



Investor's Guide

The Ivanovo Region



ИВАНОВО

**INVEST
IN IVANNOVO**
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working world



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Stanislav Voskresensky

Governor of the
Ivanovo Region

Dear Friends,

The Ivanovo Region, located in the heart of Central Russia, is famous most of all for its honest, industrious and talented people.

The regional team are doing their utmost to unlock our people's potential and create opportunities for business and investment.

The Ivanovo Region of today is not only the capital of Russian light industry, but also a leading educational hub for Central Russia and home to nationally-renowned local artists.

In 2020, our region was among the nation's ten leading regions for investment and made it to the top three (after Moscow and St. Petersburg) in online sales.

The report you are now reading was prepared jointly with EY to showcase our region's potential for successful and profitable projects.

Investors from Austria, Italy, France, the USA and Turkey have already placed their trust in us.

We are committed to doing our utmost to make the Ivanovo Region a place of choice for doing business and to make sure your investments work for you.

Welcome to the Ivanovo Region!



Alexander Ivlev

EY CIS Managing Partner

I am pleased to introduce this overview of the economy and investment opportunities in the Ivanovo Region prepared by EY in collaboration with the Investment Agency for the Ivanovo Region.

In autumn 2020, EY conducted a survey with leading international companies operating in Russia for a Plenary Meeting of the Foreign Investment Advisory Council in Russia (FIAC). The survey shows that, despite the difficulties encountered, many foreign investors have discovered the advantages of doing business in Russia.

Let me share with you some key facts driving the investment appeal of the region:

International corporations have increased investment in Russia.

The cumulative total investment has increased despite the pandemic, economic recession and external restrictions. Major international businesses are not revising their plans despite the temporary uncertainty.

International investors appreciate the strategic importance of Russia.

92% of companies named Russia as a strategic market.

Companies plan to continue to rely on remote working and to invest more in IT.

65% of respondents said they plan to keep their employees working remotely. Every fifth company said that it plans to have more than a half of its employees working remotely.

International business highly praised the professionalism of regional management teams.

The ability to maintain a dialog with regional authorities is a critical factor for foreign investors when choosing one region over another. Two-thirds of the companies rated the authorities of their key region as "good" or "excellent."

In this context, I would like to highlight the progress and potential of the Ivanovo Region, which has shown significant advances in terms of investment growth and reduced administrative burden on business, ranking first in the Central Federal District for these parameters.

We already have a successful track record of collaborating with the Ivanovo Region as part of the FIAC agenda, and I am confident that there are many opportunities ahead for us to enhance cooperation and contribute further to the development of the Ivanovo Region!

”

The region has well-developed infrastructure that helps major investors deliver their plans. Building effective relationships with investors and the local community, creating a favorable economic environment, assistance in identifying funding opportunities, all this is very important. Investors feel comfortable investing in the Ivanovo Region.



Vadim Dymov

founder of Dymov

Valentino Stellini

owner of Stellini



”

Over the years, our company has opened many factories around the world. <...> In our view, Russia ranks among the easiest countries to invest in. There are far fewer barriers to doing business here than one could expect. The Ivanovo Region is a strategic location that boasts a combination of well-developed machine building and textile industries. When, back in 2015, we decided to base production in Russia, we chose Ivanovo. We are not going to stop, and we will continue to invest and grow here.

”

The main reason behind our decision to launch a textile factory in Ivanovo was that the region is famed for being the center of the Russian textile industry.

As a result, in the first years of operation up to 80% of our products were manufactured and sold in the region. Thanks to the availability of experienced textile professionals, we are able to expand production without running out of skilled labor. <...>



Mehmet Akyol

founder of MIRtex

Markus Edelbacher

CEO of Egger



”

With its developed infrastructure and sources of raw materials, the Ivanovo Region is best suited for industrial investment projects.

Due to our proximity to Moscow and good rail service, we are able to sell our products nationwide from Moscow to Vladivostok. For our projects to be delivered in a consistent manner, it is essential that we work in close cooperation with state agencies, the regional government and municipal administration.

Due to the growing demand for wood materials in Russia and favorable business environment, our Shuya factory and the Ivanovo Region as a whole remain attractive for further investment.

”

The Kraft Heinz investment project in the Ivanovo Region was delivered on time and without any difficulties. At all stages we saw commitment and active support from regional and municipal authorities. I would especially like to mention the support we received from the authorities in infrastructure improvements: they built a new road to connect the Kraft Heinz facility and provided street lighting for our staff to travel to work safely and comfortably.



Mary Gukasyan

General Director of Kraft Heinz Russia

Alexei Tomilov

Director, Leroy Merlin



”

When implementing a large-scale regional project such as a hypermarket, one always encounters many difficulties, but thanks to effective communication with the authorities we managed to solve them promptly and open the store on time. Governor Stanislav Voskresensky personally oversaw the construction project during his many visits to the site. Partnering with local authorities was key to the successful construction and opening of the hypermarket. We look forward to continued good cooperation.

KEY SOCIO-ECONOMIC PARAMETERS OF THE REGION

Size **21,400** km²

Population (15th largest in the CFD) **997,135**

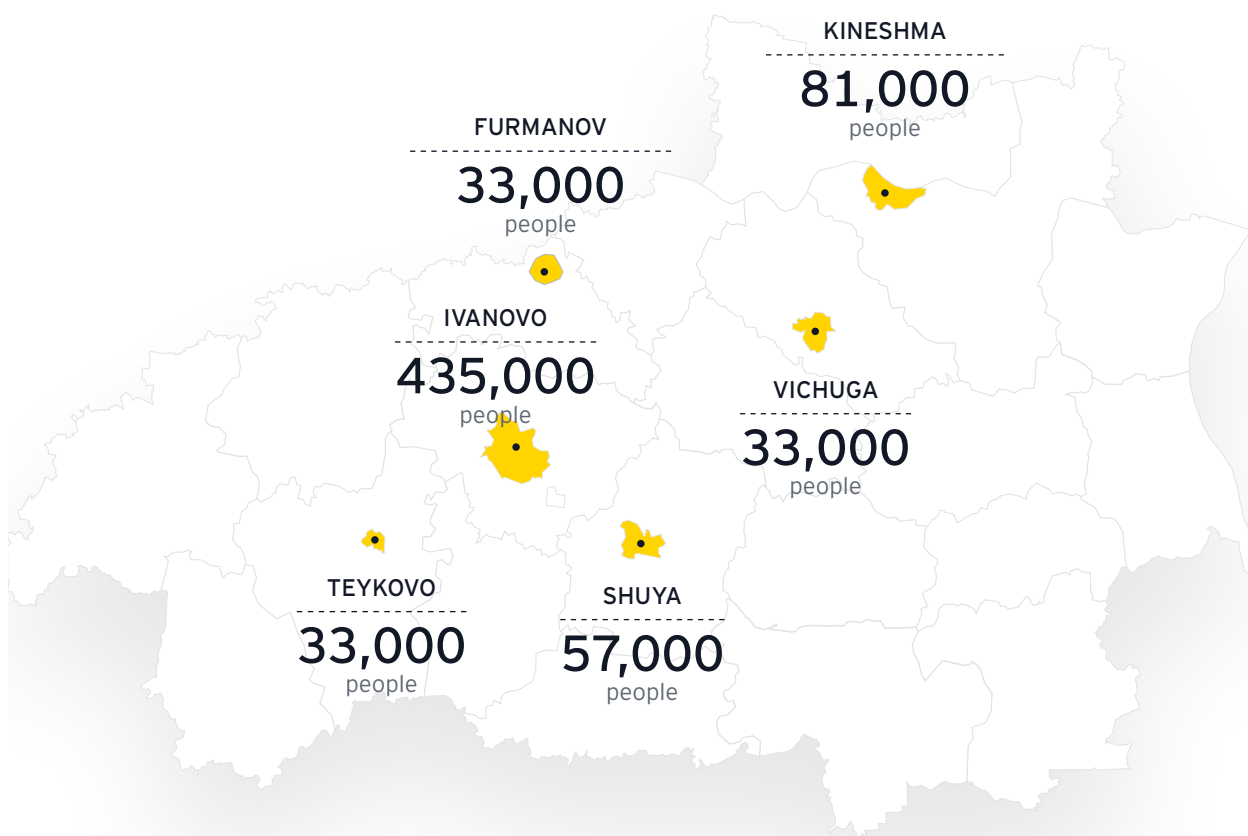
Urban population, % **77%**

GRP, 2019 **RUB 210.4** bln

>30 million people live within a 500 km radius of the city of Ivanovo

The Ivanovo Region is ranked among regions with high quality public finance management

LARGEST CITIES BY POPULATION

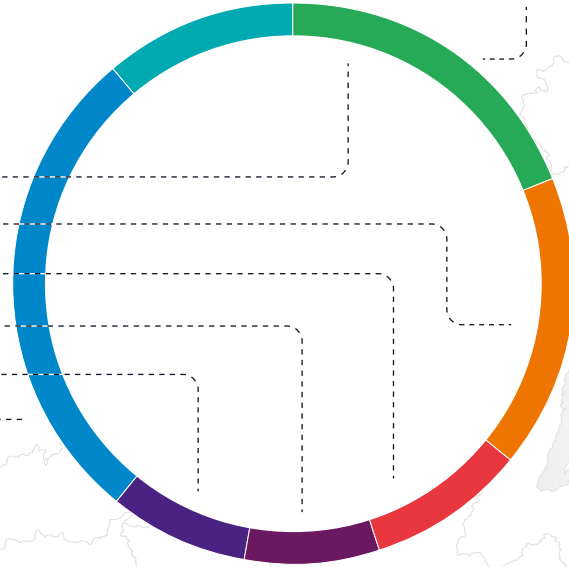


Ivanovo Region GRP structure

State administration	11%
Manufacturing industry	19%
Wholesale and retail trade	17%
Supply of utilities	9%
Education and science	8%
Health care	8%
Other	28%

Including the textile industry accounting for

7%



Sources: Investment Agency for the Ivanovo Region, Rosstat

TRANSPORT ACCESSIBILITY

A key strength of the region is its well-developed transportation system comprising major roads and railways, ports on the Volga River, and Ivanovo airport, which is on the federal register of major national hubs.



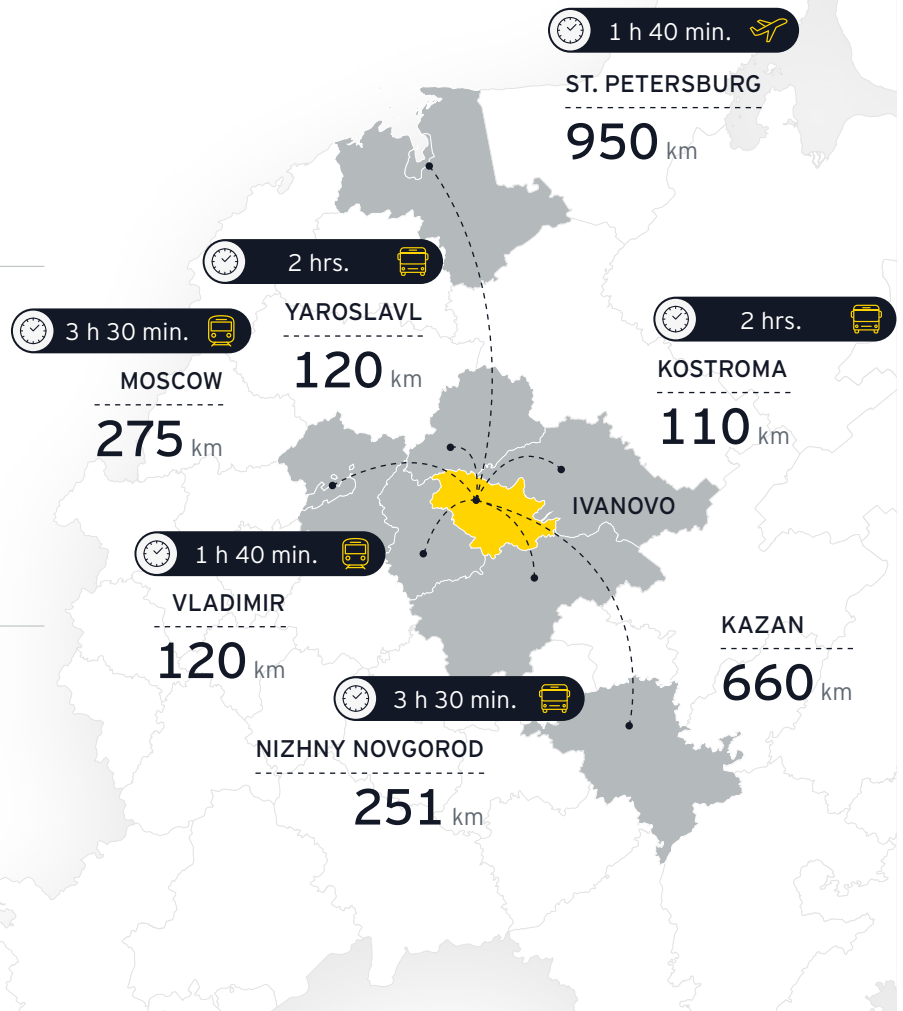
Ivanovo airport offers daily flights to **St. Petersburg** and seasonal flights to **Anapa, Sochi and Simferopol**



Moscow is accessible by regular direct trains from **Ivanovo**. Travel time by the Lastochka high-speed train is 3 hours 35 minutes.



The neighboring regions' capitals are about **1.5-2 hours** by car, and Moscow is about **5 hours**.
451 km of road was renewed in 2020.



HUMAN RESOURCES AND EMPLOYMENT

Employable population

515,000

Share of the population living in the six largest cities of the region

>60%

Employable population as a proportion of the total population

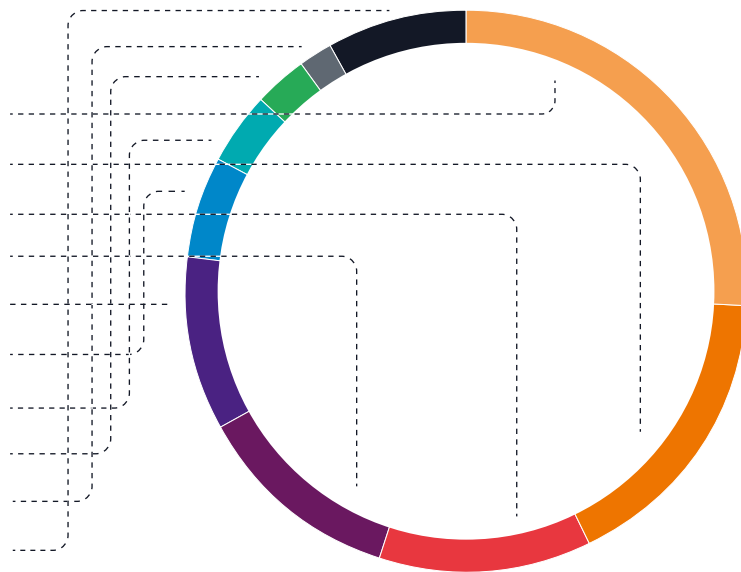
50.7%

Average monthly salary in the region

RUB 27,600

Employment by industry, %

Manufacturing industries	26%
Wholesale and retail trade	17%
Education	12%
Health care	12%
Security	10%
Supply of utilities	6%
Logistics	4%
Construction	3%
IT	2%
Other	8%



Source: Investment Agency for the Ivanovo Region



EDUCATION

7

higher education institutions specializing in energy, manufacturing, the machine industry, agriculture and medicine

36

vocational education institutions providing training in 65 occupations

>50%

of students study subjects such as chemistry, biology, power engineering, medicine and IT



ISPU

Ivanovo State Power Engineering University. A major educational, research and production center. Some of ISPU's degrees are recognized internationally on a par with degrees from Europe's leading universities.

Employers constantly praise the professional excellence of ISPU graduates, who are in high demand in the job market. They are successfully working for major energy companies and their branches nationwide. ISPU has a strong position in the QS list of top BRICS universities and is ranked among the top 100 Russian universities by Forbes.



ISCTU

Ivanovo State Chemical Technology University. The regional leader for research, each year implementing over 50 projects funded by government and industry.

ISCTU produces skilled professionals in various fields of chemical industry and also delivers tailored training to meet the needs of national defense and major Russian chemical and pharmaceutical companies.



ISPU

(ex. IGASU and IGTA)

Ivanovo State Polytechnic University. A center for sectoral expertise in the textile industry partnering with the region's key companies to ensure the staffing needs of the light industry and building sector are fully met.

In 2017, the university became a partner of Soyuzlegprom and was Russia's only university to be awarded a diploma and prize from Termopol for leadership in the domestic development, production and sale of non-woven fabrics.



ISMA

Ivanovo State Medical Academy. Ranks among Russia's best performing universities for General Medicine and Pediatrics according to the Russia's Best Innovative Programs 2017, 2018 and 2019 rankings.

Its students have been champions and prizewinners in Russian and international contests many times (top places in an international student contest in Kursk, as well as international competitions University Knowledge 2018, Quality Education 2018, etc.).



WorldSkills

The Young Professionals regional competition is held in 28 categories.

Key competitive advantages of the region

The Ivanovo Region: general information.
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in the CFD for reducing the administrative burden
on business (as reported by the Entrepreneurs' Rights Commissioner
for the Russian President)



in the National Ranking of the investment climate
for support to small businesses in 2019 according to the
Agency for Strategic Initiatives



in the CFD and 9th in Russia
for growth in investment
in 2019



in the Wildberries platform-based
competition for regional
sellers



in Russia for cotton
and knitted fabric
output



in the CFD for the number
of patents issued



in Russia for inventive
activity coefficient –
5.75



SINGLE INDUSTRY TOWNS AND TERRITORIES FOR ADVANCED SOCIAL AND ECONOMIC DEVELOPMENT (TASED) IN THE IVANOVO REGION



To enhance the appeal of the region to investors and improve the efficiency of industrial processes, about 10 population centers in the Ivanovo Region were given single industry town status.

In addition, two existing single industry towns – Yuzha and Navoloki – became home to **two territories for advanced social and economic development (TASED)**.

Altogether, about **15% of the Ivanovo Region's population** live in single industry towns.

ADVANTAGES OF DOING BUSINESS IN SINGLE INDUSTRY TOWNS

Vacant industrial sites with an option to connect to utilities.

Convenient logistics, well-developed transport infrastructure.

Subsidized lending, leasing and loan guarantee programs; tax incentives for TASED residents.



ADVANTAGES OF DOING BUSINESS IN SINGLE INDUSTRY TOWNS

Amount	RUB 5 mln - RUB 250 mln	RUB 250 mln - RUB 1,000 mln
Interest rate	0% p.a.	5% p.a.
Collateral	Bank guarantee, guarantee from SME Corporation, VEB.RU	Standard collateral, guarantees from the holding (parent) company
Form	Loan	Loan, equity participation
Term	Up to 15 years	Up to 15 years
Contribution from the initiator's own funds	At least 20%	At least 20%

TO BECOME A TASED RESIDENT, YOU NEED TO:

Fall under qualifying activities included in the All-Russian Classifier of Economic Activities (OKVED).

Create at least 10 jobs in the first year.

Secure at least RUB 2.5 million in investment during the first year of resident status.

Become registered as a legal entity and operate solely within the TASED.

TAX INCENTIVES AVAILABLE TO TASED RESIDENTS

	TASED residents	Period	Non-TASED residents
Income tax			
Federal	0%	5 years	3%
Local	3%	First 5 years	17%
	11%	Next 5 years	
Land tax	0%	10 years	1.5%
Property tax	0%	10 years	2.2%
National insurance contributions	7.6%	10 years	30%
Pension Fund	6%		22%
Social Insurance Fund	1.5%		2.9%
Compulsory Medical Insurance Fund	0.1%		5.1%

Size	Population	Employable population with in a 20 km radius
9,500 ha	12,000	58,000

PRINCIPAL ACTIVITIES (OKVED CODES)

10.11	Processing and preserving of meat
13.95	Manufacture of non-wovens and articles made from non-wovens, except apparel
22.2	Manufacture of plastic products
23.7	Cutting, shaping and finishing of stone
29.32	Manufacture of other parts and accessories for motor vehicles
32.50	Manufacture of medical instruments and equipment
56.10	Restaurants and mobile food service activities
93.2	Amusement and recreation activities



TASED YUZHA

Size

10,400_{ha}

Population

13,400

Employable population within
a 20 km radius

44,000

PRINCIPAL ACTIVITIES (OKVED CODES)

01.1, 01.2	Growing of non-perennial, perennial crops
01.4	Animal production
01.50	Mixed farming
10	Manufacture of food products
13.95	Manufacture of non-wovens and articles made from non-wovens, except apparel
21.20	Manufacture of pharmaceutical preparations and medical materials
22	Manufacture of rubber and plastic products
24	Manufacture of metals
31	Manufacture of furniture



INDUSTRIAL PARKS IN THE IVANOVO REGION

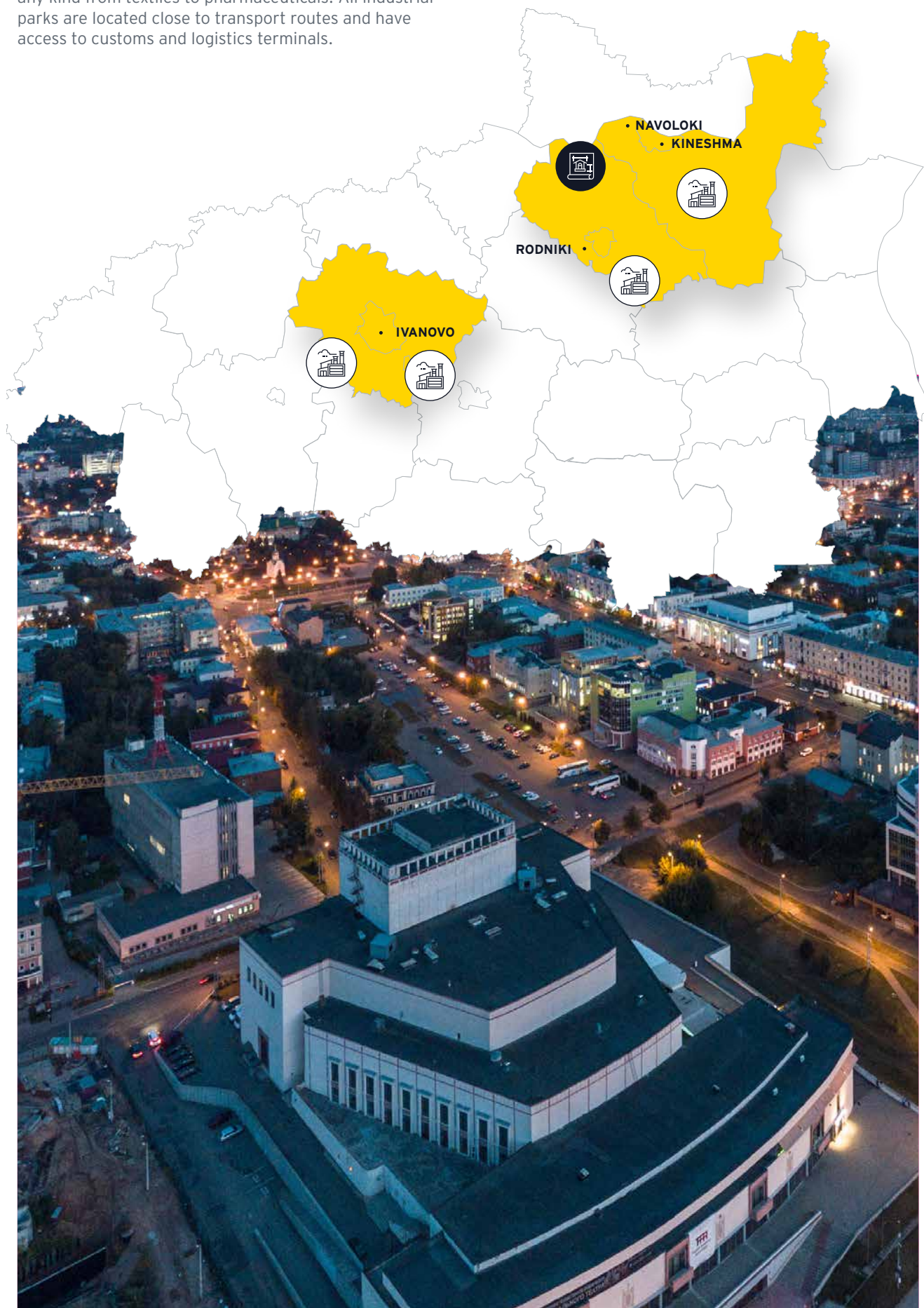
The region is home to four industrial parks. They are suitable to accommodate manufacturing businesses of any kind from textiles to pharmaceuticals. All industrial parks are located close to transport routes and have access to customs and logistics terminals.



Existing



Proposed



RODNIKI INDUSTRIAL PARK



015

Established in 2011 by Nordex corporation, Rodniki was the first industrial estate to be launched in the Ivanovo Region.

The park offers a wide range of services, including a distribution center, maintenance, security, legal, advisory, IT, a commuting service, construction and installation, as well as end-to-end production management.

Profile
Light industry

Gross area
90.4 ha

Location
155520, Rodnikovsky district, Rodniki, Sovetskaya ul., 20

Rent
RUB 120 m ² / month

IVANOVO-VOZNESENSK INDUSTRIAL PARK



Industrial parks in the Ivanovo Region

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Located within the Ivanovo yarn factory site, the park offers all the benefits of a large industrial estate: ease of vehicular access, a large area, a selection of industrial, warehouse and office properties of various shapes and sizes, and the ability to connect to utilities.

Small and medium-sized businesses enjoy full support from the management company - from new construction and equipment pre-installation services to legal advice and recruiting.

Profile

**Light industry, warehousing,
office space**

Gross area

80
ha

Location

**153006, Ivanovo
ul. 15th Proezd, 4**

Rent

120 – 160
RUB / m²/ month

KINESHMA INDUSTRIAL PARK



Multi-industry park Kineshma's infrastructure includes manufacturing, engineering and office components. The Kineshma project creates attractive jobs for those living in the town and district of Kineshma and in the neighboring districts, as well as helping reduce migration to regional centers and Moscow.

Profile
Multi-industry

Gross area
52 ha

Location
155815, Kineshma ul. 2 Shuyskaya, 1

Rent:
50 RUB / m ² / month

KRASNAYA TALKA INDUSTRIAL PARK



The park is based on the site of the Krasnaya Talka factory and has extensive manufacturing and warehousing infrastructure. The area has good water supply infrastructure capable of supporting a wide range of manufacturing processes in light industry. In the future, the park will house a trade and exhibition center and a business incubator.

Profile

Light industry

Gross area

10.6
ha

Location

**153005, Ivanovo,
ul. Sosnovaya, 28**

Rent:

300
RUB / m²/ month

A photograph of a textile factory. The scene is dominated by rows of spinning machines, likely ring spinning frames, with numerous white spools of thread. The machines are painted in a light blue or teal color. The perspective is from a low angle, looking down the length of the machine rows, creating a strong sense of depth and repetition. The lighting is bright and even, highlighting the texture of the threads and the metallic surfaces of the machinery. A person's hand is visible in the lower left, interacting with one of the spools.

New investment projects

DYMOV

Integrated pig farms have a capacity of 2,500 sows each.

When running at full capacity, the farm will produce up to 17,000 tons of pork (live weight).

The investments were used to build modern pig breeding facilities and buy high-tech equipment.

KEY PARAMETERS

Investments:
RUB 4.3 bln

New jobs: **220**

Implementation timeframe:
2018-2022

Location:
the village of Yaryshevo

Source: <https://invest-ivanovo.ru/realizovannye-proekty/38/>



DZHERZHINSKY STUD FARM

A commercial dairy farm with a capacity of 1,200 head of cattle and 600 calves. When running at full capacity, the farm will produce up to 12,000 tons of milk per year.

The investments were used to build facilities and buy new European equipment, including Dairy Master (50-point rotary milking parlor).

KEY PARAMETERS

Investments:
RUB 647 mln

New jobs: **40**

Implementation timeframe:
2018-2021

Location:
the village of Osanovets

Source: Investment Agency for the Ivanovo Region



MIRTEX

A knitting shop construction project.

Equipment purchased from Germany, Taiwan and Italy.

It is planned to install 40 knitting machines with a total capacity of up to 20 tons of untreated fabric per day.

The project will help boost the company's output to ensure its finishing department, with a design capacity of 60 tons of textile fabric per day, is fully supplied with internally-produced raw materials.

KEY PARAMETERS

Investments:
RUB 226 mln

New jobs: **150**

Implementation timeframe:
2019-2021

Location: **Ivanovo**

Source: https://ivteleradio.ru/news/2020/12/02/_mirteks_v_furmanove_sozdast_150_novyh_rabochih_mest



STELLINI

A sewing division of an Italian company specializing in manufacturing finished fabric products.

The first stage of the investment project involved the construction of

a manufacturing complex, and at the second stage a cloth tentering and drying machine and jacquard machines were bought.

The finished goods will be exported.

KEY PARAMETERS

Investments:
RUB 300 mln

Implementation timeframe:
2020

Year of reaching design capacity:
2021

Location: **Ivanovo**

Source: <https://kstati.news/news/economy/stellini-ru-otkryvaet-proizvodstvo-v-ivanovskoy-oblasti>



LEROY MERLIN

One of Europe's largest DIY retailers opened its first hypermarket in Ivanovo in 2019.

The company invested over RUB 1 billion in the development and took part in a road infrastructure improvement project.

The building is equipped to meet the latest security standards.

There is a customer car park for 600 cars.

KEY PARAMETERS

Investments:
over RUB 1 bln

Hypermarket area:
16,000 m².

New jobs: **49**

Implementation timeframe:
2018-2019

Location: **Ivanovo**

Source: <https://invest-ivanovo.ru/realizovannye-proekty/39/>



EGGER DREVPRODUCT SHUYA OOO

An unfaced particle board plant investment project, including redevelopment of the existing manufacturing facilities to install a new production line and the purchase and assembly of equipment.

The company enjoys property tax relief.

KEY PARAMETERS

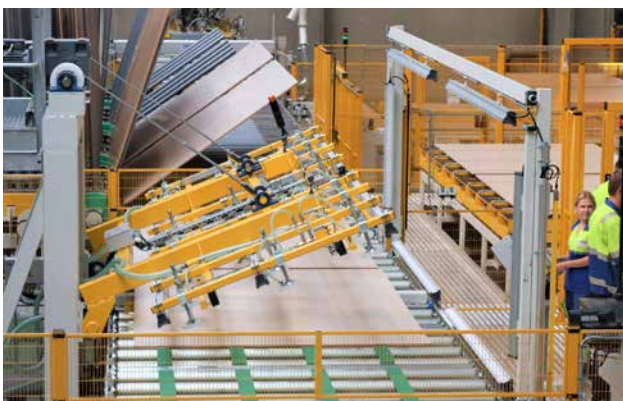
Investments:
RUB 384 mln

New jobs: **12**

Implementation timeframe:
2011-2016

Location: **Shuya**

Source: <https://invest-ivanovo.ru/realizovannye-proekty/781/>



THE KRAFT HEINZ COMPANY

This leading global food manufacturer has invested in a baby food factory in Ivanovo.

In 2019, the factory produced 7,200 tons of products.

KEY PARAMETERS

Investments:
RUB 1.2 bln

New jobs: 200

Implementation timeframe:
by 2022

Location: Ivanovo



Source: <https://www.dairynews.ru/news/v-blizhayshie-tri-goda-ivanovskiy-kombinat-detskog.html>

METRO CASH AND CARRY

The German wholesale cash & carry chain opened its first hypermarket in 2008.

Total floor area: 10,500 m²., retail area: 6,500 m².

Parking for 300 cars, including 50 covered spaces.

The building is equipped to the latest security standards.

KEY PARAMETERS

Investments:
RUB 630 mln

New jobs: 200

Implementation timeframe:
2008

Location: Ivanovo

Source: <https://invest-ivanovo.ru/realizovannye-proekty/779/>



HIGH-TECH PROJECTS

AQUARIUS

Founded in 1989, Aquarius was one of the first IT companies in Russia. Together with its European and Asian partners, in 1990 it built Russia's first private computer factory meeting international best practice and industry standards. Today, Aquarius ranks among the largest domestic PC manufacturers with a capacity of more than 800,000 high-tech devices per year. In 2020 it began operating new SMT and TNT lines and a new assembly shop.



KEY PARAMETERS

Investments:
over RUB 500 mln

Factory area: 11,300 m²

New jobs: 230

Source: <https://www.aq.ru/about/production/>

NEUROSOFT

This Ivanovo-based major Russian manufacturer of diagnostics, neurophysiology, audiology and rehabilitation equipment has introduced its new invention, the Neuron-Spectrum-69 EEG machine.

The device has found use in neurophysiology, function testing and rehabilitation, including treatment for Covid-19 patients.

Source: <https://www.neurosoft.com/ru/news>

Since the beginning of the pandemic, **over 60 EEG machines** have been supplied to Covid-19 centers across Russia.

The project was awarded the Exporter of the Year prize.



IVANOVO COMPOSITE MANUFACTURE (ICM)

The first factory to fully digitalize all stages of the production life cycle. It leads the field in complying with the highest standards set by the Digital Economy of Russia National Program.

The company manufactures carbon office furniture (desks, chairs, reception desks), ultralight bike and electric bike components, filming equipment casing, and household appliances with Internet of things elements. It also plans to launch its own branded skateboard and longboard line.

The investor notes that the 1,200 m² facility delivers the same output as another textile factory on a 15,000 m² site. The company strives, in particular, to manufacture customized products that are quick to make and cheap to buy.



Source: <http://времяроссии.рф/event/ivanovskaya-kompozitnaya-manufaktura>

ULTRASTAB

The company was founded as part of the import substitution and development program for the Ivanovo Region's textile cluster. The company was one of the first to engage in synthetic fiber processing, in order to become a consumer of raw materials that will be produced by the proposed PET facility. Its fleet of equipment includes the latest German knitting machines that have no equivalents in Russia.

Using geotextiles in road construction will not only provide sand and gravel cost savings, but will also improve road surface strength. Today, nearly all federal roads are built using geotextiles, but until recently the material had to be imported.

The factory has a training facility for local college students to practice advanced technology for manufacturing synthetic materials.



KEY PARAMETERS

Investments:
RUB 500 mln

Revenue for the last three years: **RUB 847 mln**

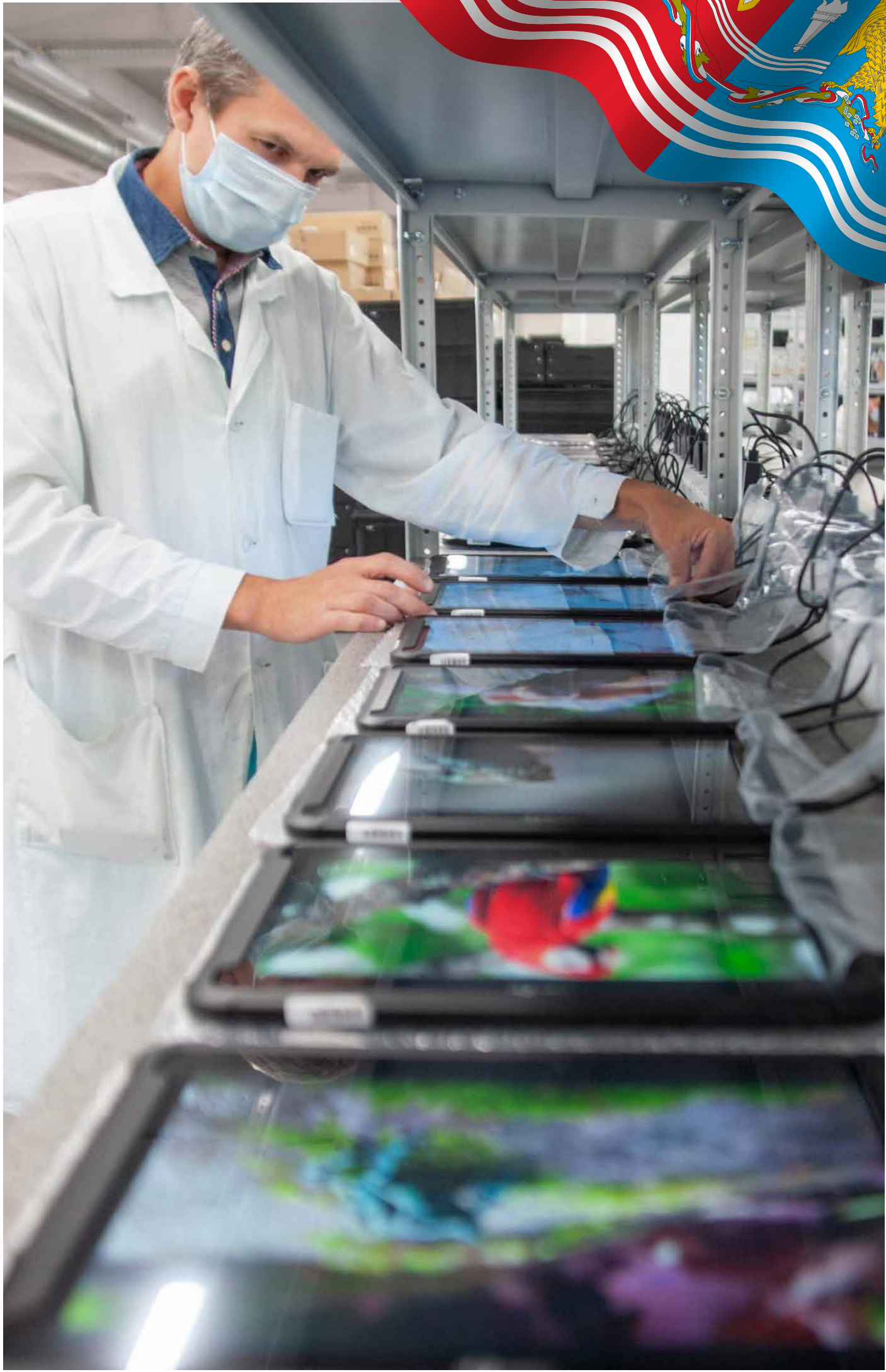
Capacity: **6 mln m² of geosynthetic materials per year**

New jobs: **49**

Implementation timeframe:
2015-2018

Location: **Teukovo**

Source: <https://ultrastab.ru/>





Industry

1

LIGHT
INDUSTRY

3

MACHINE
BUILDING

2

POWER EQUIPMENT
AND SMART GRIDS

4

CHEMICAL
PRODUCTION

LIGHT INDUSTRY

The Ivanovo Region has been known for its textile industry since the early 19th century. By 1900, there were 59 factories in the city of Ivanovo-Voznesensk, employing more than 27,000 workers.

Currently, the Ivanovo Region is home to 450 enterprises in the industry. Large enterprises provide an end-to-end process from making fabric from raw materials to producing finished goods.

The Ivanovo Region produces a wide range of textile products for both domestic and foreign markets.

01 A thriving textile manufacturing cluster in the region

24%

of all people employed in the Russian textile industry

452

operating enterprises in light industry

02 Relatively cheap labor and strong human resource potential

RUB 22,000

average monthly salary in the regional textile industry

RUB 25,000

national average monthly salary in the garment industry

03 Industrial parks with well-developed infrastructure and inexpensive rent

RUB 50 m²

Minimum rent per 1 m²

04 Suppliers and resources for the production and supply of raw materials

>300,000
ha

Vacant agricultural land

>2

mln m³

Felling area

05 Industry-related higher education institutions

100 graduates per year

total graduates of specialized colleges

The quality of higher education in the Ivanovo Region is comparable to that of Moscow and St. Petersburg.

06 Use of online retailer Wildberries

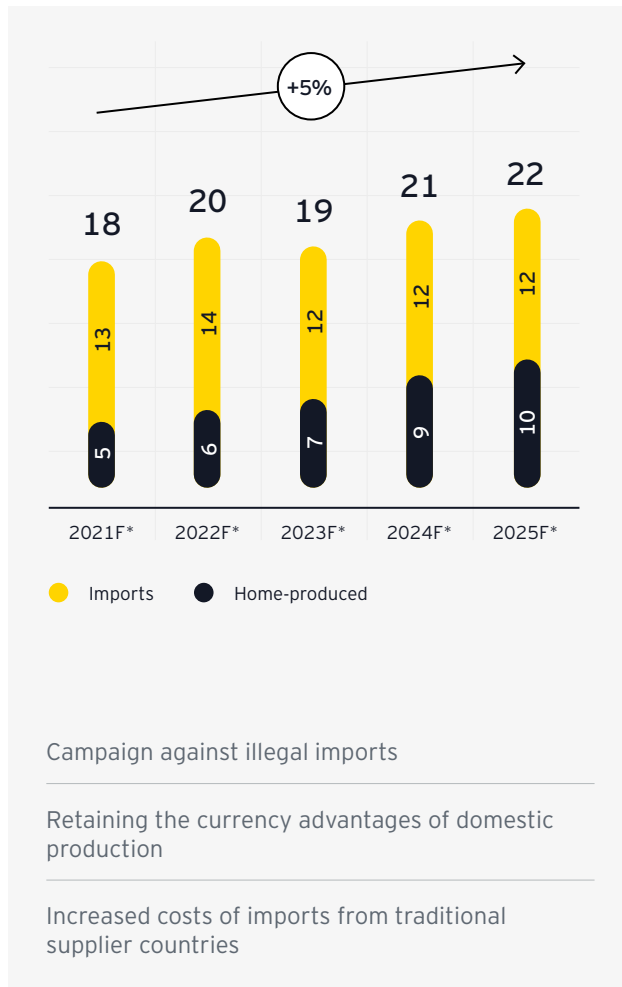
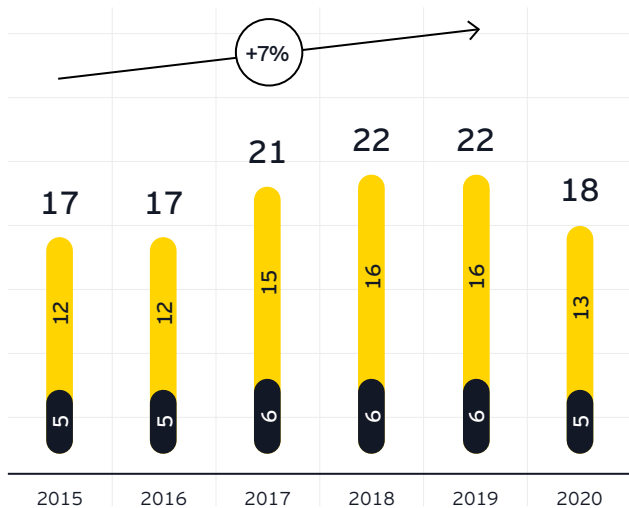
520

Ivanovo-based companies trading on the Wildberries platform as of end September 2020

RUB 5.1 bln

total sales generated by Ivanovo manufacturers from the Wildberries online platform

In absolute terms, the Ivanovo Region ranks the third-largest regional vendor in the country after Moscow and St. Petersburg, but first in Russia for sales growth (+ 276% versus the same period the previous year).



*F – forecast

● Imports ● Home-produced

GENERAL INDUSTRY TRENDS FOR 2015-2020

Recovery after the 2014 crisis

Measures to support light industry

Restrictions on government procurement of foreign goods

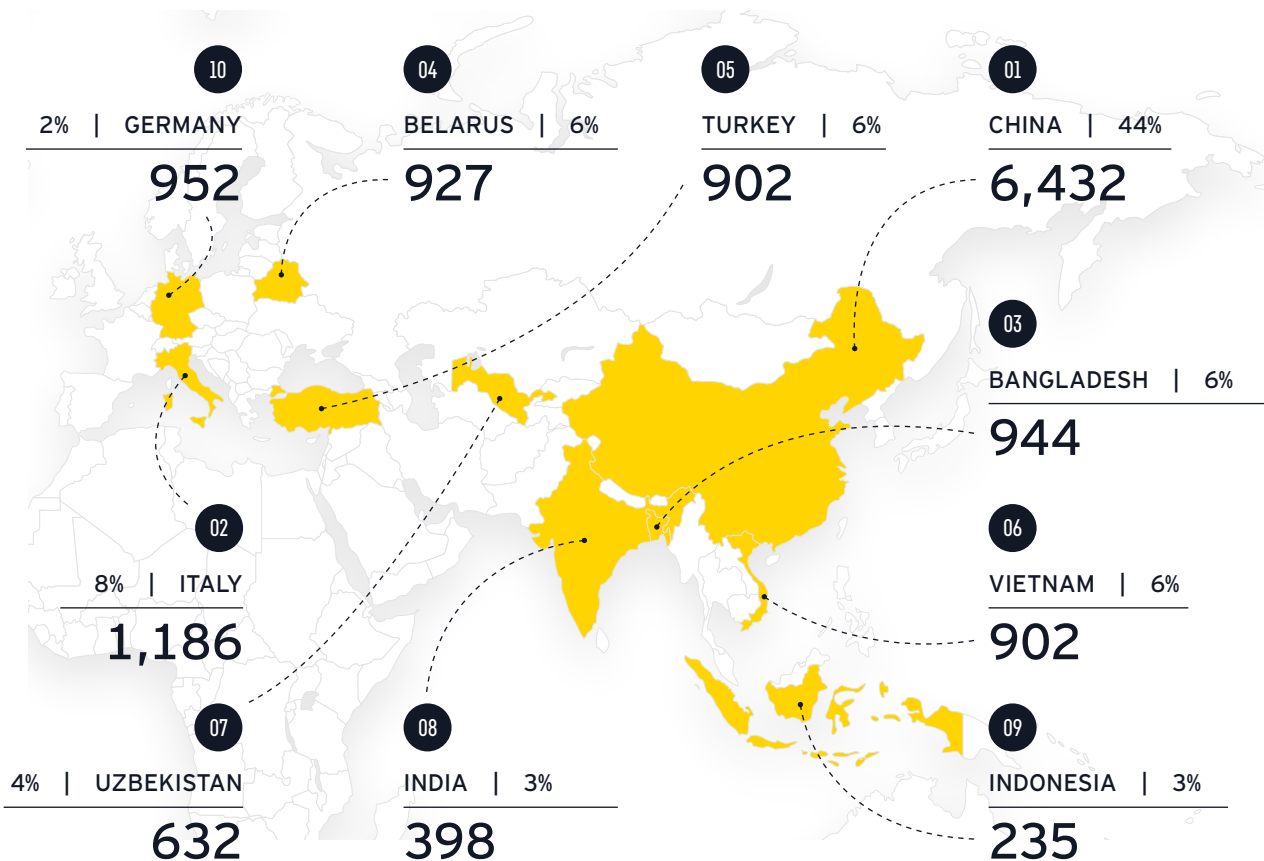
Campaign against illegal imports

Retaining the currency advantages of domestic production

Increased costs of imports from traditional supplier countries

Source: Investment Agency for the Ivanovo Region

TOP 10 SUPPLIERS OF LIGHT INDUSTRIAL GOODS TO RUSSIA AND THEIR SHARES OF THE GLOBAL MARKET



Source: Investment Agency for the Ivanovo Region

PRIORITY AREAS FOR INVESTMENT

Synthetic fibers and yarns

The core products are recycled fibers. However, if a large Russian oil company implements the terephthalic acid plant project planned for 2021 in Russia, virgin raw material projects will become another upcoming trend.

Non-wovens

Core products: construction, automotive and medical textiles. Demand for these textiles has increased during the Covid-19 pandemic and is expected to remain high over the next two-three years.

New advanced textile technologies

Core products: flooring and carpets, garments and sports and tourism goods.

7% of the region's GRP

in 2019 came from the textile industry

The Ivanovo Region's textile products are sold and recognized across Russia.

SYNTHETIC FIBERS AND YARNS

92%

of Russia's output of bandaging material (surgical gauze)

57%

of work gloves (211 mln pairs)

>90%

of parachutes for the Russian Air Force and approx. 20% of sports parachutes

88%

of cotton fabrics

52%

of linen fabrics

76%

of knitted fabrics

34%

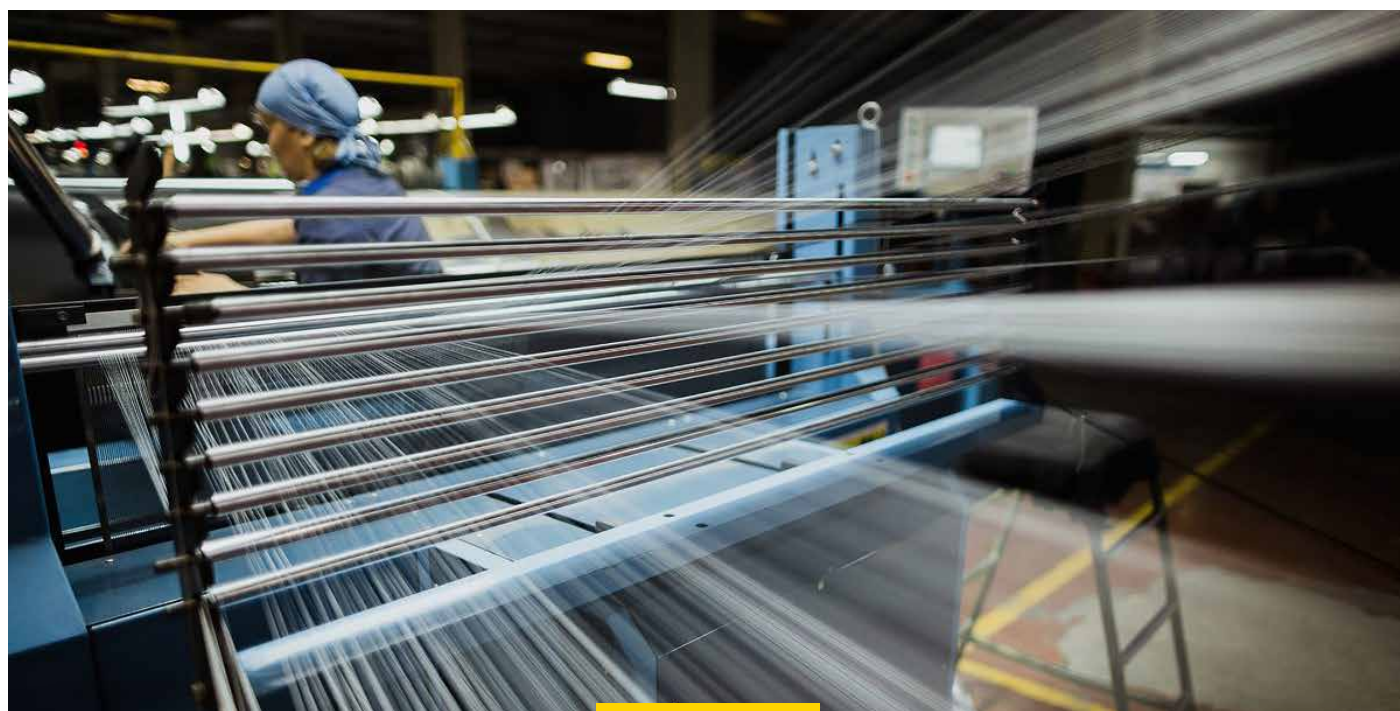
of workwear (223 mln pcs)

71%

of bed clothes (46 mln pcs)

34%

of knit underwear (10 mln pcs)



CONCLUSIONS

Brand awareness and consumer confidence in manufacturers make the Ivanovo consumer goods sector an attractive industry to invest in. The presence of multiple unfilled market niches creates conditions for unique projects.

CREATING AN ENERGY CLUSTER IS AN URGENT PRIORITY

The regional authorities in cooperation with major energy companies have developed a project to launch an energy cluster at Ivanovo State Power Engineering University (ISPU).

In the longer term, it is planned to create a new industry in digital energy and efficient power management.

The region is home to several large energy companies.

ELECTRICAL CONTACTS

One enterprise of the region's longest-standing founded in 1887. Product range:

Antifriction bearings

Magnetic conductors

Electric motor components

Electrical contacts and brushes

Construction items

CABLE PLANT

A new enterprise with high-performance equipment founded in 2015. Range of products:

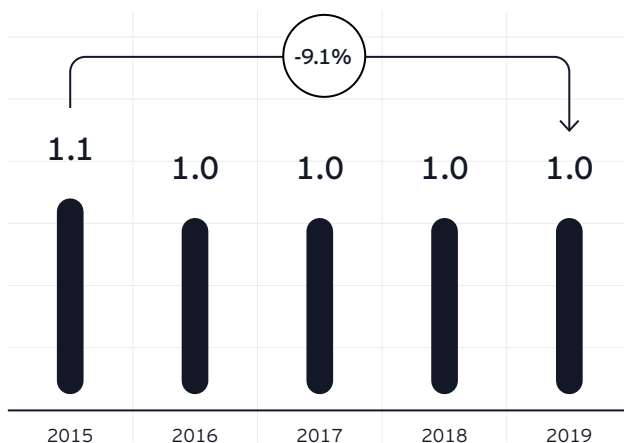
Power cables

Cables for security systems

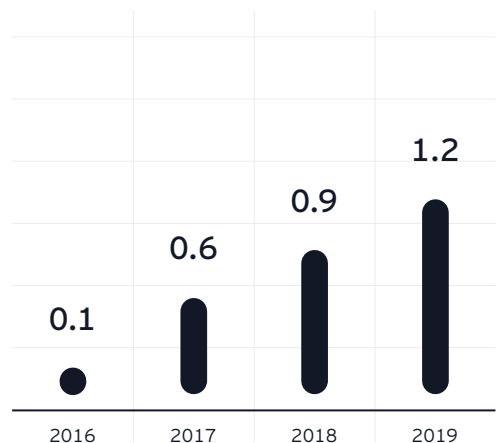
Control cables

Fireproof cables

Revenue, USD bln



Revenue, USD bln



Source: Investment Agency for the Ivanovo Region

700

jobs

66

RUB mln
in capital assets

155

jobs

113

RUB mln
in capital assets

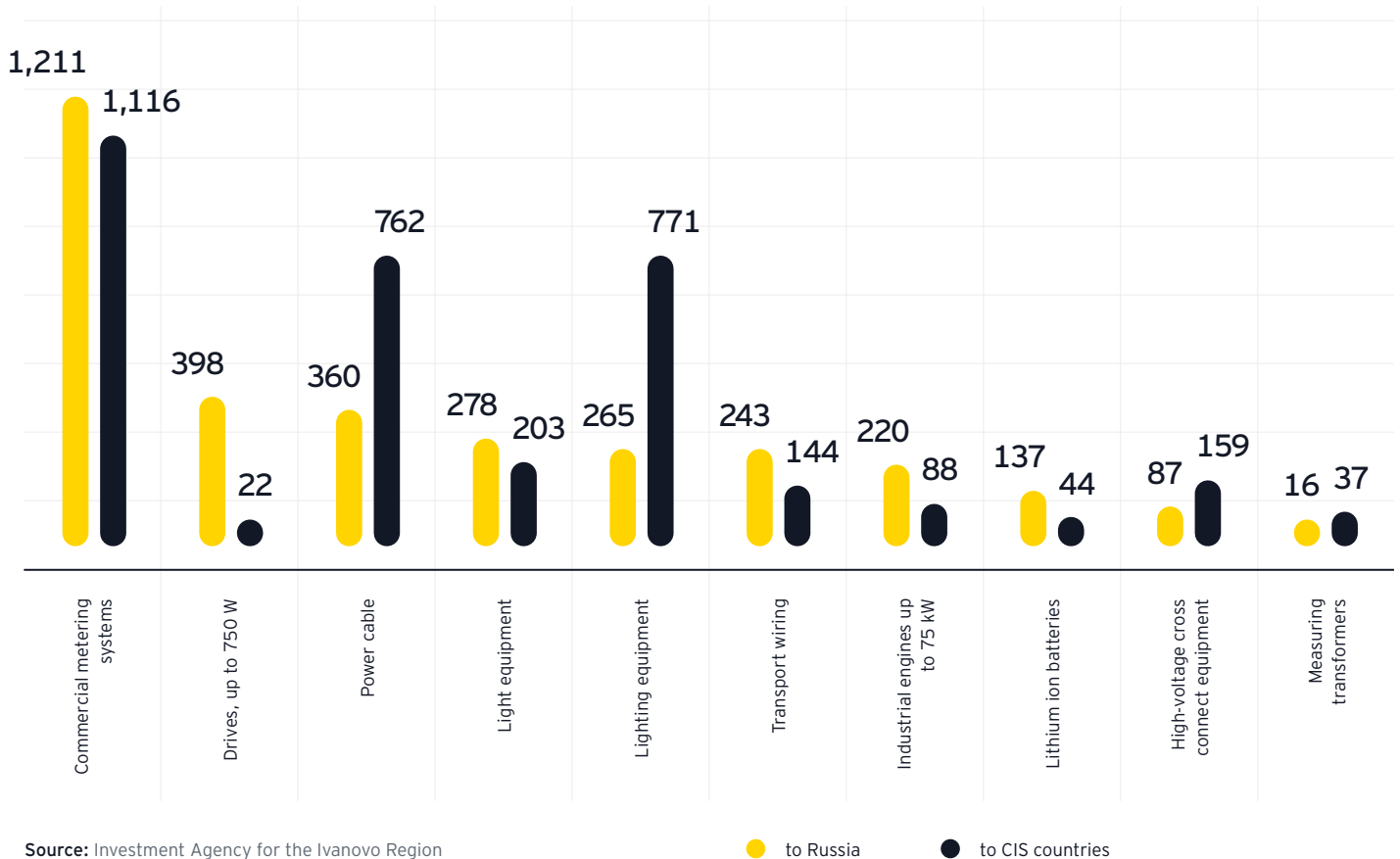
GROWTH OPPORTUNITIES

Russia's imports phase-out policy and exports to CIS countries may become the key to creating market opportunities for manufacturers in the Ivanovo Region.

There is capacity for establishing local facilities to manufacture all types of equipment using imported parts.

The former Soviet republics have virtually no electrical engineering sector of their own.

Imports in 2019, USD mln



PRIORITY AREAS FOR INVESTMENT

Electric drives. The market size is estimated at RUB 70 billion, with imports accounting for 50%. The estimated year-on-year market growth rate is 4%-20%.

Electric vehicle charging stations. The number of electric cars in regional fleets is growing rapidly.

Electronic meters. The recently enacted legislation requiring induction meters to be replaced with electronic meters is expected to generate demand for 60 million meters.

Energy storage systems. The global demand for energy storage is growing year-on-year, and is forecast to reach 3,000 GW/h by 2035, which is equivalent to USD 546 billion.

CONCLUSIONS

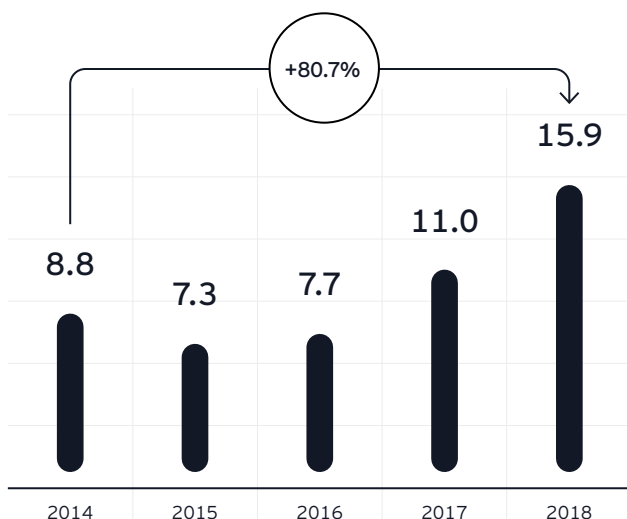
The power equipment industry of the Ivanovo Region has many opportunities for setting up a system to manufacture import-substituting products, which is one of the region's priorities.

INDUSTRIAL MACHINERY AND EQUIPMENT

Together with light industry and the energy sector, machine building accounts for up to 21% of the Ivanovo Region's GRP.

The machine building sector has been on an upward trend over the past five years.

Revenue generated by the machine building sector, RUB bln



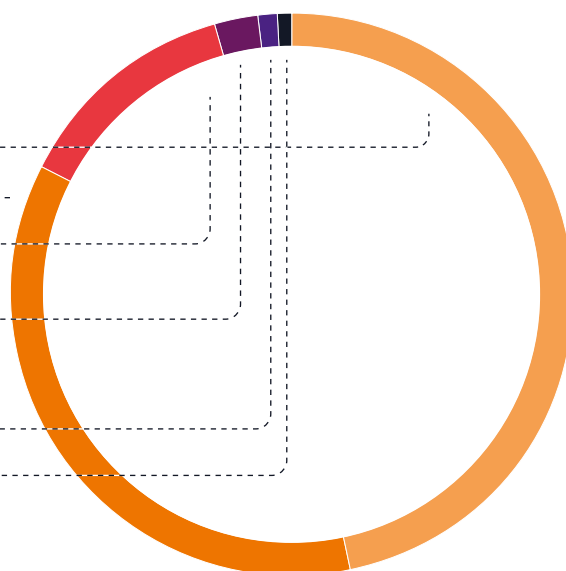
PRIORITY AREAS FOR INVESTMENT

- Agricultural machinery
- Mining and building machinery
- Lifting and handling machinery
- Equipment for the food industry

Source: Investment Agency for the Ivanovo Region

Revenue structure, machine building sector, 2018

General purpose machinery and equipment	46.9%
Special purpose machinery	35.8%
Special purpose vehicles	13.0%
Machinery and equipment repairs	2.5%
Tools, machinery and equipment for working hard materials	1.2%
Locomotives and rolling stock	0.6%



Source: Investment Agency for the Ivanovo Region

THE STRENGTHS OF THE IVANOVO REGION'S MACHINE BUILDING INDUSTRY

A choice of manufacturing sites both in industrial parks and currently unused historical industrial areas

Strong competencies in specific areas of machine building

ISCTU

A dedicated Process Machinery and Equipment Department at Ivanovo State Chemical Technology University, one of the Ivanovo Region's leading universities

Strong local demand for production equipment and tools generated by the advanced textile sector

CONCLUSIONS

The Ivanovo Region's industrial machinery and equipment sector has various growth opportunities stemming both from domestic demand and import substitution.

INDUSTRIAL PARKS

Ivanovo-Voznesensk

Krasnaya Talka

Kineshma

Rodniki

Navoloki

MAJOR ENTERPRISES

Professional OOO

Maidakovsky Zavod OOO

Bildex OOO

IMZ Avtokran OAO

MK Kranex OOO

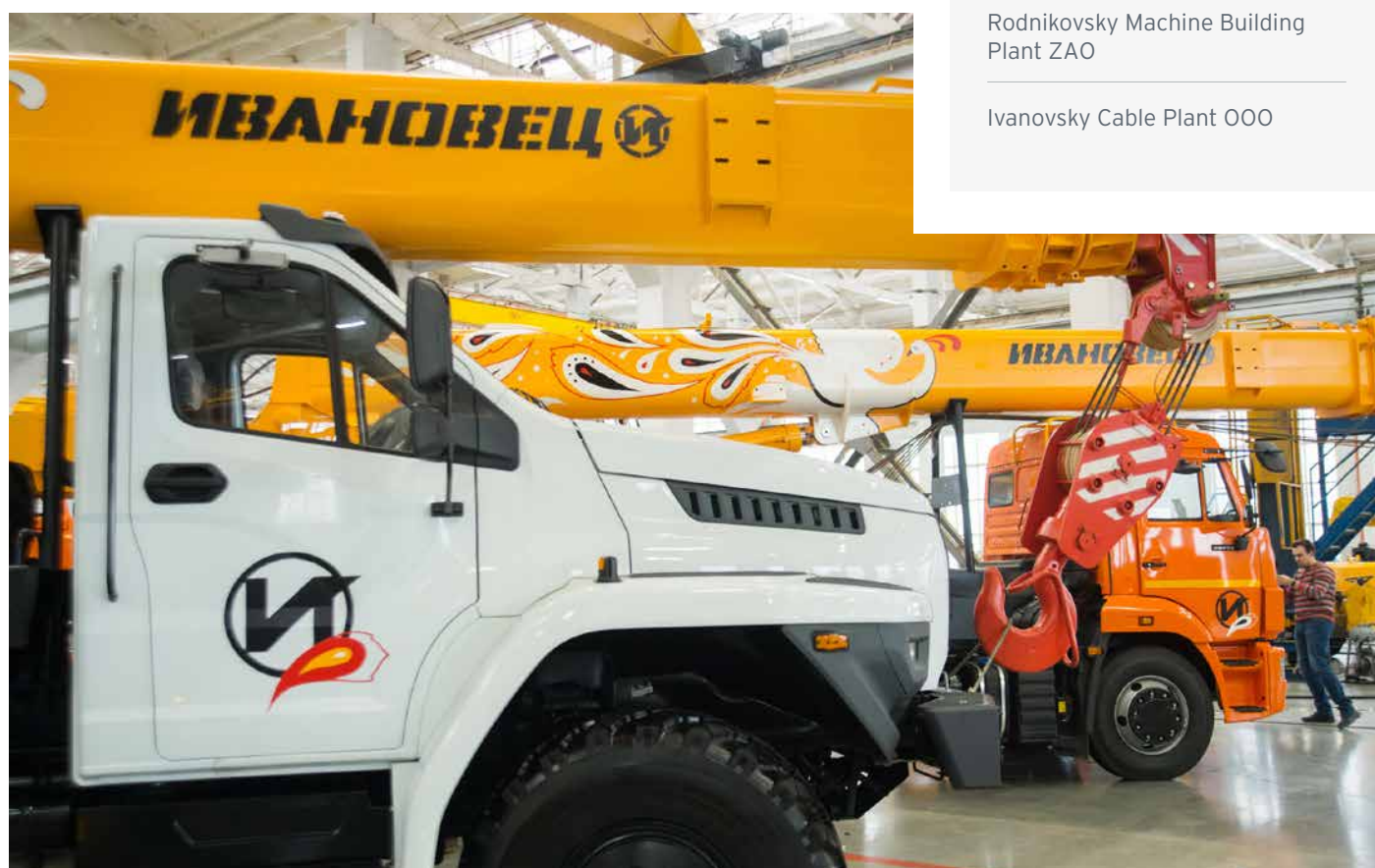
KeyEiSi OOO

Ivanovsky Machine Tool Plant OAO

Zavod Podyomnikov OOO

Rodnikovsky Machine Building Plant ZAO

Ivanovsky Cable Plant OOO



CHEMICAL PRODUCTION

Chemical manufacturers in the Ivanovo Region cater mainly for light industry.

The region's major enterprises are well known in the Central and Volgo-Vyatsky economic districts.

Chemicals and petrochemicals account for 2.4% of the region's total industrial output.

The region's natural resources used by the chemical industry



Non-metallic mineral resources

Peat, clay, sand, sand and gravel, carbonate rock



Wood

Woodland covers 954,000 ha.
The share of utilized allowable cut is 62.3%



Water resources

Over 1,700 rivers, including the River Volga, 150 natural lakes and 28 artificial reservoirs



Solid household waste (SHW)

Each year, the Ivanovo Region produces over 900,000 m³ of SHW, of which over 7% are polymer wastes.

SHW almost entirely goes to burial sites.



Animal and vegetable waste

Poultry and livestock waste, forage crop, wheat and oat waste

PRIORITY AREAS FOR INVESTMENT

Paints and varnishes

Wood and plastic products

Building mixes and binding agents

Perfumery, beauty products and soaps

Catalysts, admixtures and additives

THE STRENGTHS OF THE IVANOVO REGION'S CHEMICAL INDUSTRY

Highly-skilled personnel

ISCTU

One of the region's leading universities with strong R&D competencies whose graduates account for a high proportion of those in employment (1.3% versus 1.1% in other regions)

Krestov Institute of Solution Chemistry (Russian Academy of Sciences)

A frequently-published academic institution (over 2,500 high-quality publications and 10,000 citations in the field of chemistry)

Proximity to major bulk manufacturers supplying raw materials and processing chemicals

DZERZHINSK, NIZHNY NOVGOROD REGION

Production of olefins, polyolefins, elastomers and intermediate products

KIROVSK

Mining and beneficiation of apatite nepheline ores

Concentrate production

A choice of manufacturing sites at existing factories producing tailor-made chemicals



CONCLUSIONS

The chemical industry is closely connected to the Ivanovo Region's textile sector, making it a promising area for investment. Specialist universities provide a ready supply of highly-qualified professionals.

Agriculture



Agriculture

036

INVESTOR'S
GUIDE

2021

THE IVANOVO
REGION

With its numerous agricultural enterprises and investment opportunities, agriculture is one of the region's highest-priority and most promising industries.

OVERVIEW OF THE REGION'S AGRIBUSINESS

130 agricultural companies

>80,000 private subsidiary plots

17 flour mills and bakeries

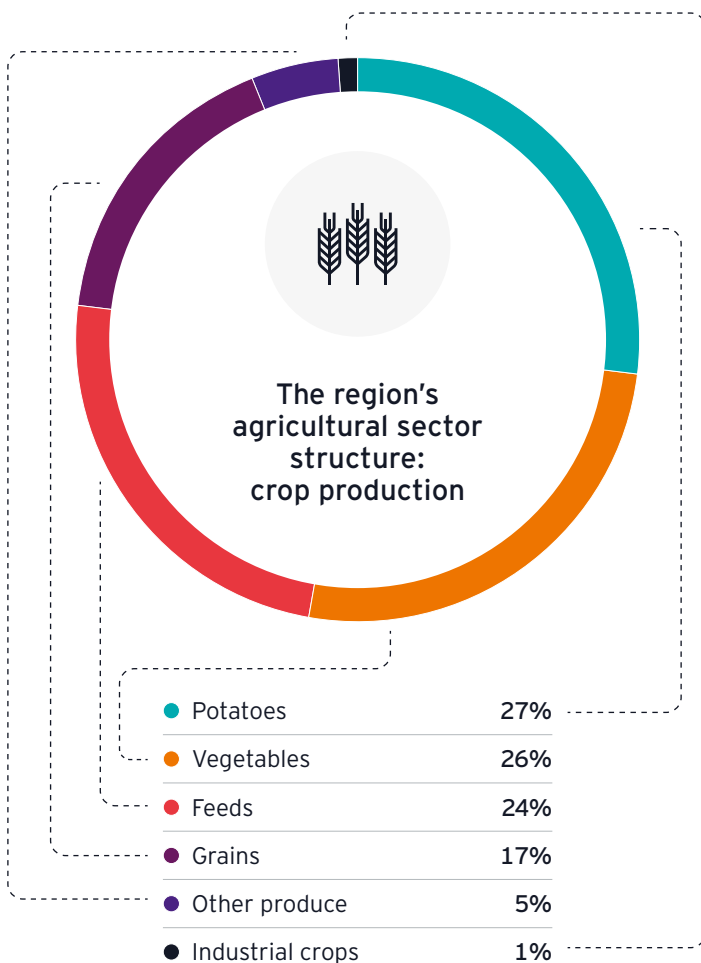
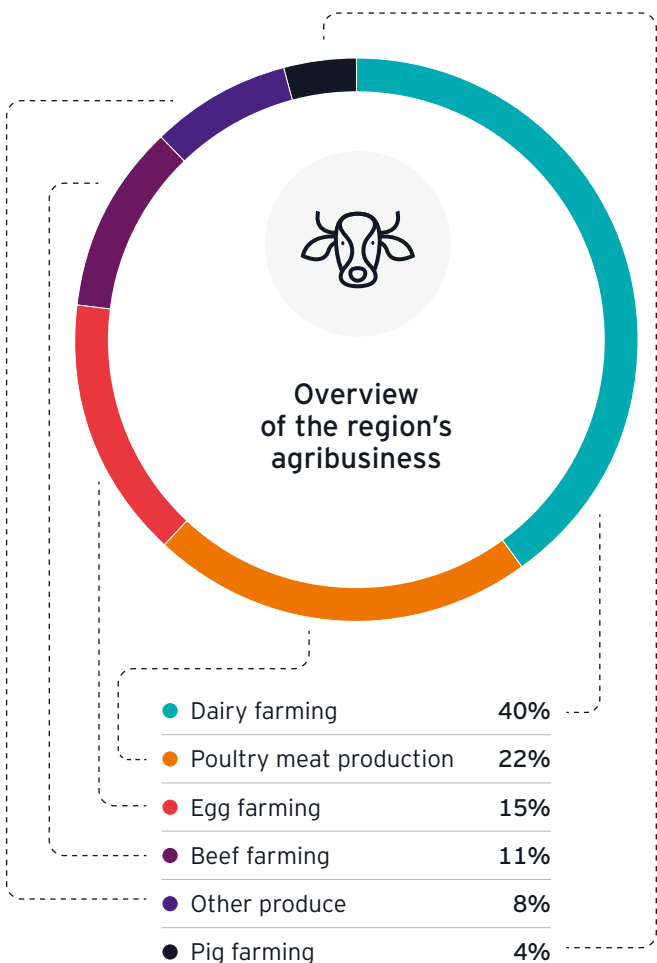
663 agricultural investment sites

313 owner-operated farms

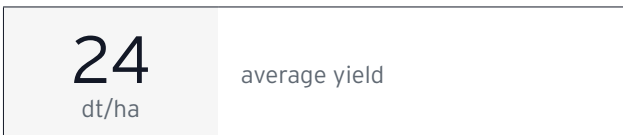
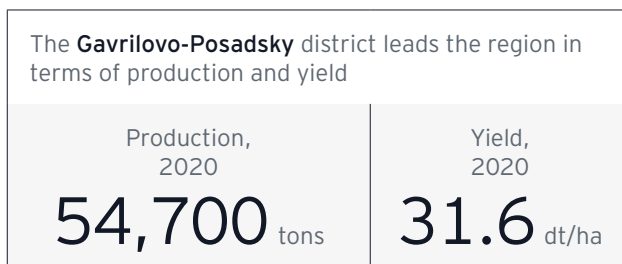
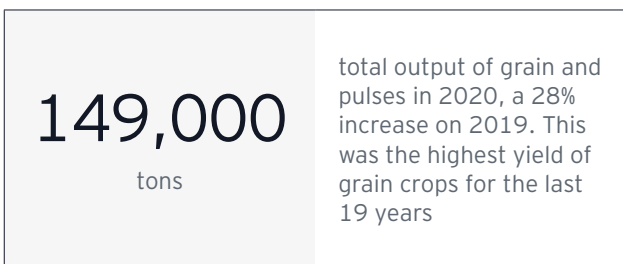
40 meat and dairy factories

209,500 ha total crop land in use

125,000 ha total area of investment sites

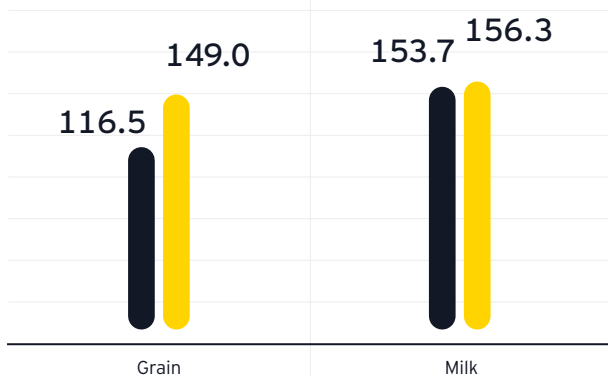


PRODUCTION OUTPUT

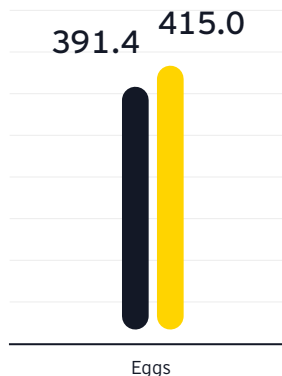


Gross collection, 2019-2020

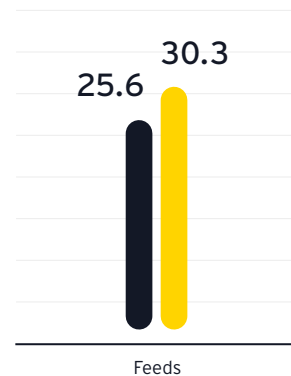
thousand tons



mln



dt/head



● 2019 ● 2020

Source: Investment Agency for the Ivanovo Region, Rosstat

MARKET POTENTIAL

332,800 ha

total unused crop land

+14,900 ha

idle land brought into use in the last three years

6,200 ha

idle land brought into use in 2020



In 2020, **23,700** ha were sown to winter cereals, which is a 2,000 ha increase on 2019

The new land brought into productive use and increased crop production will provide an impetus to livestock farming.

EXAMPLES OF DEVELOPING SUB-SECTORS

The region's priority is to attract investors, in particular, to industries such as:

Wheat production. In 2020, the region produced 64,900 tons of wheat, which is a 34% increase on 2019.

Livestock production. In 2020, the number of cattle increased by 3%, and the pig numbers tripled.

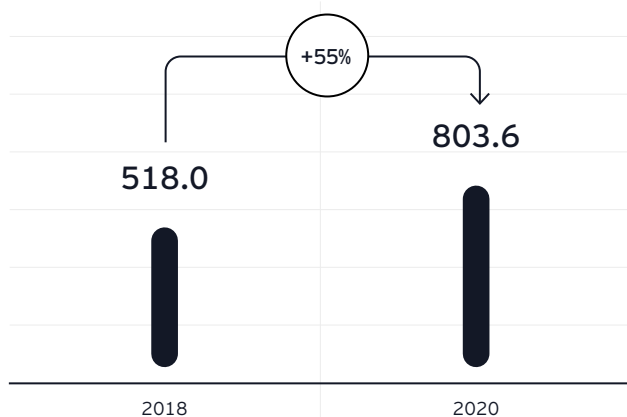
Fruit and berry production. Fruit and berry plantations have doubled in size.

Flax and industrial hemp growing. The area under industrial crops has tripled.

The region's agricultural produce is already winning awards at international food fairs.



Funding allocated to support the agricultural industry in the Ivanovo Region, RUB mln



Source: Investment Agency for the Ivanovo Region

Type of assistance

- Support for the livestock and crop production sectors
- Grants to support unused agricultural land survey projects
- Insurance
- Land reclamation
- Subsidized loans. The maximum effective interest rate on agricultural loans is 5%
- Subsidized initial lease payments for machines and equipment
- Support for small agricultural businesses

Examples of how the subsidies can be used

In 2020, the purchase of agricultural machinery among manufacturers more than doubled compared to 2019.

In 2020, a large investment project was implemented for the construction of a commercial dairy farm with capacity for 1,200 cows and 600 calves that cost more than RUB 600.7 mln. RUB 135 mln was covered from the federal and regional budgets.

CONCLUSIONS

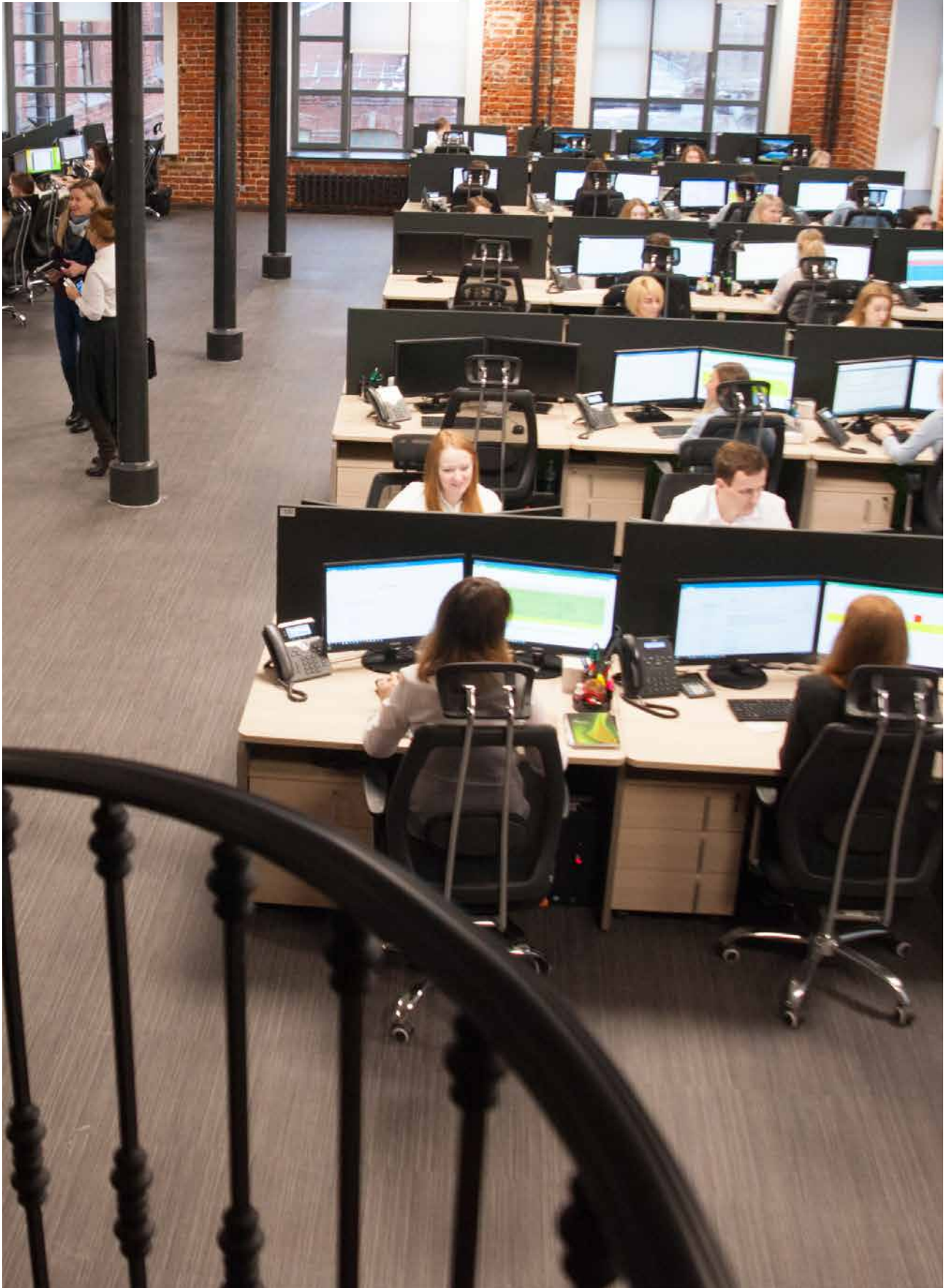
In the current situation (including the market effects of the Covid-19 pandemic), the Ivanovo Region's agricultural sector is performing steadily, with some branches showing significant growth.

Supporting agricultural companies is one of the region's priorities. The existing range of measures to support agribusiness is growing every year. This is evidenced by increasing numbers of successful government-supported projects.

Integrated rural development is gaining momentum (housing improvements, rural amenities, gas and water supply, roads).



Call center and back office services



CALL CENTER AND BACK OFFICE SERVICES

MODERN TRENDS OF DOING BUSINESS

Today, most companies have a strong focus on streamlining business processes to cut costs. Corporate divisions are increasingly being relocated from big cities. This helps businesses reduce their direct and indirect costs.

A growing trend is to transfer call center and back office functions to regional centers across Russia.

ADVANTAGES OF THE IVANOVO REGION AS A CALL CENTER AND BACK OFFICE HUB

01

Human resource potential and ease of recruiting

575,000 people comprise the working-age population employed in different sectors

64% of the working age population (excluding production and security workers) can be retrained as full-time or part-time call center operators.

>60% of the population lives in the region's six largest towns, which are potentially suitable for call centers

7 universities specializing in power engineering, chemicals, machine building, agriculture and medicine will supply suitably qualified students interested in working as call center operators

02

Payroll cost savings

27,600 RUB average salary in the region
For comparison in the Moscow region the salary of a similar employee is RUB 40,000 +*

03

Savings on office rental and related expenses

Office rent

3,600
RUB/m²/year

Rent for office space of A and B classes in Ivanovo

18,200
RUB/m²/year

Rent for office space of A and B classes in Moscow

9,700
RUB/m²/year

Rent for office space of A and B classes in the Central Federal District

* Source: hh.ru

SUCCESSFUL CASES OF TRANSFER OF CALL CENTERS AND BACK OFFICES TO THE IVANOVO REGION

Several large companies (mobile operators, banks, energy retailers) have already launched their call centers and back offices in the city of Ivanovo (SOGAZ, Rostelecom, Megafon, 1C, Inter RAO, Rosselkhozbank, etc.).

Eight providers offer high-quality communication services, and all major federal communication operators have a presence in the region.



Rosseti



SOGAZ



Inter RAO

CONCLUSIONS

The Ivanovo Region has a sufficient working-age population to fill call center and back office jobs.

Major companies planning to locate their call centers in the Ivanovo Region will be able to offer salaries of at least the regional average, which will attract a certain proportion of the population to work at those call centers.

Low rental rates and high-quality office space to rent are factors reducing call center and back office operating costs.

INFORMATION TECHNOLOGIES

The Ivanovo Region offers multi-level IT training and supplies the industry with 450 skilled IT professionals each year. The region has:

The communications and Internet penetration rate in the region stands at almost 100%. The average speed on 4G networks in the city of Ivanovo is 46 Mbps and it is 29 Mbps in the Ivanovo Region, with a maximum speed of up to 240 Mbps.

1

Technical and digital education centers for children (Quantorium, Federal Network of Children's Digital Creativity Centers)

2

Tochka Rosta humanities and digital education centers

3

Field-specific departments in vocational high schools and colleges, such as IEGU and Ivanovo State Polytechnic University

4

Lab experience and on the job training at large corporations such as Rostech and SOGAZ

268

IT companies present in the Ivanovo Region (Playrix, CSoft, Involta, Garpix, Neurosoft, etc.)

045

KEY AREAS OF FOCUS FOR IT COMPANIES OPERATING IN THE IVANOVO REGION

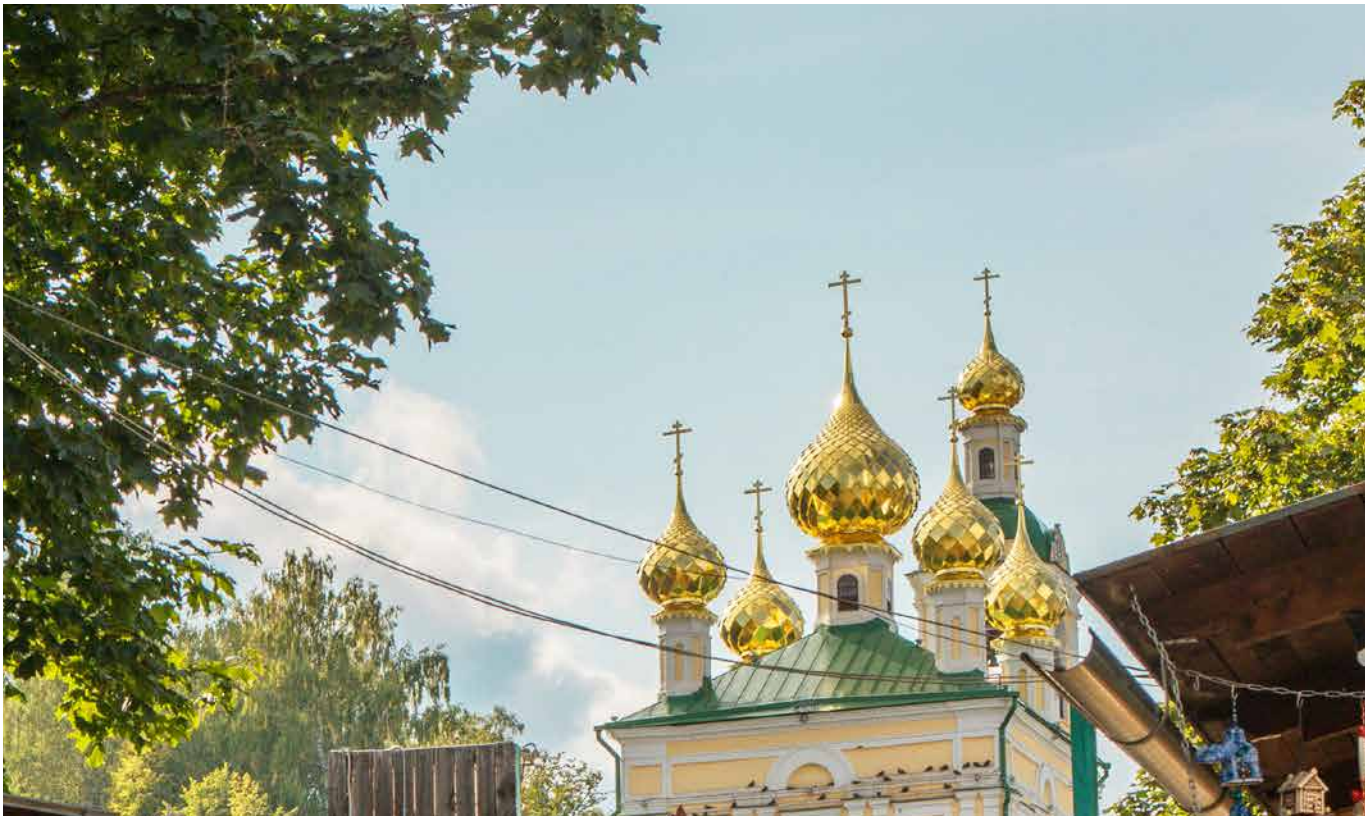
Major Russian and international companies specializing in game content development

Local companies developing software solutions for the machine building and mining industries

Developers of high-tech solutions and equipment for medical diagnostics and data analysis

CONCLUSIONS

The IT sector of the Ivanovo Region has strong potential and many opportunities for development. It is a high-priority area for the region in the context of contemporary trends.



Tourism





A promising industry for the Ivanovo Region.
Year-on-year increase in the number
of visiting tourists comprises

5%

KEY INDICATORS

824,000

tourists per year

10+

historical settlements

KEY STRENGTHS



Eco-friendliness



Picturesque landscapes



Measures to support
tourism

TOURISM INFRASTRUCTURE

78

lodging facilities

200

travel companies

90,000

thousand beds

185

monuments of federal significance

4

tourist centers

317

monuments of regional significance

EMERGING FORMS OF TOURISM



Event



Gastronomy



Educational

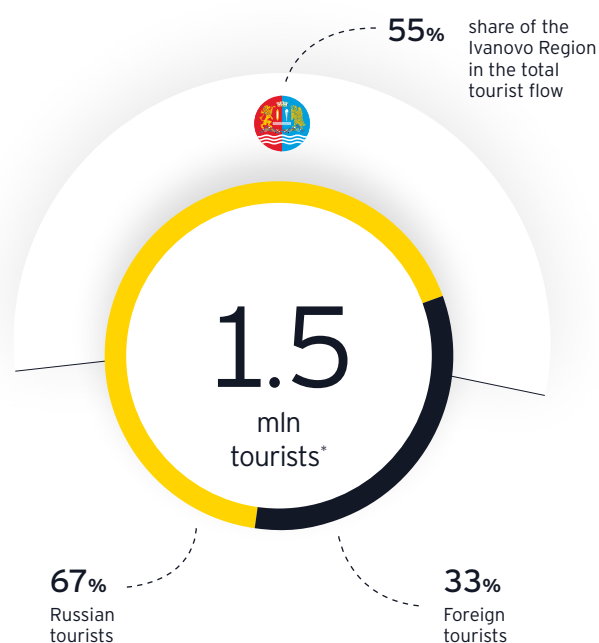


Industrial



Adventure
(hunting, fishing)

TOURIST FLOWS



* visiting the Golden Ring of Russia every year

CONCLUSIONS

The Ivanovo Region is a center for traditional Russian arts and crafts, including Palekh lacquer miniature, Ivanovo and Shuya textiles, Yuzha lace window frames and Kineshma felt boots.

Vehicular access is improving every year, with new and convenient train and air connections and improved quality of roads.

The region's culinary specialties are increasingly popular, such as smoked Volga fish, liquors made to traditional Russian recipes, onion pie, bream turnovers, local homemade jams and beer.

The steadily growing numbers of tourists attest to the potential of the local tourist infrastructure.

IVANOVO

Founded in 1871.

Known as the 'Russian Manchester', the 'Chintz capital of Russia', a paradise for lovers of Constructivism and an area of avant-garde.

Promising areas of tourism:
events, gastronomy, industrial.



MAIN TOURIST ATTRACTIONS



Constructivist railway station



Famous Ivanovo chintzes



Annual avant-garde festival

PLYOS

Founded in 1410.

An old town on the River Volga glorified in Levitan's paintings. The location where the famous Soviet films The Little Golden Calf, A Cruel Romance and The Two Captains were shot.

Promising areas of tourism:
educational, gastronomy, adventure.



MAIN TOURIST ATTRACTIONS



Boat tours



Ivolga ecopark



Isaak Levitan Hill

YURYEVETS

Founded in 1225.

The birthplace of Andrei Tarkovsky and Alexander Rou. Named after St. George the Conqueror.

A town that stopped the sea: it was at risk of being submerged, but they built a three-meter dam to protect the historical monuments.

Promising areas of tourism: events, educational, gastronomy.



KINESHMA

Founded in 1429.

One of the wealthiest towns on the River Volga: a town of fishermen, salters, industrialists and merchants. Russian playwright Alexander Ostrovsky served as honorary justice of peace there.

Specializes in making felt boots ('valenki').

The local sailcloth was highly valued across the world: Admiral Nelson's fleet sailed with sails made in Kineshma.

Promising areas of tourism: educational, adventure, gastronomy.



LUKH

Founded in 1404.

Founded as a fortress town on the River Lukh, it was the center of the Principality of Lukh, the birthplace of Ivan the Terrible's favorite onion variety.

Hosts the annual food festival Luk-Luchok that attracts lots of tourists.

Promising areas of tourism: events, adventure, gastronomy.



GAVRILOV POSAD

Founded in 1434.

A town with a tradition of horse breeding dating back to Ivan the Terrible. The birthplace of the Vladimir Draft Horse breed that the local horse breeders are now trying to restore.

Promising areas of tourism:
events, educational.



SHUYA

Founded in 1539.

A town famous for crafts, the birthplace of Tsar Vassily Shuysky and poet Konstantin Balmont. Some factories dating back to the Tsars still operate in the town.

In 2019, Shuya hosted the Russian Christmas festival.

Promising areas of tourism:
educational, industrial.



PALEKH

Founded in 1618.

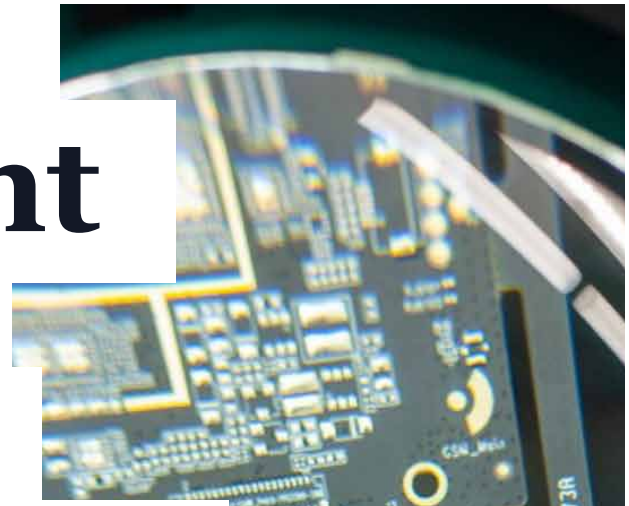
A town of artists. A center of Russian icon-painting and home to the Palekh lacquer miniature.

Palekh craftsmen painted the churches of Novodevichy Monastery and Troitse-Sergieva Lavra.

Promising areas of tourism:
educational, events.



Proposed investment projects: electrical engineering



ENGINEERING CENTER FOR DIGITAL ENERGY

A plan to set up a high-tech energy research center on the ISPU site was drafted in late 2020 and is now awaiting approval from the Russian Ministry of Finance.

The engineering center will be tasked with:



implementing new digital technology



developing and commercializing scientific and educational solutions for the energy sector.

The digital energy program operates under a larger national program called Digital Economy of Russia.

”

What we are talking about is consolidating various advanced research products and bringing them to the energy market. This essentially means creating a whole new industry of digital energy and energy efficiencies.



said the Governor

S. Voskresensky

The program to set up the engineering center includes the following steps:

setting up a testing and evaluation center for imported and domestic power and electrical equipment to meet the demand from energy producers and industrial companies

setting up a high-voltage laboratory to support fundamental and applied research and evaluate imported and domestic high-voltage equipment to meet the needs of electricity companies

launching pilot production of components for import-substituting digital electric power equipment

running upskilling and retraining programs for digital energy professionals

The Ivanovo Region may leverage its expertise to take a national lead in this field and create new businesses and jobs.

PRODUCTION OF CHARGING STATIONS FOR ELECTRIC VEHICLES

1

KEY ADVANTAGES

There is **no commercial production** of charging stations in Russia.

In 2020, several ultrafast charger **production projects** were announced.

Many countries have launched **programs to convert public transport to electricity**. In 2019, 460,000 electric buses were sold, i.e., 100,000 more than in the previous year.

Logistics companies, too, are increasingly switching to electricity - the fleet of light-duty electric trucks now totals 380,000. In 2018, the market increased by 28%.

2

MARKET POTENTIAL

Projected electric car sales by 2030:
200,000 pcs.

700,000 private and 70,000 public charging stations will be required to support the electric car fleet.

By 2025, the public charging stations market may exceed RUB 3 billion.

If the project is launched in 2022, it will be able to capture at least 20% of the market.

3

UNDERLYING ASSUMPTIONS OF THE BUSINESS MODEL

Investment required:
RUB 375 mln

Capacity:
3,000 pcs/year

Utilization rate:
90%

New jobs:
200

PROJECT PARAMETERS

Industry ratios, peer companies

<p>4</p> <p>total assets to fixed assets</p>	<p>RUB 5 mln</p> <p>revenue per employee per year</p>	<p>40 m²</p> <p>work space per employee</p>	<p>12%</p> <p>operating margin</p>
<p>RUB 200 mln</p> <p>investment in plant and equipment</p>	<p>RUB 400 mln</p> <p>total assets</p>	<p>200</p> <p>staff headcount</p>	<p>8,000 m²</p> <p>floor space requirement</p>
<p>24%</p> <p>average return on invested capital (ROIC)</p>	<p>20%</p> <p>internal rate of return (IRR)</p>	<p>6 years</p> <p>average payback period</p>	

The project is scheduled to start in **2022** (on the proviso that a brownfield site will be available in 2021)

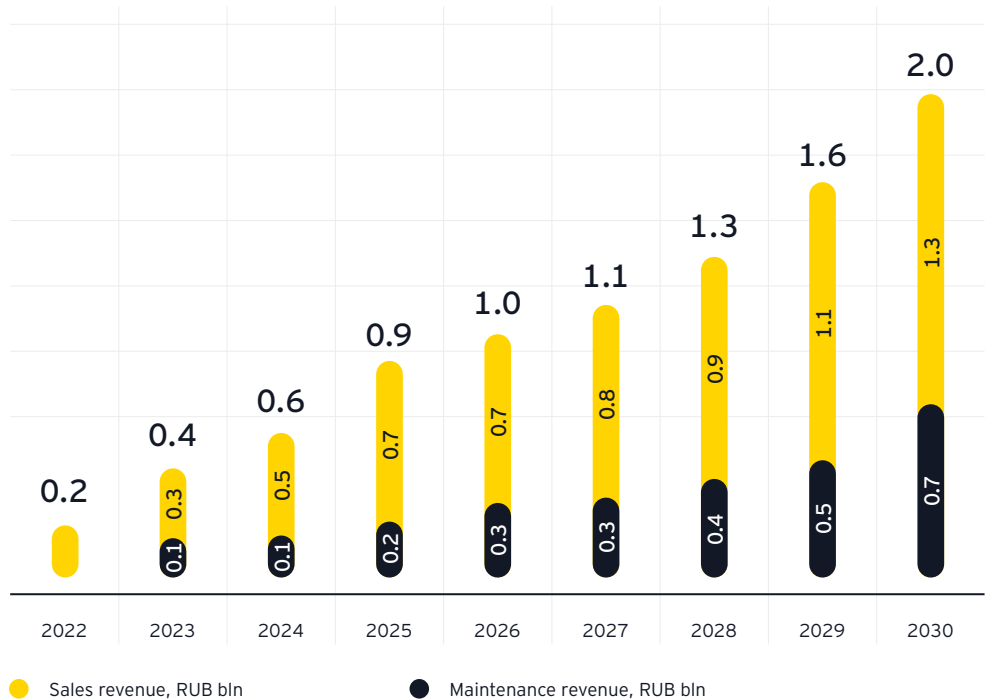
Plant capacity: **3,000 stations/year**, subject to a utilization rate of **90%**

Projected market share: **20%**

Average unit cost: **RUB 500,000**

Annual maintenance revenue: **10% of the station's value**

Projected revenue, RUB bln (inflation-unadjusted)



Source: Investment Agency for the Ivanovo Region

MARKET OPPORTUNITIES

Currently, there is only one manufacturer specializing in charging stations.

MARKET OPPORTUNITIES

Total area:
15,000 m²

Electricity:
up to 6 MW

Water supply:
up to 10,000 m³ / month

Gas supply:
3 mln m³/month

Heat:
up to 8 Gcal/month

AUTOMATED COMMERCIAL ENERGY METERING SYSTEMS

1

KEY ADVANTAGES

Production projects receive **preferential tax treatment** and are co-financed from public funds.

Some functions (e.g., production of components) may be outsourced to the **numerous existing machine building companies**.

Low production costs due to the proximity of raw material suppliers.

A good supply of **skilled labor** and low salary levels in the electrical equipment manufacturing sector.

2

MARKET POTENTIAL

Recently enacted legislation requires that 60 million induction meters be replaced with electronic meters, which is worth RUB 600 billion in cash terms.

Electronic metering, as the main feature of automated commercial energy metering systems, improves production efficiency and helps generate extra income from managing electricity demand.

If the project is up and running by 2022, it will be able to capture at least 20% of the market segment.

3

UNDERLYING ASSUMPTIONS OF THE BUSINESS MODEL

Investment required:
RUB 2 bln

Project capacity:
800,000 pcs/year

New jobs:
1,100

POTENTIAL INVESTORS:

major international and Russian electricity meter manufacturers

PROJECT PARAMETERS

Industry ratios, peer companies

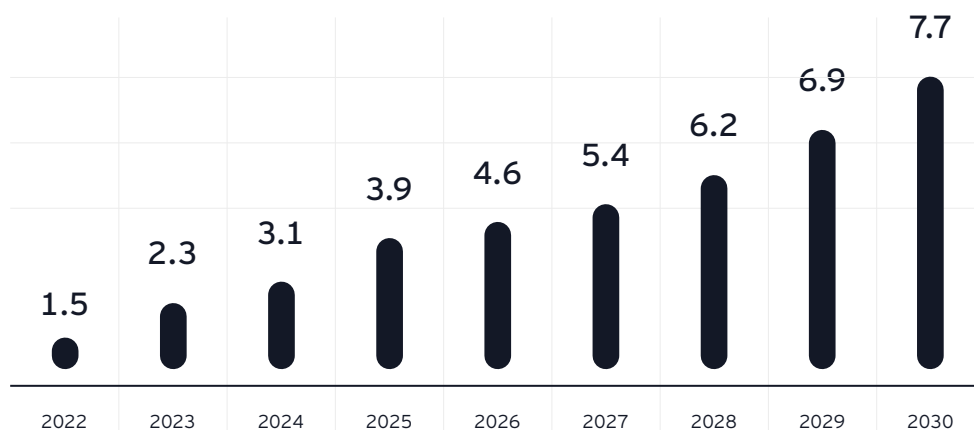
<p>3</p> <p>total assets to fixed assets</p>	<p>RUB 7 mln</p> <p>total assets to fixed assets</p>	<p>50 m²</p> <p>revenue per employee per year</p>	<p>30%</p> <p>operating margin</p>
<p>RUB 2 bln</p> <p>investment in plant and equipment</p>	<p>RUB 7 bln</p> <p>total assets</p>	<p>1,100</p> <p>staff headcount</p>	<p>55,000 m²</p> <p>floor space requirement</p>
<p>10 ha or above</p> <p>site area</p>	<p>31%</p> <p>internal rate of return (IRR)</p>	<p>4 years</p> <p>average payback period</p>	

The project is scheduled to start in **2021-2022** and reach full capacity by 2026

Project capacity: **800,000** meters per year

Projected market share: **20%** (investors may include existing businesses)

Projected revenue, RUB bln (inflation-unadjusted)



Source: Investment Agency for the Ivanovo Region

057

INFRASTRUCTURE REQUIREMENTS

Total area: 72 ha

Form of ownership: municipal, for rent

Vehicular access: the site adjoins an urban motorway

Electricity: 3,300 m to an electricity transmission line

Water supply: connection available

Wastewater disposal: connection available

Gas supply: 1,200 m to a low-pressure pipeline

1

KEY ADVANTAGES

Opportunity to locate production in existing industrial parks at attractive rental and utility rates.

Some functions (e.g., production of components) may be outsourced to the numerous existing machine building companies.

Low labor costs. Salaries in the Ivanovo Region are among the lowest in the Central Federal District.

2

MARKET POTENTIAL

Market size for electric drives:
RUB 70 billion.

Imports account for over 50% of total consumption.

The estimated year-on-year growth in different segments ranges from 4% to 20%.

Key market segments: tools and industrial equipment, piping accessories, household appliances, ventilation systems.

3

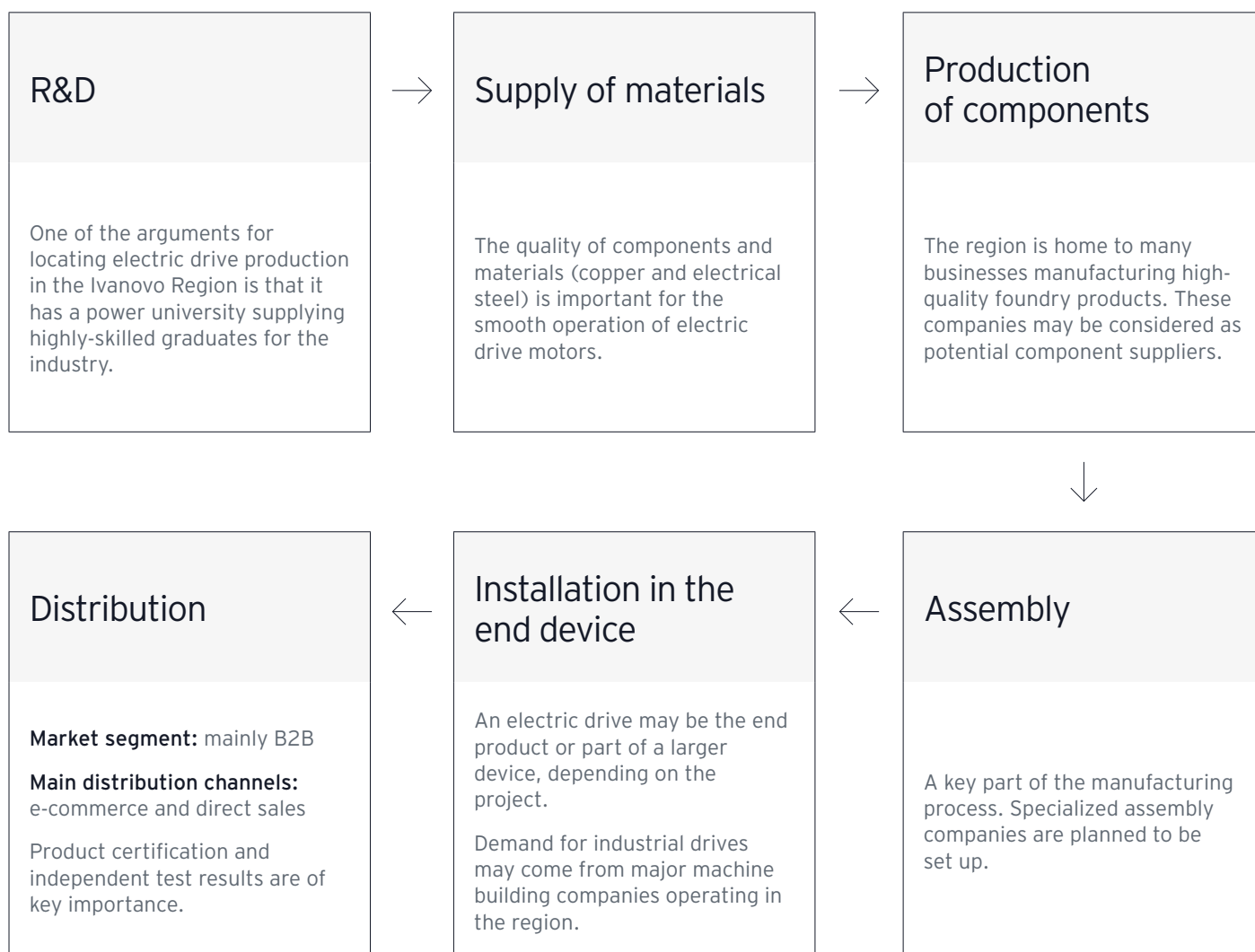
UNDERLYING ASSUMPTIONS OF THE BUSINESS MODEL

Implementing the business model will involve five basic processes:
R&D, component manufacture, assembly, installation and sale of finished products.

POTENTIAL INVESTORS:

major international and Russian companies specializing in the manufacture of industrial drives, automotive technology and services, consumer goods, construction and packaging technologies

MANUFACTURE OF ELECTRIC DRIVES. KEY MANUFACTURING BUSINESS PROCESSES



PROJECT PARAMETERS

Industry ratios, peer companies

RUB 2 bln investment in plant and equipment	300 staff headcount	23% internal rate of return (IRR)	4 years average payback period
---	-------------------------------	---	--

1

KEY ADVANTAGES

Opportunity to locate production in existing industrial parks at attractive rental and utility rates.

Some functions (e.g., production of components) may be outsourced to the numerous existing machine building companies.

Low labor costs. Salaries in the Ivanovo Region are among the lowest in the Central Federal District.

2

MARKET POTENTIAL

164 GW/h - global demand for stored energy.

The stored energy sector is forecast to account for about 74% of the total market.

Planned investment in energy storage systems: over USD 100 billion.

3

UNDERLYING ASSUMPTIONS OF THE BUSINESS MODEL

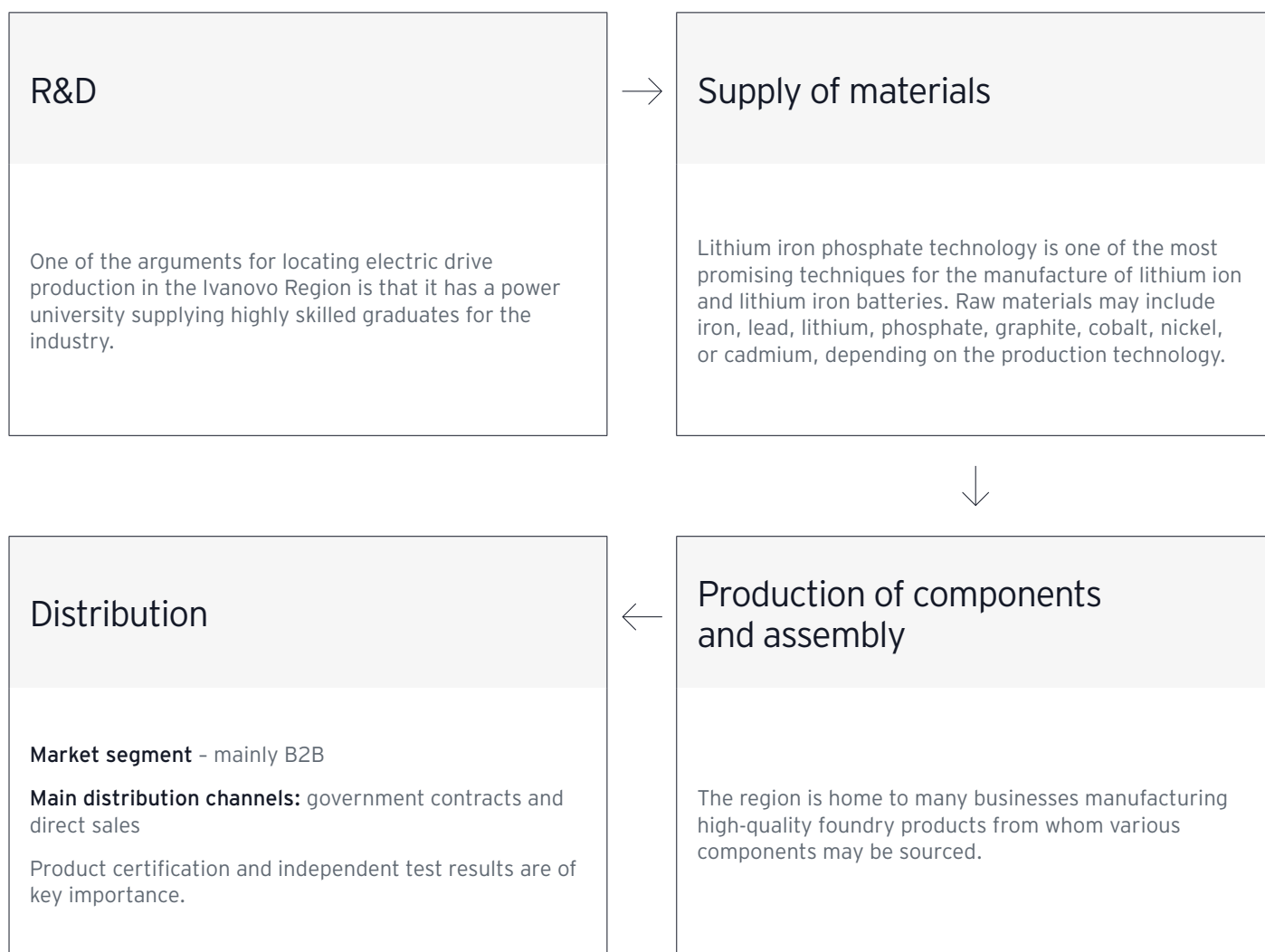
The business model for the project may involve the manufacture of energy storage systems of varying capacity, including electric car batteries.

Key customers may include energy, telecom and transport companies and individual car owners.

POTENTIAL INVESTORS:

major international and Russian electrical and electronics manufacturers

ENERGY STORAGE SYSTEMS. KEY BUSINESS PROCESSES



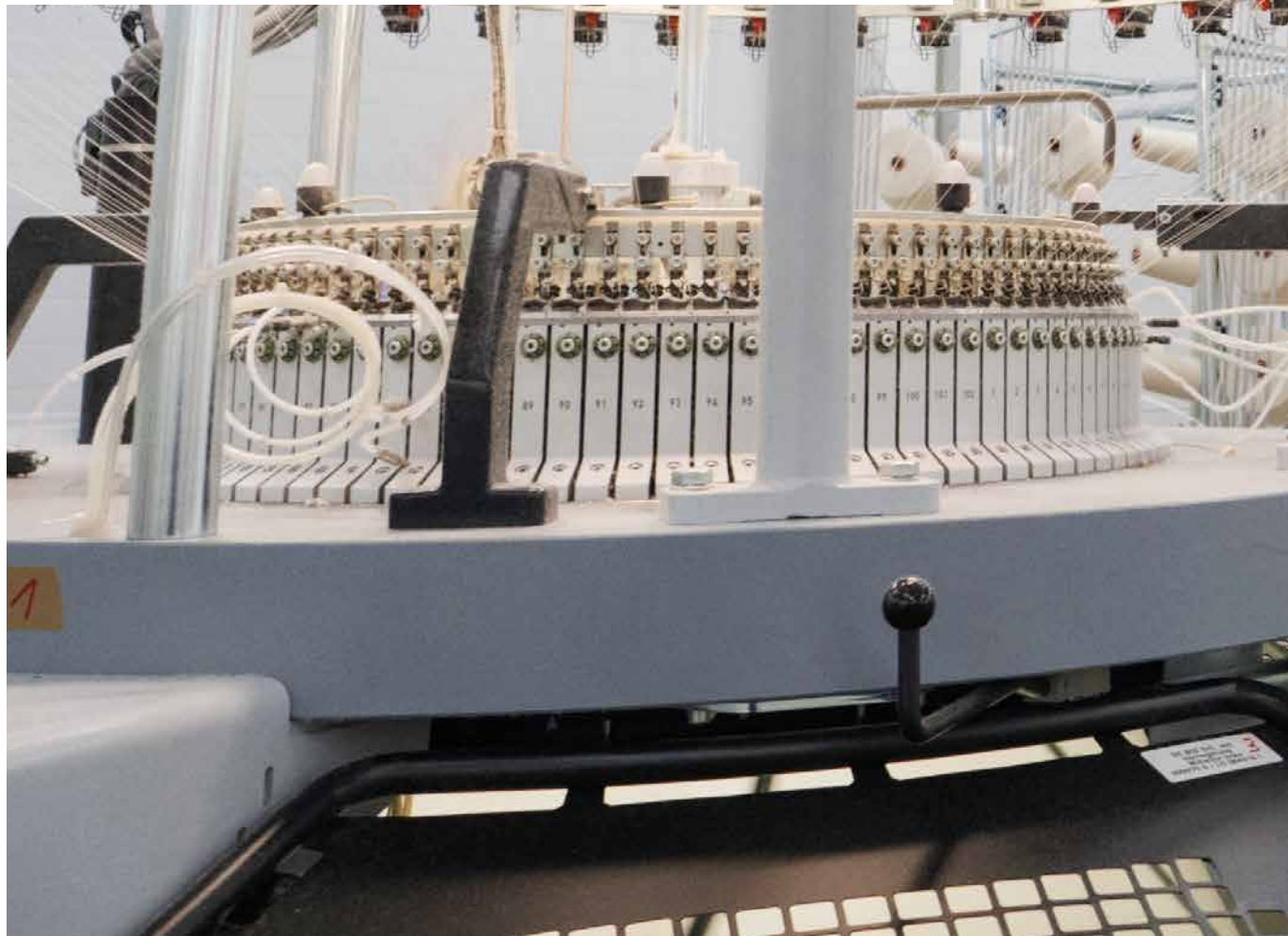
PROJECT PARAMETERS

Industry ratios, peer companies

RUB 1.8 bln investment in plant and equipment	260 staff headcount	12 ha site area
27% internal rate of return (IRR)	6 years average payback period	



Proposed investment projects: **Light industry**





TECHNICAL TEXTILES

Technical textiles are high-tech materials used for cooling, thermal control and air exchange applications.

The future of the technical textiles market lies in the production of protective textiles, geosynthetics, 'smart' fabrics and medical textiles, as well as eco-friendly textiles for various applications.

Demand for technical textiles comes from aviation, medicine, construction, automobile, food and other industries.

The synthetic textile economy is more profitable, as it uses basic raw materials (polyester) for which prices are stable, and is not affected by fluctuations in prices for cotton or other natural fibers.

KEY OBJECTIVES OF THE PROJECT TO DEVELOP A LIGHT INDUSTRY CLUSTER IN THE IVANOVO REGION

Upgrade existing production facilities and build new ones.

Promote scientific, technological and industrial cooperation between regions.

Introduce advanced technology to manufacture highly competitive high-tech products.

Attract strategic partners and investors to high-tech projects to boost the appeal of the Ivanovo Region to investors.

Support profitable companies specializing in best-selling innovative, import-substituting and export products.

A STRONG R&D HUB WILL BE A COMPETITIVE ADVANTAGE OF THE REGION

Engineering center to support textiles and light industry

Full range of R&D for new products and technology.

Pre-implementation work to select and install equipment.

Feasibility studies and business plans for new and existing textile and garment factories.

The change in consumer behavior towards **conscious consumption** encourages manufacturers to produce textiles from **recycled materials**.



ECO-FRIENDLY FABRICS

Eco-friendly fabrics are materials manufactured without the use of chemicals or other substances that may be harmful to the environment or the life or health of humans and animals.

The entire manufacturing process is closely monitored by environmental agencies - from growing raw materials without the use of pesticides, fertilizers and genetically modified organisms (GMO) to producing the finished fabric. The resulting product is a fabric that does not trigger allergies or asthma and is 100% safe for skin. It can be safely recycled with no impact on living organisms or natural systems.

MATERIALS USED IN FIBER PRODUCTION

01

Recyclables



02

Recycled organic products



Corn fiber



Dried wild flowers and biopolymers



Seaweed fiber



Hemp fabric



Nettle fabric

ADVANTAGES OF THE METHOD

Less water consumption

| No toxic chemicals or dyes

| Biodegradable

Natural dyes are much safer for the environment.

Natural dyes are found in food and can be extracted from agricultural waste (tomatoes, oranges, blueberries, carrots, pumpkins).



MANUFACTURE OF CONSTRUCTION TEXTILES

1

KEY ADVANTAGES

Ivanovo State Polytechnic University as a **potential partner in the project**.

Reduced costs of implementing the project by using existing sites in single-industry towns and ADZs in the Ivanovo Region.

Low labor costs. Salaries in the Ivanovo Region are among the lowest in the Central Federal District.

A developed **light industry sector** with access to relevant competencies and suppliers.

2

MARKET POTENTIAL

Potential market size by 2025

RUB **14.6** bln

The proposed set of housing policies is expected to drive market growth. This will help increase the number of new homes

82,000 → **120,000**
m² a year m² a year

Estimated year-on-year production growth rate

6%

If the project is launched in 2022, it will be able to capture at least

10% of the housing market

3

UNDERLYING ASSUMPTIONS OF THE BUSINESS MODEL

Investment required:
RUB 800 mln

Project capacity:
15,000 tons per year

New jobs:
220

POTENTIAL INVESTORS:

major international and Russian companies specializing in the manufacture of non-wovens

PROJECT PARAMETERS

Industry ratios, peer companies

<p>3</p> <p>total assets to fixed assets</p>	<p>RUB 10.7 mln</p> <p>revenue per employee per year</p>	<p>80 m²</p> <p>work space per employee</p>	<p>12%</p> <p>operating margin</p>
<p>RUB 800 mln</p> <p>investment in plant and equipment</p>	<p>RUB 2.4 bln</p> <p>total assets</p>	<p>220</p> <p>staff headcount</p>	<p>17,600 m²</p> <p>floor space requirement</p>
<p>3 ha or above</p> <p>site area</p>	<p>19%</p> <p>average return on invested capital (ROIC)</p>	<p>18%</p> <p>internal rate of return (IRR)</p>	<p>5 years</p> <p>average payback period</p>

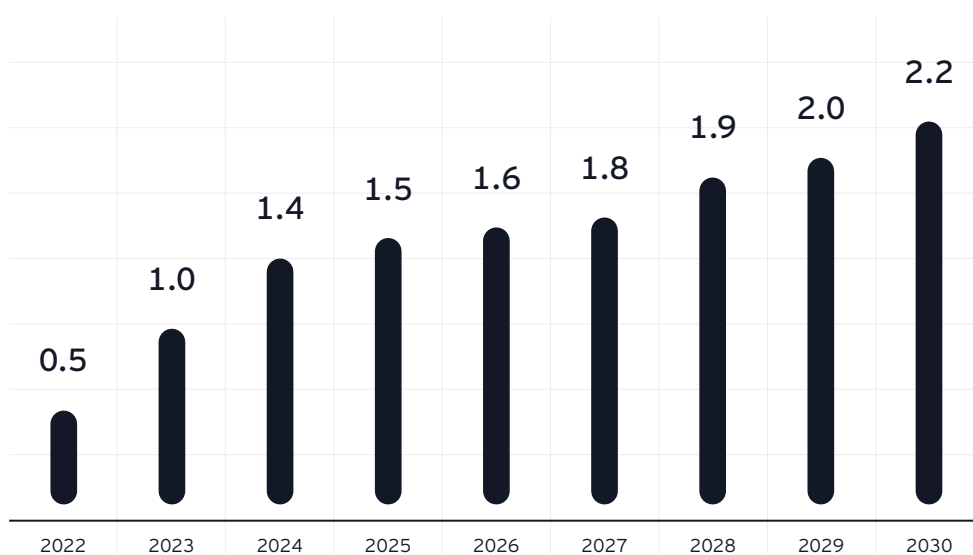
The project is expected to begin in **2021-2022**

Projected capacity: **15,000 tons**

Average cost per ton of material: **RUB 179,000**

Projected market share: **10%**. The niche will be captured by leveraging market growth and import substitution opportunities, with minimum competition from domestic manufacturers

Projected revenue, RUB bln (inflation-unadjusted)



Source: Investment Agency for the Ivanovo Region

INFRASTRUCTURE REQUIREMENTS

Total area: 5.4 ha

Form of ownership: federal; for rent or for sale

Distance from residential development: 300 m

Vehicular access: earth road

Electricity: 300 m to a 20 MW power plant

Water supply: a water well needs to be drilled

Wastewater disposal: connection available

Gas supply: 600 m from low-pressure line, approx. two km from high-pressure line

MANUFACTURE OF MEDICAL TEXTILE

1

KEY ADVANTAGES

Ivanovo State Polytechnic University as a **potential partner in the project**.

Reduced costs to implement the project by using existing sites in single-industry towns and ADZs in the Ivanovo Region.

Low labor costs. Salaries in the Ivanovo Region are among the lowest in the Central Federal District.

A developed **light industry sector** with access to relevant competencies and suppliers.

2

MARKET POTENTIAL

Potential market size by 2025

RUB **13** bln

The market will be driven by rising demand from healthcare providers and individuals for personal protective equipment and other medical products as a consequence of the COVID-19 pandemic

If the project is launched in 2022, it will be able to capture

10% of the market

Estimated year-on-year production growth rate

12%

A chance to diversify production to add non-wovens

Proposed investment projects: light industry

068

3

UNDERLYING ASSUMPTIONS OF THE BUSINESS MODEL

Investment required:
RUB 600 mln

Project capacity:
10,000 tons of output per year

New jobs:
100

POTENTIAL INVESTORS:

major international and Russian companies specializing in the manufacture of non-wovens

INVESTOR'S GUIDE

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THE IVANOVO REGION

PROJECT PARAMETERS

Industry ratios, peer companies

<p>2.7 total assets to fixed assets</p>	<p>RUB 12 mln revenue per employee per year</p>	<p>80 m² work space per employee</p>	<p>20% operating margin</p>
<p>RUB 600 mln investment in plant and equipment</p>	<p>RUB 1.2 bln total assets</p>	<p>100 staff headcount</p>	<p>8,000 m² floor space requirement</p>
<p>3 ha or above site area</p>	<p>24% average return on invested capital (ROIC)</p>	<p>19% internal rate of return (IRR)</p>	<p>5 years average payback period</p>

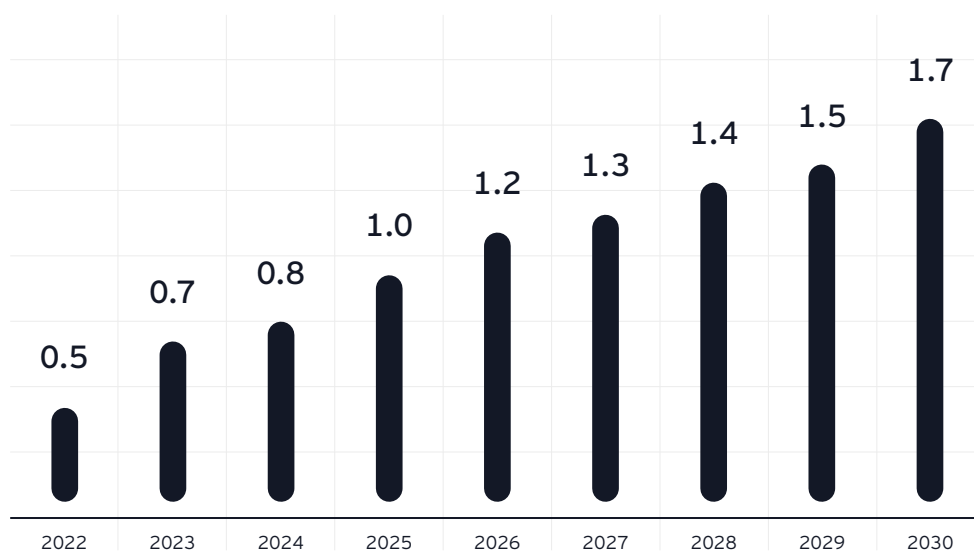
The project is expected to begin in **2021-2022**

Projected capacity:
10,000 tons

Average cost per ton
of material:
RUB 150,000

Projected market share:
**10% of new market
demand.** It is assumed
that 1/3 of output will be
exported

Projected revenue, RUB bln (inflation-unadjusted)



Source: Investment Agency for the Ivanovo Region

INFRASTRUCTURE REQUIREMENTS

Total area: 80 ha

Form of ownership: federal; for rent or for sale

Vehicular access: it is planned to build a dedicated road; there is an existing railway line and a river port

Electricity: RUB 4/kW

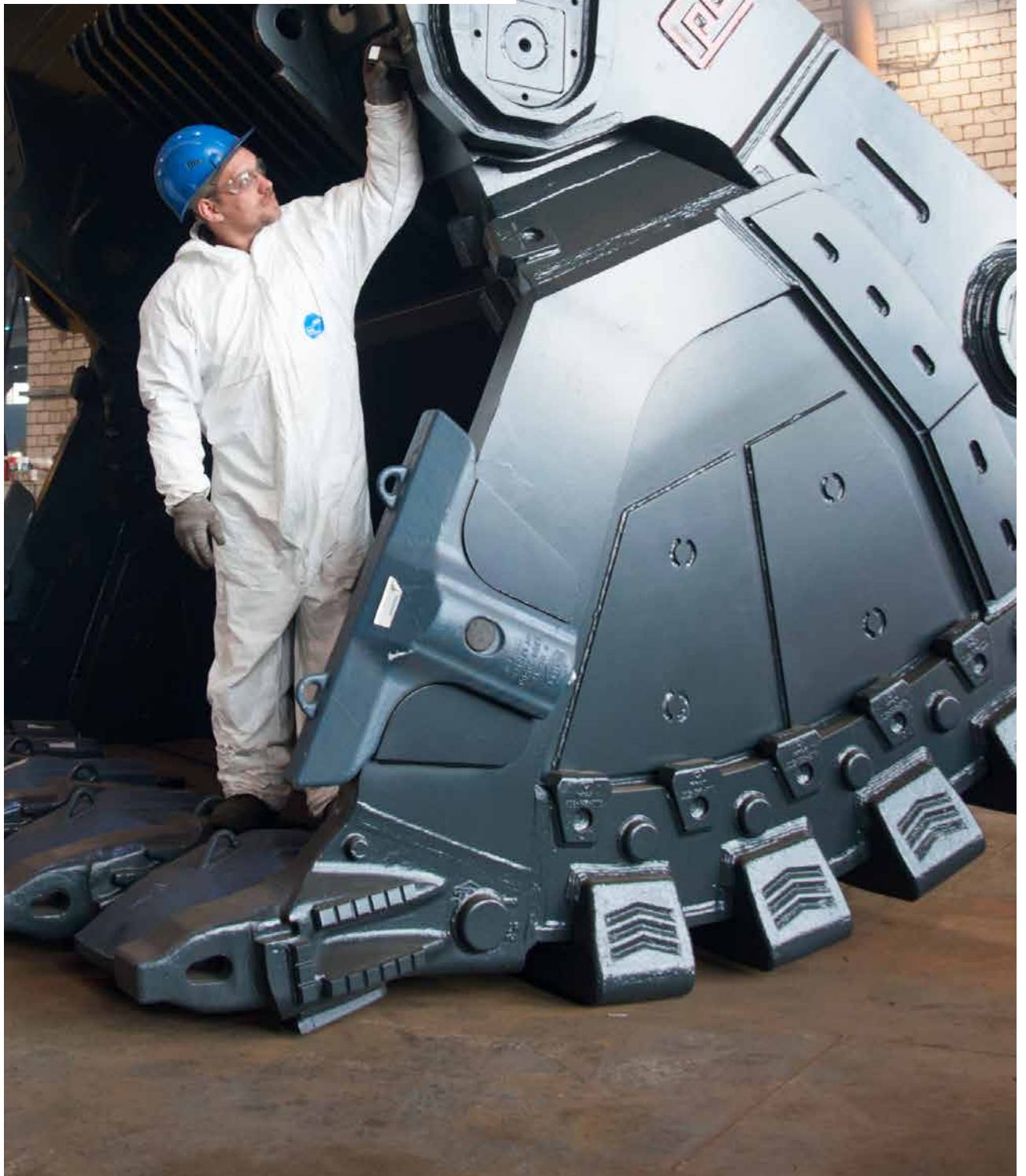
Water supply: connection available

Wastewater disposal: connection available

Gas supply: RUB 5.3/m³

Cost of construction: RUB 19,800 m²

Proposed investment projects: machine building



Proposed investment projects: machine building

070

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THE IVANOVO
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MANUFACTURE OF FILLING AND PACKAGING MACHINES

1 KEY ADVANTAGES

Geographic proximity to potential customers in the country's largest food and beverage market of Moscow and the Moscow Region.

Reduced costs of implementing the project by building on greenfield sites near existing industrial parks in the Ivanovo Region with easy access to utilities infrastructure.

Low labor costs. Salaries in the Ivanovo Region are among the lowest in the Central Federal District.

2 MARKET POTENTIAL

Potential market size in Russia by 2027 **RUB 142 bln**

Estimated year-on-year growth rate of the global market **5%**

Year-on-year growth rate of the Russian market **3%**

Share of imported equipment in Russia in 2019 **up to 80%**

The market will be driven by the rapidly growing cosmetics and food sectors, which are the major consumers of filling and packaging machines in Russia

3 UNDERLYING ASSUMPTIONS OF THE BUSINESS MODEL

Investment required: RUB 700 million

New jobs: 150

The business model may involve designing and manufacturing integrated production lines and supplying foreign equipment to businesses.

The project can be implemented at greenfield sites near the Ivanovo Region's existing industrial parks.

POTENTIAL INVESTORS:

large international filling and packaging machine manufacturers

1

KEY ADVANTAGES

The potential investor will have **direct access to local suppliers** of component parts for mini excavators.

Proximity to Moscow, a major market for residential and infrastructure investment.

Access to a sufficient supply of labor, with low labor costs.

Sufficient supply of experts in the manufacture of specialized machinery (excavators, bulldozers, crane trucks, buckets, etc.).

2

MARKET POTENTIAL

Estimated global market size by 2025

RUB **708** bln

Estimated Russian market size by 2025

RUB **51** bln

Year-on-year growth rate of the global market

3.8%

Year-on-year growth rate of the Russian market

4.1%

Share of imported equipment in Russia in 2019

up to **90%**

3

UNDERLYING ASSUMPTIONS OF THE BUSINESS MODEL

Investment required:
RUB 125 mln

Output:
250 pcs a year

Прогнозируемая выручка:
RUB 1.6 bln/year

New jobs:120

The business model may involve the manufacture of components and units, assembly, sales, distribution and maintenance.

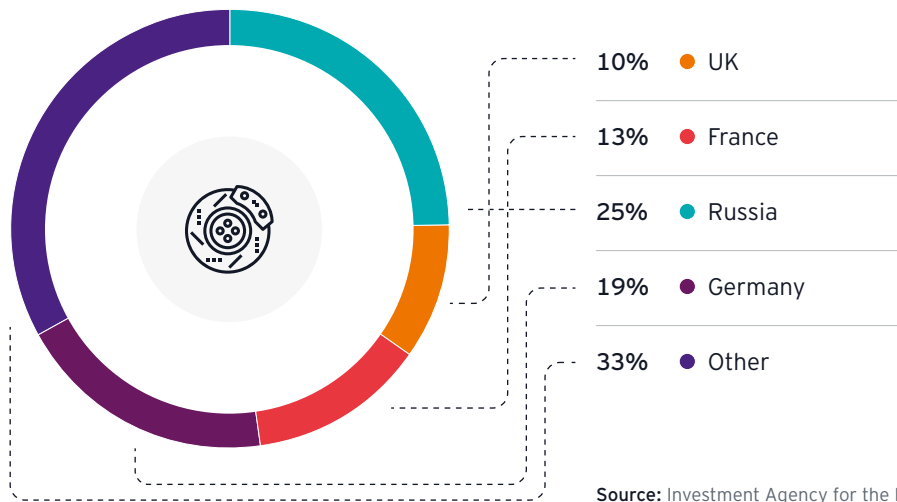
The project can be based at the Kineshma or Rodniki industrial parks on a greenfield or brownfield site.

POTENTIAL INVESTORS:

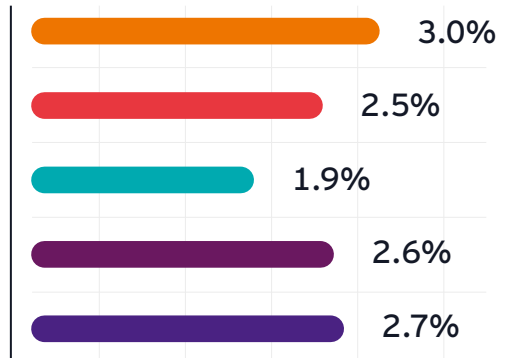
major international electrical equipment manufacturers

EU MARKET FOR SPECIALIZED EQUIPMENT PARTS, 2017-2019, %

Market structure, 2019



Year-on-year market growth, 2017-2019



Source: Investment Agency for the Ivanovo Region

MARKET OPPORTUNITIES

Below is a summary of specialized equipment components that are, and are not, manufactured in the region:



Manufactured in the region

- Fabricated metals
- Tracked chassis
- Detachable equipment

Not manufactured in the region

- Hydraulic equipment
- Cabins, controlling systems

INFRASTRUCTURE REQUIREMENTS

Total area: 25,000 m²

Electricity: up to 6 MW

Gas supply: 3 mln m³/month

Heat: up to 8 Gcal/month

Water supply:
up to 15,000 m³/month



1

KEY ADVANTAGES

Access to quality and cheap raw materials, vacant brownfield sites suitable for a quick start

Demand for quality components from local manufacturers

Proximity to end customers, i.e., major automobile manufacturers

Reduced costs through locating the project at the Kineshma or Rodniki industrial parks, or on the Novo-Talytsy site near the city of Ivanovo

Low labor costs: lowest salaries in the industry in the Central Federal District

2

MARKET POTENTIAL

Estimated global market size by 2025

RUB 3.6 trn

Estimated Russian market size by 2025

RUB 2,160 bln

Year-on-year growth rate of the global market

4.1%

Year-on-year growth rate of the Russian market

1%

Share of imported equipment in Russia in 2019

up to 70%

3

UNDERLYING ASSUMPTIONS OF THE BUSINESS MODEL

Investment required: RUB 800 mln

Объем производства: 3 mln pcs/year

New jobs: 450

The business model may involve the production of genuine parts by specialized equipment manufacturers and the production of non-genuine parts by third-party manufacturers.

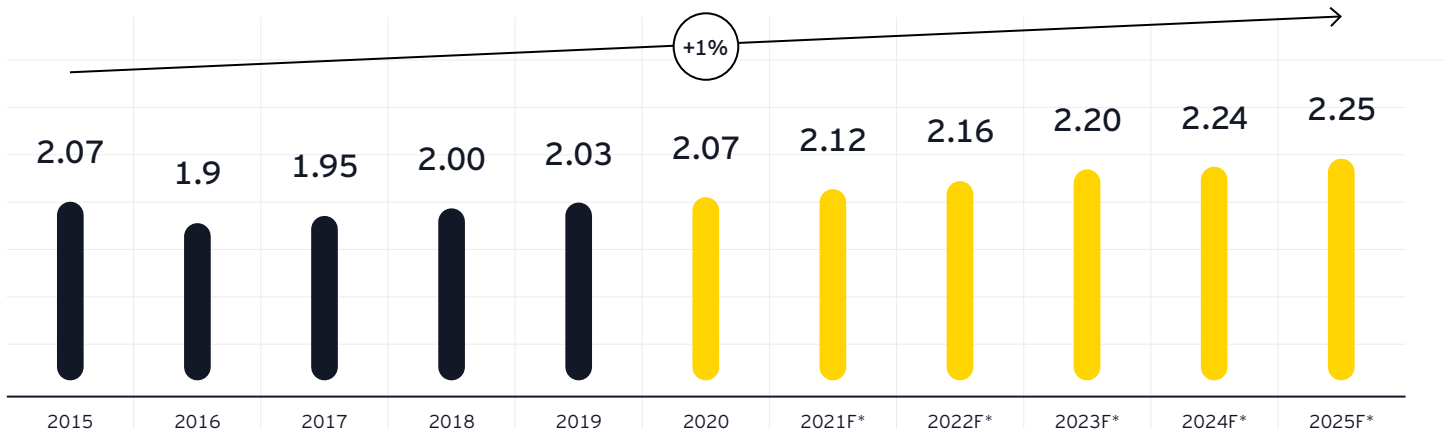
POTENTIAL INVESTORS:

major international manufacturers of electrical, construction and lifting equipment

ESTIMATED MARKET FOR SPECIALIZED EQUIPMENT PARTS IN RUSSIA, 2015-2025,

USD bln

Projected revenue, RUB bln (inflation-unadjusted)

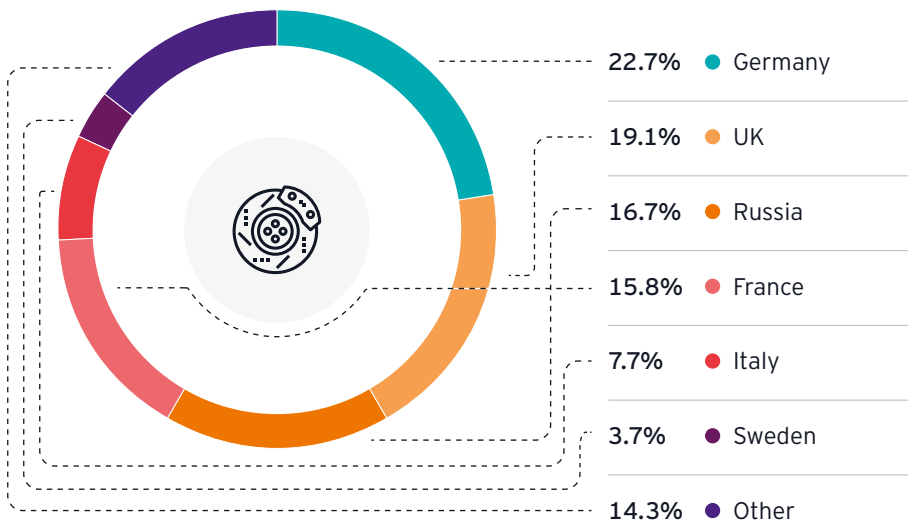


Source: Investment Agency for the Ivanovo Region

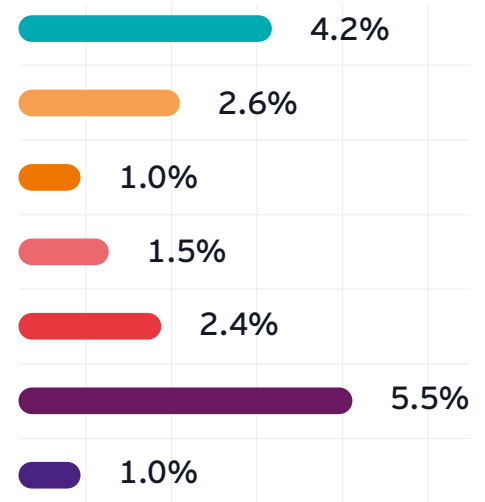
*F – forecast

EU MARKET FOR SPECIALIZED EQUIPMENT PARTS, 2015-2020, %

Market structure, 2020



Year-on-year market growth, 2015-2020



Source: Investment Agency for the Ivanovo Region

075

MARKET OPPORTUNITIES

Potential customers include those specialized equipment manufacturers already present in the Ivanovo Region. The region produces the following types of specialized equipment that requires spare parts:

Loaders, bulldozers, excavators

- | | |
|----------------|----------------------|
| Engines | Detachable equipment |
| Frames, bodies | Cabins |
| Transmission | Metal structures |
| Electrics | |
| Hydraulics | |

Cranes and lifts

- | | |
|----------------------------|--------------------|
| Engine mounts, hoists | Lifting mechanisms |
| Control systems | Metal structures |
| Cabins | |
| Lift platforms, end trucks | |

INFRASTRUCTURE REQUIREMENTS

Total area: 30,000 m²

Electricity: up to 6 MW

Water supply: up to 15,000 m³/month

Gas supply: 3 mln m³/month

Heat: up to 8 Gcal/month

Proposed investment projects: chemical industry



Proposed investment projects: chemical industry

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BINDING AGENTS

1

KEY ADVANTAGES

Building and paint and varnish industries account for almost half of total consumption, which is especially relevant in the context of the national housing project (120 million m² of new homes to be built by 2024). The consumption of resins has been increasing by 200,000 tons each year for the last five years.

Woodworking companies specializing in plywood, OSB, MDF and other engineered wood products account for up to 70% of all purchases in the urea formaldehyde (UF) resins market. These companies are mainly concentrated in the neighboring regions of Kostroma and Nizhny Novgorod (Central Federal District).

2

MARKET POTENTIAL

Russian UF resin market size, 2019

RUB **7** bln

Synthetic resin market in Russia, average growth rate

1.8%

Russian epoxy resin market size, 2019

RUB **10** bln

Proportion of imports in total supply of epoxy resins in Russia, 2019

90%

Share of imported equipment in Russia in 2019

up to **90%**

077

3

UNDERLYING ASSUMPTIONS OF THE BUSINESS MODEL

Investment required: RUB 800 mln

Объем производства: 7,000 tons / year

Forecast revenue: RUB 3 bln / year

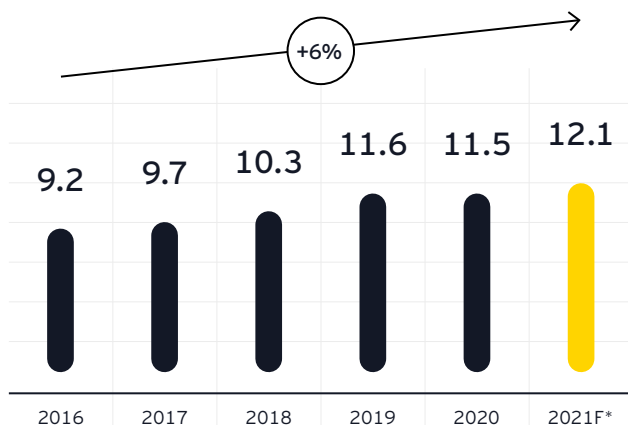
New jobs: 90

POTENTIAL INVESTORS:

major paint manufacturers, construction companies, as well as woodworking companies manufacturing plywood, OSB, MDF and other engineered wood products

INTERNATIONAL DEMAND FOR POLYESTER RESINS, 2016-2018

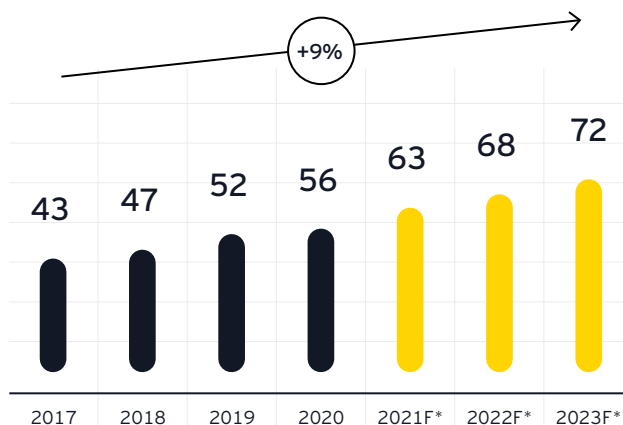
International demand for polyester resins, 2016-2018, USD bln



*F – forecast

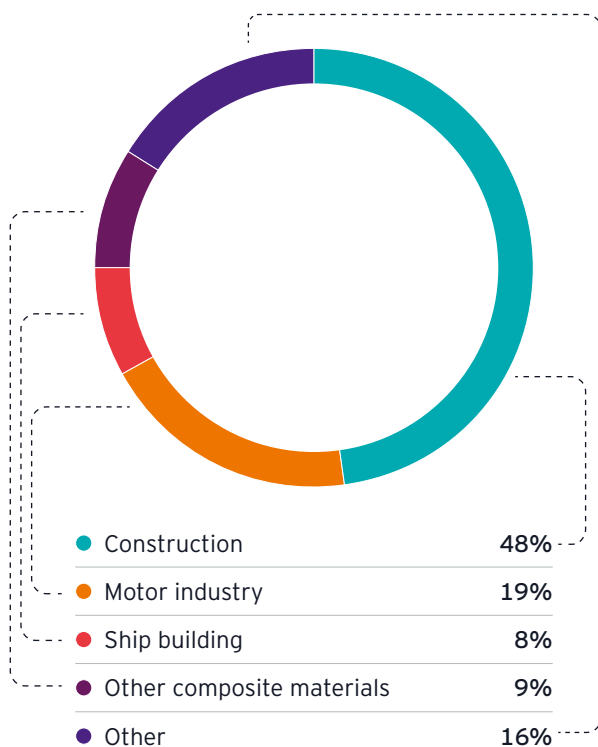
RUSSIAN MARKET FOR POLYESTER AND EPOXY RESINS

Polyester resin consumption in Russia, 2017-2023, thousand tons

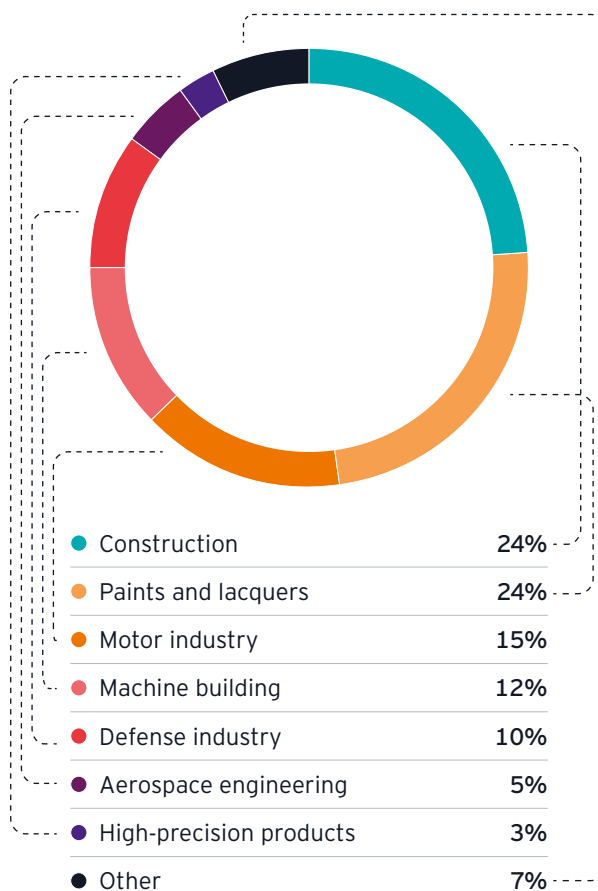


*F – forecast

EU consumption structure, by industry, 2018



Russian consumption structure, by industry, 2017



Source: Investment Agency for the Ivanovo Region

Source: Investment Agency for the Ivanovo Region

INFRASTRUCTURE REQUIREMENTS

Total area: 2-3 ha

Electricity: up to 4 MW

Water supply: up to 30,000 m³/month

Gas supply: 4 mln m³/month

Heat: up to 8 Gcal/month

MANUFACTURE OF SURFACTANT-BASED PRODUCTS

1

KEY ADVANTAGES

The region's geographical location ensures maximum customer coverage.

Vacant production sites in special economic zones suitable for hazard class 2 and 3 facilities.

Reduced costs through locating the project at ADZ Navoloki with easy access to utilities.

Access to labor - 30,000 people within a 50 km radius; relatively low labor costs.

2

MARKET POTENTIAL

Proportion of imports in total supply of soaps in Russia, 2018

13%

Russian washing and cleaning products market growth

3.6%

Russian washing products market size, 2018

RUB 148 bln

Proportion of imports in total supply of washing and cleaning products in Russia, 2018

10%

Retail sales of soap in Russia, 2018

RUB 58 bln

3

UNDERLYING ASSUMPTIONS OF THE BUSINESS MODEL

Investment required: RUB 500 mln

Output: 20,000 tons / year

Forecast revenue: RUB 1.6 bln / year

New jobs: 160

POTENTIAL INVESTORS:

major manufacturers of household chemicals, including washing and cleaning products, soaps and soap products

079

MARKET OPPORTUNITIES

Basic raw materials

Propylene

Ethylene oxide

Sodium borate

Sulphuric acid

Orthophosphoric acid

Caustic soda

Surfactant

Alkyl ethoxysulphate and alkyl aminoxide water solution

Cocamidoprophyl betaine water solution

Methyloxirane and oxirane polymer

Wetting and dispersing agents for water dispersion systems

Surfactant-based end products

Household chemicals

Industrial chemicals

Construction mortars

INFRASTRUCTURE REQUIREMENTS

Total area:
2-3 ha

Electricity:
up to 5 MW

Water supply:
up to 30,000 m³/month

Gas supply:
up to 3 mln m³/month

Heat:
up to 8 Gcal/month

Proposed investment projects agriculture



Proposed investment projects: agriculture

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PROPOSED INVESTMENT PROJECTS: AGRICULTURE

1. FIELD VEGETABLE PRODUCTION

Investment, RUB mln:	Production capacity per 1,000 ha/year:	New jobs:
215	211,000 tons of vegetables	20

2. GRAIN PRODUCTION

Investment, RUB mln:	Production capacity per 1,000 ha/year:	New jobs:
47	30,000 tons of grain	20

3. DAIRY PLANTS

Investment, RUB mln:	Production capacity, year:	New jobs:
RUB 40 mln	200 cattle stalls / 1,600 tons of milk	22
RUB 90 mln	400 cattle stalls / 3,200 tons of milk	30
RUB 542 mln	1,200 cattle stalls / 9,600 tons of milk	70

4. POULTRY BREEDING AND PRODUCTION (LIVE WEIGHT)

Investment, RUB mln:	Production capacity, year:	New jobs:
800	750,000 seats / 16,000 tons of poultry meat	100

5. PIG FARMING AND PORK PRODUCTION

Investment, RUB mln:	Production capacity, year:	New jobs:
400	10,000 heads / 1,200 tons of pork	50

6. PRODUCTION AND PROCESSING OF INDUSTRIAL CROPS (FIBER FLAX, HEMP)

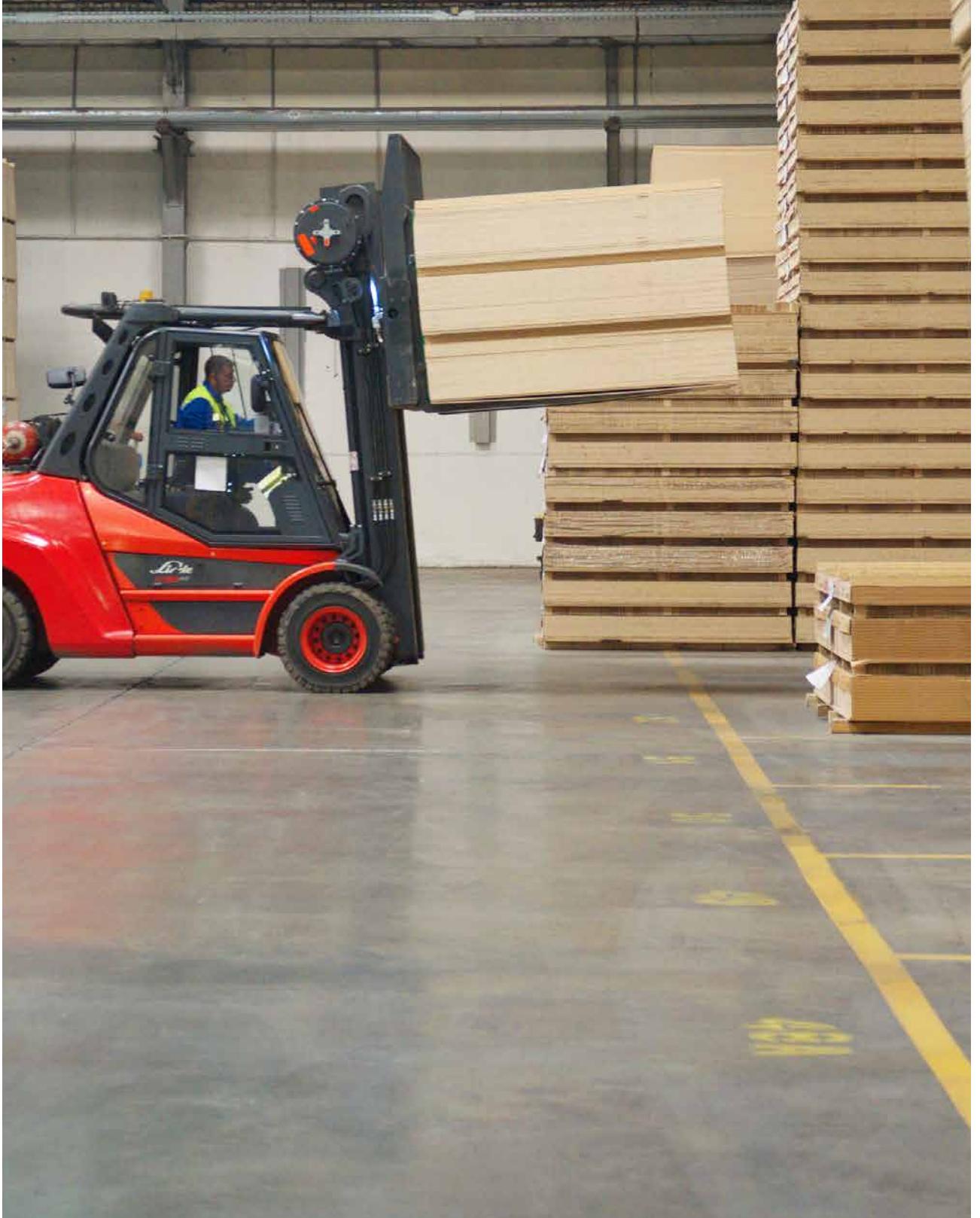
Investment, RUB mln:	Production capacity per 1,000 ha/year:	New jobs:
190 (growing)	3,300 tons of treated plant fiber	20
350 (processing)	3,300 tons of treated plant fiber (long fiber: 180 tons, short fiber: 720 tons)	60

7. MILK PROCESSING

Investment, RUB mln:	Capacity:	New jobs:
RUB 5.5 mln and above	1,000 kg / day and above	6

In 2020, total milk output in the Ivanovo Region was 156,300 tons, including 36,000 tons shipped to other regions for processing that will otherwise be processed locally if the new investment projects are implemented.

Proposed investment projects: infrastructure



CONSTRUCTION OF A WASTE PROCESSING PLANT

Key advantages

Ivanovo was **one of the first regions** to adopt the new rules for waste management.

Many **landfills are full almost to capacity**, and setting up an end to end waste collection and recycling system as part of the national environmental project is an urgent priority for the region.

In 2019, aggregate revenue across environmental companies in the Ivanovo Region was **RUB 2.9 bln.**

Market potential

Only 5 mln tons out of the **70 mln tons of waste** produced by Russia goes to recycling, while the remaining 93% is buried or burnt.

By comparison, the Ivanovo waste treatment plant has a capacity of **250,000 tons/year**.

The polyester fiber plant planned to be built in the region to cater for the textile industry will be able to absorb **100% of polyester granulate output**.

CONSTRUCTION OF A LOGISTICS CENTER

Locating the facility in the southern part of the city of Ivanovo near the Ivanovo-Vladimir-Moscow highway has additional advantages:

savings in transport costs

heavy traffic load providing a stable inflow of potential customers

good quality road through the site

proximity to a large hypermarket to create synergies in attracting new customers

The proposed site for the distribution center / factory store is within 1.5 km from federal route M7.

CONTACT INFORMATION

The Investment Agency for the Ivanovo Region offers a one stop shop for investors.



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Tumanova**

General Director,
AI IO

Strategic management

Planning and administration
of international business
missions

Liaising with government
departments



**Elena
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Director, Project
Administration

Investment project
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Assistance in raising
finance

Communication with financial
institutions



**Natalia
Akimova**

Director, Area
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Assistance in selecting
land parcels

Advice on accessing
utility lines

Cost benefit analysis
of connecting to utilities

A wealth of experience in supporting successful
investment projects in the region.

Hotline for investors:

+7-800-234-23-06

Ivanovo Region investment portal

invest-ivanovo.ru





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