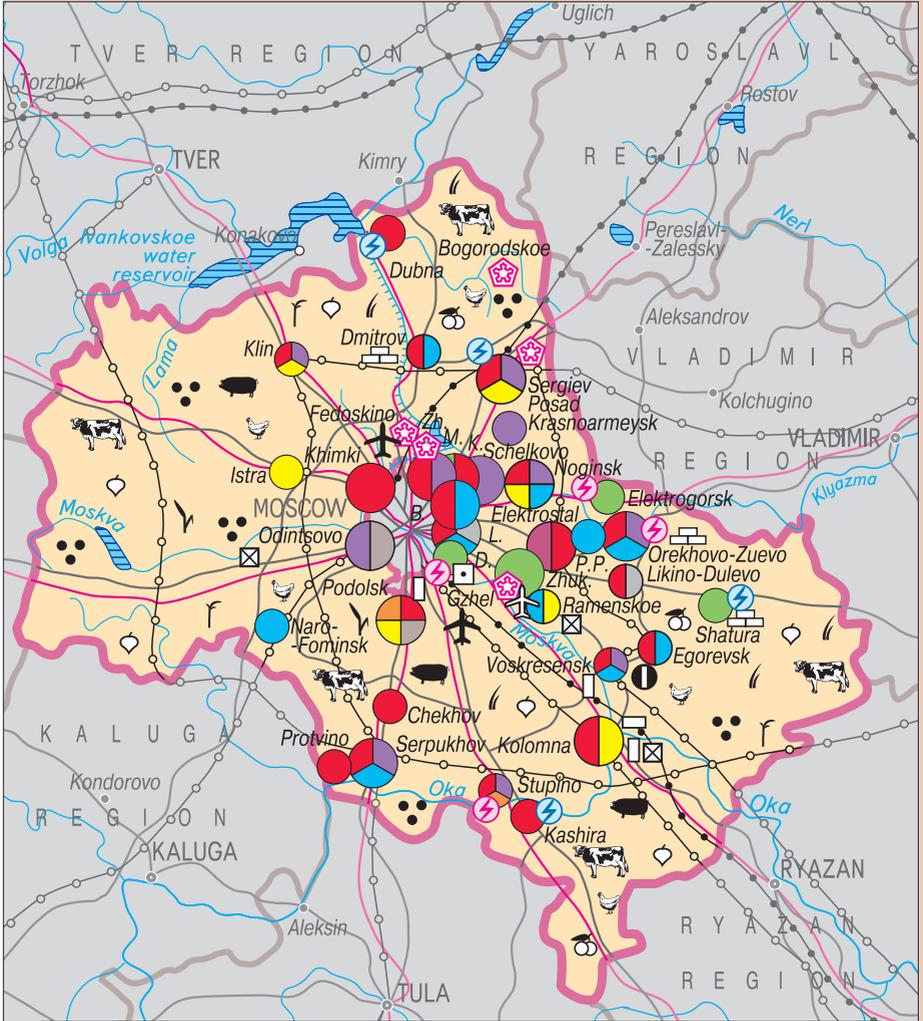


# 10. MOSCOW REGION [51]

E C O N O M I C M A P



- PROCESSING INDUSTRY**
- Ferrous metals
  - Non-ferrous metals
  - Machine engineering and metal processing
  - Chemicals and petrochemicals
  - Forestry and timber
  - Construction materials and glass
  - Light industry
  - Food and beverages
  - ☆ Art crafts

- MINING INDUSTRY**
- Phosphorites
  - Raw cement
  - Peat
  - Limestone
  - Quartz and quartz sand
  - Construction stone
- POWER PLANTS**
- ⚡ Thermal power plants
  - ⚡ Hydro power plants

- CROPS AND LIVESTOCK BREEDING**
- 🌾 Wheat
  - 🌾 Rye
  - 🌾 Oats
  - 🍏 Orchards
  - 🍅 Potatoes
  - 🥬 Vegetables
  - 🐄 Meat and dairy cattle breeding
  - 🐷 Pig breeding
  - 🐔 Poultry farming

Abbreviations: D. – Dzerzhinsky, Zh. – Zhostovo, Zhuk. – Zhukovskiy  
 K. – Korolev, L. – Lyubertsy, M. – Mytishki, P.P. – Pavlovskiy Posad, B. – Balashikha

The Moscow Region has been one of the most dynamically developing regions of the Russian Federation for the last few years. The Region ranks among the leading regions of Russia and the Central Federal District for many social and economic development indexes including industrial and agricultural output, commercial public services, retail, residential construction, and investment inflow.

The Regional Government's targeted programs aimed at boosting industry, infrastructure, and the social sector are being successfully implemented.

The recent economic reforms have had a profound impact on each and every sector of the Region's economy. Three quarters of the Region's industrial and construction enterprises, being private companies, account for some 70% of the Region's output, including around 600 companies with foreign investment.

The Moscow Regional Government is focused on encouraging development of existing enterprises and establishment of small and medium-sized enterprises. The Region's economic development strategy aims to develop the machine engineering, food and beverages, and light industry sectors, and to introduce modern high technologies.

Investments in the Moscow Region's economy have a high potential. According to the Expert RA rating agency, the Region ranked third among the regions of Russia for its investment potential in 2003-2004. The improvement of the Moscow Region's investment image was assisted by multiple acknowledgements of its credit rating. In March 2004, the international Standart & Poors rating agency raised the Moscow Region's rating from B+ Stable up to B+ Positive. The Region entered the list of top three most attractive regions for investment.

For several years now, the Moscow Region has been working with renowned international companies, including IKEA (Sweden), Auchan and Danone (France), Mars and PepsiCo (USA), Ehrmann, Tigi-Knauf, and Hochland (Germany), and many others. This collaboration highlights the economic appeal and dynamism of the Moscow Region.

We strive to make our relations with investors and trading partners mutually beneficial. The Regional Government sees its role as one of resolving social and economic issues and creating a friendly environment to provide investors with opportunities to invest in high-return projects.

This Guide should act as a sort of a round table uniting all the concerned parties – the Administration, regional companies, and potential investors from across the globe. This Guide is a very useful and constructive initiative.

I wish its organizers and participants every success in assisting the development and strengthening of Russia's economy.

Boris Gromov,  
GOVERNOR OF THE MOSCOW REGION,  
CHAIRMAN OF THE GOVERNMENT OF THE MOSCOW REGION



## 1. GENERAL INFORMATION

### 1.1. GEOGRAPHY

The Moscow Region covers a total area of 46,000 square kilometers. The Region is located in the center of European Russia in the basins of the Volga, the Oka, the Klyazma, and the Moskva rivers. To the north and north-west, the Region borders the Tver Region, to the west – the Smolensk Region, to the north-east – the Yaroslavl Region, to the east – the Vladimir Region, to the south-east – the Ryazan Region, to the south – the Tula Region, and to the south-west – the Kaluga Region. The specific feature of the Moscow Region is that it has Moscow, the capital of the Russian Federation, within its borders.

### 1.2. CLIMATE

The Moscow Region enjoys a temperate continental climate.

The average air temperature in January is  $-6.7^{\circ}\text{C}$ , rising to  $+19^{\circ}\text{C}$  in July. The average annual precipitation is 450–650 mm. The growing season lasts for 130–140 days.

### 1.3. POPULATION (Table 1)

As of January 1, 2005, total population in the Region was 6,629,700 people. The average population density was 144.1 people per square kilometer. The economically active population amounted to 2,610,000 people. The official unemployment level stood at 0.87%.

Demographically speaking, 62.4% are of statutory working age, 14.6% are below the statutory working age, and 23% are beyond the statutory working age.

As of 2004, the Moscow Region's major urban centers were: Podolsk with 180,200 inhabitants, Mytishchi with 161,400 inhabitants, Lyubertsy with 157,700 inhabitants, Kolomna with 149,100 inhabitants, Balashikha with 180,500 inhabitants, Elektrostal with 146,400 inhabitants, Korolev with 171,300 inhabitants, Khimki with 179,200 inhabitants, Odintsovo with 133,400 inhabitants, Serpukhov with 127,600 inhabitants, Orekhovo-Zuevo with 122,200 inhabitants, Noginsk with 117,200 inhabitants, Sergiev Posad with 114,600 inhabitants, Shchelkovo with 112,900 inhabitants, Zheleznodorozhny with 114,400 inhabitants, and Zhukovsky with 101,100 inhabitants.

Population	TABLE 1								
	1997	1998	1999	2000	2001	2002	2003	2004	
Total population, '000	6,532	6,517	6,500	6,464	6,436	6,627	6,622	6,629.7	
Economically active population, '000	3,292	3,226	3,482	3,531	3,443	3,434	3,527	n/a	

## 2. ADMINISTRATION

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### 3. ECONOMIC POTENTIAL

#### 1. 1997-2004 GROSS REGIONAL PRODUCT (GRP). INDUSTRY BREAKDOWN (Tables 2, 3)

According to preliminary estimates, the 2004 gross regional product of the Moscow Region amounted to \$20.33 billion, 10.7% up on 2003. The following sectors accounted for the bulk of regional budget revenue in 2004: industry – 31.3%, trade and public catering – 15%, transport – 5.8%, and construction – 5.5%. Per capita GRP amounted to \$2,340 in 2003 and is estimated at \$3,060 in 2004.

#### 3.2. MAIN ECONOMIC GROWTH PROJECTIONS

The focus area for Region's development is a structural reform of its economy through opera-

tional upgrade, launching of new operating facilities in subsidized municipalities, and transition to production of finished goods competitive at both domestic and international markets.

The blueprint for economic development of the Moscow Region is set forth in the Conceptual Framework for Social and Economic Development, 1997–2005. The Framework stipulates the following development targets:

**Industry:** to attract strategic investors; build a legal and tax regime ensuring investment stability in such sectors as energy, chemicals, petrochemicals, furniture manufacturing, cryogen machine engineering, instrument engineering, including diamond

GRP trends in 1997–2004, in current prices, \$ million

TABLE 2

	1997	1998	1999	2000	2001	2002	2003	2004*
GRP	2,704.1	3,536.1	5,400.2	6,985.6	9,097.1	11,971.0	15,517.4	20,327.4

\*Estimates of the Moscow Regional Administration

GRP industry breakdown in 1997–2004, % of total

TABLE 3

	1997	1998	1999	2000	2001	2002	2003	2004*
GRP	100	100	100	100	100	100	100	100
Industry	27.1	25.1	31.3	30.1	32.9	30.5	29.3	31.3
Agriculture and forestry	6.2	5.7	6.8	6.8	5.6	5.2	4.6	n/a
Construction	10.2	10.2	7.7	8.8	8.5	8.5	10.1	5.5
Transport and communications	14.2	15.4	7.3	8.6	8.6	5.7	5.1	5.8
Trade and public catering	14.6	14.3	11.9	9.8	9.9	13.0	13.9	15.0
Other	17.2	14.5	20.9	23.2	22.7	27.9	28.1	n/a
Net taxes on output	10.5	14.8	14.1	12.7	11.8	9.2	8.9	n/a

\*Estimates of the Moscow Regional Administration

instruments, as well as for companies undergoing conversion or introducing dual purpose technologies. These sectors will provide for further development based on self-financing and industrial diversification.

**Agriculture:** to maintain specialized seed-production and highly productive stock breeding enterprises; revive and expand all types of cooperation between farms, agricultural processing and trade companies, and credit and insurance companies, using modern organizational structures, such as agricultural firms and concerns; stimulate competition, provide financial aid to strengthen and develop companies of any form of ownership; develop the processing sector by constructing mini-plants, mini-facilities, and mini-bakeries using own raw materials, diversify product mix and improve the quality of finished goods, and develop the sales network and sales market; provide the milk-cattle breeding farms with concentrated fodder, improve the range and quality of crops grown in the Region; refurbish agricultural machinery through leasing; develop short-term and long-term mortgage lending, agricultural producer insurance, and agricultural produce pledge systems.

**Trade:** to develop infrastructure of the Moscow Region's markets, including warehousing, wholesale markets, and the exchange trade; and arrange a locally produced agricultural produce stock system.

**Transport:** to gradually develop the transport infrastructure so as to align it with the transport service consumers' needs; and assist in strengthening the material and technical base of transport companies.

**Construction:** to accelerate construction of priority social facilities; utilize local resources to increase the construction materials output; implement a program for development of roadside and airport services; introduce a system of construction project assessment to ensure compliance with ecological, safety, and aesthetic requirements.

**Residential construction:** to change over to a proactive investment policy focused on social issues and envisaging expansion of the sources of financing and an increase of the non-budgetary investment share; upgrade the construction operating facilities and re-focus on the output of assemblies and materials compliant with the modern urban construction requirements.

**Housing and communal services:** to gradually switch over to a new housing rent and communal services payment system providing social protection to the low-income population, introduce energy-saving technologies, materials and assemblies, introduce individual water, heat, and gas consumption metering; develop inter-district water supply and water disposal systems; complete the rural areas gasification program; gradually reconstruct residential buildings; and introduce alternative communal services.

**Information and communications:** to integrate existing information systems and resources in order to create a unified information and telecommunication system with access to foreign informa-

tion systems; and develop an automated system for the land and municipal construction registers.

**Research and development policy:** to create a favorable regulatory base and investment environment for the research and development companies engaged in high-tech innovative activities; encourage development of new technologies in energy and resource saving, environmental protection, land plotting, construction, agriculture, and medical equipment sectors important for the Region; devise and implement a program for development of "science cities" (the cities of Dubna, Korolev, Fryazino, and Reutov).

**External economic relations:** to develop partnership relations with foreign companies and individual regions of industrially developed countries, search for new promising sales markets; increase the role of foreign trade in restructuring the Region's economy and developing conditions for a steady economic growth.

**Property management:** to develop favorable conditions and mechanisms for accumulation of national capital and its transformation into real investment, assist in the implementation of investment programs involving national corporate capital, support investment activity of medium-sized and small enterprise while gradually increasing foreign investment.

**Investment policy:** to create conditions conducive to capital inflow, increase efficiency of corporate and private funds; develop modern organizational and legal forms of attracting foreign investment, such as international consortia, venture funds, or leasing companies; develop a system of state insurance of foreign investors against non-commercial risks.

**Tax policy:** to expand the list of business types eligible for the imputed income tax and simplify the taxpayer registration system by implementing the "single window" approach.

**Small enterprise:** to create a legal framework conducive to development of small enterprise, including tax optimization, and develop the small enterprise support infrastructure.

### 3.3. INDUSTRIAL OUTPUT IN 1997–2004 FOR MAJOR SECTORS OF ECONOMY (Table 4)

The industry sector remains a foundation of the Region's economy.

The Moscow Region has dozens enterprises of national importance, manufacturing competitive products and possessing a unique combination of both industrial and powerful scientific and technical potentials. The Region also has a big export potential in the defense industry sector, especially in the aviation and space industries.

The Region produces locomotives, railway and subway cars, steel, including finished steel, mineral fertilizers, automobiles, buses, chipboards, passenger elevators, sewing machines, all-purpose kitchen machines, medicines, linoleum, textiles, carpets, porcelain dishware, and many other products.

The 2004 industry growth rate was almost 90% up on 1999, and the total industrial output reached \$14.6 billion, a highest ever figure.

The sectors producing finished products tend to increase their share in the total industrial output.

The present industry growth is a result of both intensification, modernization and diversification of the existing enterprises, and extensive factors – launch of brand new production facilities.

The leading industrial sectors of the Moscow Region are food and beverages, machine engineering and metal processing, energy, construction materials, chemicals and petrochemicals, and forestry and timber (furniture). Their combined output accounts for 83.1% of the Region's total industrial output.

**Food and beverages.** The sector accounts for 26.5% of the total industrial output. The 2004 output was 27% up on 2003; cheese production increased by 35.4%, mayonnaise – 18.5-fold, confectionery – 1.2-fold, non-alcoholic beverages – 1.3-fold, pasta – 1.3-fold, sausages – 1.2-fold, and canned fish – 2.2-fold. The upgrade of production facilities has enabled food and beverages and food processing companies to diversify their product mix and improve the quality of the output.

The leading companies within the sector are: OOO Mars, ZAO Klin Meat Processing Plant, ZAO Klin Brewery (new name – OAO SUN Interbrew), OAO Istra Bakery, OAO Kolomna Experimental Meat Processing Plant, OAO Ramensky Meat Processing Plant, OAO Sergiev Posad Meat Processing Plant, OAO Podolsk Experimental Flour Mill, and OAO Noginsk Bakery.

**Machine engineering and metal processing.** The sector accounts for 25% of the total industrial output. The Region's machine engineering sector is represented by nearly all types of products. Moscow Region enterprises produce machine tools and equipment for ferrous metals, energy, construction, transport, agriculture, and light industry sectors (Mytishchi, Lyubertsy, Podolsk, Kolomna, Dmitrov, and Egorievsk), as well as radio electric and space equipment (Korolev and Reutov), and nuclear machinery (Electrostal and Podolsk). The Region also has enterprises in the optical-mechanical sector (Krasnogorsk, Sergiev Posad, and Lytkarino).

The 2004 output was 14.4% up on 2003. Excavation machine output increased by 18.8%, elevators – 41.7%, buses – 8.6%, and electric multiple-unit cars – 22.8%.

The largest companies within the sector are: OAO Machine Engineering Plant, OAO KhK Kolomna Plant, OAO Demikhovskoye Machine Engineering Plant, ZAO Metrovagonmash, OAO ZIO-Podolsk Machine Engineering Plant, ZAO Podolskscable, OAO Electrostal Heavy Machine Engineering Plant, and OAO Chekhov Energy Machine Engineering Plant. ZAO Metrovagonmash has recently launched serial production of new generation subway cars.

**Energy.** Energy accounts for 10.9% of the total industrial output. The total energy output amounted to \$1.59 billion. The Region operates the Kashirskaya

and Shatur'skaya GRES (hydroelectric power stations); Combined Heat and Power Station 22 (Dzerzhinsky), Combined Heat and Power Station 17 (Stupino), HEPS 3 (Electrogorsk), and others.

**Construction materials.** The sector accounts for 7.7% of the total industrial output. The Moscow Region is the largest producer of construction materials in the Central Federal District. Some 1,000 companies, including small enterprises, are engaged in the production of construction materials. The Region produces nearly all main types of construction materials and products. The 2004 output was 12.3% up on 2003. The output of building brick increased by 6.3%, porous aggregate – 5.6%, cement – 1.4%, reinforced concrete assemblies and parts – 10.7%, and sanitary ceramic products – 6.3%.

**Chemicals and petrochemicals.** The share of the sector in the total industrial output was 6.8% in 2004. The sector is focused on the production of mineral fertilizers, insecticides, plastics, chemical fiber, paint, and varnish. The 2004 output was 17.7% up on 2003, mainly due to increase in the synthetic resin and plastic production (7.1%) and increased output of plastic goods (23.9%). The leading companies in this sector are located in Voskresensk, Shchelkovo, Klin, Serpukhov, Orekhovo-Zuevo, and Sergiev Posad. The largest companies are: OAO Mineral Fertilizers, ZAO Zagorsk Paint and Varnish Plant, OAO Mosstroplastmass, OAO Chemical Fiber, OAO Carbolite, OAO Odilak, and OAO Phosphates.

**Forestry and timber.** The sector accounts for 6.2% of the total industrial output. The largest furniture producers are OAO MK Shatura and ZAO Elektrogorskmebel.

**Ferrous metals.** The sector accounts for 3.7% of the total industrial output. The 2004 steel output was 10% up on 2003 and reached 167,300 tons, the finished rolled steel output was 33.2% up on 2003 and reached 57,700 tons. One of the largest companies is OAO Electrostal Metal Plant.

**Light industry.** The share of this sector in the total industrial output is 2.7%. The Region specializes in the production of cotton, wool, silk fabric, and knitwear. In 2004 (compared to 2003 figures), carpet and carpet goods production increased by 33.4%, footwear – 2.2 times, and children knitwear – 5.1 times.

The leading companies are situated in Balashikha, Ramenskoye, Orekhovo-Zuevo, Pavlovsky Posad, Noginsk, Naro-Fominsk, Lyubertsy, Serpukhov, and Voskresensk. The largest companies are: OAO GK Oretex, ZAO Oka Textile Firm, ZAO Kupavna Textile Firm, ZAO Narfomshelk, ZAO Lyubertsy Carpets, OAO Pavlovo-Posad Kamvolshik, ZAO Serpukhov Textile, OAO Egorievsk Cotton Fabric Factory, ZAO Voskresensk Technotkan, and AOZT Ivanteevka Knitwear.

**Agriculture.** The Region's agricultural sector has a suburban specialization, is intensive and boasts the best tillage and cattle breeding efficiency in the Central Federal District. The 2004 agricultural output was \$1,360 million in current prices. The cattle

breeding is the leading sector, with dairy and beef cattle breeding and pig breeding being the leading sub-sectors. The Region's agricultural companies produce some 3% of Russia's total output of milk and some 2% of its total meat output. Fodder dominates the tillage sector. Fodder crops cover three fifths of the total crop area. Grain farming, which accounts for a quarter of the total crop output in the south of the Region, is steadily developing, as is potato growing and vegetable growing both in the open and closed ground (mainly in the districts adjoining Moscow). The average yield is as follows: grain – 1,500 kg per hectare, potatoes – 12,100 kg per hectare, and vegetables – 18,100 kg per hectare.

**Construction.** 2004 saw an accumulation of funds from all sources of financing to implement priority social construction projects.

The residential construction was progressing at a high pace. In 2004, 5.637 million square meters of housing were constructed.

**Transport.** Transport is a leading sector of the Region's economy, employing some 6% of its total workforce and concentrating over 20% of fixed assets.

Road transport plays the leading role in the Region's transportation system. Some 2 million passengers are transported by road daily, making road transport the major form of passenger transit in the Region. The community shuttle bus fleet operates 1,697 local routes. Mostransavto state company, whose fleet is operating throughout all of the Region's districts, is the major passenger road transport operator in the Moscow Region. The freight transportation is provided by transport branches of OAO Mosoblavtotrans.

Five cities in the Moscow Region have electric ground transportation: Noginsk and Kolomna have streetcars, while Vidnoe, Khimki, and Podolsk have trolley buses.

In 2004, one billion passengers were transported by Moscow Region's transport companies of various form of ownership. The passenger turnover was 9.1% up on 2003, while the freight turnover was 13.3% up on 2003. The Moscow Region is forming an integrated transport and logistic system based on a network of large multimodal terminals and logistic centers placed at the main transportation routes connection points.

As part of the above project, 2004 saw a construction of two modern logistic centers as well as preparations for launching ten more similar centers in 2005. Implementation of this project is interrelated with the problem of reconstruction of the Small Moscow Ring and construction of the Central Ring Road to become a foundation for the Moscow Region transport framework.

Trade. Retail accounts for the lion's share of the Moscow Region's sales turnover. The 2004 retail turnover increased by 34%, public catering – by 14.4%, and paid services – by 9.8%.

In 2004, the following major shopping centers were opened: Auchan hypermarkets in the Krasnogorsk and Khimki Districts, Mega trade and entertainment centers in Leninsky and Khimki Districts, Shchelkovo trading house in the Shchelkovo District.

The Moscow Region has been actively implementing investment projects of the Kopeyka, Pyaterochka, and Perekrestok network companies.

**Small enterprise.** At the moment, the Moscow Region has over 37,000 small enterprises employing 376,000 people. Over 30% of them operate in the industry sector, 26% – in retail and public catering, some 14% – in construction, some 4% – in transport, and 3.4% – in research and development.

In 2004, the number of small enterprises in the Moscow Region grew by 6.2%, as compared to 2003; their combined product and service output increased by 24.4%. Small business is widely spread in retail, construction, and information technology sectors.

**Tourism.** The Moscow Region has a high potential for attracting tourists, over and above that enjoyed by many European states. The Region has more than 7,000 historical and cultural sites, over 200 mansions, 97 museums, 26 folk art centers, multiple memorials, and 22 historical cities.

The Moscow Region operates over 300 tourist centers and motels, corporate recreational centers, and 270 tourist agencies. Some 73 hotels service tourists and guests of the Region. Dozens of tourist and excursion routes cross the Region.

**Recreational and resort facilities.** Recreation is a major business in the Moscow Region. The main driver for development of the recreational and spa-resort facilities is a demand on the part of the Moscow Region's population for recreation and resort as well as rehabilitation facilities. The Moscow Region has everything necessary to develop various types of recreation and rehabilitation centers, and its recreational resources include both favorable temperate climate and scenic landscape.

The Region has 150 rehabilitation centers, 160 disease prevention and treatment centers, 160 recreational centers and vacation hotels, and 470 summer camps for children.

### 3.4. FUEL AND ENERGY BALANCE (OUTPUT AND CONSUMPTION PER RESOURCE IN 1997-2004) (Table 5)

The Moscow Region is an energy deficient region. Electricity consumption exceeds output by 40–50%.

### 3.5. TRANSPORT INFRASTRUCTURE

The Moscow Region enjoys a developed transport infrastructure. It comprises eleven main railway lines, 13 major highways, three international airports and five domestic airports, two river ports, and over 200 terminals.

The Moscow Region is crossed by the Berlin – Minsk – Moscow – Nizhny-Novgorod and Helsinki – St. Petersburg – Moscow – Novorossiysk – Astrakhan international transport corridors.

**Industry breakdown of industrial output in 1997–2004, % of total**

TABLE 4

	1997	1998	1999	2000	2001	2002	2003	2004
Industry	100	100	100	100	100	100	100	100
Food and beverages	18.2	20.8	20.3	20.3	22.8	24.6	24.6	26.5
Machine engineering and metal processing	32.8	26.4	32.3	30.4	29.6	26.6	25.8	25.0
Energy	8.1	14.9	8.5	4.2	4.2	8.2	10.0	10.9
Construction materials	8.3	8.0	7.0	8.1	7.6	7.9	7.8	7.7
Chemicals and petrochemicals	11.0	8.8	10.4	9.6	9.2	8.1	6.3	6.8
Forestry, timber, and pulp and paper	4.9	5.5	6.3	6.4	6.6	6.6	6.5	6.2
Non-ferrous metals	2.0	1.8	2.4	6.3	5.9	6.2	5.8	4.6
Ferrous metals	3.4	3.1	2.9	4.1	3.7	3.2	3.0	3.7
Light industry	6.1	5.5	5.0	5.6	5.5	4.1	3.7	2.7
Fuel	0.2	0.1	0.2	0.1	0.1	0.1	0.1	0.1
Other	5.0	5.1	4.7	4.9	4.8	4.4	6.4	5.8

**Fuel and energy sector production and consumption trends, 1997–2004**

TABLE 5

	1997	1998	1999	2000	2001	2002	2003	2004
Electricity output, billion kWh	19.0	19.5	20.0	20.6	22.7	21.6	22.8	21.6
Electricity consumption, billion kWh	27.4	27.4	27.6	30.2	33.0	34.3	n/a	n/a
Natural gas consumption, million cubic meters	11,230.0	9,146.0	8,580.0	8,870.0	10,265.0	10,127.0	12,165.4	12,167.4

**Roads.** The Region has 12,500 kilometers of paved public highway. 18 federal highways with a total length of 2,400 kilometers cross the Region. The Region's federal road network is comprised of 13 radial highways originating in Moscow and two concrete ring roads – the Small Moscow Ring, 50 kilometers from the center of Moscow, and the Big Moscow Ring, 80 kilometers from the Moscow Ring Road.

The radial highways link the capital to major Russian cities, and five of them lead to the border of the Russian Federation. Both ring highways provide transport links within the Region and lift the transit transport burden off Moscow and main segments of the radial routes.

In recent years, the share of intercity and international transportation in the total transportation flow of the Moscow Region increased up to 10%.

The growing intensity of transport flows exceeds the capacity and technical parameters of the major highway sections. In order to increase the highway capacity, the united board of the Moscow and Moscow Region administrations has worked out a plan to develop the radial and ring highways within a 50-kilometer radius around Moscow.

**Railroads.** The Moscow Region is served by four branches of the Moscow Railroad and a branch of the Oktyabrskaya Railroad operating 2,178 kilometers of railroads, 12 locomotive and five car sheds, and 200 railway stations. The railroad network comprises eleven main routes linked to the Region's ring railroad.

Transportation to and from Moscow plays a leading role in the Region's railroad traffic. 2004 saw a launch of the Moscow – Mityshchi high-speed railway route with a brand new type of a subway-like express electric train called "Sputnik". The traveling time is only 18 minutes. Construction of this high-speed railway resulted in a pivotal change of the related infrastructure.

**Airports.** The Region is served by five local and three international airports providing freight and passenger transportation. The Vnukovo airport is administratively in Moscow, while Sheremetyevo, Domodedovo, Bykovo, Myachkovo, and Ostafyevo belong to the Moscow Region.

Sheremetyevo is Russia's biggest international airport. It services aircrafts of over 60 foreign airlines.

**River ports.** The Moscow inland water transport junction operates five ports including the Northern, Southern, and Western ports located in Moscow and two regional ports located in Serpukhov and Kolomna.

Moreover, the Northern Port manages a cargo area including the Dmitrov terminal located at the Moscow Canal and the Great Volga terminal.

The main waterways of the Region are the Moscow Canal, the Moskva river, and the Oka river. The system of locks and hydro junctions on the Moskva and Oka rivers provides access to the Volga navigation system. The Moscow Canal ensures access to five seas: the Sea of Azov, the Baltic Sea, the White Sea, the Caspian Sea, and the Black Sea. The length of the Region's waterways is 580 kilometers. The Region's canals are up to 4 meters deep, and thus are suitable for any type of modern river vessels.

Special attention is paid to development of the Dubna transport infrastructure. This city is a river and sea gate of the Moscow Region. 2004 saw creation of a task force to construct a container terminal port at the Dubna river, a riverside station by the canal in the Ivankovskoye reservoir, and a water center at the Lebyazhye lake.

**Oil and gas pipelines.** Ryazan – Moscow and Yaroslavl – Moscow single thread oil pipelines, a three-thread Moscow Ring trunk pipeline, and a two-thread Ryazan – Moscow trunk pipeline cross the Region. Two circles of the oil product trunk pipeline comprised of an aviation kerosene pipeline, gasoline pipeline, and diesel pipeline, all laid in circles, and a natural gas pipeline with multiple branches go through Yakhroma, Noginsk, Serpukhov, and Solnechnogorsk.

### 3.6. MAIN NATURAL RESOURCES: RESERVES AND EXTRACTION IN 2004

The main natural resources of the Moscow Region are cement raw materials, refractory,

fusible, and non-fusible clay, facing stones, phosphorites, dolomites, mineral wool raw materials, building stone, carbonate construction and lime pre-treatment rock, expanded clay aggregate, sand-gravel aggregates, construction and silicon sand, quartz sand, fresh underground water and mineral springs, therapeutic mud, peat, and sapropel. All in all, the Region has 871 proven mineral deposits, of which it currently operates 375, including 22 building stone deposits and 23 clay and loam deposits. The Region is rich in peat deposits, having some 1,700 of them.

**Underground water.** The Region features intensive and long exploitation of its underground fresh water located in the carboniferous water-bearing strata. Considerable water reserves are concentrated in the north-western and western parts of the Region, and their stratified formation is affected by water reservoirs built in the area. The Ruza-Zvenigorod and Sestrino-Istra water reservoirs play the main role in the Region's water reserve maintenance. The Region has explored 252 underground water deposits with a total exploitation reserve of 8,824,000 cubic meters per day. Underground water meets 85% of the total demand for water.

**Sand and gravel.** The Region is rich in 69 deposits of sand and gravel with a total reserve of 793 million cubic meters, including 39 operating deposits with reserves of 605 million cubic meters.

**Forests.** Forests cover over 2 million hectares. Some 40% of the forested areas are suitable for felling, and this share is continuously decreasing.

## 4. TRADE OPPORTUNITIES

### 4.1. MAIN GOODS PRODUCED IN THE REGION

Main types of the Moscow Region's output in 2004 were:

**Food and beverages:** bread – 366,800 tons, confectionery – 173,500 tons, ethanol – 1.6 million decaliters, vodka and liquor – 23.4 million decaliters, non-alcoholic beverages – 65.1 million decaliters, canned meat – 42.8 million cans, meat including category one sub-products – 81,700 tons, sausages – 159,500 tons, dairy products – 611,500 tons, canned milk – 26.1 cans, and flour – 385,500 tons.

**Machine engineering and metal processing:** 6,000 elevators, 32 sections of mainline locomotives, 491 electric train cars, 100 subway cars, 177 excavators, 139 tractors, 251 crane trucks, 22,200 vehicles including 1,200 trucks, 19,000 automobiles, and 1,900 buses, 1.6 million light bulbs, 19,900 pumps, 60,900 vacuum cleaners, 113,700 kitchen machines, and 47,100 cameras.

**Chemicals and petrochemicals:** mineral fertilizers – 487,700 tons, synthetic resin and plastic – 116,700 tons, and paint and varnish – 84,800 tons.

**Construction materials:** cement – 2.6 million tons, asphalt – 442,700, bricks – 701.8 million, ceramic tiles – 6.9 million square meters, and linoleum – 7.8 million square meters.

**Forestry, timber, and pulp and paper:** chipboard – 610,200 cubic meters, plywood – 10,100 cubic meters, parquet – 797,700 square meters, door units – 225,100 square meters, window units – 179,000 square meters, paper – 10,400 tons, and cardboard – 72,400 tons.

**Light industry:** textiles – 133.8 million square meters, carpets – 1.6 million square meters, knitwear – 1.2 million, hosiery – 25.2 million pairs, and footwear – 2.2 million pairs.

**Glass and porcelain:** building glass – 338,300 square meters, medical glassware – 848.4 million, bottles – 337.9 million, metal-plastic windows – 232,200 square meters, and porcelain and majolica tableware – 33.9 million.

### 4.2. EXPORTS, INCLUDING EXTRA-CIS

The 2004 exports to extra-CIS countries reached \$1,245.8 million. Exports to CIS countries totaled \$846.6 million.

The main types of goods exported by the Region were: machine engineering products, ferrous and non-ferrous metals and metal products, petrochemicals, and food and beverages.

Major importers of the Region's products included Belarus, Ukraine, China, Germany, and India.

#### **4.3. IMPORTS, INCLUDING EXTRA-CIS**

The 2004 imports from extra-CIS countries reached \$4,582.9 million. Imports from CIS countries totaled \$1,136.5 million.

The bulk of regional imports was represented by machinery, food and beverages, and petrochemicals.

The main import partners included: Germany, Belarus, Ukraine, Poland, and Italy.

#### **4.4. MAJOR REGIONAL EXPORT AND IMPORT ENTITIES**

Due to the specific features of trade in the Region, export and import operations are mainly performed by industrial companies.

## **5. INVESTMENT OPPORTUNITIES**

### **5.1. INVESTMENT APPEAL. INVESTMENTS IN 1997–2004 (BY INDUSTRY SECTOR), INCLUDING FOREIGN INVESTMENTS (Tables 6, 7)**

The following factors determine the investment appeal of the Moscow Region:

- Its advantageous geographic location (nearly all of Russia's transit routes pass through the Moscow Region);
- Its developed transport infrastructure;
- Its considerable industrial, agricultural, and research and development potential;
- Legislation supporting investment activities;
- Its highly qualified workforce (high professional level of employees in the research and development sector and high general level of education);
- Favorable climate and availability of recreation facilities.

### **5.2. CAPITAL INVESTMENT**

Industry, housing and communal services, transport and communications, trade and public catering, and construction account for the lion's share of capital investment.

Total capital investment increased by 15.4% in 2004 and amounted to \$4.8 billion.

Total foreign investment in the Region's economy amounted to \$1.8 billion in 2004. The bulk of investment was channeled to industry (glass and porcelain, timber, food and beverages, chemicals, and construction materials), transportation, trade and public catering (over 80% of the total foreign investment), and construction.

### **5.3. MAJOR ENTERPRISES (INCLUDING ENTERPRISES WITH FOREIGN INVESTMENT) (Table 8)**

The Region has registered some 2,000 companies with foreign investment. Major companies with foreign investment include OOO Mars, OOO Campina, OOO Nestle Zhukovsky Ice Cream (food industry), OOO KRKA-RUS (medicines), ZAO ODIKHEL (paint and varnish), OOO ROSTAR (aluminum cans), and others.

Such renowned investors as Saint Gobain, Auchan, Michelin, Royal Canine, Kesko, Tigi-Knauf, Hochland, SUN Interbrew, PLM, and British Plastic Boards have invested in the Moscow Region. Nestle,

IKEA, PepsiCo, Mars, and FM Logistic are expanding their operations in the Region. The following major companies operate their branches in the Region: British Petroleum, BMW, Mercedes, Danone, and Ehrmann.

According to the Moscow Regional Government, the output growth rates of companies with foreign investment are twice as high as those of domestic companies.

### **5.4. MOST ATTRACTIVE SECTORS FOR INVESTMENT**

Glass and porcelain, forestry and timber, pulp and paper, food and beverages, chemicals and petrochemicals, construction materials, trade and public catering, and transport are the most appealing sectors for investors.

### **5.5. CURRENT LEGISLATION ON INVESTOR TAX EXEMPTIONS AND PRIVILEGES**

The investment policy of the Moscow Regional Government is based on the Social and Economic Development Conceptual Framework for the Moscow Region, 1997–2005.

The Region has adopted the following laws related to investment activity: On Guarantees for Investment Activity in the Moscow Region, On Tax Privileges in the Moscow Region, and On the Moscow Region's Debt. These laws aim to facilitate investment activity and provide procedures for granting tax privileges.

The Law On Tax Privileges in the Moscow Region provides for profit tax and property tax privileges on the regional component of those taxes (the profit tax may be reduced from 14% down to 10%, the property tax – from 2.2% down to 1.1%).

The Region has developed a draft law On Investment Policy of the Moscow Region Authorities to enhance the legislative base for investment. The draft law envisages various forms of state control of investment activity as well as state support of individual investors, such as state investment, state guarantees, budget loans, and investment tax credits.

In accordance with the procedure of considering investment projects to be implemented in the Moscow Region, the Moscow Regional Government enters into a commitment to support such projects, including assistance in solving land and property-related matters.

This implies entering into an investment agreement which covers cooperation with the corresponding central executive body of the Moscow Region in the matters relating to implementation of the project.

The existing practice of using triangular investment agreements (with the municipal body as the third party) provides for additional tax benefits on the regional tax components.

**Capital investment in 1997-2004  
by industry sector, \$ million**

TABLE 6

	1997	1998	1999	2000	2001	2002	2003	2004
Total capital investment	491.2	722.4	1,288.6	1,760.8	1,829.3	2,491.8	3,650.7	4,800.2
<i>Including major industries (% of total for large and medium-sized enterprises)</i>								
Agriculture and forestry	3.3	4.2	4.7	3.9	4.5	4.7	3.9	3.8
Construction	3.5	16.0	2.9	2.9	4.5	4.6	5.2	6.6
Transport and communications	22.3	16.7	34.2	47.9	23.0	20.3	19.0	22.4
Trade and public catering	1.2	0.9	3.9	2.7	4.1	5.8	10.3	10.3
Other	46.9	28.5	28.7	20.9	29.5	27.7	21.9	22.9

**Foreign investment trends in 1997-2004**

TABLE 7

	1997	1998	1999	2000	2001	2002	2003	2004
Foreign investment, \$ million	74.5	708.7	443.8	290.6	372.7	689.9	1,258.0	1,829.0
<i>Including FDI, \$ million</i>	72.1	637.1	390.0	204.9	312.7	589.1	706.8	762.9

**Largest enterprises of the Moscow Region**

TABLE 8

COMPANY	SECTOR
OAo Machine Engineering Plant (Electrostal)	Machine engineering
OAo Electrostal Heavy Machine Engineering Plant	Machine engineering
ZAO Metrovagonmash, Mytishchi	Machine engineering
OOO Likino Bus Plant (Orekhovo-Zuevo District)	Machine engineering
OAo Machine Engineering Plant ZiO-Podolsk, Podolsk	Machine engineering
ZAO PBKM Naro-Fominsk, Naro-Fominsk District	Metal processing
OOO ROSTAR, Dmitrov District	Metal processing
OAo Electrostal Metal Plant, Electrostal	Ferrous metals
OAo Podolsk Non-Ferrous Metal Plant, Podolsk	Non-ferrous metals
ZAO Stupino Metal Company, Stupino District	Non-ferrous metals
OAo Mineral Fertilizers, Voskresensk	Chemicals
OAo Tigi-Knauf, Krasnogorsk	Construction materials
OOO Mars, Stupino	Food and beverages
ZAO Klin Brewery, Klin District	Food and beverages
ZAO Klin Meat Processing Plant, Klin	Food and beverages
OOO Ehrmann, Ramensky District)	Food and beverages
OOO Nestle Zhukovsky Ice Cream, Zhukovsky	Food and beverages
OOO Campina, Stupino District	Food and beverages

### 5.6. FEDERAL AND REGIONAL ECONOMIC AND SOCIAL DEVELOPMENT PROGRAMS FOR THE MOSCOW REGION

**Federal programs.** The Moscow Region has joined the Prevention and Elimination of Social Diseases (2002–2006) federal targeted program and its subprograms: Preventive Vaccination and Urgent Measures for Prevention of Tuberculosis in Russia.

The Region is implementing the Upgrade of Russia's Transport System (2002–2010) federal targeted program which aims to develop the Moscow air transport junction and the regional airport network.

The Energy Efficient Economy, 2002–2005 and through 2010 federal targeted program aims to construct a hydro accumulating power station in the Moscow Region and create a 2.6 Gcal/h demonstration central heating unit in Krasnoznamensk. The program also envisages an upgrade of heating systems by introducing the underground laying technology and automating central and individual heating units in Zhukovsky, Dubna, Mytishchi, Dmitrov, and Korolev. The Region intends to develop energy efficient heating systems for state companies and organizations, based on new generation solar collectors (Moscow Cardiology Center and Bykovo).

**Regional programs.** Some 30 regional targeted programs are currently underway in various sectors of the Moscow Region's economy: industry, agri-

culture, environmental rehabilitation, education, culture, healthcare, sports, social policy, and others.

Emphasis is given to the Program for Development of Consumer Sales and Service Market in the Moscow Region through 2008, which aims to attract Russian and foreign investors as well as bring the trade technology and consumer services up to European standards.

The Program for Development of the Mortgage Lending System in the Moscow Region, 2005-2010 aims to develop the housing market. The Program's target is to make the modern housing available to not less than 29,000 families, by offering mortgage loans.

A draft Program for Creation of Industrial Districts in the Moscow Region through 2010 has been devised. It lists all the requirements to create industrial districts in the Moscow Region with a purpose to ensure a stable social and economic development of the Region and modernize the economy by satisfying the investors' demand for areas suitable for construction of innovative, industrial, logistical and related service facilities. The Program envisages construction of primarily the following types of industrial facilities:

- industrial and agroindustrial parks;
- logistic parks or "dry ports";
- business-parks, technological parks, and technopolis-type centers.

### 5.7. REGIONAL ENTITIES RESPONSIBLE FOR RAISING INVESTMENT

ENTITY	ADDRESS	PHONE, FAX, E-MAIL
Ministry of External Economic Relations of the Moscow Region	10, ul. Sretenka, Moscow 107045	Phone: (495) 727 1352 Fax: (495) 727 1349 E-mail: icctamo@orc.ru
Ministry of Economy of the Moscow Region	Building 1, 7, Derbenevskaya nab., Moscow 115114	Phone: (495) 235 0033 Fax: (495) 959 7564 E-mail: minec@mosreg.ru
Ministry of Industry and Science of the Moscow Region	Building 3, 12/2, ul. Tverskaya, Moscow 125009	Phone: (495) 229 6162 Fax: (495) 229 0252 E-mail: ocrpromr@obladm.msk.su
Ministry of Building Complex of the Moscow Region	36, ul. Zemlyanoy val, Moscow 105064	Phone: (495) 917 2727 Fax: (495) 917 8282 E-mail: ministrk@mosreg.ru
OAo Moscow Regional Investment Trust Company	Building 1, 9/1/1, per. Armyskiy, Moscow 101990	Phone: (495) 540 1203 Fax: (495) 207 8647
OAo Mortgage Corporation of the Moscow Region	130, Mozhaiskoye shosse, Odintsovo, Moscow Region 143000	Phone: (495) 596 3421, 596 2398 Fax: (495) 596 3410 E-mail: ipoteka@obltelecom.ru
Chamber of Commerce and Industry of the Moscow Region	10/13, ul. Sadovaya-Triumfalnaya, Moscow 101518	Phone: (495) 299 2051 Fax: (495) 299 2736 E-mail: mail@tppmo.ru
International Association of Business Cooperation	Office MADS, 8th floor, 1, ul. Leningradskaya, Khimki, Moscow Region 141400	Phone: (495) 572 3078, 572 4104 Fax: (495) 575 4562 E-mail: info@iabc.ru

## 6. INVESTMENT PROJECTS

Industry sector and project description	1) Expected results 2) Amount and term of investment 3) Form of financing 4) Documentation	Company name and contact information
1	2	3

## MACHINE ENGINEERING AND METAL PROCESSING

<b>10R001</b>	■ ◆ ▲	Production of automatic boiler control panels for boilers run on gas and liquid fuel. Project goal: to produce automatic boiler control panels for boilers run on gas and liquid fuel.	1) DEMP and GROV automatic panel capacity – 2.5-25 tons of steam per hour 2) \$10 million / 6 years 3) Equity 4) Business plan, feasibility study	ZAO Automation Equipment Plant 38, Olimpiyskiy pr-t, Mytishchi, Moscow Region 141006 Phone: (495) 583 3200 Fax: (495) 583 3220 Garik Mikhailovich Gasparyan, Plant Chief
<b>10R002</b>	● ◆ ▲	Technical revamping of Mytishchi Electrical Engineering Plant. Project goal: to increase output of electric power meters.	1) N/a 2) \$1 million / 4 years 3) Loan 4) Business plan, feasibility study	OAO Mytishchi Electrical Engineering Plant 2, ul. Kolpakova, Mytishchi, Moscow Region 141002 Phone: (495) 586 2389 Fax: (495) 583 14 62 Petr Nikolayevich Prarovsky, CEO
<b>10R003</b>	■ ◆ ▲	Production of large sandwich panels as part of implementation of the Moscow Food Freeze program. Project goal: to organize a serial production of large sandwich panels.	1) Annual earnings – \$1,450,000 2) \$760,000 / 4 years 3) Equity 4) Business plan, feasibility study	GUP KB Motor Transport Equipment 2, ul. Khlebozavodskaya, Mytishchi 141007 Phone: (495) 583 2303, 583 9711 Fax: (495) 583 9334 Vyacheslav Nikolayevich Khryshchey, Director, Chief Designer
<b>10R004</b>	● ■ ◆	Production of ceramic draw gear for the cable industry. Project goal: to produce high-strength ceramic draw gear for the cable industry drawing machines.	1) 26,000 per year, annual earnings – up to \$2,400,000 2) \$2 million / 1.5 years 3) Loan, equity 4) Business plan	FGUP NII NPO Luch 24, ul. Zhelezodorozhnaya, Podolsk, Moscow Region 142100 Phone: (495) 715 9449, 715 9258 Fax: (495) 239 1749 Ivan Ivanovich Fedik, CEO
<b>10R005</b>	■ ◆ ▲	Production of a new type of subway cars in Mytishchi. Project goal: to produce a new type of subway cars.	1) Annual earnings – \$2,320,000 2) \$15 million / 6 years 3) Equity 4) Business plan, feasibility study	ZAO Metrovagonmash 4, ul. Kolontsova, Mytishchi, Moscow Region 141009 Phone: (495) 582 5651 Fax: (495) 581 5366 Yuri Alexandrovich Gulko, CEO

## CONSTRUCTION MATERIALS

<b>10R006</b>	■ ◆	Production of paving slab and curb stone using a vibrocompression method, in Mytishchi. Project goal: to introduce competitive products to the market.	1) Annual earnings – \$560,000 2) \$1.3 million / n/a 3) Equity 4) Business plan	OAO Stroydetal 4, ul. Khlebozavodskaya, Mytishchi, Moscow Region 141007 Phone: (495) 583 0655, 583 1660 Alexander Valentinovich Egorov, CEO
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## TRANSPORT

**10R007**

Construction of an international training and sport aviation center in the Egorievsk District.  
Project goal: to service business-class aircraft, train business class aviation professionals, and process freight.

- 1) Throughput capacity: up to 40 aircraft per day
- 2) \$18.9 million / n/a
- 3) Joint venture, loan
- 4) Business plan

Multipurpose Riak Aviation Sports Company  
PO. Box 1414, Shuvoeye Airdrome, Shuvoeye, Egorievsk District, Moscow Region 140300  
Phone: (49640) 31 890  
Fax: (49640) 36 506

Representation in Moscow:  
Room 228-b, building 8, 88, Volokolamskoye shosse, Moscow 125362  
Phone/Fax: (495) 491 8677  
Sergey Alexandrovich Sokolov, CEO

## GENERAL INDUSTRY SUPPORTING BUSINESS ACTIVITY

**10R008**

Creation of an industrial zone.  
Project goal: to construct standard production buildings equipped with all needed engineering and social infrastructure for subsequent lease.

- 1) Industrial enterprises and service companies turnover – \$400–500 million per year
- 2) \$65 million / 8-11 years
- 3) Equity, loan
- 4) Business plan

OOO Terre di Lama  
Pos. Yazvishche, Chismensky rural district, Volokolamsk District, Moscow Region 143650  
Phone: (495) 925 4607, (236) 24 432  
George Galli, CEO

## SCIENCE AND INNOVATIONS

**10R009**

Development of software production in the Russian software center in Dubna.  
Project goal: to increase export of Russian software.

- 1) Annual earnings – \$441 million
- 2) \$690 million / 6 years
- 3) Loan, equity
- 4) Business plan

MUP Dubna Science City Development Program Directorate  
19, ul. Universitetskaya, Dubna, Moscow Region 141980  
Phone: (495) 745 8569  
Fax: (221) 22 861  
Evgeny Borisovich Ryabov, Director

**10R010**

Development and introduction of intellectual laser 3D complex topology object synthesis systems methodology for treating bone pathologies into medical practice.  
Project goal: to treat bone pathologies.

- 1) Earnings of up to \$100 million
- 2) \$151 million / 11 years
- 3) Joint venture
- 4) Feasibility study

Laser and Information Technology Research and Development Institute of the Russian Academy of Sciences  
1, ul. Svyatoozerskaya, Shatura, Moscow Region 140700  
Phone: (49645) 25 995  
Fax: (49645) 22 532  
Vladislav Yakovlevich Panchenko, Director

**10R011**

Launching of production and introduction of Perfofor medical unit into medical practice.  
Project goal: to produce technological and medical lasers.

- 1) 30 units per year
- 2) \$17 million / 1 year
- 3) Loan
- 4) Business plan, feasibility study

Laser and Information Technology Research and Development Institute of the Russian Academy of Sciences  
1, ul. Svyatoozerskaya, Shatura, Moscow Region 140700  
Phone: (49645) 25 995  
Fax: (49645) 22 532  
Vladislav Yakovlevich Panchenko, Director