



Giffels

Giffels Management Russia

Localization of Manufacturing Capacities in Russia – Solving the Infrastructure Challenge

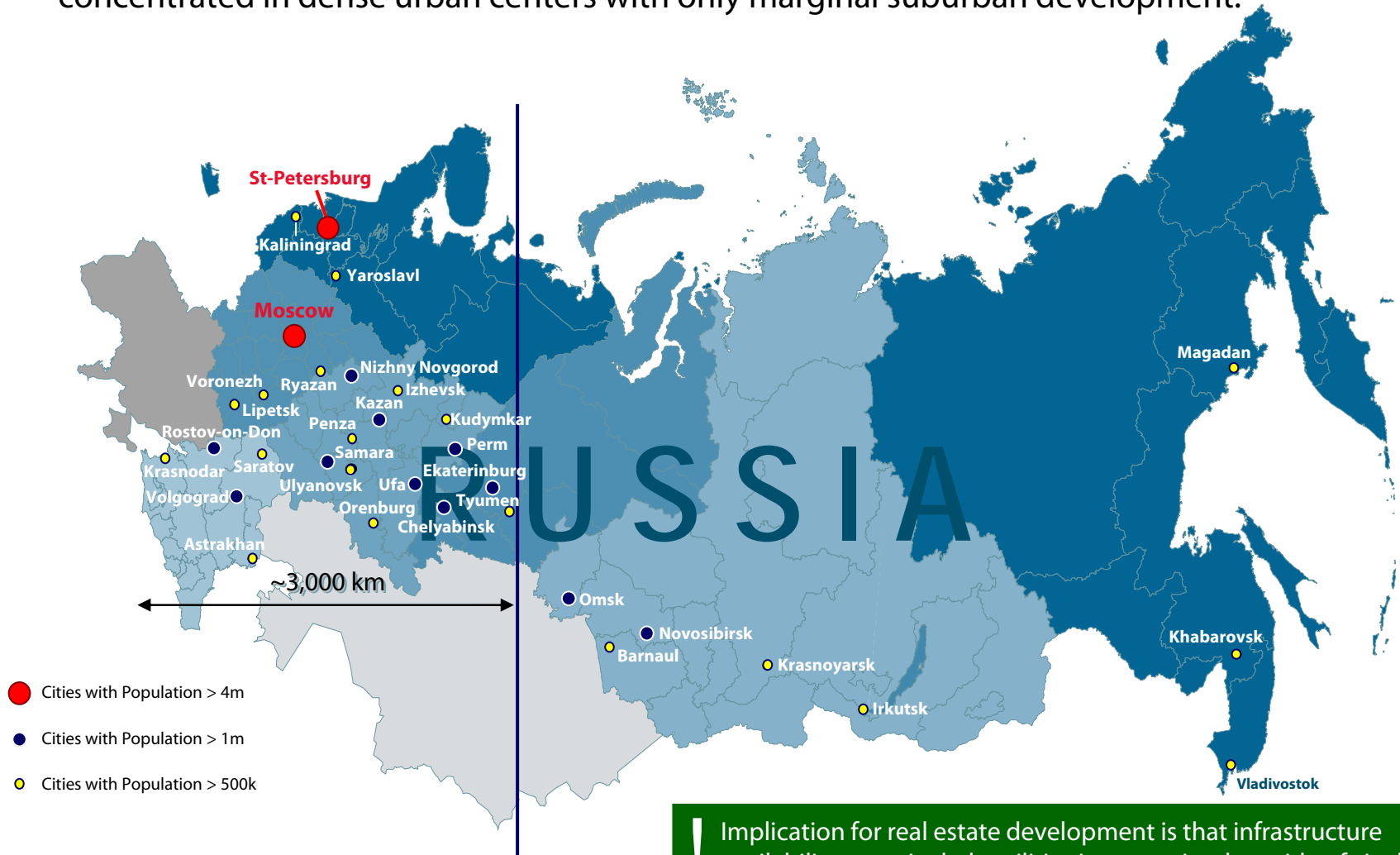
November 2010

- Transparency
- Initial cost
- Operational efficiency
- Timing
- Growth possibilities

Some Key Aspects of Industrial Real Estate Development in Russia

Infrastructure Challenges

The Soviet infrastructure footprint followed its population, 75% of which was (and remains) concentrated in dense urban centers with only marginal suburban development.

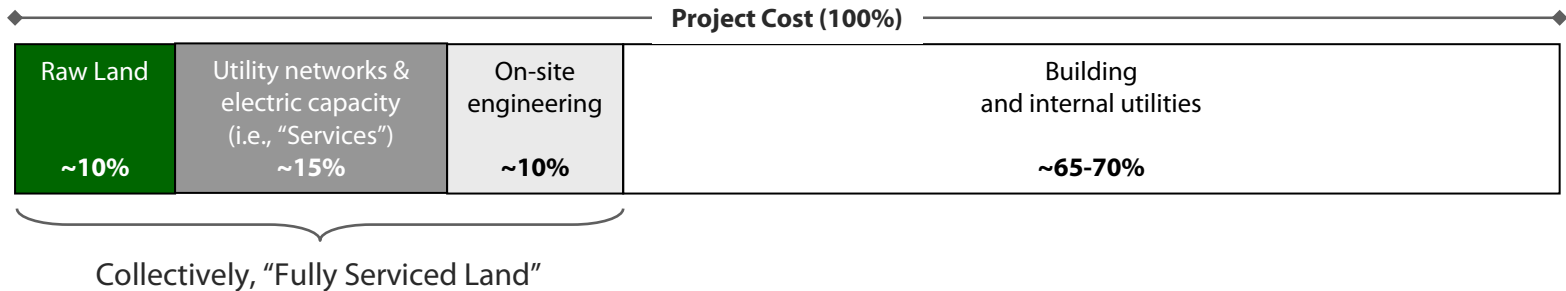


Source: Jones Lang LaSalle

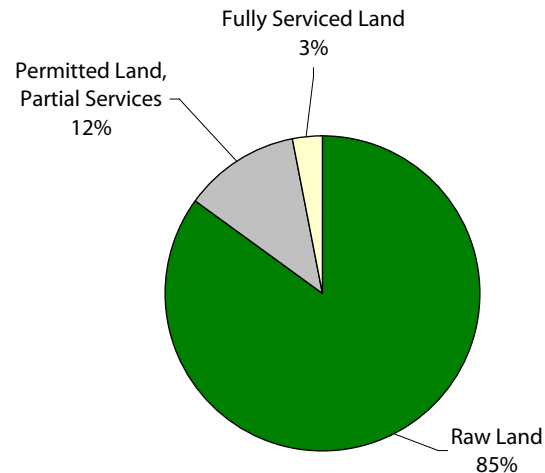
! Implication for real estate development is that infrastructure availability – particularly utilities is constrained outside of city limits

The Vast Russia Myth (aka, “All Land is Created Equal”)

Reality: While raw land is plentiful in Russia, absence of services (i.e., infrastructure) and appropriate zoning add risk to project economics and implementation.

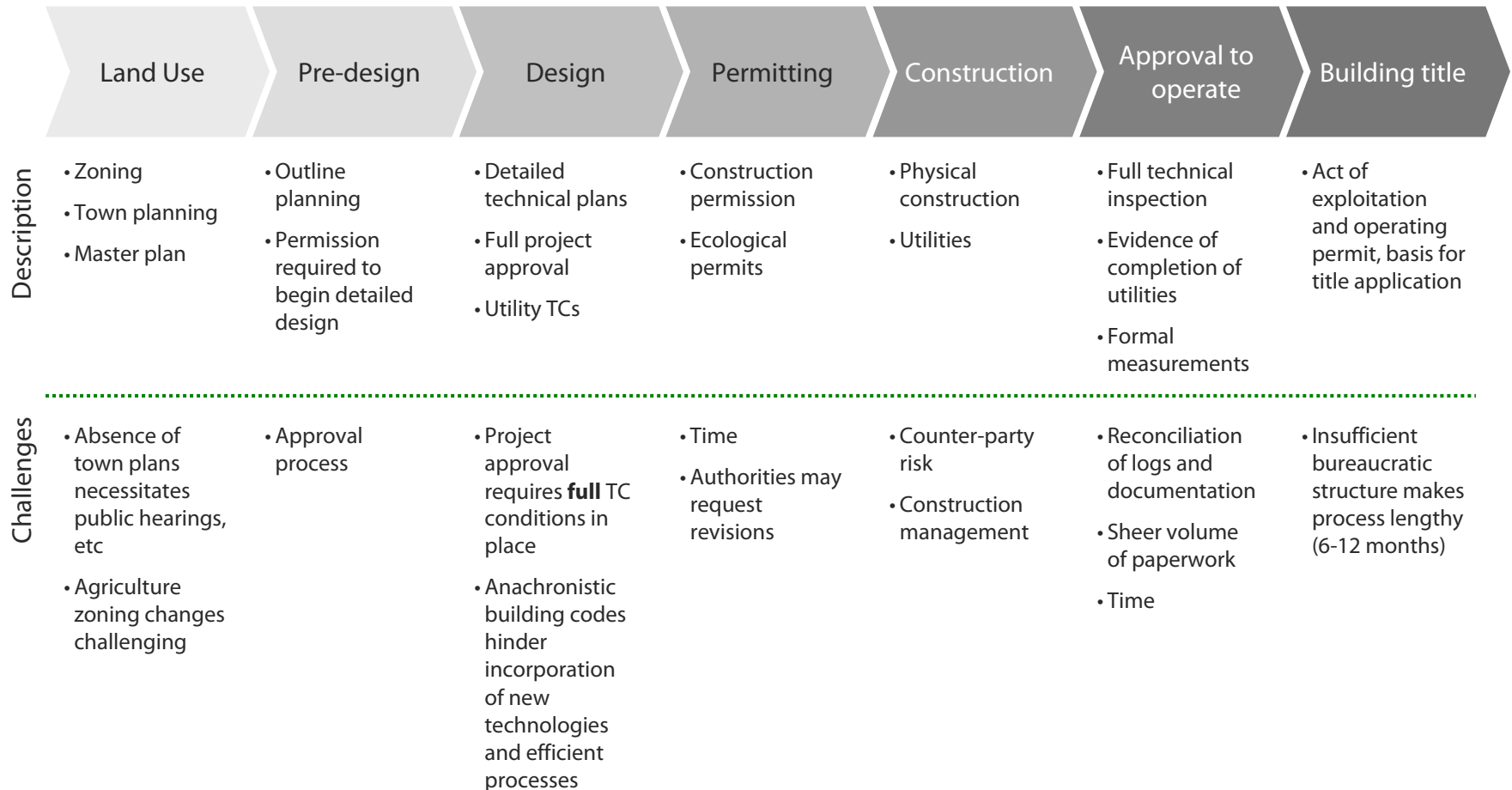


What is the market offering?



Impediments to Development

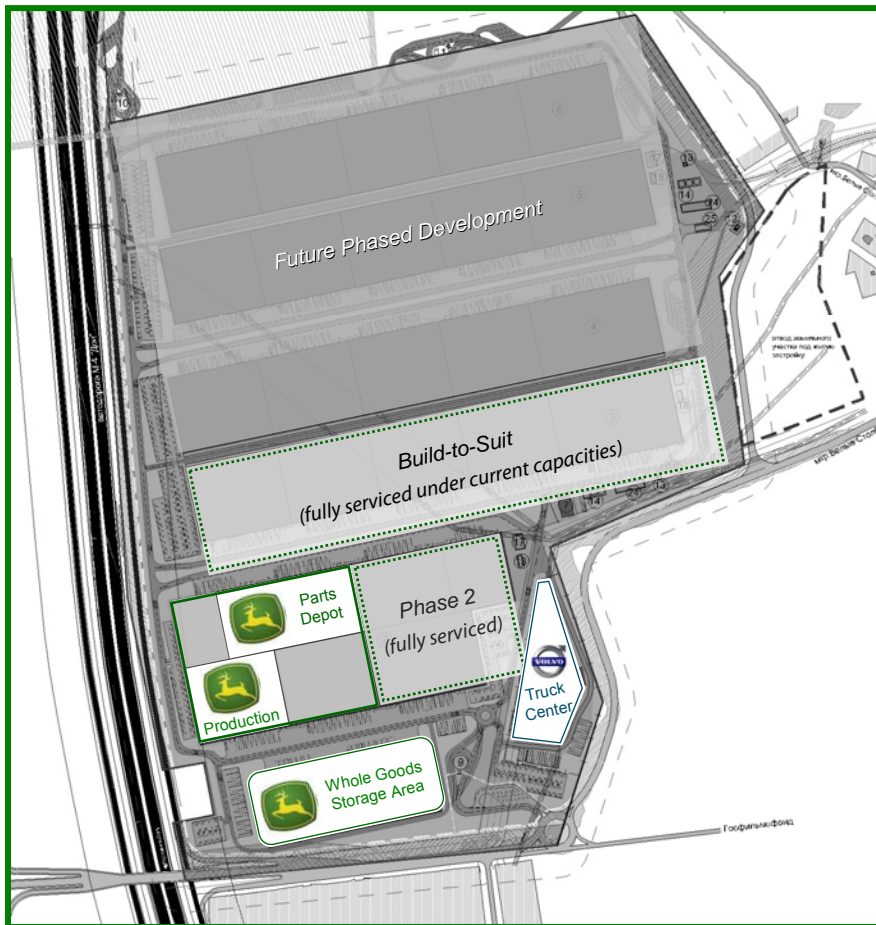
The development process in Russia is intricate, burdened by antiquated codes and regulated by fragmented and understaffed institutions.



“Getting from A to Z”: Giffels Management Russia

It is possible to develop real estate projects in Russia in a transparent, western-standard manner; the real issue is that of bureaucratic red tape.

The South Gate Industrial Park, Today



Completed **76,000m²** warehouse facility

2 access points,

104 hectares

a **~550,000m²** master plan

entitlements fully secured

Multinational users

And all it took was

253 *signatures!*

Examples of Dynamic Regions for International Manufacturing Localization

Examples of Dynamic Regions for International Manufacturing Localization



Distance & Travel Time

Moscow ⇒ Domodevo

12 km (≈10 min. from MKAD)

Moscow ⇒ Kaluga region

75 km (≈ 50 min. from MKAD)

MKAD: Moscow orbital highway - currently the backbone of heavy cargo traffic interchange in the road system in the central district of Russia

TsKAD: Upgraded orbital highway – future backbone of heavy cargo traffic interchange in the road system in the central district of Russia. The highway shall be built along existing ring-road know as **Betonka (A-107)**

Examples of Dynamic Regions for International Manufacturing Localization

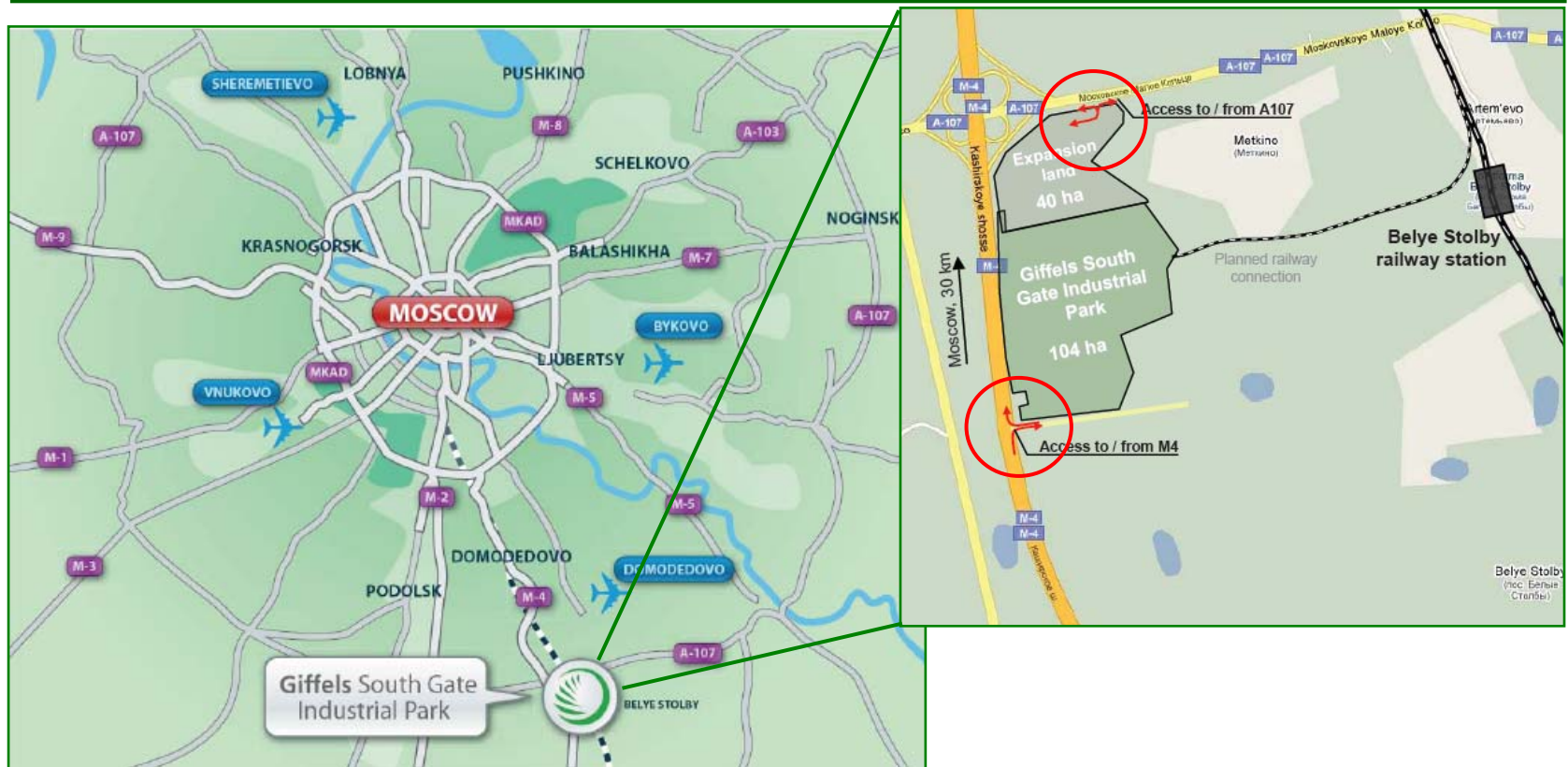


Case Study:

- **John Deere**
- **Volvo Trucks**

**@ Giffels South Gate Industrial Park
Moscow Region, Domodedovo**

Giffels South Gate Industrial Park



- **Strategic location at the intersection of key highways:** 30 km from MKAD Orbital Road to the south of Moscow at the intersection of: Novokashirskoe highway (M-4) and Betonka (A-107). M-4 / A-107 intersection allows for site entrance and exit in any direction;
- **Access to Moscow: less than 20 minutes** along M-4 (one of the most free flowing roads in the Moscow Region);
- **Convenient access to regions:** direct exit to M-4 allowing access to the regions of Russia to the south and east of Moscow. Direct exit to Betonka allowing access to any Moscow highway in any direction;
- **Proximity to Domodedovo International Airport:** 20 minutes;
- **Numerous sources of workforce:** residential settlements in the nearest proximity; larger cities of: Domodedovo, Vidnoye, Podolsk; more distant cities (Kashira, Stupino) – can be reached by train (Belye Stolby Platform).

Giffels South Gate Industrial Park



Case Studies:

Giffels Solution for John Deere



John Deere Announcement – September 1, 2009

Giffels Management Russia has implemented a turnkey project for the manufacturing part of a 45,000 m2 John Deere Manufacturing and Parts Center at the Giffels South Gate Industrial Park, including all permitting and approvals, design and installation of production equipment. Solution was implemented based on existing buildings which were modified accordingly.

The Moscow Times | Business | John Deere To Pump \$125M Into New ...

<http://www.themoscowtimes.com/print/article/381676/>

The Moscow Times

John Deere To Pump \$125M Into New Plant

01 September 2009
By Maria Antonova

U.S. tractor maker John Deere will invest \$125 million in a manufacturing and parts center in the Moscow region, the company said Monday.

The factory will begin producing tractors, combines and forestry equipment in the first quarter of 2010, company representative Andrei Rogov said. The facility, to be located 17 kilometers from Domodedovo Airport, is the company's first step in its Russian expansion plan, which was announced on the sidelines of U.S. President Barack Obama's visit to Moscow in July. The company then announced its intent to invest \$500 million in Russia over the next six years.

"Russia will be a major contributor to meeting the world's future needs for food and forestry products," president Samuel Allen said in the statement.

The production center and warehouse will be located in the South Gates industrial park and will require about \$125 million of investment, Rogov told Interfax. The company chose the site because of easy access for transportation and its proximity to the M-4 highway, which is southbound and goes through Russia's main farming regions. Obama and President Dmitry Medvedev discussed the project in July, Rogov said.

The John Deere plant will occupy 42,000 square meters at South Gates, said Chris Van Riet, managing director of Giffels Management Russia, which is developing the industrial park. John Deere is already developing facilities in the Orenburg and Kaluga regions.

The factory's method of assembly will allow it to import components on favorable terms, the company said.

The Industry and Trade Ministry said last week that combine components can be imported with no import tariff and tractor components require a tariff of less than 5 percent if the importer produces at least 1,000 units in Russia.

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The Moscow region factory will begin producing equipment in early 2010.

Decision
Announcement
September 1, 2009

Factory start-up
March 2010

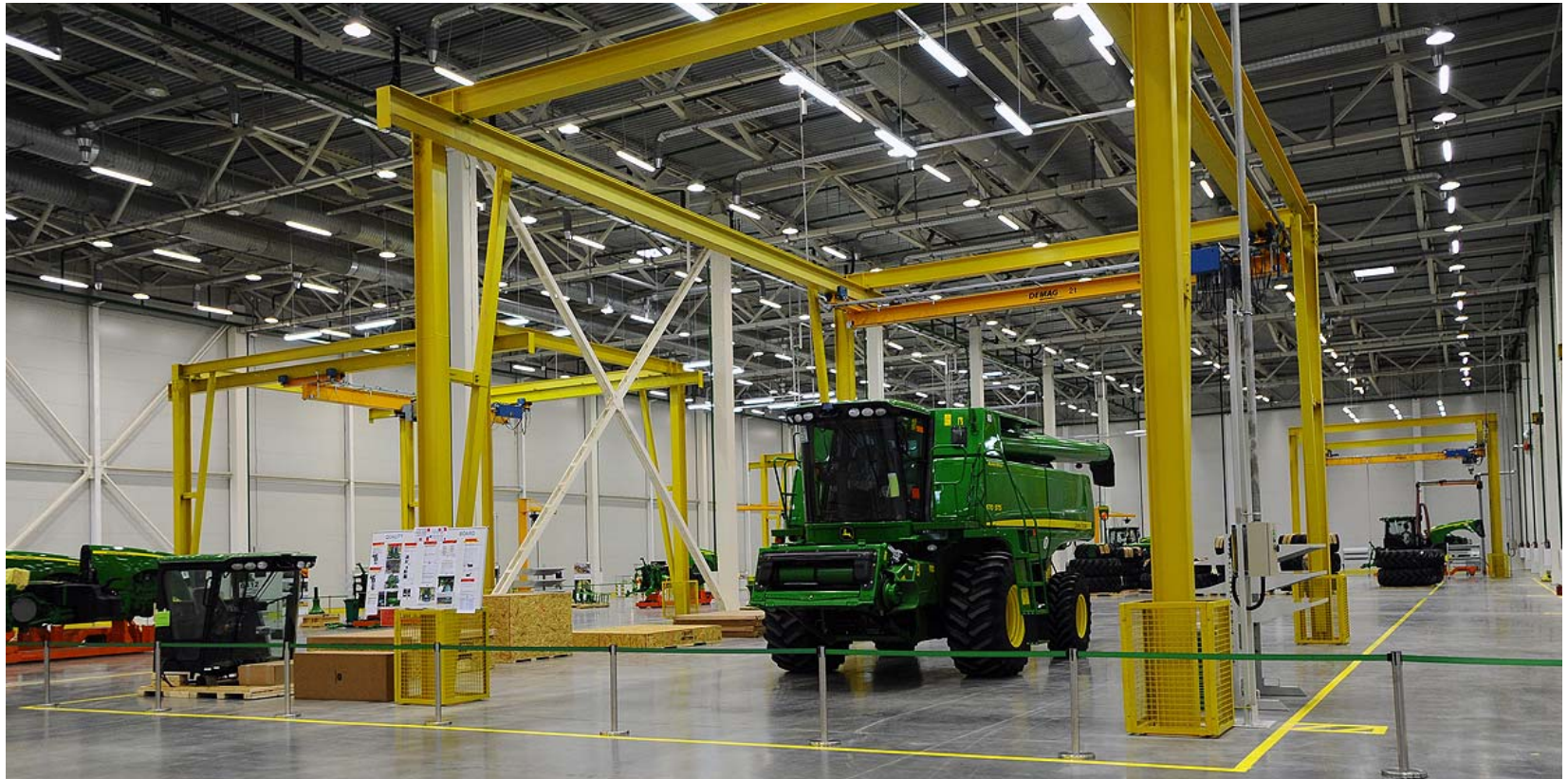
Grand Opening
Ceremony
April 27, 2010

John Deere Facility at Giffels South Gate Industrial Park



John Deere Facility at Giffels South Gate Industrial Park





September 1, 2009 → April 27, 2010

The manufacturing center is up and running within 8 months

Case Studies:

Giffels Solution for Volvo Trucks



Build-to-suit Project Implementation for Volvo Trucks

Giffels Management Russia is implementing a turnkey project of a Volvo Trucks center at the Giffels South Gate Industrial Park including all permitting and approvals, design, construction and complete financing.



- **Site Area: 3 ha**
- **Building Area: $\approx 4\,300\text{ m}^2$**
- **Project Completion: March 2011**

Turn-key developed and financed by Giffels Management Russia

Build-to-suit Project Implementation for Volvo Trucks

October 7th, 2010



Final Word

Infrastructure Development in Russia – example of M-4 highway

2009



2010



Giffels Management Russia

T: +7 495 662 5550

F: +7 495 662 5551

Russia, 107045

Moscow, Trubnaya str., 12

www.giffels.ru

Ruslan Suvorov

Vice-President

M: +7 985 925 9920

E: ruslan.suvorov@giffels.ru

Oksana Adamenko

Lease Manager

T: +7 495 662 5550

E: oksana.adamenko@giffels.ru