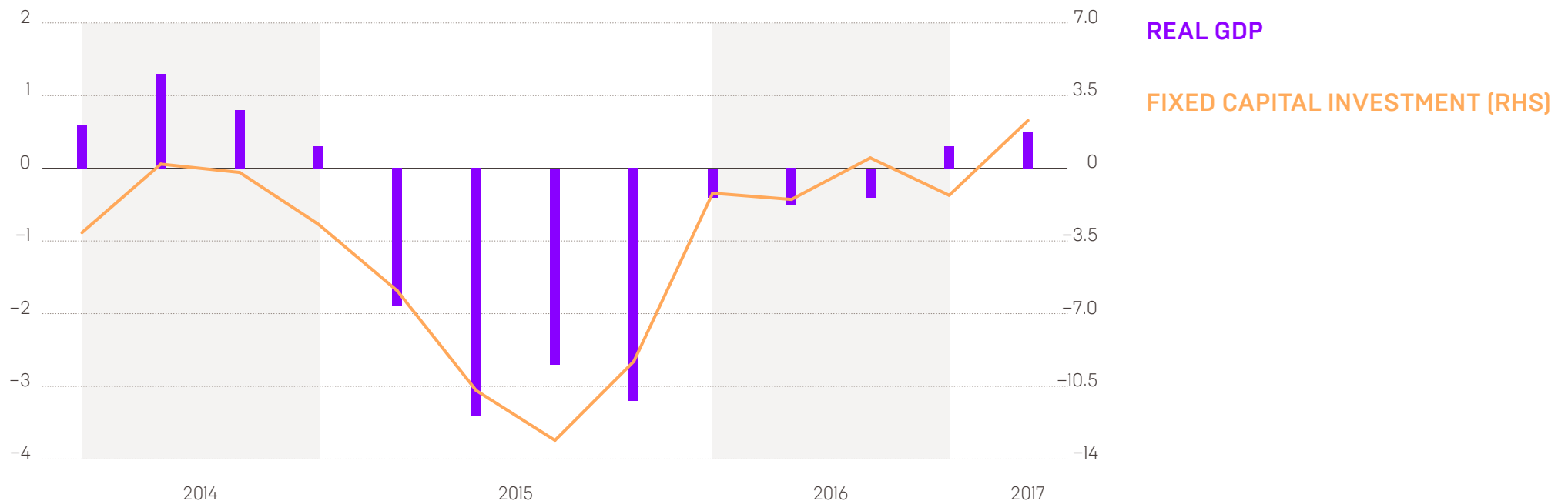


ITALIAN-RUSSIAN TRADE AND ECONOMIC COOPERATION: OPPORTUNITIES FOR EXPANSION

July 2017



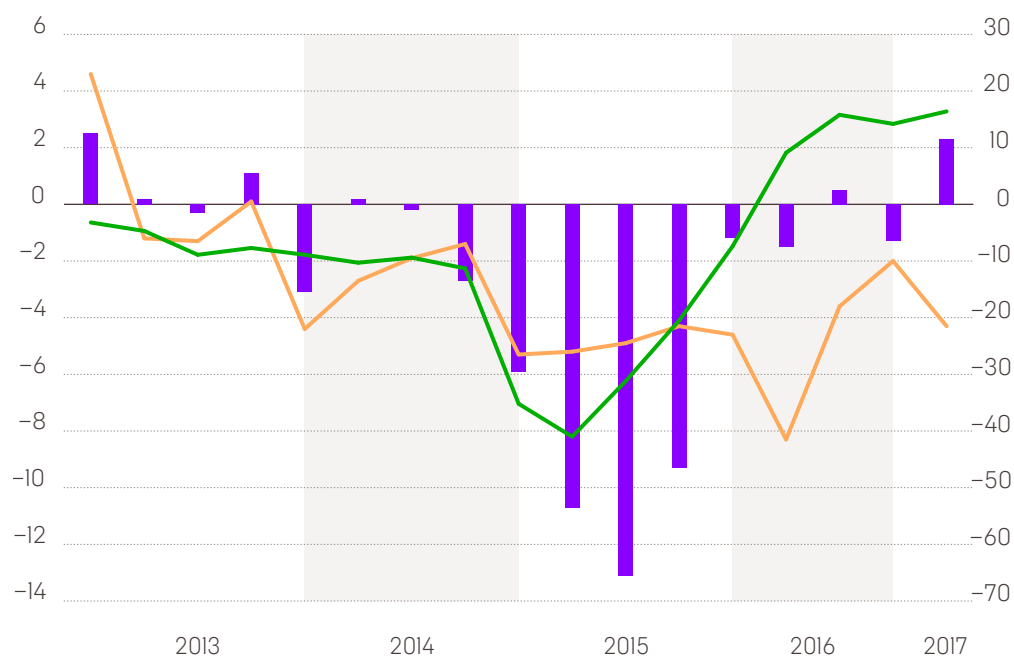
KEY ECONOMIC INDICATORS: BACK TO GROWTH



- The Russian economy advanced 1.3% YoY in January-May 2017 and following a 0.3% expansion in Q4 2016
- Fixed capital investment showed 2.3% growth in Q1 2017
- Exports from Russia increased by 31.0% YoY in January-May 2017 to \$ 109.3 bln

INVESTMENT ACTIVITY IS GRADUALLY REVIVING

POSITIVE FIXED INVESTMENT DYNAMICS, % YOY



FIXED CAPITAL INVESTMENT **CONSTRUCTION WORKS VALUE**

**IMPORT VOLUME INDEX: MACHINES, EQUIPMENT
& TRANSPORTATION MEANS (RHS)**

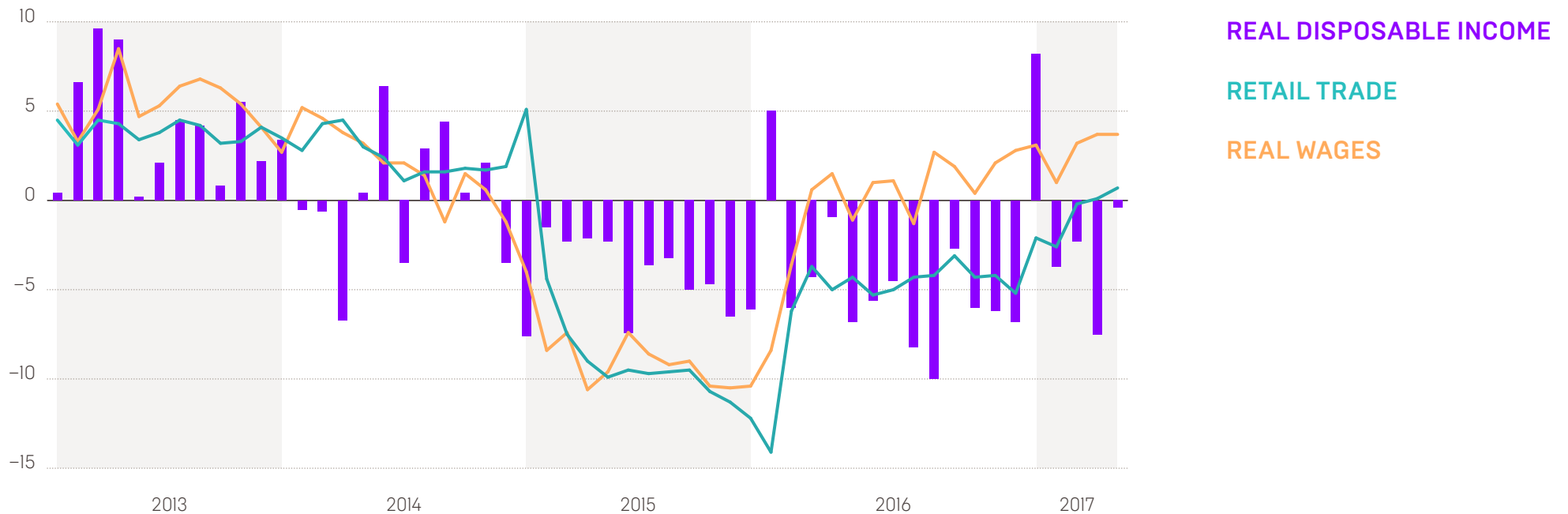
RECOVERY OF INVESTMENT GOODS PRODUCTION AND IMPORTS, % YOY

INVESTMENT DEMAND	2017 Q1
FIXED CAPITAL INVESTMENT	2.3
CONSTRUCTION WORKS	-4.3
CAPITAL GOODS PRODUCTION	0.9
CAPITAL GOODS IMPORTS	4.2

Source: Ministry of Economic Development of the Russian Federation

INCIPIENT RECOVERY IN CONSUMER DEMAND

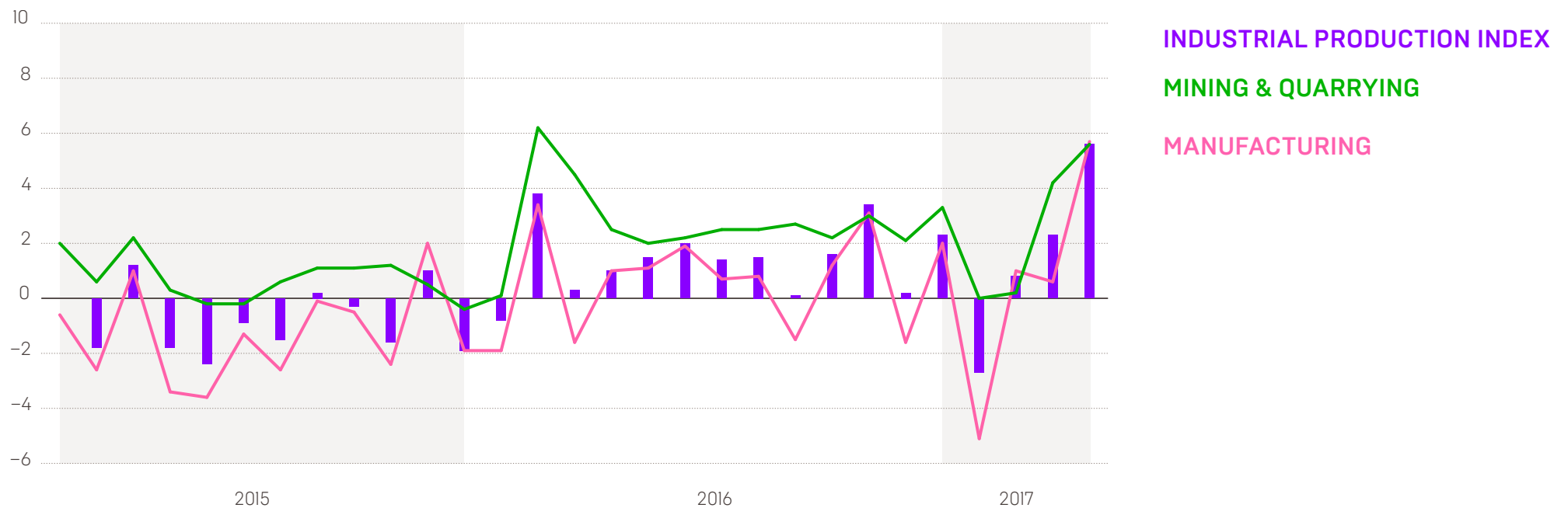
CONSUMER DEMAND, % YOY



- Consumer activity in Russia demonstrated growth in May
- High frequency indicators point to incipient recovery in consumer demand on the back of growing real wages and a pick-up in consumer credit

INDUSTRIAL PRODUCTION SHOWS THE SHARPEST INCREASE IN OVER 5 YEARS

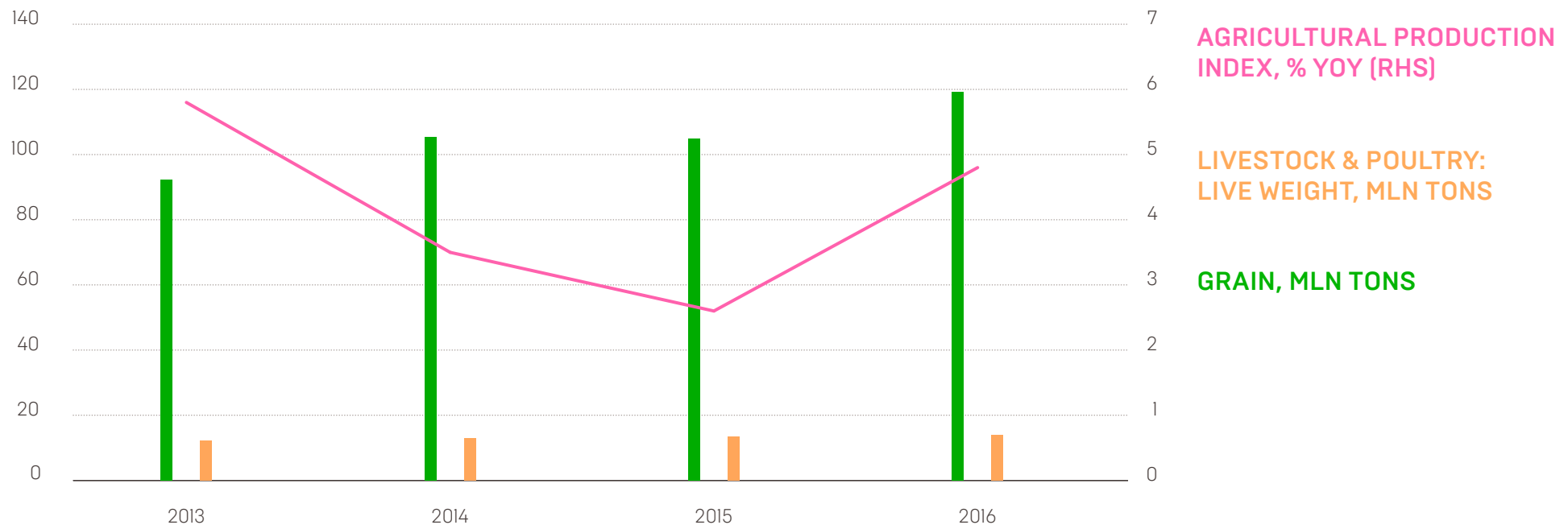
INDUSTRIAL PRODUCTION INDEX COMPONENTS, % YOY



- Russia's industrial production increased by 5.6 % YoY in May 2017, following a 2.3 % rise in the previous month and above market expectations of 2 % gain
- Growth in manufacturing was registered both in consumer and investment goods production
- Forecast for 2017 is 2 % growth

AGRICULTURAL SECTOR CONTINUES TO GROW

IN JANUARY-APRIL 2017 GRAIN PRODUCTION INCREASED BY 3.9 %
LIVESTOCK & POULTRY — BY 4.4 %



- Agricultural production rose by 0.7 % YoY in January-May 2017
- In 2016 capital investment in agriculture soared by 13.3 %
- Despite high share of local production, in some food markets Russia still has high potential demand for agricultural products
- Food processing shows stable 2-3 % annual growth for over 5 years

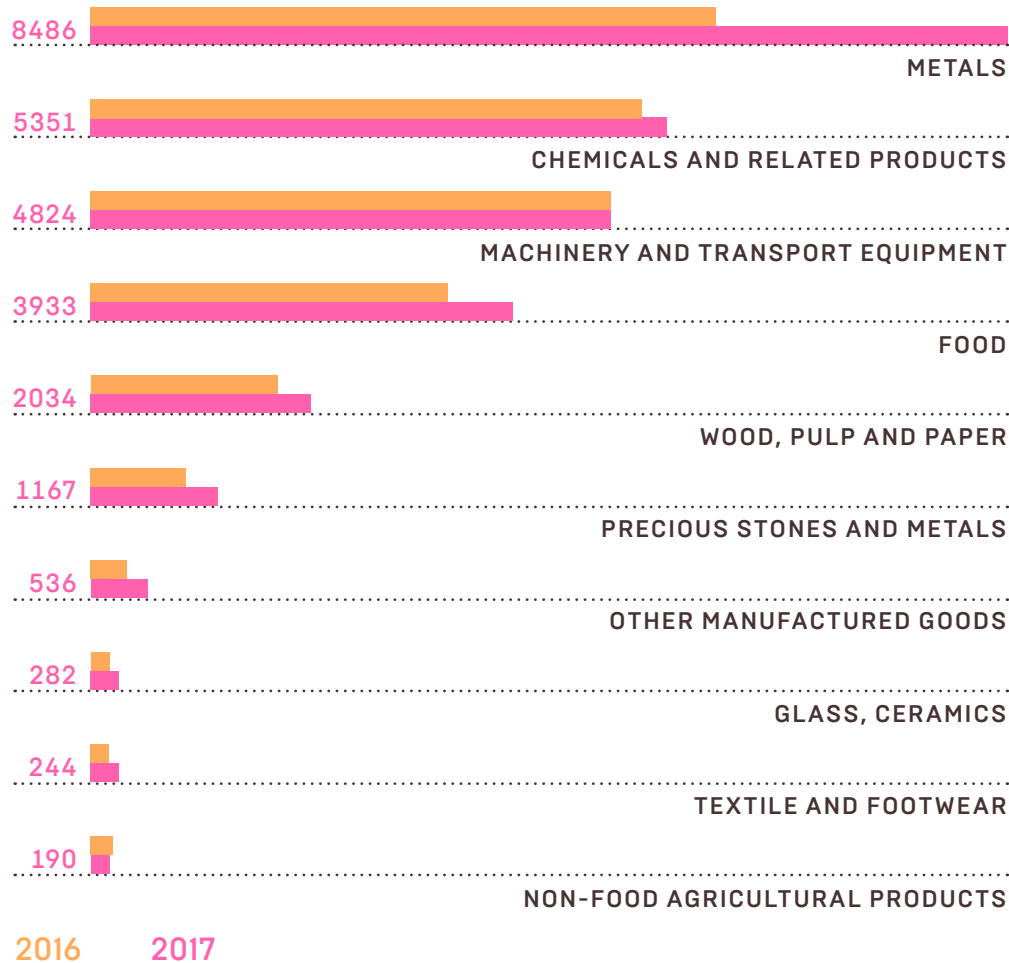
EXPORTS INCREASED BY 35.9 % YOY IN Q1 2017

RUSSIA'S TOP-10 EXPORTS PARTNERS

	2016 Q1	2017 Q1	GROWTH
TOP-10	EXPORT VOLUME, \$ MLN		%
NETHERLANDS	6579	9618	46.2
CHINA	6579	8952	50.1
GERMANY	4745	6890	45.2
BELORUS	3223	3934	22.1
TURKEY	3196	3538	10.7
ITALY	2544	3186	25.2
REPUBLIC OF KOREA	2526	3081	22.0
POLAND	1603	2796	74.4
KAZAKHSTAN	1833	2651	44.6
UNITED STATES	1764	2437	38.2

Source: Russian Export Center

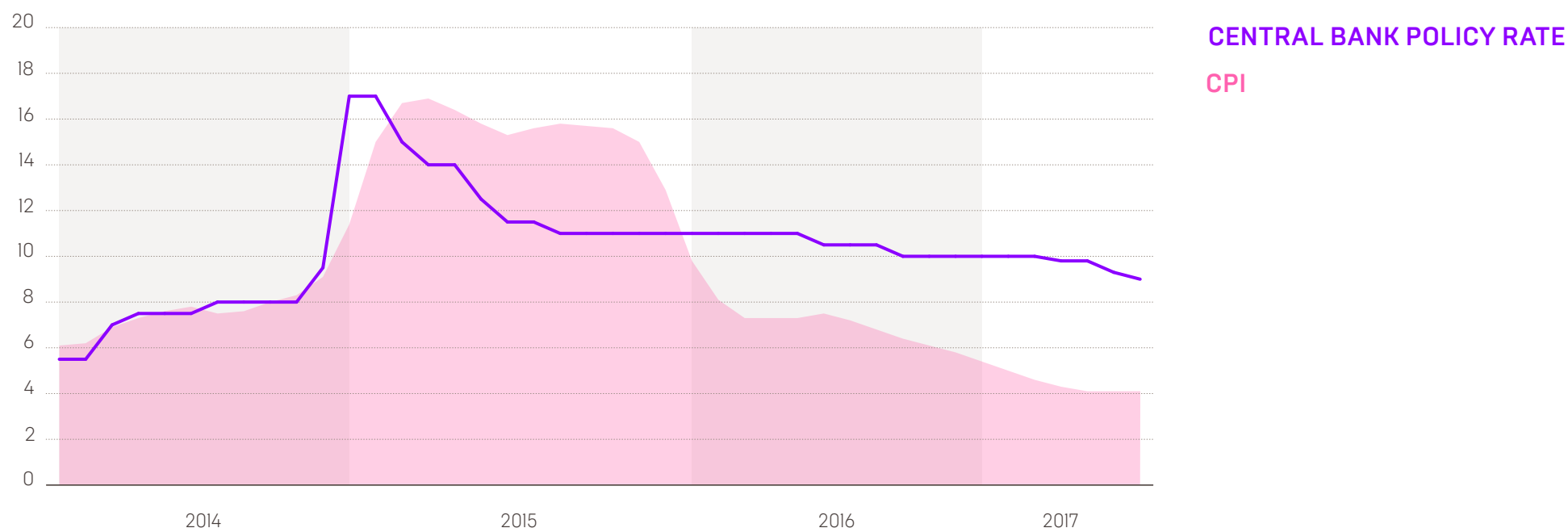
NON-OIL EXPORTS ROSE 9 % YOY IN 2017 Q1, \$ MLN



INFLATION ALMOST REACHED THE END-YEAR 4 % TARGET

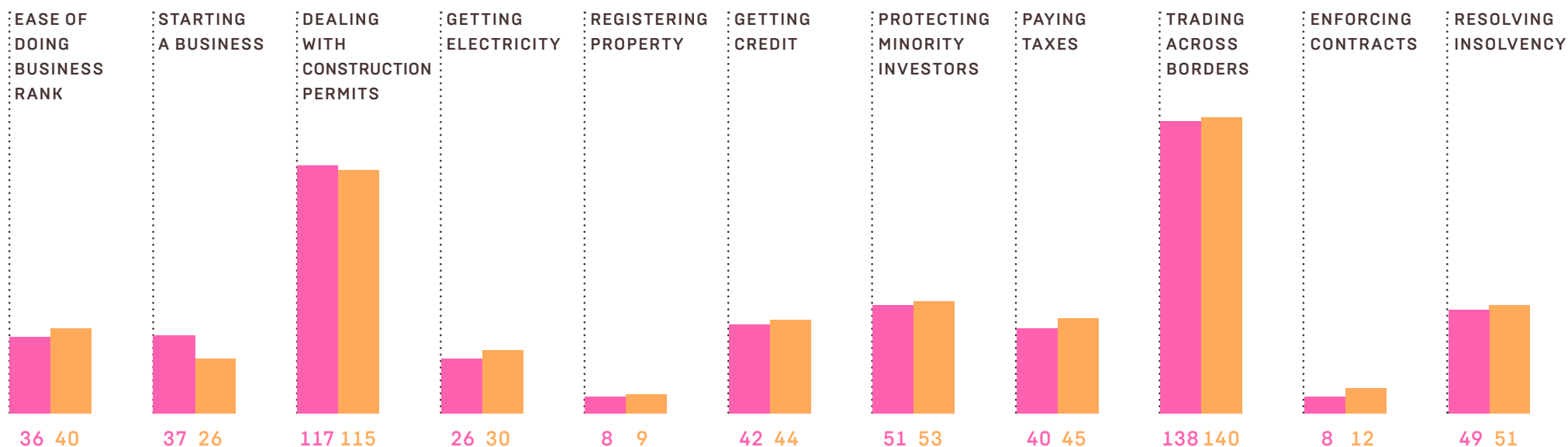
CENTRAL BANK POLICY RATE, % PA

CPI, % YOY



- Consumer prices increased by 4.1% YoY in May 2017, at the same pace as in the previous month and in line with market expectations
- On June 16 the Bank of Russia lowered its key interest rate to 9% from 9.25% in line with its policy to gently invigorate the country's economy
- The Bank of Russia sees room for cutting the key rate in the second half of 2017

RUSSIA IS RANKED 40th OUT OF 190 IN THE GLOBAL DOING BUSINESS REPORT IN 2017



Dynamics have been positive: from 124th position in 2012 to 40th this year

Improvements in 2 key notable areas

- ease of starting a business
- ease of dealing with construction permits

2016

2017

THE FOREIGN INVESTMENT ADVISORY COUNCIL (FIAC)



ESTABLISHED IN 1994

CHAired BY THE RUSSIAN PRIME MINISTER

INCLUDES 54 INTERNATIONAL COMPANIES
AND BANKS WITH \$ 160 BILLION OF INVESTMENTS
IN THE RUSSIAN ECONOMY

Italian participants

- ENEL (power industry)
- Eni (oil and gas)
- Leonardo-Finmeccanica (engineering)
- UniCredit (finance)

Working groups

- Technical regulations and elimination of administrative barriers
- Improvement of tax law
- Improvement of customs law
- Financial institutions and capital markets
- Trade and consumer sector
- Health care and pharmaceuticals
- Localization
- Efficient use of natural resources in Russia
- Image of Russia
- Energy efficiency
- Innovation development
- Development of Far East and Siberia

RUSSIAN EXPORT CENTER GROUP



ONE-STOP-SHOP
FOR EXPORTERS – SUPPORT AND
INTERACTION WITH THE GOV'T

EXPORT CREDIT
AND INVESTMENT INSURANCE

EXPORT
AND IMPORT BANK

2016 REC
PORTFOLIO

SUPPORT
FOR 510 EXPORTERS

TOTAL: \$ 8.9 BLN*

263 INSURANCE
AND REINSURANCE AGREEMENTS

TOTAL: \$ 8.68 BLN

SUPPORT FOR 248 EXPORT
CONTRACTS

TOTAL: \$ 0.54 BLN

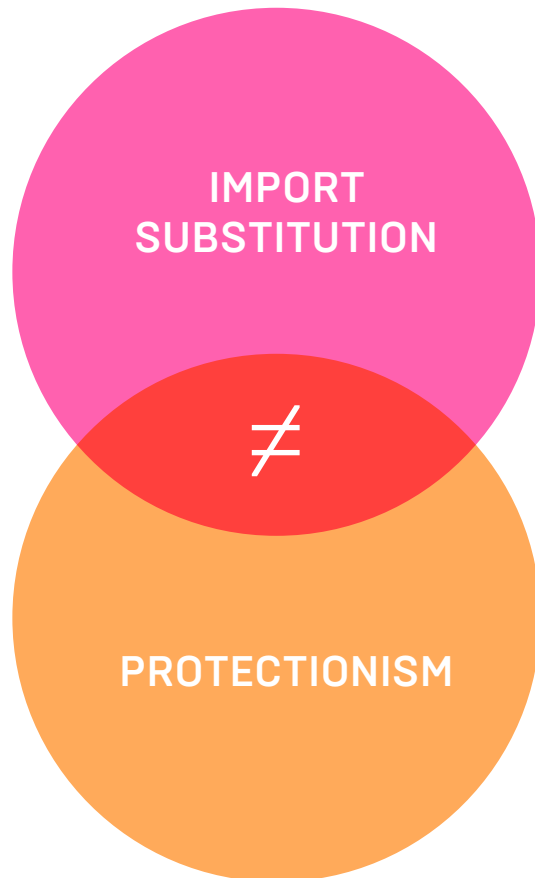
Total support through the REC Group for Russian-Italian foreign trade projects:

- about \$ 1.1 bln
- 26 projects (metallurgy, agriculture, chemical industry, ground transportation vehicles, fuel and fertilizers, textile industry)

- 10 projects are under consideration (chemical industry, transport and energy machinery construction industry, electrical engineering)

* w/o Yamal LNG Project (\$ 4.1 bln)

IMPORT SUBSTITUTION POLICY AS A NEW “WINDOW OF OPPORTUNITY” FOR FOREIGN INVESTORS

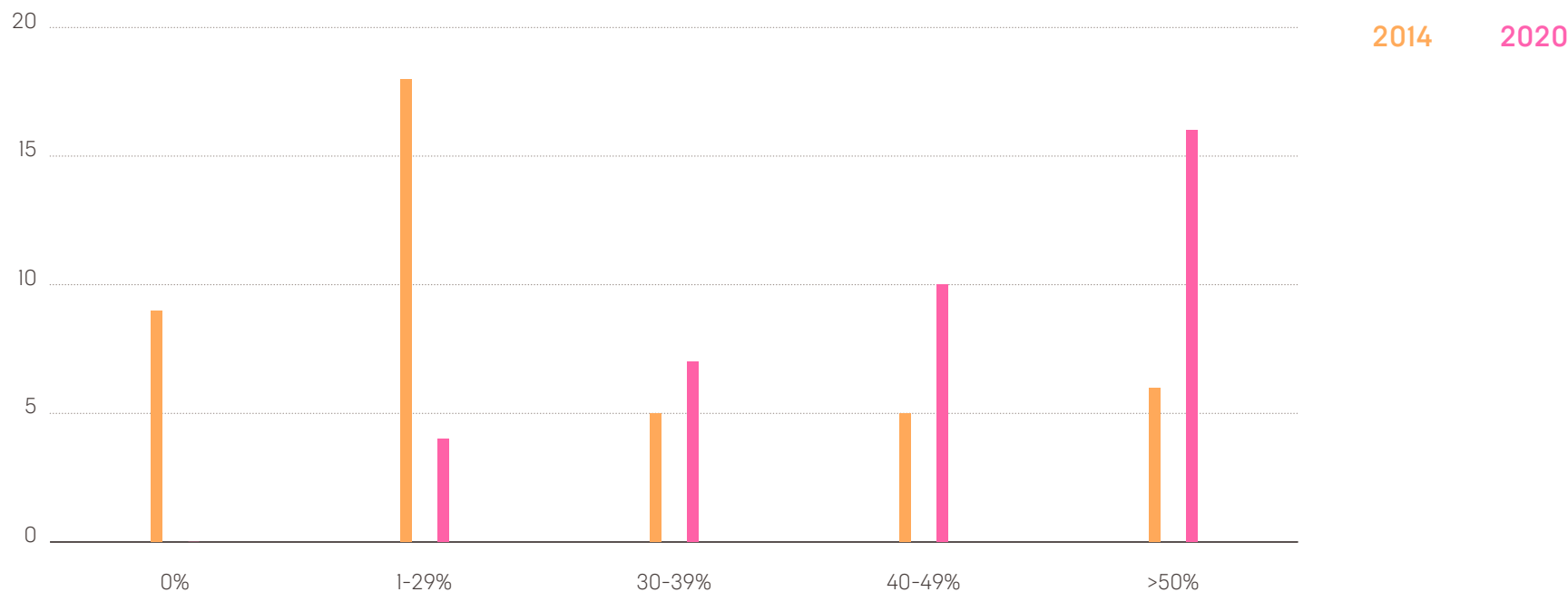


Russia is open for foreign capital. After localization of production a foreign investor can receive strong support from the state:

- Russian Export Center Group: financial and non-financial support measures
- Industrial Development Fund: loans and special investment contracts (SPICs)
- SMEs regulatory liberalization and support through SME-Bank and SME-Corporation
- Special Economic Zones, Advanced Development Territories, Zones of Territorial Development

OIL AND GAS ENGINEERING

NUMBER* OF OIL AND GAS EQUIPMENT TYPES BY SHARE OF ACTUAL AND PLANNED DOMESTIC PRODUCTION

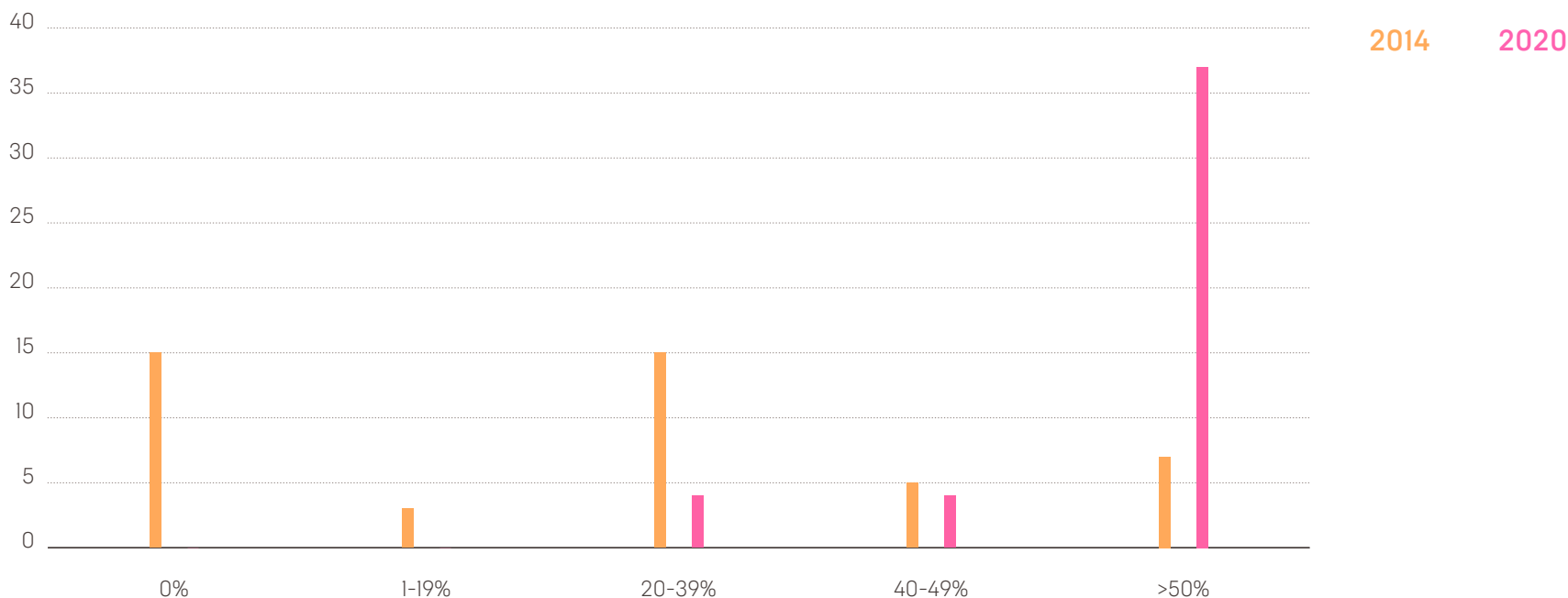


- In 2015, a joint Russian-Italian joint venture of Transneft Oil Pumps was set up to produce pumping equipment in Chelyabinsk
- The project participants are JSC "Transneft", CJSC "CONAR" and Termomeccanica Pompe (Italy)

* out of 43 types

MANUFACTURE OF ELECTRIC POWER EQUIPMENT

NUMBER* OF POWER EQUIPMENT TYPES BY SHARE OF ACTUAL AND PLANNED DOMESTIC PRODUCTION

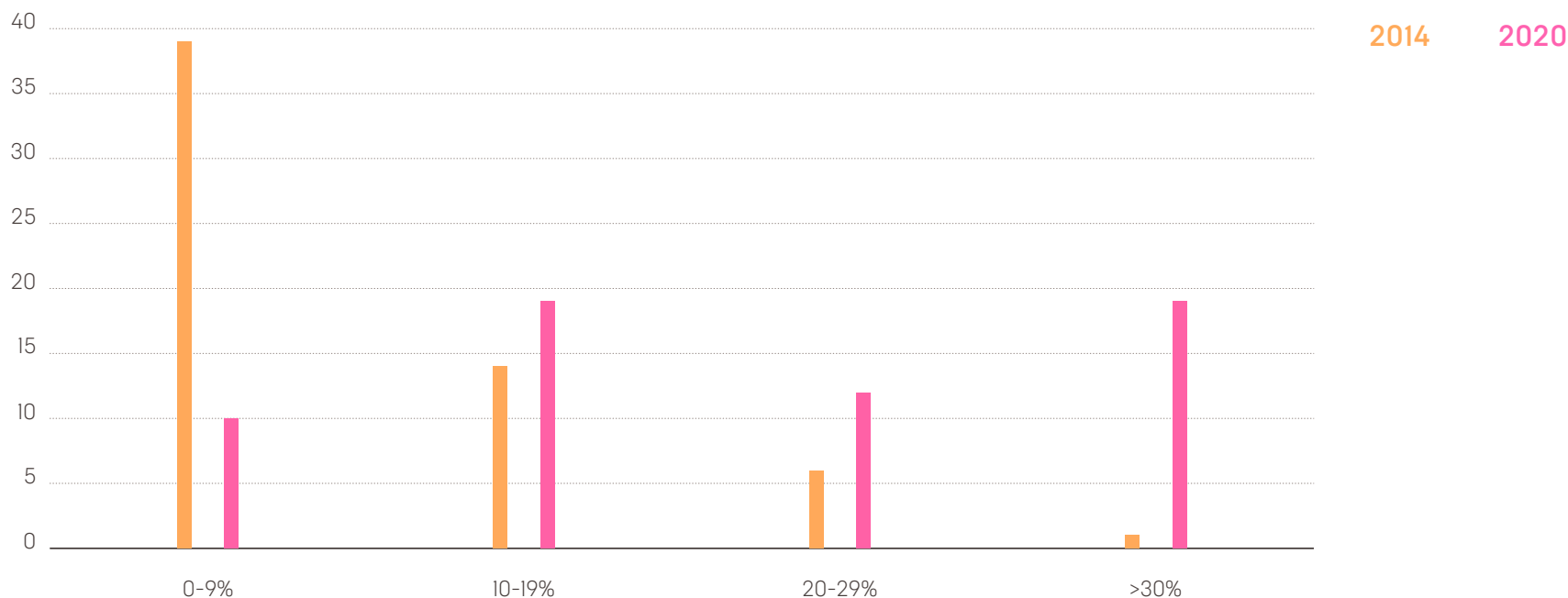


- LLC “Diesel Company” is in talks with Linz Electric (joint venture) about the production of synchronous generators
- JSC “Russian Electric Engines” manufactures electric motors for main and retaining pumping units using technologies of Nidec ASI S.p.A. (Italy)

* out of 45 types

MACHINERY

NUMBER* OF MACHINERY TYPES BY SHARE OF ACTUAL AND PLANNED DOMESTIC PRODUCTION

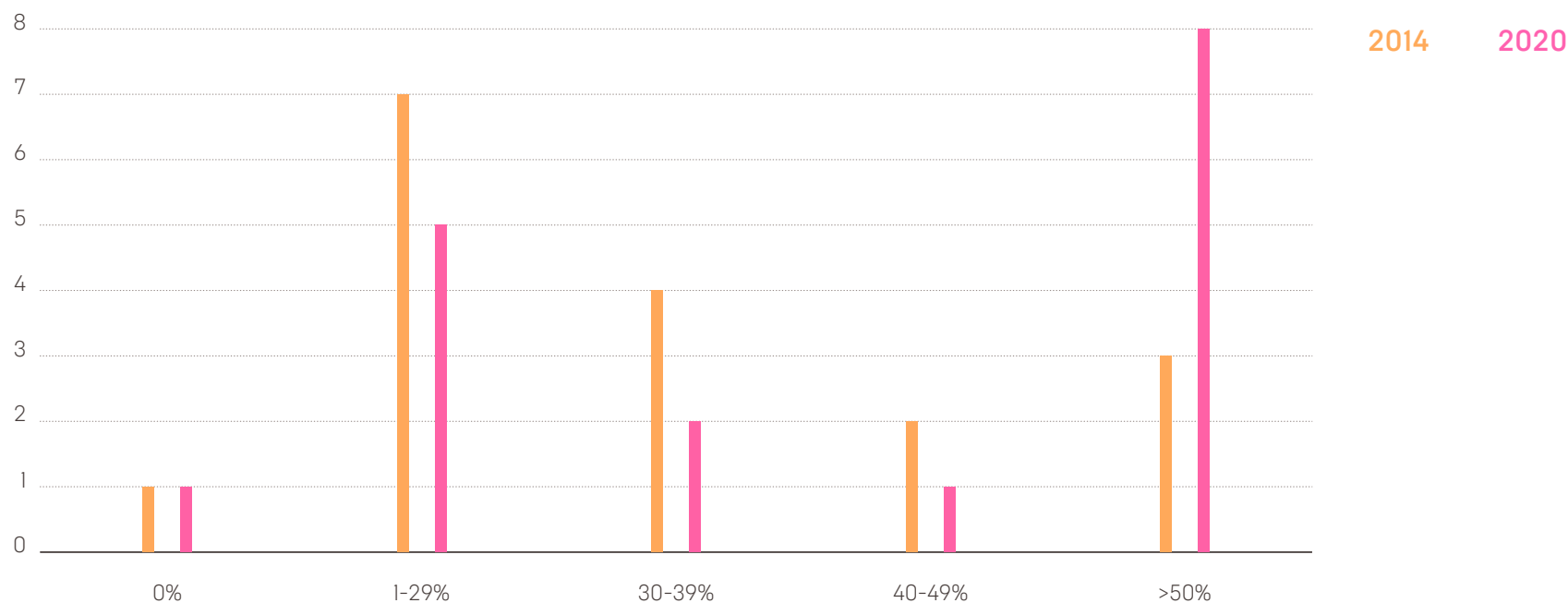


- In 2015, Kosco signed an agreement with Bonetti Costruzioni Meccaniche Srl on the localization of the production of Italian band saws in Russia.
- At the end of 2016, the Italian company had to suspend participation in this project

* out of 60 types

AGRICULTURAL MACHINERY

NUMBER* OF DIFFERENT TYPES OF MACHINES BY SHARE OF ACTUAL AND PLANNED DOMESTIC PRODUCTION

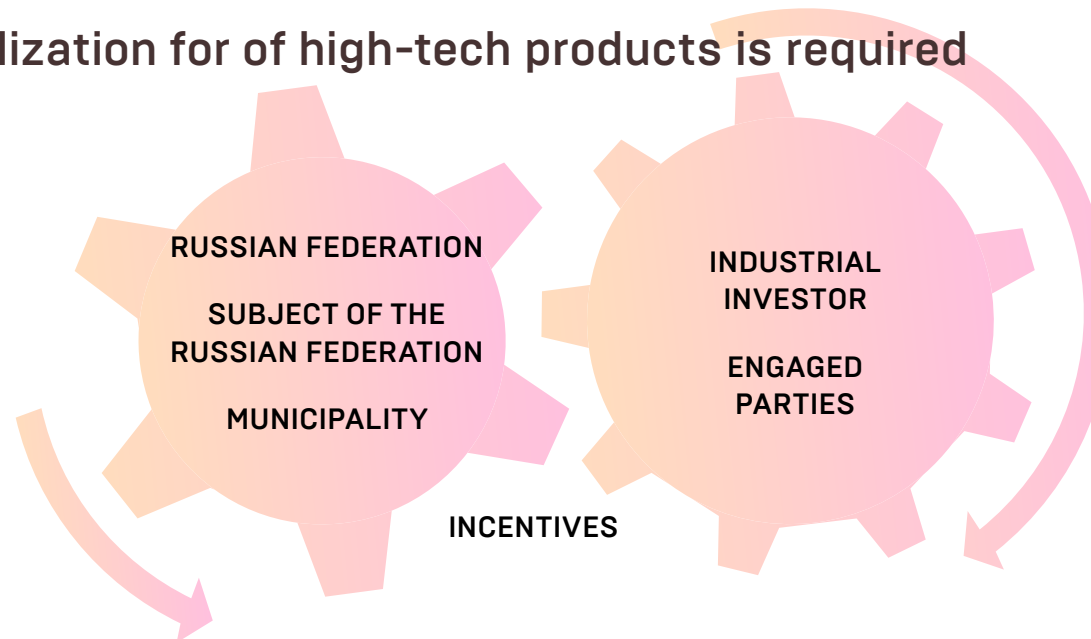


- At the end of 2012, JSC “Kirovsky Zavod” signed an agreement on establishment of a joint venture for the production of agricultural machinery with Same Deutz-Fahr.
- In 2013, LLC “Rostselmash” signed a long-term contract with Comer Industries S.p.A. (Italy) on delivery of special reducers for fodder harvesting equipment.

* out of 17 types

SPECIAL INVESTMENT CONTRACT (SPIC)

- The agreement between an industrial investor and the state (Industrial Development Fund as an operator)
- Duration of the SPIC = time for the project to become operationally profitable + 5 years (but not more than 10 years)
- Production localization for of high-tech products is required



STATE OBLIGATIONS

- stable tax and regulatory business conditions
- special federal and regional incentives for the SPIC parties

INVESTOR'S OBLIGATIONS

- creation/modernization of and mastering industrial production
- investments equal to or above 750 mln RUB

INDUSTRIAL DEVELOPMENT FUND



LAUNCHED IN 2014 BY THE RUSSIA'S MINISTRY OF INDUSTRY AND TRADE

LOAN AMOUNT 50-500 MLN RUB

LOAN TERM UP TO 7 YEARS

LOAN RATES 1% AND 5 % P.A.

PREFERENTIAL CONDITIONS FOR CO-FINANCING PROJECTS

Industry sectors covered

- Machine building
- Medical biopharma
- Metalworking
- Electrical equipment
- Electronics
- New materials
- Textile industry

4 FINANCING PROGRAMS

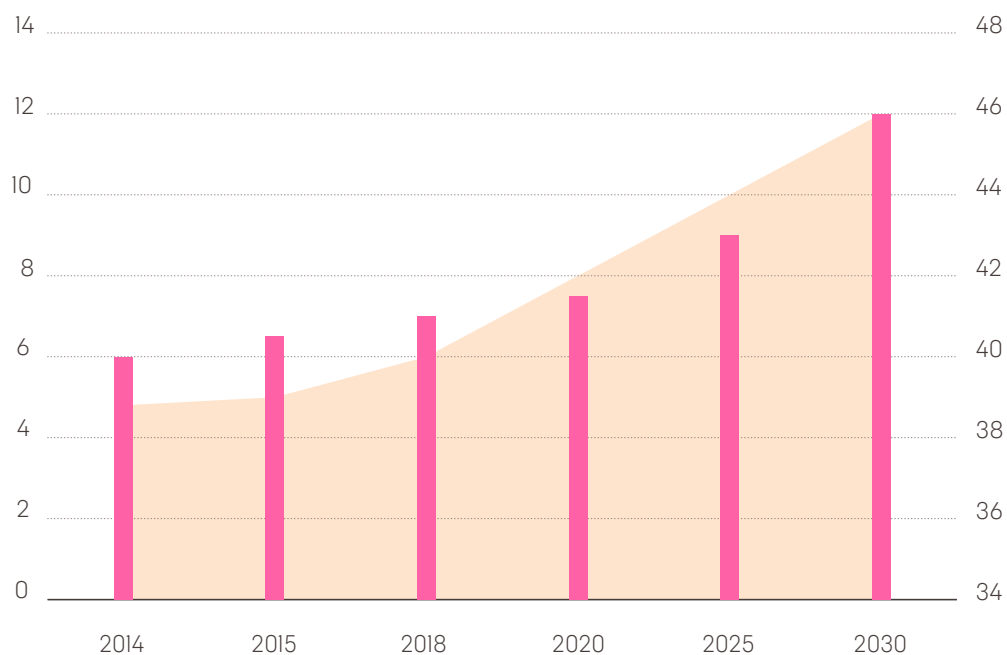
DEVELOPMENT PROJECTS
CONSORTIUM PROJECTS
ESTABLISHMENT OF MASS PRODUCTION
LEASING PROJECTS

BY END-2016

NUMBER OF FUNDED PROJECTS	130
TOTAL LOANS	> 34 BLN RUB
PRIVATE INVESTMENTS	108 BLN RUB
TOTAL PROJECT COST	> 142 BLN RUB

SMALL AND MEDIUM ENTERPRISES

KEY TARGETS FOR SME DEVELOPMENT



SHARE OF SME IN EXPORTS, %

AMOUNT OF SME PER 1 THOUSAND PEOPLE (RHS)

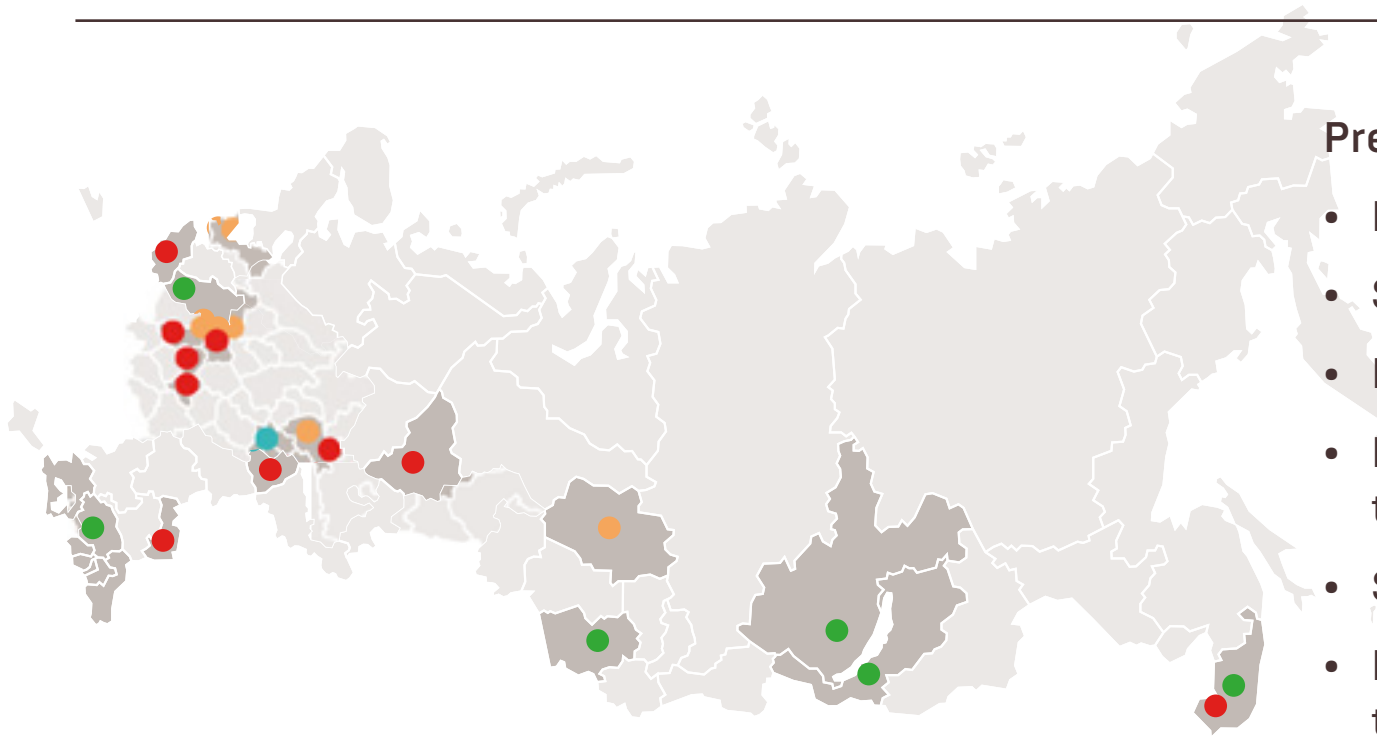
NOW: 6 million SMEs, 25 % of economically active population, 21 % GDP

TARGET-2030: 35 % of economically active population and 40 % GDP

PLANS FOR 2017:

- to give a status of SME to small and medium-size companies established by foreign legal entities
- to make state support available to foreign SMEs without Russian participation

26 SPECIAL ECONOMIC ZONES (SEZ)



Preferences

- Lower administrative barriers
- Science and education centers
- No import duty, refundable VAT
- Investment agreement with the Government
- SEZs are created for 49 years
- Reduced profit tax rate, property, transport tax exemption for 10 years

10 INDUSTRIAL AND PRODUCTION ZONES

6 TECHNOLOGY AND INNOVATION ZONES

9 TOURIST AND RECREATIONAL ZONES

1 PORT ZONES

FDI leaders in SEZ, \$ mln



USA
708



JAPAN
493



TURKEY
423



CHINA
372



GERMANY
248



FRANCE
120



SWITZERLAND
87



ITALY
74

ADVANCED DEVELOPMENT TERRITORIES (ADT) AND THE FAR EAST

Most of ADT — 17 — in the Far East of Russia

Special tax benefits

In 2015-2017 ADT residents:

- Started 17 projects
- Invested 30 bln RUB
- Created 575 jobs

Activity period

70 years
ADT

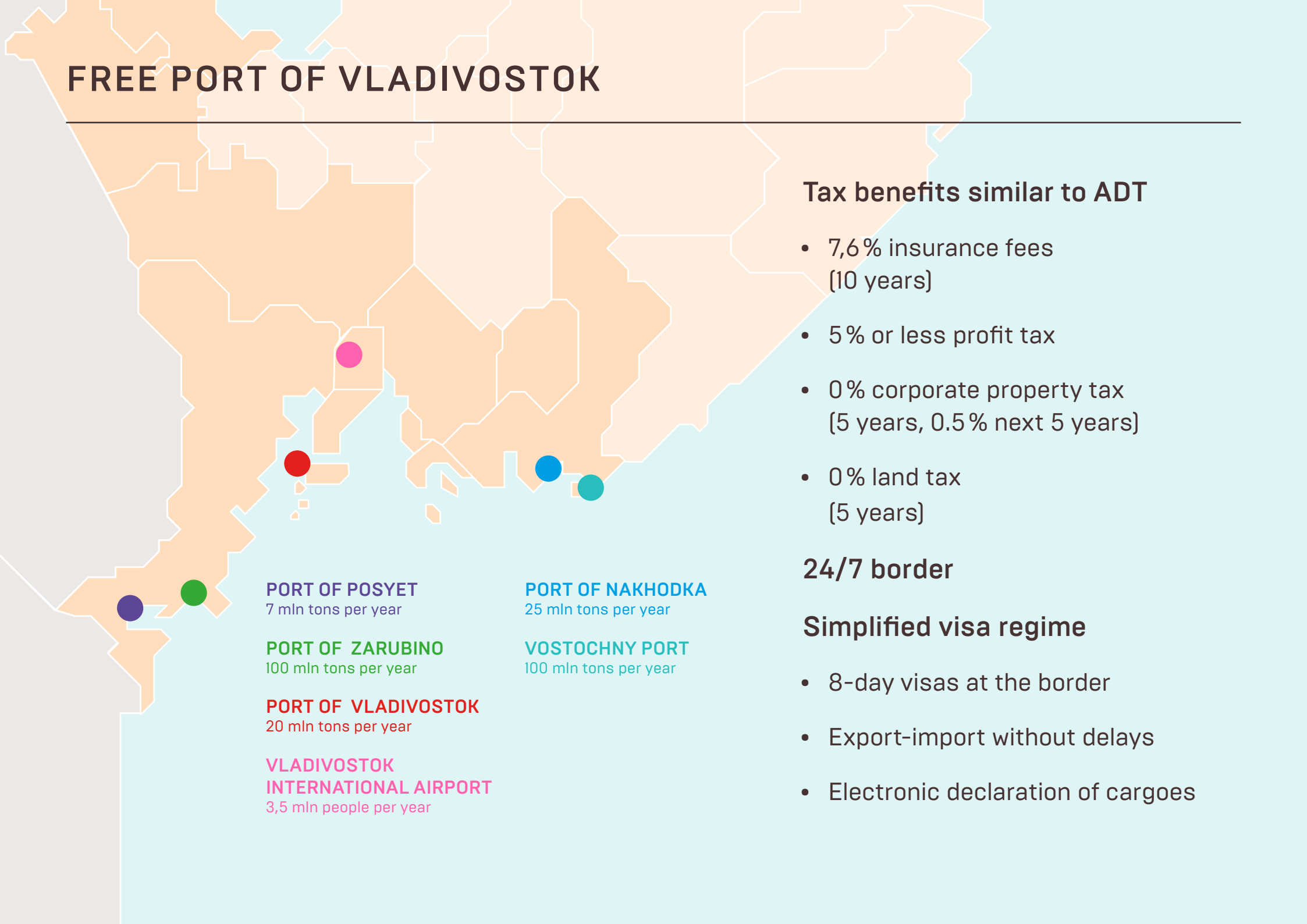
VS

49 years
SEZ

12 years
TDZ



FREE PORT OF VLADIVOSTOK

A map of the Free Port of Vladivostok area, showing the coastline and several ports. The land is colored in shades of orange, and the water is light blue. A horizontal line separates the title from the map. Various colored dots mark the locations of different ports and the airport. The dots are: a pink dot for the airport, a red dot for Vladivostok port, a blue dot for Vostochny port, a teal dot for Nakhodka port, a green dot for Zarubino port, and a purple dot for Posyet port.

Tax benefits similar to ADT

- 7,6 % insurance fees (10 years)
- 5 % or less profit tax
- 0 % corporate property tax (5 years, 0.5 % next 5 years)
- 0 % land tax (5 years)

24/7 border

Simplified visa regime

- 8-day visas at the border
- Export-import without delays
- Electronic declaration of cargoes

PORT OF POSYET
7 mln tons per year

PORT OF ZARUBINO
100 mln tons per year

PORT OF VLADIVOSTOK
20 mln tons per year

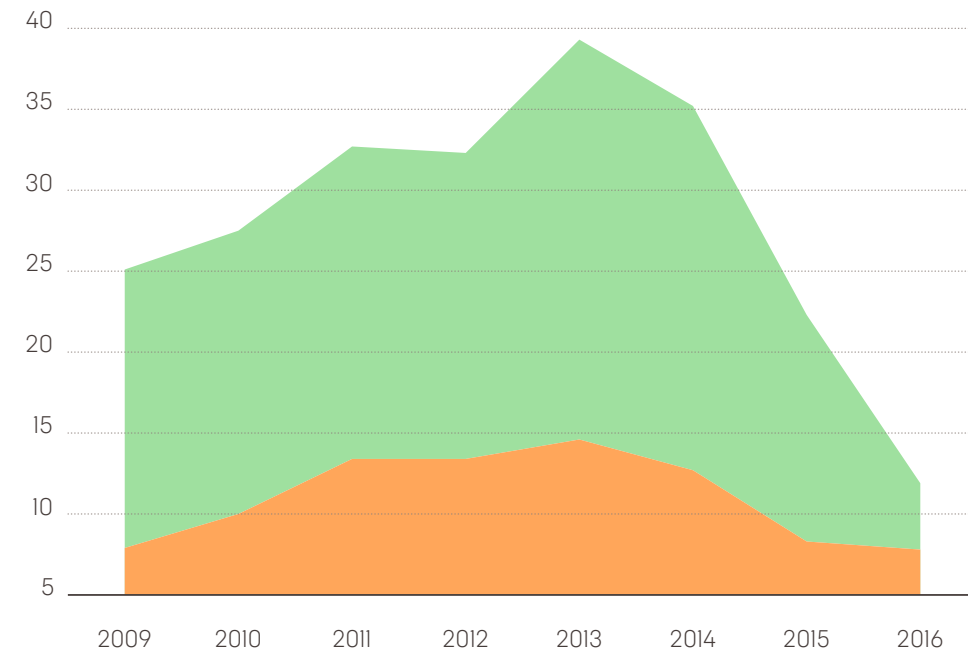
**VLADIVOSTOK
INTERNATIONAL AIRPORT**
3,5 mln people per year

PORT OF NAKHODKA
25 mln tons per year

VOSTOCHNY PORT
100 mln tons per year

RUSSIA-ITALY TRADE IN GOODS

\$ BLN



IMPORTS

EXPORTS

- Share of Italy in Russian foreign trade — 4.2 % (2016)
- In January-April 2017 the Russian-Italian trade increased by 25.5 % (compared to January-April 2016) to \$ 7 bln

PROSPECTIVE AREAS FOR LAUNCHING BREAKTHROUGH PROJECTS

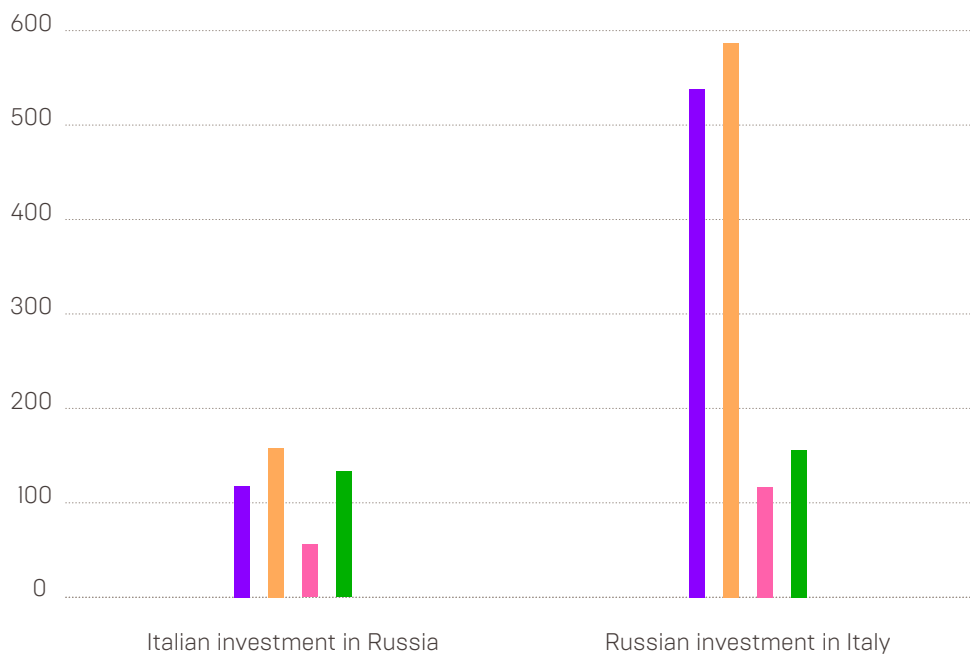
Including, but not limited to

- Information technologies and cybersecurity
- Pharmaceuticals
- Biotechnologies
- Aerospace technologies
- Machinery and equipment
- Metallurgy
- New materials
- Additive Manufacturing (3D Printing)
- Renewable energy
- High-speed railways and other infrastructure

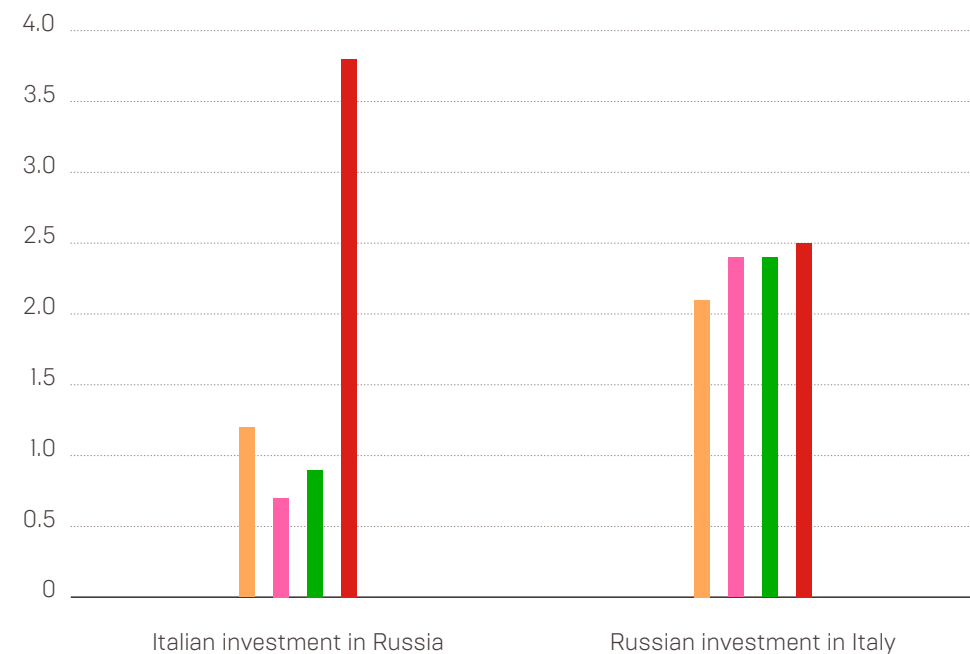


RUSSIAN-ITALIAN INVESTMENT COOPERATION

\$ MLN



ACCUMULATED AMOUNT OF INVESTMENT,* \$ BLN



Italy ranks 13th in Europe and 22nd in the world in terms of accumulated investment in the Russian economy

* As of January 1

2013 2014 2015 2016 2017

ITALIAN COMPANIES IN RUSSIAN REGIONS

REGION	COMPANY	PRODUCTION
LIPETSK REGION		HOUSEHOLD APPLIANCES
REPUBLIC OF TATARSTAN		POLYPROPYLENE
SVERDLOVSK REGION		CEMENT, READY-MIXED CONCRETE
MOSCOW REGION		AW139 HELICOPTERS
		MEAT SEMI-FINISHED PRODUCTS
KALUGA REGION		PHARMACEUTICAL PRODUCTS

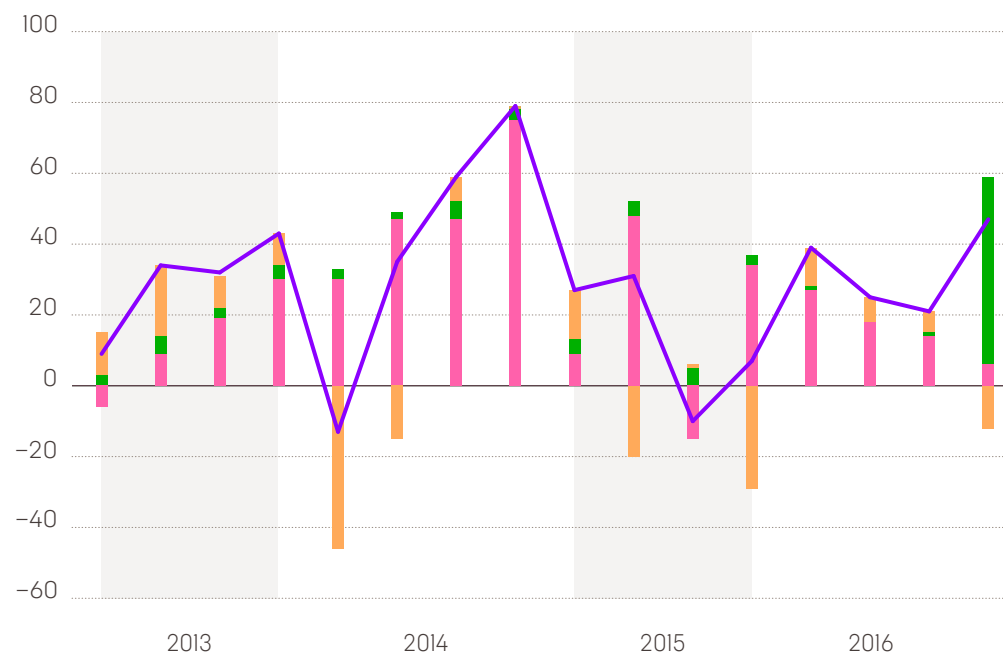
MOSCOW HAS ACCUMULATED ¾ OF TOTAL ITALIAN FDI IN RUSSIA

ITALIAN DIRECT INVESTMENT IN THE RUSSIAN FEDERATION BY REGION,* \$ MLN

REGION / TERRITORY	TOTAL	EQUITY CAPITAL	DEBT INSTRUMENTS
RUSSIAN FEDERATION	3756	3441	315
MOSCOW	2786	2658	128
MOSCOW REGION	94	48	46
VOLGOGRAD REGION	42	38	5
KALUGA REGION	42	3	39
REPUBLIC OF KOMI	17	–	17
VLADIMIR REGION	16	–	16
KALININGRAD REGION	13	< 0.5	13
LENINGRAD REGION	9	–	9
OTHER	10	3	6

Source: Bank of Russia
* As of January 1, 2017

HALF OF ALL ITALIAN FDI IN 2016 ACCOUNTED FOR EQUITY CAPITAL, \$ MLN



DEBT INSTRUMENTS REINVESTMENT OF EARNINGS
EQUITY CAPITAL TOTAL

ON THE RUSSIA-EU INITIATIVE “PARTNERSHIP FOR MODERNIZATION”

- ENERGY
- TRANSPORT
- HEALTH
- TRADE AND INVESTMENT
- CUSTOMS
- TECHNICAL REGULATIONS
- AGRICULTURE
- SPACE
- INTELLECTUAL PROPERTY
- MIGRATION
- VISA-FREE DIALOGUE
- ENVIRONMENT
- MACROECONOMICS
- SCIENCE
- PUBLIC PROCUREMENT
- INFORMATION SOCIETY



The current level of the Russia-EU Partnership for Modernization Initiative is unsatisfactory

Only three active sectoral dialogues

Non-conflict areas of mutual interest:

- Customs and Technical Regulation
- Transport
- R&D
- Information Society

ECONOMIC BENEFITS FROM THE EU – EAEU DIALOGUE

- **The Eurasian Economic Union (EAEU)**
Russia, Belarus, Kazakhstan, the Kyrgyz Republic, Armenia
- **About 50 countries have expressed their desire to start cooperation with the EAEU**
- **The concept of “Greater Eurasia”**
EAEU, CIS and partners (China, India, Pakistan, Iran)
- **The EU – EAEU dialogue could help create a barrier-free environment from the Atlantic to the Pacific**



KEY ECONOMIC FORUMS



ST. PETERSBURG INTERNATIONAL ECONOMIC FORUM

Annual Russian business event for the economic sector under the auspices of the Russian President



KRASNOYARSK ECONOMIC FORUM

The largest negotiation platform behind the Urals



EASTERN ECONOMIC FORUM

The main aim is the development of Russian Far East



RUSSIAN INVESTMENT FORUM

Traditional platform for presenting Russia's investment and economic potential



INNOPROM

International industrial exhibition

THANK YOU!

ac.gov.ru



ANALYTICAL CENTER
FOR THE GOVERNMENT
OF THE RUSSIAN FEDERATION