic accidents has fallen by **63%**
(Moscow is Russia's safest city)
- the city has **100%** smart transit system coverage

* - compared to 2010

Developed infrastructure for trade and public food services



>58 000
stationary
retail outlets



>14 000
public catering
outlets

Improving public spaces



>600
green territories (parks,
natural sites) beautified*



>300
streets beautified**



>7000
building facades
renovated *



230
bike routes
and bike lanes**

World-class culture and arts centre



World culture monuments and Russia's national symbols:
Moscow Kremlin, Bolshoi Theatre, Tretyakov Gallery,
Moscow Conservatoire, etc.



8 thousand
world cultural heritage sites

Centre for Russian and international tourism

>20_m

tourists visit Moscow
annually

>\$ 13.7_{bn}

Volume of tourist
consumption in 2018

* - in 2011–2017

** - in 2012–2017

2 WHY MOSCOW?

Competitive advantages
for business

QUALITY LABOUR FORCE

11m people
economically active population
in the Moscow metropolitan area

>180 thousand people
annual number of university
graduates



50% of employed
people **have a higher
education**



attraction centre for
qualified workforce
from other Russian
regions and CIS
countries

EDUCATIONAL CAPITAL OF RUSSIA



- approximately **>150** public and private higher education institutions (universities, institutes, academies, etc.)
- **>700** thousand students

HIGH SCIENTIFIC POTENTIAL



~20%
of Russia's R&D
organisations



27% of patents issued
in Russia for utility models
and inventions



>30%
of Russia's academics

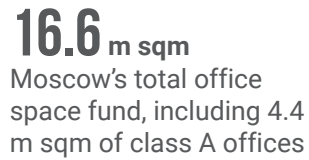


38th place
among **500** world cities
in the 2thinknow Smart
City Index, +154 places
since 2011



WELL-DEVELOPED REAL ESTATE MARKET

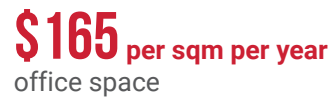
Moscow's non-residential real estate fund



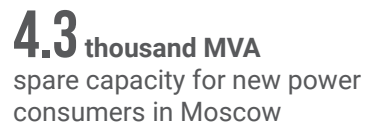
Average rental for Class A office (as of 3Q 2019):



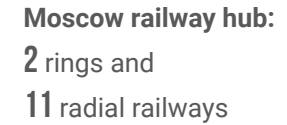
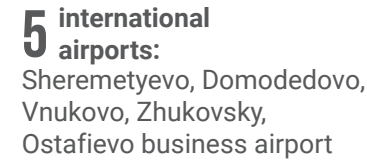
Average rental in technoparks:



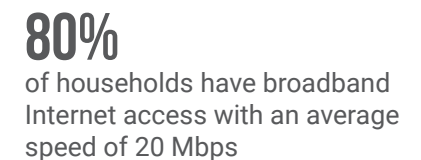
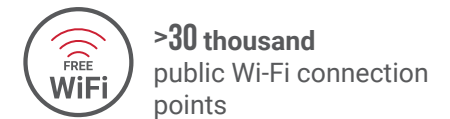
UTILITIES INFRASTRUCTURE RESERVE CAPACITY



DEVELOPED TRANSPORT INFRASTRUCTURE



HIGH DEVELOPMENT LEVEL OF INFORMATION AND COMMUNICATIONS TECHNOLOGIES



MOSCOW GOVERNMENT SUPPORT

Stable budgetary policy

\$38^{bn} Moscow budget expenditure in 2019

1.3% public debt to income

\$151.8^{bn} projected expenditure budget of Moscow, 2020-2022

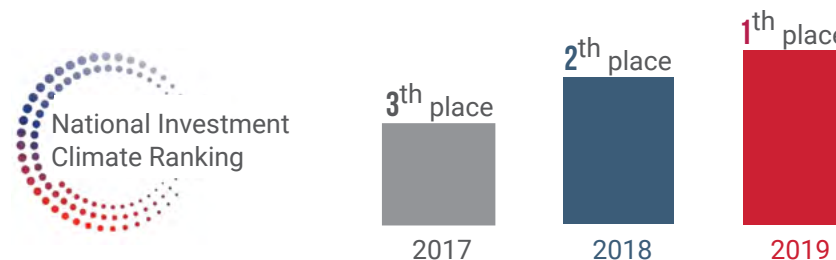
Active investment policy:

- Creating favourable conditions for attracting investment from various sources
- "One-stop-shop" project-assistance service
- Attracting projects of sectoral leaders and international companies; developing public-private partnership
- Investment-orientated budget: **23%** allocated as investment expenditures
- Tax benefits and reduced ground rent rate offered to investment and priority projects
- Additional guarantees for investors; protection against non-commercial risks

Quality investment and business climate:



* - 70% of Russia's total score depends on Moscow's figures



Recently, Moscow has drastically simplified administrative procedures for starting up and doing business

Starting a company

3 procedures,
3 business days.



Registering property

1 procedure,
5 business days.

Power grid connection:

70 days and 2 procedures

Large-scale development programmes

\$40^{bn} Targeted Investment Programme (TIP) in 2019-2022

70% of TIP expenditures go toward developing the transport infrastructure

By 2022, Moscow will complete construction of:

435 km of new roads

41 Metro stations

100 km new metro lines

>200 social infrastructure facilities (schools, outpatient clinics, pools, etc.)

MOSCOW CENTRAL RING (MCR)



Large-scale Moscow Ring Railway modernisation project. Launch of the Moscow Central Ring (MCR) in September 2016 and its integration into the city's transit system both improved the logistics of passenger transport and attracted private investment into developing industrial areas adjacent to the MCR

54 km of railways **31** stations

- Since MCR was put in operation, the passenger flow was nearly **200 million** people
- More than **400 thousand** daily rides on average
Integration with the city's transit system (Metro, ground transport)
- Transport services for Moscow's industrial areas
- Travel time savings up to **16 min**

MOSCOW CENTRAL DIAMETERS (MCD)

Project for reconstructing the existing railway lines in Moscow and the Moscow Region and launching diameter routes for suburban trains.

>\$ 6.9 bn
investment volume
in 2019 - 2024

650 million trips per year
planned passenger flow



5
diameter routes



6 minutes
average interval between
trains on the MCD



increase transport
accessibility in the Moscow
region

RELOCATION PROGRAMME



MY NEW HOME
Moscow Relocation
Standard

The relocation programme is Moscow's large-scale infrastructure project for developing the city infrastructure and public spaces, reducing the number of unfit residential buildings, and improving living conditions for residents of five-storey

buildings by gradually re-settling them in modern new housing built using state-of-the-art urban standards and approaches.

Timeframe:

2017-2042

Investment:

>\$100 bn

The relocation programme will be financed from the Moscow treasury. To that end, the Moscow Government has established a Moscow Housing Relocation Fund.

This is a comprehensive programme stimulating development and attracting private investment into various sectors of the city's economy.

The programme covers:



5173
buildings



350 thousand
apartments



>16 m sqm
Total area

The programme involves constructing:



>40 m sqm
of housing



2.5 m sqm
of commercial real
estate



1 m
Moscow residents will
receive new housing

3 WHERE TO INVEST?

Promising investment areas



THE MOSCOW CITY GOVERNMENT'S KEY GOAL IS TO ATTRACT INDUSTRY LEADERS AND INVESTORS TO THE CITY'S REAL ECONOMY.



Moscow offers reduced tax rates and other support to investors and industrial developers, as well as investment funds and companies financing projects in the transport and social infrastructure; these measures also apply to public-private partnerships.

Priority areas for attracting private investment are:

- processing enterprises and knowledge-intensive business
- launching new enterprises in industry and hi-tech
 - manufacturing industrial products
 - establishing industrial complexes
 - establishing technoparks and industrial parks
- investment and innovative projects sited in Moscow's SEZ and technoparks
- localising manufacture of high-demand products under offset contracts
- public-private partnership projects for developing the transport and social infrastructure
- a broad range of investment initiatives in New Moscow (industry, PPP, development, etc.)

FOR INDUSTRIAL INVESTORS

The goal of the Moscow Government is to attract investment into the economy's real sector, to build new industrial enterprises and innovative infrastructure facilities and to carry out large-scale reconstruction of existing ones.



Support recipients

Existing enterprises (Brownfield)

Benefits that come with the status of an industrial complex, technopark, industrial park, anchor resident of a technopark/industrial park.

New projects (Brownfield / Greenfield)

Benefits that come with the status of a Moscow investment priority project (investment upward of RUB 300 million).

Tax benefits: 17% - 25% reduction in the overall tax burden, including:

Industrial complexes	Technoparks Industrial parks Investment priority projects
↓ Profit tax by 26% (12.5% instead of 17%)	↓ Profit tax by 26% (12.5% instead of 17%)
↓ Property tax by 50%	↓ Property tax by 100%
↓ Land tax by 80% (20% of tax charged)	↓ Land tax by 99% (0.7% of tax charged)
↓ Ground rent rate by up to 80%	↓ Ground rent rate by up to 99%

As of the beginning of 2020, support measures for **102 companies** were approved:

36 technoparks

53 industrial complexes

13 anchor residents

Enterprises receiving support employ **more 110 thousand** people; invested **1.5 bn USD** during the last 5 years

New projects may be implemented **under a special investment contract and agreements with Moscow Government.**

Additional support measures:

- guarantee of **protection** against non-commercial risks
- possibility of obtaining land plots **without a tender**
- long-term **government** contracts
- **targeted subsidies** (partial reimbursement of business expenditures)
 - for interest on loans for development (up to \$ 80 thousand)
 - for launching or expanding manufacturing of R&D-based products (up to \$ 318 thousand)
 - for interest on lease payments (up to \$ 1.6 m a year)
 - for interest on loans for equipment purchase (up to \$ 3.2 m a year)
 - for loans on establishing the property complex of a technopark or industrial park (up to \$ 4.8 m)
 - offsetting up to 50% of expenses on utility connections (up to \$ 1.6 m per project)
- low-interest loans (2-5% interest rate for up to 5 years, between \$0.16 m and 3.2 m)
- sureties not in excess of 70% of the total surety required

LONG-TERM GOVERNMENT CONTRACT IN EXCHANGE FOR INVESTMENT (OFFSET CONTRACTS)

Contract terms:



At least
\$16 m
investment in creation,
modernisation, and/or
assimilation of production



Up to
10 years
Term of contract



**Goods manufactured
or supplied:** Russia-made
goods



Supplier/investor:
Russian legal entity

Advantages for suppliers/investors



High demand for goods

- the government is a solvent and stable consumer



Long-term sales guarantee

- The contract is valid for up to **10 years**
- In addition: when investment obligations have been met, the contractor will be put on the register of sole suppliers

Advantages for the public partner:

- Reduced prices** due to long-term contract
- Creation, modernisation, and/or assimilation of production:** parameters determined by the customer
- Import substitution, localisation, increasing industrial safety** and independence

Specifics:

- investment commitment bond: **2–5% of the investment volume**
- supply commitment bond: **not mandatory**, unless an advance payment has been made
- lots may be combined **in pharmaceuticals**
- price indexing: allowed on the basis of a **price formula**

Priority areas for offset contracts:



medications and medical
equipment



transport



equipment for housing
and public utilities



machinery / equipment
etc.



computers and
telecommunications
equipment

Statutory regulations

Article 111.4 of Federal Law 44-FZ “On the contract system in government and municipal procurement of goods, works and services”.

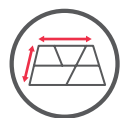
Resolutions of the Government of Russia **No. 1441** of 22 December 2016 (price) and **No. 1166** of 12 November 2016 (planning, tender, price formula, provision).

INVESTMENT SITES

Technopolis Moscow Special Economic Zone

R&D and hi-tech product manufacturing.

SEZ land plots



207 hectares
overall area

5 hectares
available for construction
purposes

Existing facilities area

(labs, offices, manufacturing space, etc.):



374.4 thousand sqm
a site in Technopolis
Moscow

17.7 thousand sqm
a site in Alabushevo
(Zelenograd)

Free customs zone regime

without paying customs duties and VAT on imported foreign-made materials and equipment



free utilities
connection



preferential terms for
buying out a land plot
after facilities are made
operational

Reducing the regional tax burden by 47%:

0%



profit
tax



property
tax



transport
tax



land
tax

21%
payments into
social benefits
funds (instead
of 30%)*

* – For residents engaged in technology development

Technoparks and technopolises

Ready-to-use spaces and business infrastructure for implementing projects in R&D and for launching innovative manufacturing.

36

technoparks
and technopolises

>\$815 m

investment over
5 years

>1950

residents

>42 thousand

hi-tech, high-paying
jobs

2.3 m sqm

building space

>259 hectares

of land plots

Sectoral specialisation:

- information and telecommunication technologies
- microelectronics
- lighting equipment
- advanced materials, composites, coatings
- laser technologies
- biomedical technologies
- pharmaceuticals and medical equipment



Map of technoparks and technopolises on the Moscow Investment Portal www.investmoscow.info

Advantages of Moscow technoparks:

- ready-to-use space for siting projects
- reduced lease rates
- land plots available for construction
- preferential connection to the utilities infrastructure
- access to shared-use facilities (prototyping, certification, etc.)
- access to support measures

PUBLIC-PRIVATE PARTNERSHIP OPPORTUNITIES



Building transfer hubs on the transit lines under construction and at existing city railway and metro stations.

Construction planned on:

251 transfer hubs

101 flatworks
150 capital structures



- transfer hubs have technological and commercial areas
- the investor constructs all transfer hub facilities and transfers the technological area to the city
- investors recoup their investments through leasing and selling commercial area facilities
- projects are distributed by open tender

9 m sqm

total urban development potential of transfer hubs

>\$11.7 bn

planned investment into transfer hub development



Private investment in the social infrastructure: kindergartens, schools, healthcare facilities, and cultural property sites.

Reduced-rate lease: "RUB 1 per sqm":

- for opening **educational institutions for children**
- for providing **healthcare** (Doctor Nearby programme)
- easing **cultural heritage sites** to be restored and conserved



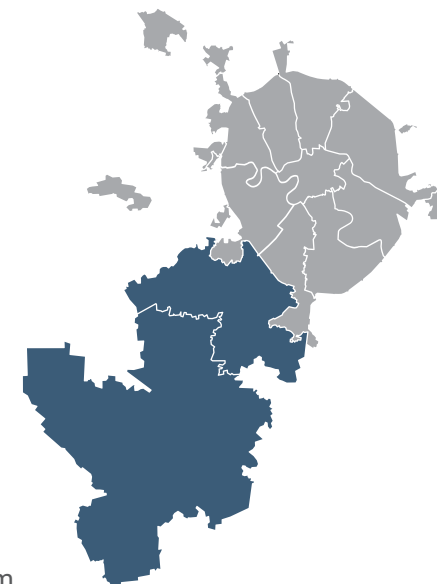
NEW MOSCOW'S TERRITORIAL DEVELOPMENT POTENTIAL

The key driver of today's Moscow growth is development of the new territories.

148 thousand hectares were included in the territory of Moscow in 2012

■ Moscow territory prior to 2012

■ New Moscow territory



New Moscow means:

opportunities for implementing investment projects in the broadest range of areas from launching innovative manufacturing to constructing facilities of the transport and social infrastructure.



1.6 m people
population by 2035



1 m jobs
will be created



more than ten large business and economic clusters



Construction of
700 km of roads,
65 km of Metro lines,
175 km of tram tracks.

Reconstruction of
453 km of old roads

4 WHO TO CONTACT?

Information resources, development institutions and executive authorities

investmoscow.info
MOSCOW INVESTMENT PORTAL



The portal is available in five languages:



English



German



Spanish



Arabic



Chinese

- Entry point for launching a project in Moscow
- The list of investment projects both currently implemented and slated for implementation

A multi-purpose site for investors running projects or planning to start a business in Moscow:

- current statistics and analytics
- information on starting up and doing business
- government support measures
- industrial and innovative infrastructure

Access to Moscow's single e-commerce site:

- information on all city property listed for auction (lease, sale, etc.)
- interactive map of lots listed for auction
- tender documentation, tender schedule
- preliminary viewing of lots listed for auction

Prompt and personalised communication with the Moscow Government :

- investor's account
- direct line



DEVELOPMENT INSTITUTIONS

Moscow has established an effective special agency for cooperation with investors. Its task is coordinating investors' interests with Moscow's development priorities and offering the business community profitable projects and transparent mechanisms for collaboration with the city.



Moscow City Investment Agency

www.investmoscow.ru/agency

The Moscow City Investment Agency is the agency authorised to provide "one-stop-shop" investment project assistance in Moscow.

The agency promotes Moscow's investment opportunities, advantages and achievements; it works to increase the investment appeal of the city infrastructure and to improve the investment process.

The agency's work is intended to introduce new forms of co-operation with the investment community both in Russia and abroad and to ensure effective collaboration between the executive authorities and the business community.



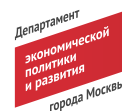
EXECUTIVE AUTHORITIES OF THE CITY OF MOSCOW



Moscow Government
www.mos.ru



Moscow Department of Investment and Industrial Policy
www.mos.ru/dipp/



Moscow Department for Economic Policy and Development
www.mos.ru/depr/



Moscow Department of Entrepreneurship and Innovation Development
www.mos.ru/dpir/



Moscow Urban Development Policy and Construction Complex
www.stroi.mos.ru



Moscow Department of Transport and Road Infrastructure Development
www.mos.ru/dt/



Department for Competition Policy
www.mos.ru/tender/



Department of City Property
www.mos.ru/dgi/



Department of Foreign Economic Activity and International Relations
www.mos.ru/dvms/



MY NOTES

MY NOTES

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MOSCOW INVESTMENT PORTAL



January 2020