



Offset Contracts

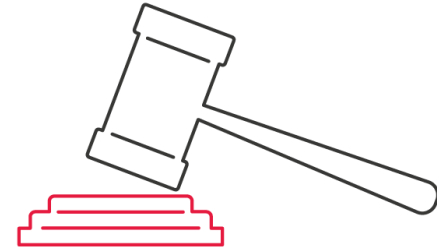


Moscow
Government

investmoscow.info
MOSCOW INVESTMENT PORTAL

Offset contract

The mechanism was introduced in 2016 with the active cooperation of the Moscow Government and the Ministries of Economic Development of the Russian Federation.



An offset contract provides for the **delivery of goods** and counter-investment obligations of the supplier – **the creation or modernization and (or) development of the production** of such goods in the territory of the subject of the Russian Federation.

Regulation:

- **Article 111.4** of Federal Law **# 44-FZ** "On the Contract System ..."
- Decree of the Government of the Russian Federation from November 12, 2016 **# 1166** (planning, competition, price formula, security).
- Decree of the Government of the Russian Federation from December 22, 2016 **# 1441** (price on derivative contracts with a single supplier).

Key Contract Conditions



at least **₽1 bn**
investment amount



up to **10 years**
contract term



Produced and supplied goods:
goods of Russian origin



Supplier-investor:
Russian legal entity

Offset contract features



Securing investment obligations:
2 – 5 % of the investment amount



Securing Delivery Obligations: **absence is allowed**, if there is no advance payment



Lot consolidation:
in the absence of competition restrictions (expressly provided for pharmaceuticals)



Price Indexing:
is allowed based on **price formula**

Offset Contracts

State procurements with counter localization obligations

According to federal law 223-FZ

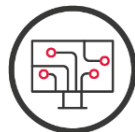
+ for Moscow:

- Supply price reduction;
- Import substitution, guaranteed supplies;
- New jobs and tax basis growth.

+ for investor:

- Solvent consumer;
- Long-term sales guarantee;
- Sole supplier register inclusion.

Priority areas:



Key conditions of Contracts

Up to **10** years

Contract term

>₽1 bn

volume of investment in construction, upgrading and/or production engineering

Russian-made goods procurement

Already concluded:

3 contracts

₽9.8 bn

Private investments

>₽40 bn

Procurement amount

First Offset Contract

Subject of the contract: drugs
(oncology/ immunomodulators)

33 INN

the number of drugs purchased
(international generic names)

22 INN

Final contract price
Reduction ~50%

10 years

Contract term

NEW PRODUCTION SET-UP

3 years

PRODUCT SUPPLY

7 years

Within 3 years, the production of finished dosage forms and substances will be created for at least 2 biological INN

₽3 bn

Investment in the production creation

Production facilities location
SEZ Technopolis Moscow

BIOCAD
Biopharmaceutical Company

▪ Construction in progress

Second Offset Contract

Subject of the contract : drugs (wide range of diseases)

31 INN

amount of drugs purchased

68% of imported drugs

₽18.4 bn

~RUR 2.6 bn per year

Final contract price

Reduction from Contract Maximum

Starting Price - 18.5%

10 years

contract term

NEW PRODUCTION SET-UP

4 years *

PRODUCT SUPPLY

7 years

Within 4 years, the production of finished dosage forms and substances will be created for at least 3 biological INN

₽5.8 bn

of investments in production creation

Production facilities location

SEZ Technopolis Moscow



R-PHARM
Innovative
health
technologies

- SEZ Resident status received
- The design is in progress

Third Offset Contract

Subject of the contract: Medical Products for Ostomy Patients

44

number of medical devices

99% import

₽8.6 bn

Final contract price

10 years

contract term

NEW PRODUCTION SET-UP

3 years

PRODUCT SUPPLY

In 2 stages*

₽1 bn

Investments in the creation/
development/modernization
of production



Гемамед
здоровый ритм жизни

- Tender procedures are held. The winner is Gemamed LLC
- Offset contract concluded

* Due to different technological features of the product