

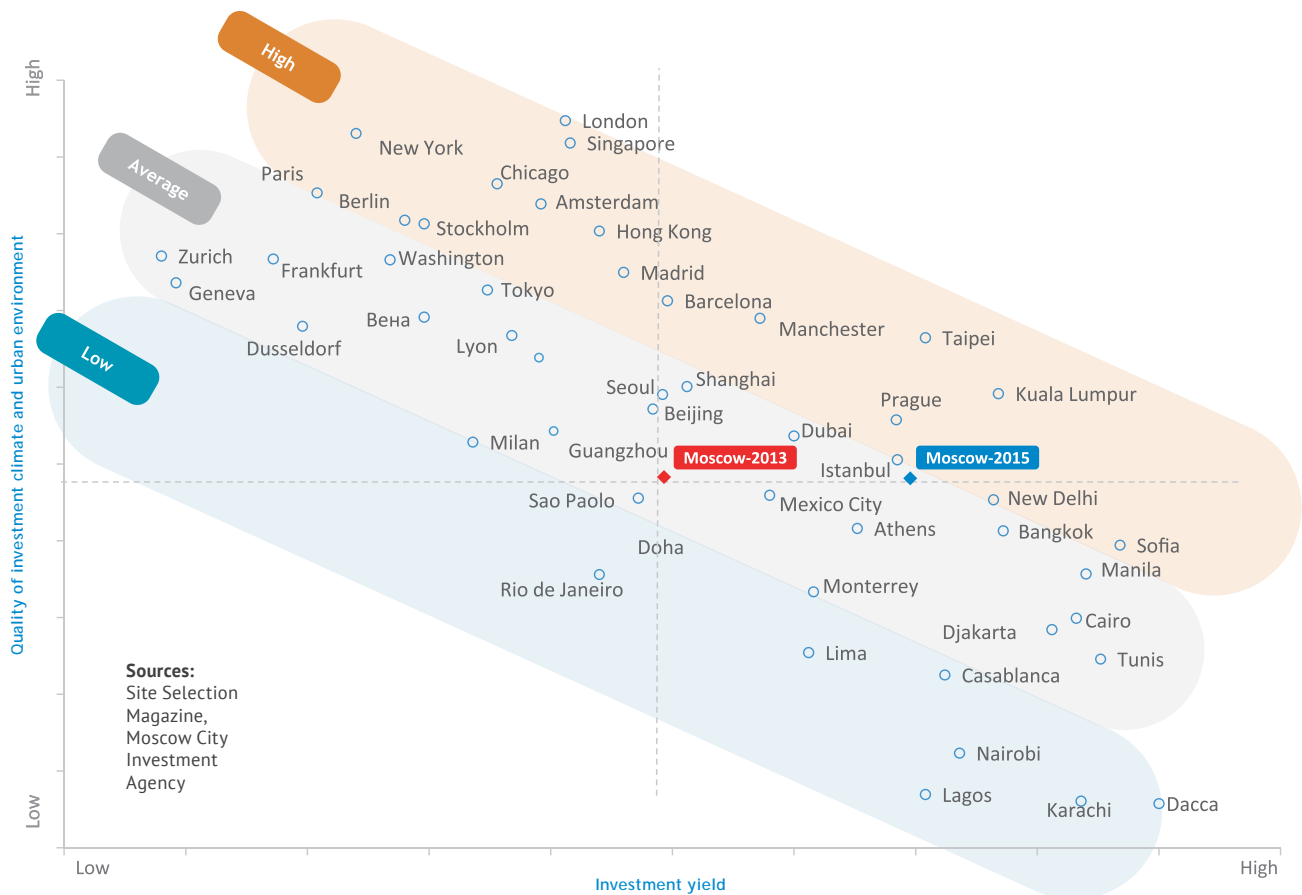


TIME OF OPPORTUNITY
for doing business in Moscow

MOSCOW REMAINS one of the world's largest metropolitan cities with enormous economic potential

- One of the priorities of Moscow's investment policy is to promote expansion of the **amount and share of competitive investments in total investments**.
- **Until the second half of 2014**, comparatively high business costs remained one of the main factors holding back Moscow's international competitiveness. The Moscow City Government policy is to **improve quality parameters while curbing further cost rises**.
- In this context, Moscow has gained additional competitive advantages over the leading metropolitan cities of the world in the struggle for investments, including competitive ones. While the quality parameters of the business environment have been preserved, the weakened national currency and **resulting reduced costs of doing business** (in US dollar terms) have led to growth in potential return on investment.
- Moscow has retained **crucial non-price competitive distinctions**: top-rated labour force, mature transport infrastructure, highly developed information and communications technologies, great research and educational potential, and high quality urban environment.

GLOBAL competitive positions of Moscow

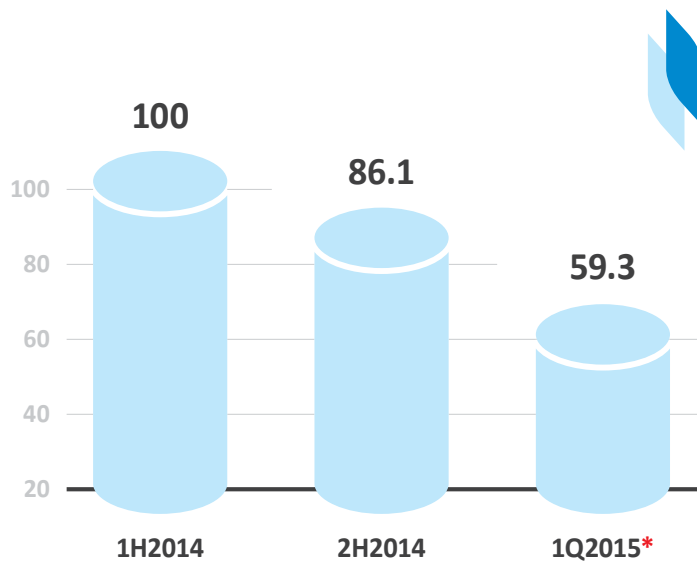


- Prior to the recession, Moscow had **advantages over the leading cities of the world in terms of price competition**, while losing in terms of quality. Compared with Russian regions and Eastern Europe, Moscow **excelled in terms of quality**, but offered higher costs.
- The recession that began in 2014 has brought about **a considerable reduction in costs and an increase in Moscow's price competitiveness**.
- A key objective of the Moscow City Government is **to maximise potential growth in the quality parameters**.

TO ASSESS CHANGES in business costs Moscow has developed a special index

- The cost index is calculated as the **average weighted change in certain costs incurred by companies in US dollar terms** during the current period in relation to the baseline period (expressed as a percentage).
- The formula uses the **current** costs incurred by companies that already **operate on the market**.
- Only **significant costs** are considered for each company (accounting, on aggregate, for at least 80% of current combined business costs).
- A **“standard” company is considered** for each business (with a fixed number of employees, property parameters, location, field and scope of activity).
- A reduction in the index implies that **doing business is getting cheaper**.

COST INDEX for an IT company



Cost index

(% of 1H2014,
in US dollar terms)

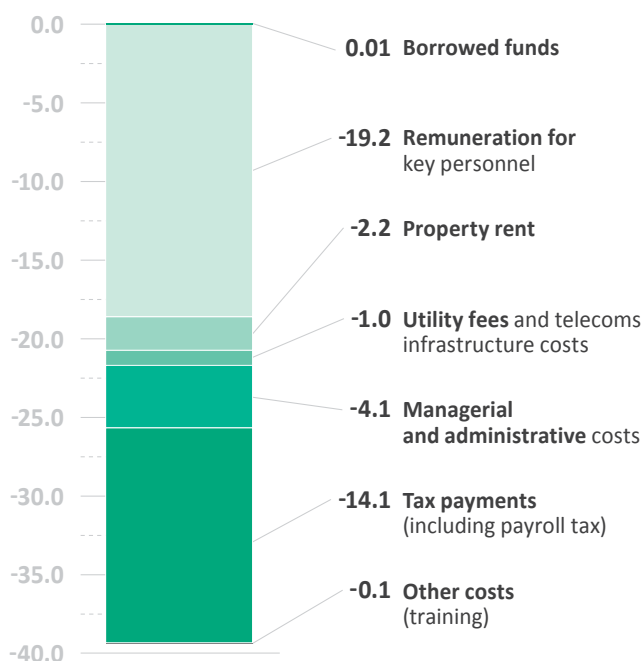
The index is calculated from the average weighted exchange rate for the period.

Type of business: IT company (software development and promotion)

Employees: 45

Premises: rented Class A office between the Moscow Ring Road and the Third Transport Ring

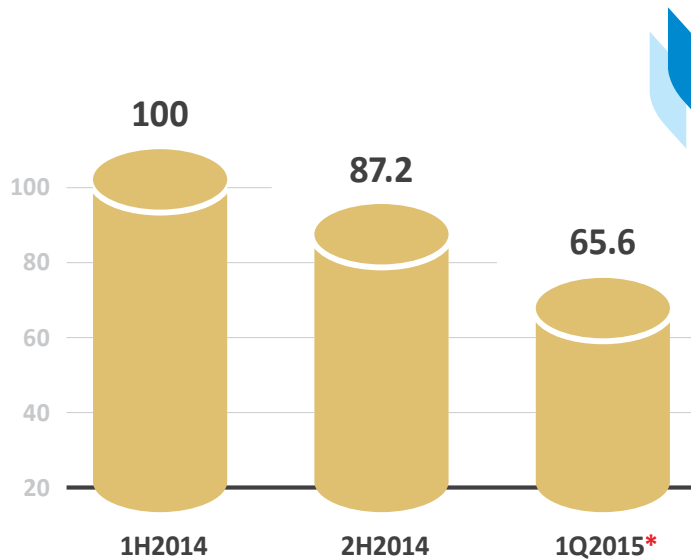
Contributions by individual cost components to the overall change** (1Q2015 on 1H2014)



* 1Q2015 – forecast based on the average exchange rate of 65 roubles/USD

** The contribution by individual cost components is defined as the product of the change in charges associated with the given component multiplied by the weight of this component in the overall cost structure.

COST INDEX for a manufacturing company



Cost index

(% of 1H2014,
in US dollar terms)

The index is calculated from the average weighted exchange rate for the period.

Type of business:

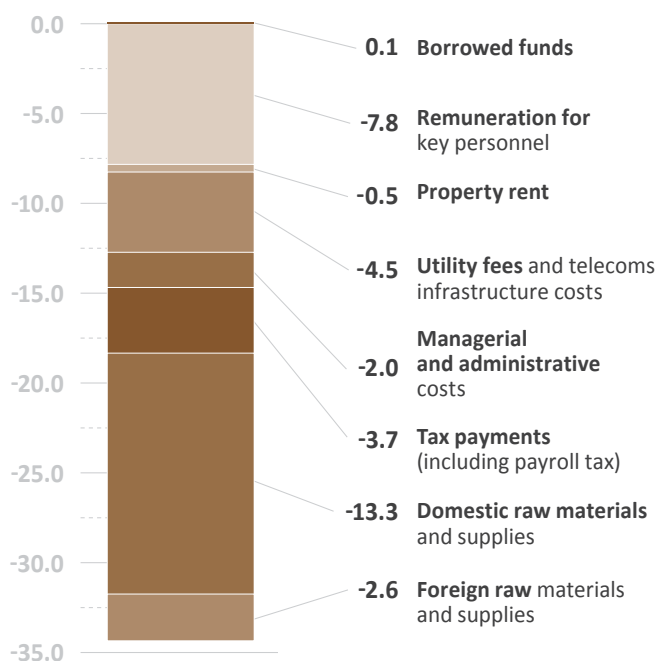
manufacturing company
(food production)

Employees: 2,800

Premises:

owned premises and land between the Moscow Ring Road and the Third Transport Ring, rented office space within the Third Transport Ring

Contributions by individual cost components to the overall change ** (1Q2015 on 1H2014)



* 1Q2015 – forecast based on the average exchange rate of 65 roubles/USD

** The contribution by individual cost components is defined as the product of the change in charges associated with the given component multiplied by the weight of this component in the overall cost structure.

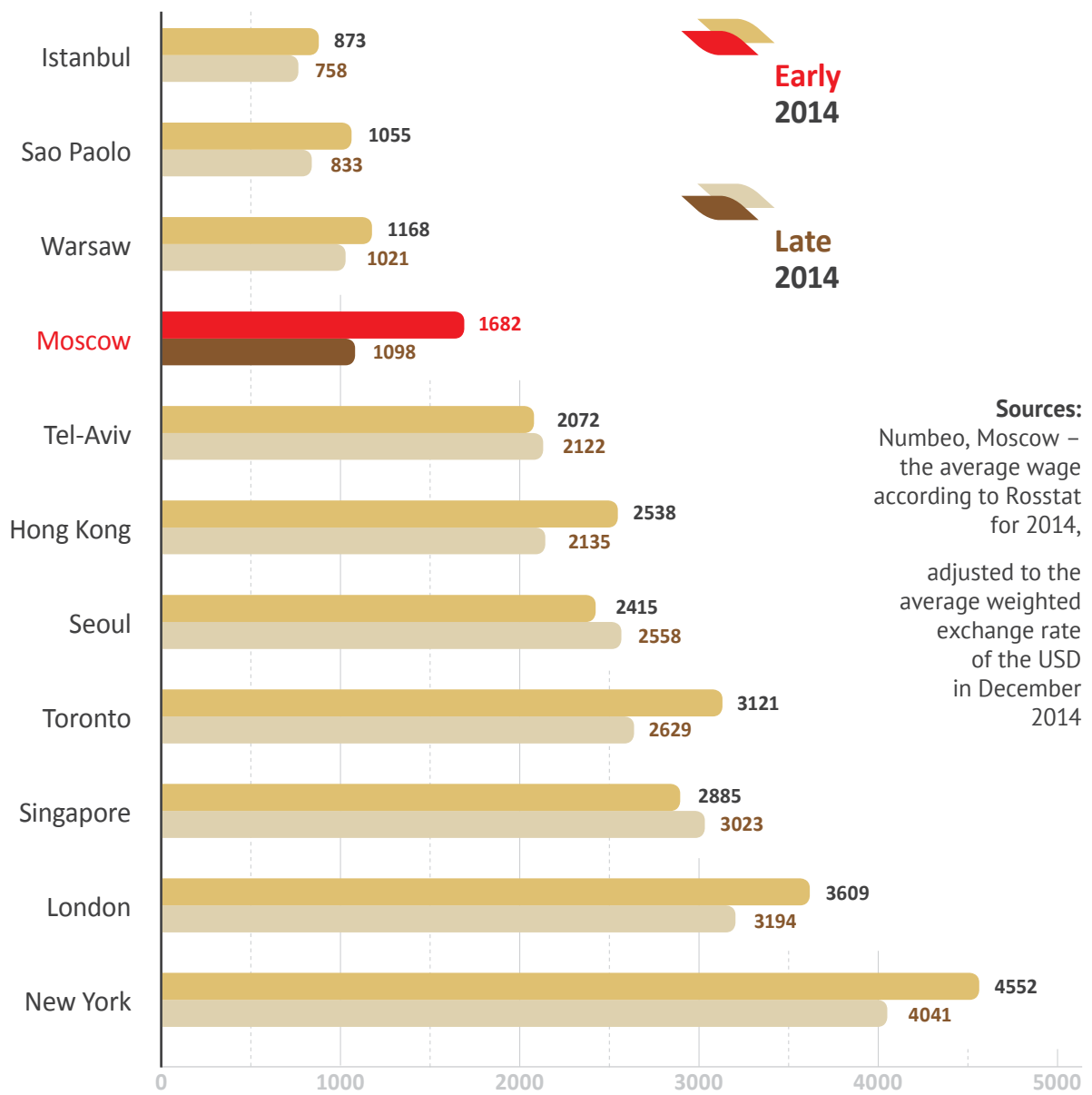
THE REDUCTION IN COSTS is a characteristic of all industries but is not uniform

- The following industries and companies can benefit the most:
 - those with high added value
 - those with a relatively small share of borrowed funds
 - those with a low share of imported raw materials and supplies.
- Moscow [appears to be one of the world's cheapest metropolitan cities](#) in terms of many types of cost. Infrastructure, labour and rent costs have dropped markedly.
- Throughout 2015 (on the condition that the exchange rate stabilises), [an increase in costs is projected owing to the anticipated growth in rouble-denominated prices](#), especially those for raw materials and supplies. However, the new price advantages [will remain](#) compared with peer cities.

LABOUR COSTS



Average wage (net of taxes),
US dollars per month

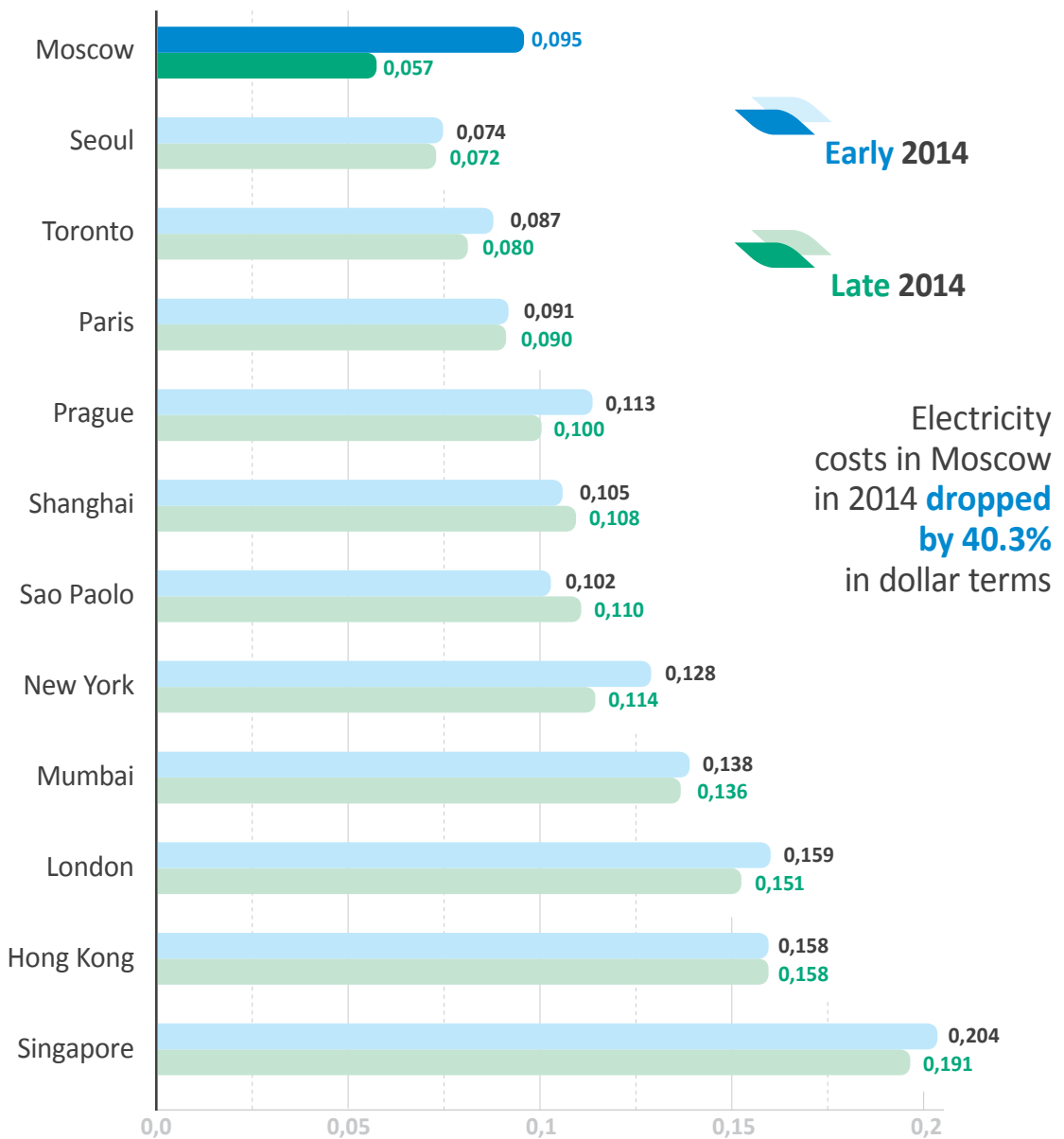


Sources:
Numbeo, Moscow – the average wage according to Rosstat for 2014, adjusted to the average weighted exchange rate of the USD in December 2014

INFRASTRUCTURE



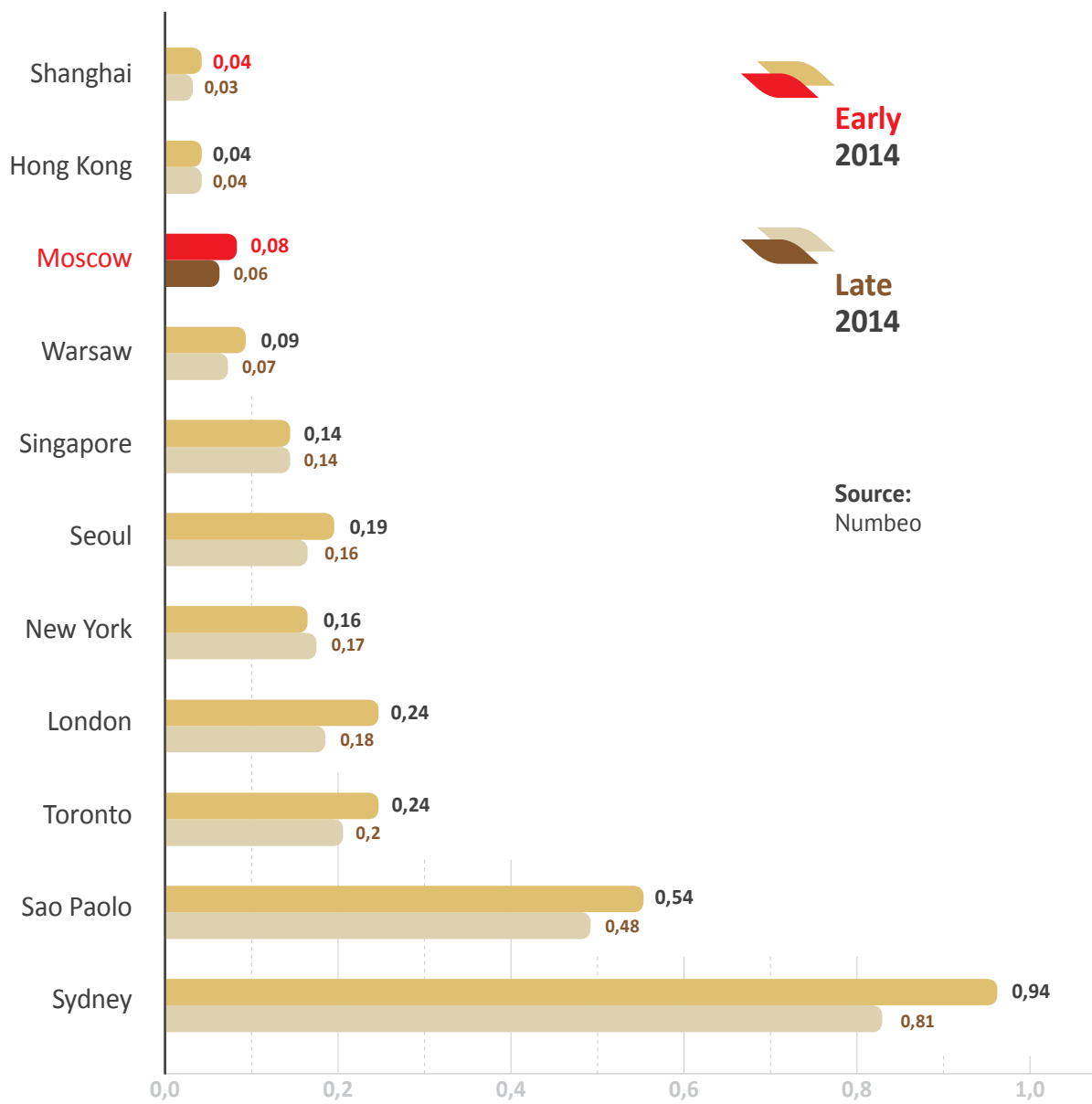
Electricity costs for companies and organisations, USD / kWh



Sources: national sources, for Moscow – OJSC Mosenergosbyt offered non-regulated price (volume – up to 150 kWh), at year-end – average weighted USD exchange rate in December 2014

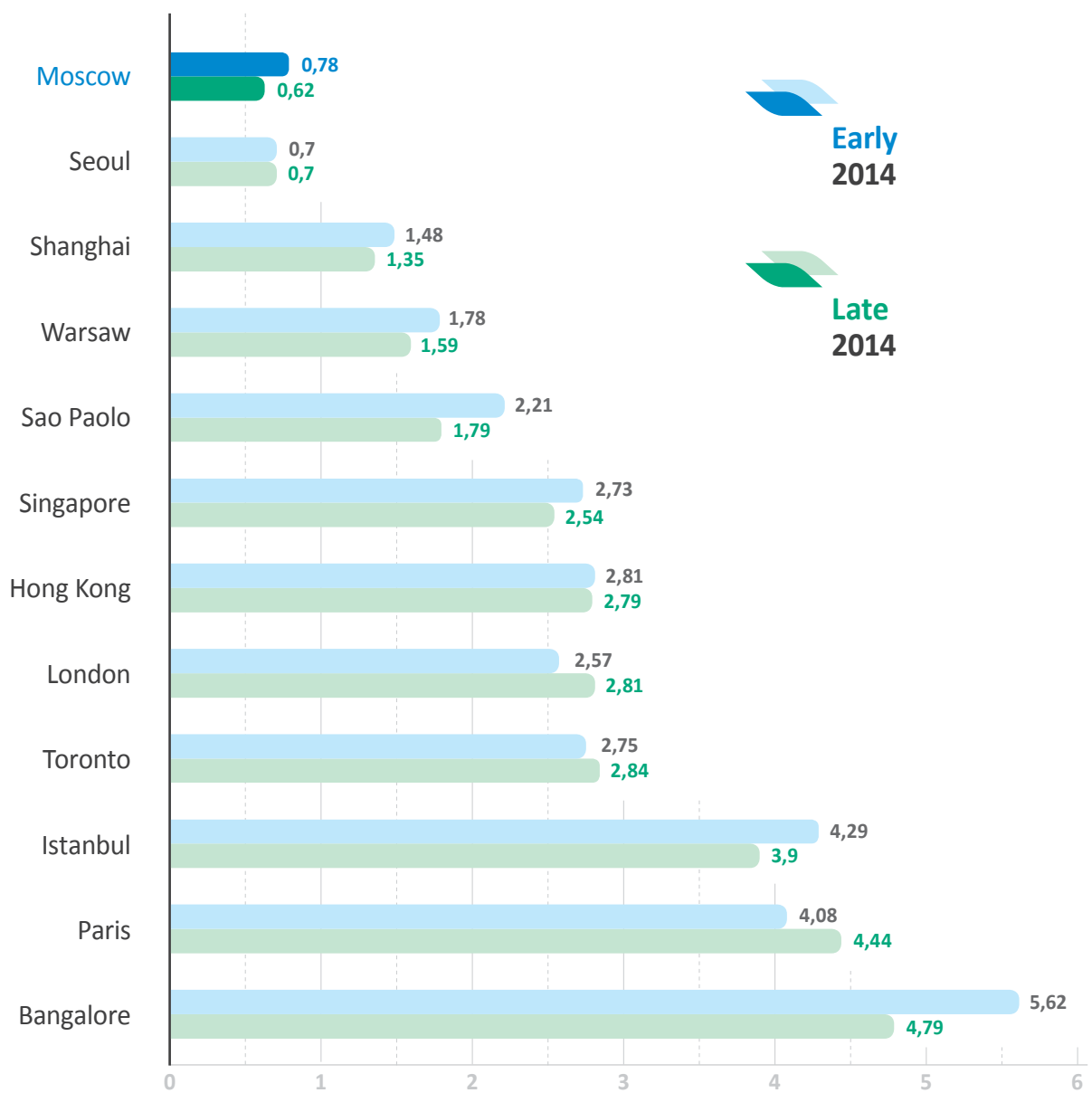
INFORMATION AND COMMUNICATIONS infrastructure

MOBILE TELEPHONY costs (prepaid rate), USD / minute



INFORMATION AND COMMUNICATIONS infrastructure

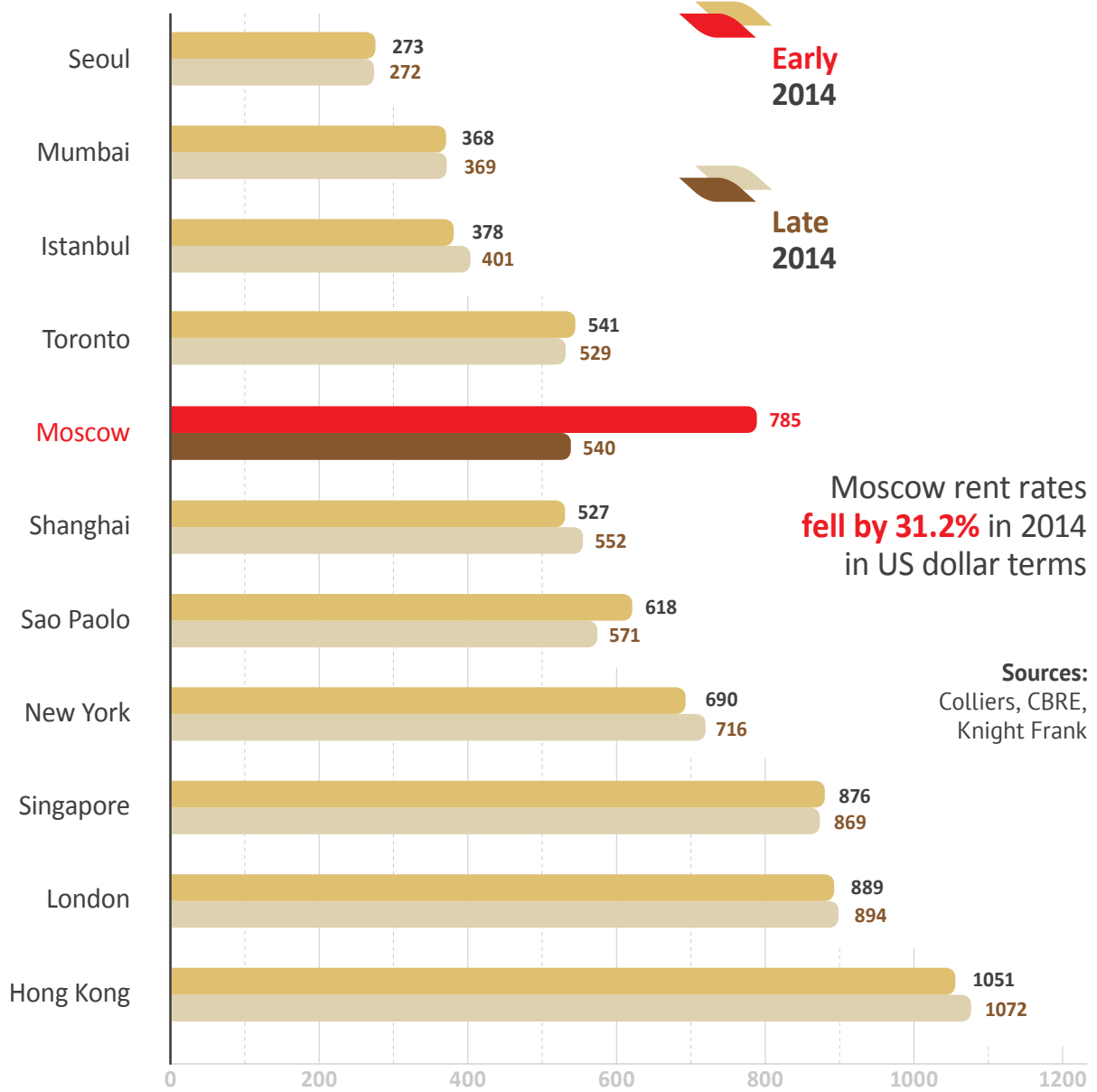
**Average BROADBAND
Internet access costs,**
USD / Mbps



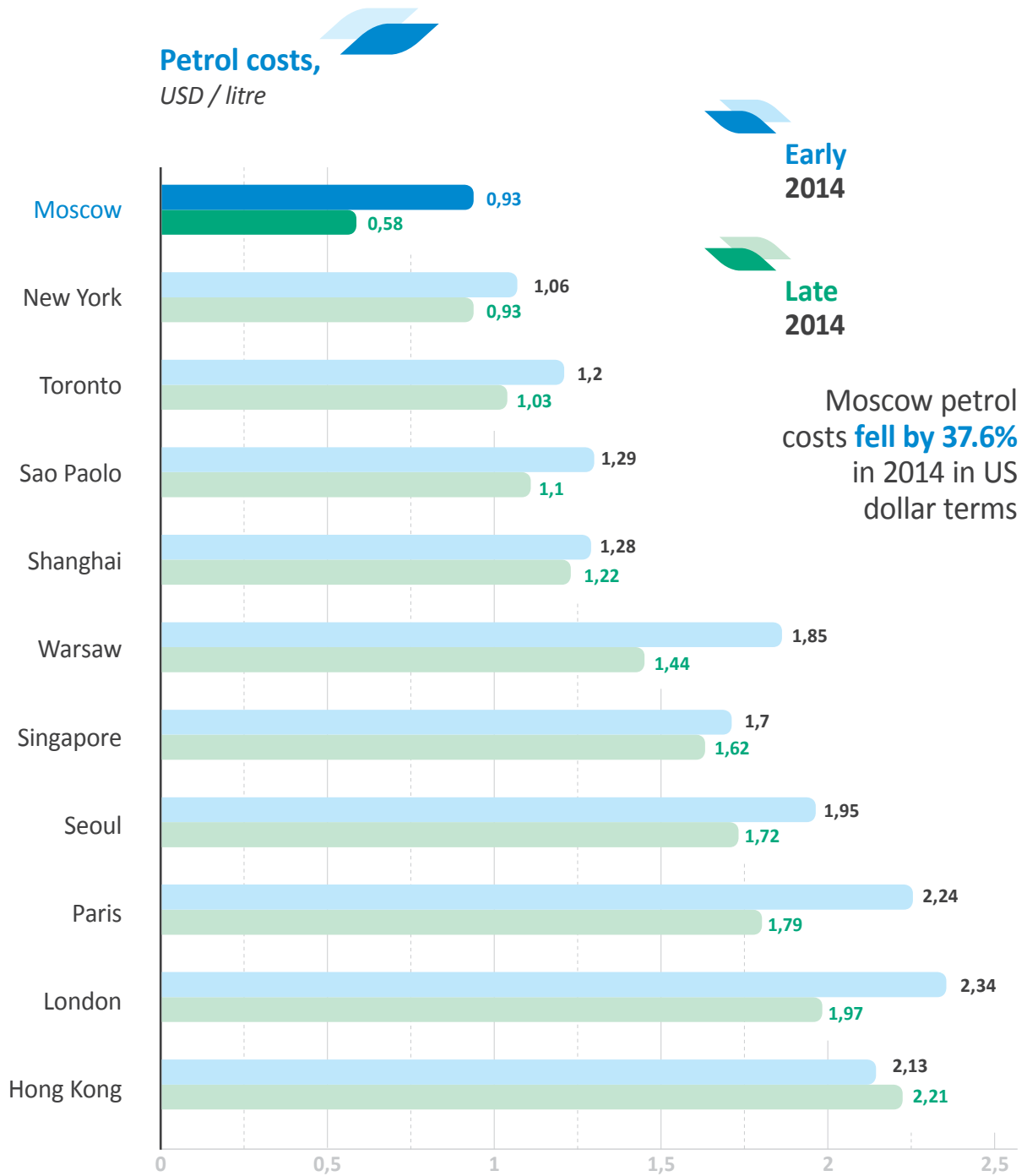
Source: Ookla Net Index, New America Foundation

PROPERTY RENT

Average offered rent rates of Class A office properties,
USD per square metre / year



PRODUCTION and transport costs



Sources: Numbeo, Moscow – retail prices in December 2014, adjusted to the average weighted exchange rate of the USD in December 2014

WHO TO CONTACT?



Moscow City Government

www.mos.ru/en



Department of Economic Policy and Development of Moscow

www.depr.mos.ru/en



Moscow City Investment Agency: promotion of investment opportunities, benefits and achievements of the city of Moscow, increase the investment attractiveness of urban infrastructure and streamline the investment process. The agency aims to introduce new forms of interaction with the investment community, both Russian and foreign, develop the investment process and make cooperation between the state authorities, business and society more effective.

<http://en.investmoscow.ru/agency>



