

ST PETERSBURG INVESTMENT PASSPORT

1. A foreword from Georgiy Poltavchenko, Governor of St Petersburg

St Petersburg investment passport presents St Petersburg as a potential European center with a developed financial infrastructure and a multifaceted transportation and logistics systems. In order to reveal the region's full potential, it's important to present all sides of St Petersburg: a leading business, tourist and cultural center that will continue developing as a center for skilled professionals and innovative production.

Here in the investment passport we're presenting the basic statistics that characterize the city's demographics, economic and social development. The document includes all the data an investor may require about the city development priorities, statistical data on various industries, labor resources, as well as informational, transport, engineering and financial infrastructures.

We've described the ways, in which the government can support and accompany investment projects, and outlined the clear and transparent ways, in which we interact with the investors. The passport contains the key information on some major investment projects carried out in infrastructure, automotive and hi-tech industries, as well as in culture and sports areas.

Attracting investment into the city requires a new investment policy combined with an open dialog with the business community, which will result in new projects raising the overall standard of living in St Petersburg.

2. St Petersburg: major European center

St Petersburg is Europe's third largest city in terms of population and second largest in area. Its 1399 square kilometers are home to 5 030 900 people with a population density of 3.6 thousand capita per square kilometer. Birthrate has been steadily on the rise throughout the past decade.

St Petersburg population (as of beginning of each year, in thousands)

2003	4656,5
2004	4662,0
2005	4686,5
2006	4712,9
2007	4747,6
2008	4764,9
2009	4798,7
2010	4832,6
2011	4899,3
2012	4953,2

Source: Petrostat

Europe's largest cities (in millions of residents, as of 2011)

Moscow	11,9
London	8,2
St Petersburg	5,0
Berlin	3,5
Madrid	3,3
Kiev	2,8
Rome	2,8
Paris	2,2

Source: administrations of the appropriate cities

Europe's largest cities in terms of occupied territory (in square kilometers)

Moscow	2511,0
London	1572,1
St Petersburg	1399,0
Rome	1285,3
Berlin	891,9
Kiev	839,0
Madrid	607,0
Paris	105,4

Source: St Petersburg Investment Committee

St Petersburg is located in the Russian North-West on the coast of the Baltic's Gulf of Finland. The coordinates of the downtown are: 59.57° N and 30.19° E. The city rests upon the junction of the major transport arteries that connect Scandinavia and Europe with central Russia and the Baltic States.

Travel time between St Petersburg and Europe's largest cities

	By Air	By Rail
Moscow	1 hr 20 min	3 hr 55 min
London	3 hr 25 min	-
Paris	3 hr 25 min	-
Berlin	2 hr 15 min	35 hr 14 min
Warsaw	2 hr	32 hr 05 min
Helsinki	1hr 05 min	3 hr 30 min
Vilnius	-	12 hr 45 min
Riga	1 hr 30 min	12 hr 27 min
Tallinn	1 hr 05 min	8 hr 40 min

Source: St Petersburg Investment Committee

St Petersburg Climat

Annual air temperature average	5°C
July average	17,4 to 18 °C
February average	-8 to -8,5 °C
Hours of sunlight, per year	1628
Annual precipitation	517 to 557 mm

Source: North-Western branch of Federal Agency for Hydrometeorology and Environmental Monitoring

2.1. St Petersburg Demographics

Gender breakdown (2012)

Males	44,9%
Females	55,1%

Age group breakdown (2011)

St Petersburg resident's median age is 41,1

0-14	11,7%
15-64	73,4%
65 and up	14,9%

Age groups by numbers (as of early 2012)

Under the employable age - 612,7 thousand capita;
Employable age – 3070,4 thousand capita;
Over the employable age – 1270,1 thousand capita.

Projected life expectancy at birth (in years, as of 2011)

Median age	72,1
For males	67,8
For females	77,7
Birth rate	12,6
(per thousand capita, as of 2012)	
Death rate	12,5
(per thousand capita, as of 2012)	
Birth rate and death rate ratio (in times, as of 2012)	0,993

Migration tendencies (2012)

Number of immigrants	194,5
Number of emigrants	120,4
Migration growth rate	74,09

Migration groups age breakdown (2011)

Over employable age	9,3%
Under employable age	7,7%
Employable age	83,0%

Source: Petrostat

3. St Petersburg: macroeconomic leadership

St Petersburg can boast a lasting history of economic stability, which is reflected in all basic statistics categories.

3.1. Economic growth

The basic index of regional economic activity is Regional Gross Product (RGP). St Petersburg's RGP has been going upwards steadily and now the city has one of the largest shares in the country's accumulated RGP reaching 4.6%.

St Petersburg's RGP (in billions of rubles)

2005	666,4
2006	825,1
2007	1119,7
2008	1431,8
2009	1475,8
2010	1699,5
2011	2071,8
2012	2137,9

Source: Committee for Economic Policy and Strategic Planning, Petrostat

St Petersburg RGP growth rates

	St Petersburg	Russia (NGP)
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2005	108,3	106,4
2006	108,3	108,2
2007	113,1	108,5
2008	109,3	105,2
2009	94,3	92,2
2010	105,5	104,5
2011	108,3	104,3
2012	104,5	103,4

Source: Committee for Economic Policy and Strategic Planning, Petrostat

RGP activity breakdown (%)

	Industry	Construction	Retail and repair services	Transport and communications	Real estate operations	Others
2008	24,5	7,7	22,1	12,2	16,1	17,4
2009	26,8	7,5	20,3	10,0	17,2	18,2
2010	27,5	7,8	19,0	10,0	18,5	17,2
2011	29,1	5,6	20,9	11,0	17,0	16,4
2012 оц.	28,7	6,9	18,9	10,2	18,3	17,0

Source: Committee for Economic Policy and Strategic Planning, Petrostat

3.2. Foreign Investment

St Petersburg is one of the country's leading centers for foreign investment. The measures required to accomplish this status included: administrative barrier lowering, formation of favorable investment and informational environments, introduction of tax and fiscal stimuli, assistance with human resources scouting and preparation of investment infrastructure.

Between 2004 and 2012 foreign investment into St Petersburg economy grew more than tenfold and amounted to \$10767.5 million in 2012.

Foreign Investment into St Petersburg Economy (in USD million)

	Foreign Investment (Total)	Direct Foreign Investment
2004	985,1	111,9
2005	1417,2	249,4
2006	5254,8	643,5
2007	6283,9	776,4
2008	5927,6	1373,7
2009	5525,1	1198,7
2010	5231,4	538,1
2011	6120,7	1074,1
2012	10767,5	891,3

Source: Petrostat

St Petersburg major investors (in USD million, 2012)

The UK	1861,3
Luxembourg	1533,8
British Virgin Islands	1231,5
The Republic of Korea	707,4

Cyprus	577,1
Kazakhstan	492,1
Sweden	482,6
Austria	456,8
Germany	437,7

Source: Petrostat

The aforementioned countries accounted for 84.6% of all investments in 2012 compared to 68.6% in 2011.

The most significant investment recipients in St Petersburg in 2012 were: Gazprom-Neft JSC, Sibur Holding CJSC, HMMR LLC, Scania-Piter LLC, Vozdushnie Vorota Severnoy Stolitsi LLC, Stroitel'naya Kompania Briz LLC, TMMP LLC, Ilim Group JSC, Silovie Mashini JSC, OPH LLC.

Of the entire 2012 investment volume, 82% went into industry, 6% into real estate operations, 5% into transport and communications, 4% into retail and repair services, 3% into other areas.

3.3. Capital Stock Investment

In 2012, investment into capital stock was divided the following way:

- Transport and communications (20,4% of the total);
- Industry (18,9% of the total);
- Real estate operations (17,3% of the total);
- Basic utilities production and supply (15,2% of the total);
- Construction (6,5% of the total);
- Retail (5,5% of the total);

Investment into St Petersburg business capital stock (in Rub billions)

2004	117,8
2005	156,9
2006	193,7
2007	303,4
2008	372,6
2009	334,1
2010	401,5
2011	360,4
2012	351,9

Source: Petrostat

3.4. Credit ratings

St Petersburg long-term credit rating, international scale

Standard&Poor's BBB (stable)

Moody's Investors Service Baa1 (stable)

FitchRatings BBB (stable)

St Petersburg long-term credit rating, national scale

FitchRatings AAA (stable)

3.5. St Petersburg Industry

St Petersburg industry demonstrates great development pace.

Industrial growth dynamics (% to the previous year)

	St Petersburg	Russia
2008	103,6	100,6
2009	83,4	90,7
2010	109,4	108,2
2011	113,3	104,7
2012	104,3	102,6

Source: Rosstat

Industry accounts for 29% of St Petersburg's RGP.

There are over 700 major and mid-size industrial enterprises in the city with a number of them being country-wide leaders in their fields. A fifth of the city population is employed in the industrial sector.

At the moment, priority development clusters include:

- automotive
- pharmaceutical
- shipbuilding
- radiological
- hi-tech.

City industry covers the widest range of specialties with the leading machinery sector accountable for a fifth of the city industrial produce. Heavy machinery, energy equipment, instrument engineering, optics and electronics production are some of the city's specialties. Additionally, St Petersburg is the country's largest shipbuilding center.

Automotive sector has been steadily on the rise with four world leading car manufacturers opening their plants here in St Petersburg. Their combined production capacity in 2011 amounted to 260 thousand vehicles per year. Their expansion plans target 500 thousand vehicles per year by 2012.

Food production, including beverages and tobacco is another important sphere. With the entire line-up of processing capabilities, food production accounts for 12% of the entire industrial output.

3.6. Foreign Trade

In 2011 St Petersburg traded goods with 187 countries worldwide (184 in 2010). Top 10 of those countries make up 62% of the trade volume. As of 2011 St Petersburg is a leading region by both import and export indices of the entire North-West region.

St Petersburg foreign trade dynamics (in USD million)

	export	import
2003	2747	5795
2004	3993	6915
2005	4885	9170
2006	6904	12931
2007	17786	20685
2008	23643	25734
2009	13437	17839
2010	11817	24524
2011	20577	32656
2012	20622	35915

Source: Petrostat

The total volume of foreign trade grew 4.5% compared to 2011 and amounted to \$56.6 billion. The Western markets remain the priority markets with their share being 96% of the entire foreign trade volume.

The major trade partners for St Petersburg are China, Germany, Finland, The Netherlands, Great Britain, Japan, Italy, The Republic of Korea.

3.7. St Petersburg budget

Currently, the city possesses formidable financial resources to maintain its fiscal responsibilities – primarily the legally bound level of social packages.

Oil-mining regions aside, St Petersburg together with Moscow and Moscow Region form a triade of budget-forming regions, which make up nearly a quarter of the country's tax revenue.

St Petersburg budget (in RUB billion)

	income	expense	deficit(-) /profit(+)
2004	93,3	92,1	1,2
2005	140,3	133,9	6,4
2006	215,2	183,4	31,8
2007	278,1	259,3	18,8
2008	339,1	355,8	-16,8
2009	315,6	322,3	-6,7
2010	347,4	358,6	-11,1
2011	399,5	404	-4,5
2012	373,5	375,8	-2,2
2013 budgeted	391,2	426,6	-35,4

Source: St Petersburg Finance Committee

One of the city budgeting priorities is maintaining an economically safe level of the state debt.

As of January 1, 2013 St Petersburg's state debt share is 21285.7 million Rubles or 5.7% of the budget income or 0.0995% of 2012 RGP.

4. High standard of living

According to 2011 Economist Intelligence Unit research, St Petersburg has the highest life quality standard in Russia. The city has favorable environments for doing business, studying and recreation.

St Petersburg is the country's safest, most cosmopolitan and most tolerant city with a bustling business activities as well as vivid cultural scene and nightlife.

4.1. Environmental situation

When conceived, St Petersburg was intended to stun not only as the city of breathtaking views and elegant palaces, but also as city with a sizeable greenery presence. Historical parks in the city make up over 2 thousand hectares; they're protected by the state and are considered national cultural and historical heritage of St Petersburg.

St Petersburg Environmental Policy up to year 2030 was drafted and presented for public discussion in 2012. The policy aims and creating a cleaner, healthier environment in the city.

The top priority in the policy is improvement of the city's air quality by developing the public transport and its infrastructure, planning the industrial parks, applying best-known industrial practices as well as increasing the number of parks in the city.

Quality of air.

The air pollution level is defined by contaminants from the stationary (industrial) and mobile sources (primarily vehicles). St Petersburg is the largest industrial and transportation hub in the Northwest. There were 579 enterprises that released chemicals into the atmosphere in 2012, while there were 1.7 million registered vehicles in the city (plus expected annual growth of 70 thousand units a year).

Air quality assessment is made based on data collected by Automatic Air Monitoring System (here and after referred to as AAMS) according to Russian and European Union standards and directives. The AAMS data suggests that the levels of nitrogen oxide and dioxide, carbon monoxide, sulfur dioxide, airborne particles, 3,4-benzipren and benzene hydrocarbons in 2012 stayed within the acceptable parameters.

Quality of open water

There are 385 streams and 632 bodies of water, while the total length of the coastline within the city limits runs over 2000 km, which makes water protection one of the key priorities for the environmental policy.

The city introduced a regional initiative called "Pure Water of St Petersburg", which is expected to run until 2025 after being adopted by the city government. The initiative aims to improve the quality of the central water supply and sewage systems while making water more accessible to the consumers, thus raising the standard of living and preserving the environment of the Baltic basin.

Recycling

On May 29, 2012 the St Petersburg government adopted a regional initiative for solid waste management between 2012 and 2020.

The initiative aims at lowering the environmental damages that the current waste management system induces by modernizing the existent systems of waste collection, transportation and recycling.

2012 saw the introduction of movable waste collection stations (Ecomobiles) as well as 3 waste collection stations. 150 eco-boxes for used lamp, thermometers and batteries collection were installed in the city in November 2012. All the information about hazardous material collection is accessible for the city residents at infoeco.ru

St Petersburg Parks and Recreation Areas

Currently, the territory occupied by greenery in city is estimated at 43 thousand hectares, which makes up 30% of the city territory. Half of that wealth – 22.9 thousand hectares – is in concentrated in the city woods located on the outskirts of St Petersburg. Parks, gardens and small recreation zones take up 5.4 thousand hectares.

At the moment there are 12 Natural Reserves divided into two categories: National Natural Reserves and Natural Heritage Items. Natural Reserve System was launched in 1990 and is currently developing rapidly. By the end of 2012 the total area of the city's Natural Reserves exceeded 5 thousand hectares, which accounts for 4% of the city territory. St Petersburg General Development Plan estimates this number of the reserves going up to 20 that would make up 14% of the city area.

Source: St Petersburg Committee for Nature Use, Environmental Protection and Ecological Safety.

4.2. Safety

The crime rate in St Petersburg is significantly below the countrywide average. The total number of crimes throughout the past 8 years went down by 56%. If in 2005 there was a total of 1000355 offenses, in 2012 they only totaled 56439. The number of assaults went down by 5.5 times, burglaries by 5 times, robberies by 2.5 times. The number of offences on the streets and in the public places went down significantly.

A number of registered crimes, per 100 thousand capita

2004	1522
2005	2170
2006	2262
2007	2178
2008	1787
2009	1688
2010	1409
2011	1218
2012	1159

Source: Ministry of Internal Affairs, Petrostat

A multi-level crime-prevention system has been introduced in city.

The city government in close cooperation with the law enforcement community is implementing long-term initiatives and programs aimed at crime prevention, while providing the required security level for large-scale international, national and citywide events.

Source: Ministry of Internal Affairs in St Petersburg and Leningrad Region, St Petersburg Law Enforcement Committee

4.3. Healthcare

St Petersburg can boast a wide network of modern diagnostic institutions, implementation of best practices for treating heart-related diseases, growing volume of provided hi-tech medical care and high levels of prenatal, maternity and neonatal treatments. All of the above was made possible by implementing state healthcare policies and involving innovative scientific and practical potential of the federal state research institutions.

The promotion of healthy lifestyle among the residents through the healthcare system and as well as improving the indices of accessibility and quality of medical care is one of the top priorities for the city policy.

There are 131 hospitals in the city and 526 outpatient institutions. They employ 43.2 thousand doctors and 50.2 thousand medical staff, which makes 87.2 doctors and 102 medical staff per 10 thousand capita.

Russian legislature dictates insurance-based healthcare financing. Mandatory universal health insurance system was introduced in 1993 in addition to state-funded healthcare, which resulted in creation of state-and-insurance healthcare financing system.

Currently, St Petersburg is developing its pharmaceutical and medical equipment production clusters in order to provide quality medication not only for the city but the country on the whole.

4.5. Social services

One of the priorities for the social development of the city is introduction of large social services system in St Petersburg.

At the moment, there are 37 city level institutions, including 23 boarding homes for the aging, homeless, disabled, including children with disabilities, as well as children and women in difficult situations.

District social services system includes 55 institutions, among them 19 nursing homes, 14 rehabilitations centers for the disabled, including children with disabilities, 14 family centers, 7 social rehabilitation centers for minors and 1 shelter.

All of the above employ 22 185 social workers by the beginning of 2013.

4.6. Housing

Construction is one of major sectors of the city economy. The city is a proven leader among other Russian regions in terms of completed construction. According to December 2012 RIA Rating research, St Petersburg and Moscow are the best regions in the country in terms of housing conditions. In a poll called “Quality of life rating” Moscow placed first with 87.4 points out of a 100, St Petersburg placed second with 79.2. According to RIA Rating an average Moscow resident lives on 19 square meters, while for St Petersburg it’s 23 square meters.

By the end of January 2013, the total volume of large-scale construction contracts amounted to 27.8 billion Rubles, while by the end of the month various size organizations reported 3.9 million rubles in small-scale works.

Completion of residential real estate (per 1000 capita in square meters)

2004	435,9
2005	485,1
2006	504,1
2007	555,4
2008	674,0
2009	542,5
2010	549,7
2011	552,3
2012	520,3

Source: Petrostat

The residential real estate completion rates required by the city development plans are best achieved utilizing Integrated Urban Development approach (IUD). In 2012, 1530 thousand square meters have been completed using IUD, which accounted for 59.38% of the total volume of complete residential real estate in St Petersburg (2576 thousand square meters in 2012).

As of first quarter of 2013, 48 properly filed IUD projects are being carried out. The total area of IUD projects is 3917.88 hectares.

Additionally, 23 Built-Up Area Development Projects (BUADP) are in the works. They total 958.17 hectares in area and their projected outcome is 12816.82 square meters of residential real estate.

4.5. Public transport

St Petersburg provides its residents with the following public transportation: subway, buses, streetcars, trolleybuses, water transport, suburban railway and taxi.

The public transport network of St Petersburg consists of:

- 5 subway lines (67 stations, 1557 train cars);
- 41 streetcar routes (768 cars);
- 44 trolleybus routes (650 trolleybuses);

- 692 bus routes (over 5000 various capacity buses spread between 375 “social” routes and 317 “commercial” routes);
- a vast railway network (100 stations within the city limit);
- 3 water-way “Aquabus” lines (15 speedboats servicing The Central Line, The Primorskaya Line, The Kurortnaya Line);

As of January 1, 2013 subway ride fare is 28 rubles and 25 rubles on all other social on land transportation regardless of the travel time or distance.

2011 saw an introduction of the Electronic Wallet (EW), a new transportation card that allows a passenger to debit the travel expenses. EW has a flexible discount system that accounts for the number of journeys throughout a month and automatically matching the discount level for each subsequent trip. Funds can be added onto the EW through special kiosks, as well as mobile applications and online.

Source: St Petersburg Transportation Committee

Public transport passenger traffic (within the city limits) in 2013, in million passengers

	January - March 2013	2012
Subway	184,9	783,9
Trolleybus	33,8	312,2
Streetcar	48,1	426,2
Car	130,0	460,0
Air	0,7	4,2
Domestic waters (in thousand passengers)	-	115,9

Source: Petrostat

The annual volume of passenger traffic in St Petersburg amounts to 2 billion journeys (5 million journeys daily) that can be broken down into the following categories:

- subway -40%
- buses- 40%
- streetcars and trolleybuses - 17%
- suburban railway - 3%

Between January and March of 2013 a total of 134 million rides were given by all of transportation companies (including private bus operators), which is 17.5% more than in the similar period of 2012 while the passenger traffic grew 18.9% to 0.9 billion passenger-kilometers.

Between January and December of 2012 144 million people traveled on Oktyabrskaya Railway System, which is 106.2% improvement compared to the similar period of 2011.

11500 vehicles provide taxi services in St Petersburg, which makes up 2.3 cars per 1000 capita. A minimal fare in St Petersburg is 350 rubles, while an average airport transfer is about 800 rubles.

Source: Transportation Committee

4.6. Recreation

Saint-Petersburg is home to:

Museums	178
Theatres	60
Concert halls	31
Recreational Institutions	93

Libraries	200
Parks	11
Zoo	1
Movie Theatres	53
including:	
•kids movie theatres	3
Circus	3
Extracurricular activity centers	69
Multifunctional culture centers	115
Natural museums	5

St Petersburg Cultural Statistics

Events	2008	2009	2010	2011	2012
Exhibitions	966	890	956	962	1001
–Modern Art	686	610	649	652	677
–Museum Funds	280	280	307	310	324
Premieres	157	127	121	123	130
Festivals	265	272	282	296	298

Source: Culture Committee

5. St Petersburg Multifaceted Transportation Structure

St Petersburg is Russia's major transportation hub that sees international cargo and passenger traffic going through it by all means of transportation. The city's favorable location historically saw multifaceted infrastructural developments that can fulfill any business requirements.

5.1. Marine transport

St Petersburg Seaport

St Petersburg seaport is the largest port in the Northwest processing up to 60% of all Russian cargo traffic. The port is a modern facility that provides world-class cargo processing services.

Cargo turnover for St Petersburg Seaport, in thousand tons

2005	57462
2006	54241,8
2007	59628
2008	59856,9
2009	50408,4
2010	58059,9
2011	59989,3
2012	57814,4

Source: Port Administraton

Marine Passenger Terminal

In 2011, thanks to support from the city and the federal government St Petersburg launched Marine Façade Passenger Terminal project. The port received a lot of acclaim from the professional community including 2009's Best Transit Port award at Seatrade Europe in Hamburg and Dream Cruise World Destination 2010 in the Best Port Capacities category.

In 2012 the passenger traffic that goes through the Marine Façade grew by 2% compared to 2011, when it reached 405.2 thousand passengers and maxed at 422.6 thousand passengers. In 2013 the Marine Façade is projecting 460 thousand tourists.

In 2012, 226 vessels called in the port, for 2013 the port projects at least 240. The port contracted 25 cruise lines, in the long-term perspective the port is planning to sign contracts spanning from 3 to 5 years.

By 2020, the General Development Plan for the port is expecting 530 calls and with the annual passenger growth of 6% the port expects 1.178 million passengers.

Source: Morskoy Fasad JSC

5.2. Railway Transport

St Petersburg railway hub is the largest in the Northwest and is the second largest in the country after Moscow. The hub connects the Russian Northwest, East and South with Finland and Estonia and is linked to the marine gateway into Western Europe. The hub joins 10 railway branches and distributes them between 5 major train stations.

The transport is predominantly provided by Oktyabrskaya Zheleznaya Doroga JSC, a subsidiary of RZD JSC, the industry monopolist.

A Sapsan speed train travels between St Petersburg in Moscow in 3 hours and 45 minutes.

As of December 2010 an Allegro speed train runs between St Petersburg and Helsinki in 3.5 hours.

Sapsan and Allegro are used by over 7 thousand passengers daily.

5.3. Air travel

Massive renovation works began at Pulkovo airport in 2010 with the works co-financed by private and state investors. By 2040 the airport is expected to be certified C-class by IATA and is planned to become the largest airline hub in the Baltic region. The passenger capacity is expected to reach 35 million passengers per year, allowing the creation of new domestic and international routes.

Pulkovo Passenger Traffic (in passenger millions)

2004	4,3
2005	4,7
2006	5,1
2007	6,1
2008	7,1
2009	6,8
2010	8,4
2011	9,6
2012	11,1

Source: Vozdushnie Vorota Severnoy Stolizi LLC

By the end of 2012, all passenger indices of Pulkovo Airport exceeded those for the similar period of 2011 by 16.1% including:

- international traffic for 2012 amounted to 6.1 thousand people, a 20% increase compared to 2011;
- domestic passenger traffic amounted to 4.9 thousand passengers, a 11,5% increase compared to 2011.

In terms of airport geography expansion, 6 new destinations were added in 2012: Aegean Airlines (Kerkira, Rodos, Saloniki), Air One (Venice), Blue Panorama (Palermo), Bluebird Airways (Iraklion), Air Onix (Simferopol), Avia Traffic Company (Bishkek, Osh).

21 new destinations were added in 2012, including 10 international destinations, 7 domestic destinations and 4 within the CIS. A total of 70 airlines services 157 destinations.

6. Centers for innovation

Innovative development of St Petersburg is one of the key tasks for the city's social economic policy. New hi-tech industries started coming into town. In 2012 St Petersburg placed second in innovative development among the regions of Russia. According to Australia's 2thinkNow Innovation Cities Global Rating in 2012 – 2013 St Petersburg placed 84th among the innovative cities worldwide.

The city government in June 2011 to facilitate the city innovative efforts between 2012 and 2015 adopted the citywide initiative called "Science. Industry. Innovation".

The initiative aims at forming the modern competitive system integrated into the national innovation program through:

- assisting businesses in technological development and modernization (subsidizing equipment leases, management systems certification);
- developing the innovative infrastructure and territories (subsidizing St Petersburg Technopark JSC, supporting the development of St Petersburg as Naukograd)
- helping staff the innovative economy of St Petersburg (subsidizing employee training and qualifications programs, supporting internships for students and young scientists abroad);
- protecting copyright materials and intellectual property (subsidizing access to copyright protection and organizing intellectual property protection awareness days, etc).

As part of i-tech facilities development program, Ingria technopark is being developed in St Petersburg. The technopark residents receive support and consultation divided in 4 categories: investment, mentors, clients and talent.

To provide support for the projects on early stages, the city government created the Fund for Early Investment (FEI) providing up to 5 million in development funds. By this moment, the fund has supported 11 companies for a total of 60.4 million rubles.

6.1. Innovative enterprises

St Petersburg favorable location and investment climate, an array of innovation legislature are expected to give the city a chance to become an innovative leader.

Innovative produce (in RUB millions)

2006	41700
2007	20635,1
2008	21614,9
2009	49295,8
2010	84473,8
2011	131899,0

Source: Petrostat

Integrated innovation support program was introduced in 2008 to promote and develop innovative activity in St Petersburg.

Number of businesses carrying out innovative processes, in units.

2005	107
2006	133
2007	126
2008	122
2009	140
2010	120
2011	195

Source: Petrostat

St Petersburg is home to R&D centers of the companies like Intel, Oracle, EMC, Motorola, Quest, T-Systems, Google, Hewlett-Packard, Exigen Services as well Russian software designers Yandex, Luxoft and EPAM Systems.

Following the federal legislation, St Petersburg government organized two special R&D zones where the residents can make use of a number of breaks and incentives.

6.2. Innovative activity levels

St Petersburg is one of the key regions for Russian Nano industry. The city possesses a unique scientific and educational potential combined with a dynamic business environment.

The key events in the innovative sphere for the city were:

- Launch of the E-Mobile production lot (E-Avto and Yarovit Motors are to invest 150 million Euro into the project).
- Signing the memorandum of intent to construct the first center for proton radiation treatment. Center for Nuclear Medicine is committed to invest \$150 million. The center will become the first institution of this kind in Russia.
- Signing the memorandum of cooperation between St Petersburg government and Microsoft
- AstraZeneca announcing the plans to open the bioinformatics and prognostic medicine centers.
- launching SVETLED, the country's largest LED plant

7. Center for professional employment

St Petersburg's main strategic resource is a large number of well-educated and qualified professionals. The city attracts the skilled labor force from all over the Northwest, providing an opportunity for the business to hire the best of the best.

7.1. Employment and wages

Throughout the entire 2012 the situation on the labor market remained stable with unemployment rates being minimal.

General unemployment level in St Petersburg in 2012 remained at 1.1% of the entire economically active population (EAP), marking it the lowest point on record.

The level of the registered unemployment (ratio of the officially unemployed to EAP in 2011) by the end of 2012 was 0.4% of the EAP with 10.7 thousand registered with the employment centers.

Economically Active Population (in thousands)

2004	2552,8
2005	2570,2
2006	2644,9
2007	2709,3

2008	2704,0
2009	2718,0
2010	2660,4
2011	2676,9
2012	2682,0

Source: Petrostat

Employment rate in the 15-72 age group fluctuated throughout the year reaching the minimal level of 72.1% and maxing out at 72.8%.

The main employment areas include retail with 21.9% of the annual employed average, real estate operations with 14.11%, industry with 14.11% and construction with 10.3%.

Average monthly wage, in Rubles

2004	7 931,1
2005	10 134
2006	13 033
2007	17 552
2008	22 473
2009	23 884
2010	27 190
2011	29 552
2012	32 930

Source: Petrostat

7.2. Education level

St Petersburg's education system is a formidable complex system that includes 1923 units.

There 1170 daycare centers attended by 202 259 children, 690 schools with 359382 students and 22 100 extracurricular activities centers with 338 152 kids and teenagers attending. A special range of educational facilities for children with disabilities has been created in city. It includes 57 special institutions attended by 11589 students.

Professional education system involves 30940 students. Following the demand of the market, the number of students acquiring applied labor professions (metal works, shipbuilding, restoration works, transportation specialists, tourism professionals, etc).

St Petersburg education modernization vector is introduction of new ideas and practices in education and upbringing as well as in school management.

Subsequently, it isn't surprising that the annual graduation ceremony celebration Alie Parusa (The Scarlet Sails) became a unique event watched by millions every year.

8. City with a developed financial infrastructure

St Petersburg's developed infrastructure provides all the necessary instruments to attract the resources required to carry out investment projects.

8.1. Banking sector

Concentration of banks in St Petersburg illustrates the city's status as a major financial center. Currently, there are 30 banks per million capita. The number of banks licensed to trade in foreign currencies is constantly growing, as the potency of local credit organizations grows together with banks' capitals.

As of the end of 2011, the banking sector in St Petersburg is made up of 38 central credit organizations with 155 affiliated structures. The banking infrastructure is stable with a functioning system of funds attracting and distribution. In 2011, among the tendencies in the

banking sector were profitability growth reported by credit organizations and banks revenue growth.

Crediting banks play a key role in the banking infrastructure of St Petersburg.

8.2. Stock market

St Petersburg stock market is one of the oldest in the country and is represented by three stock exchanges:

- St Petersburg Stock Exchange
- St Petersburg International Mercantile Exchange;
- St Petersburg Currency Exchange.

In 2011 the overall turnaround volume on St Petersburg Stock Exchange, including stock, futures and mercantile markets, exceeded 55.6 trillion rubles. 300 hundred companies operate on the market, while over 200 banks and investment companies represent over 200 thousand customers.

St Petersburg Currency Exchange trades in stock, bonds and equity. There are 78 players on the market, their combined turnover in 2010 amounted to 498.190 billion rubles.

St Petersburg International Mercantile Exchange today is the country's largest.

The trade takes place in the following sections:

- exchange goods (oil, grain, coal);
- futures and options market;

The exchange seeks to organize the mercantile exchange market with a transparent pricing mechanism for the Russian and CIS produced goods and resources.

St Petersburg Mercantile Exchange Participants (companies, per quarter)

1 q 2009	60
2 q 2009	90
3 q 2009	115
4 q 2009	175
1 q 2010	272
2 q 2010	372
3 q 2010	473
4 q 2010	600
1 q 2011	691
2 q 2011	786
3 q 2011	857
4 q 2011	905
1 q 2012	963
2 q 2012	1003
3 q 2012	1006

8.3. Payment systems

The banking payment systems rely upon the payment system of the Bank of Russia. As of beginning of 2012, 3047 credit organizations were part of Bank of Russia payment systems.

In 2011, 898.7 million payments adding up to 600.6 trillion rubles were made using the interregional electronic payment systems (IEPS) (compared to 819.3 million payments for 445 trillion rubles in 2010), or 75.7% and 65.6% from the entire volume of payment wired through Bank of Russia (77.4% and 68% in 2010).

287.6 million payments adding up 92.4 trillion rubles were made using the System of International Payments (SIP) in 2011 (with 238.5 million payments for 81.3 trillion rubles in

2010), or 24.2% and 10.1% from the entire volume of payments wired through Bank of Russia (22.5% and 12.4% in 2010).

In 2011 the amount of payments through the Electronic Express Banking Payments System (EEBPS) continued to grow, which made these payments account for 24.3% of all payments wired through Bank of Russia (in 2010 it was 19.5%). A number of EEBPS payments also grew more than threefold and reached 626.1 thousand amounting to 222.8 trillion rubles (compared to 127.3 trillion in 2010).

8.4. Insurance sector

32 insurance companies with 92 affiliated companies work in St Petersburg.

4 of the top 10 global insurance companies have their offices in St Petersburg:

- Allianz Group
- American International Group, Inc.
- Aviva Plc
- Zurich Financial Services

8.5. Non-state pension insurance

As of the beginning of 2011, there were 12 Non-state Pension Insurance Funds (NPIF).

The sector is currently growing, demonstrating steady positive dynamics.

9. Leadership in business

St Petersburg has the ambition and the opportunity to become a global business hub – an ambition that is appreciated by both Russian and global businesses that open offices in the city. The constantly growing commercial real estate market possesses high-class office, retail and storage facilities. However, the demand is keeping up so the market is highly attractive for investments.

9.1. Business activity

As of January 2013, there are 348.8 thousand businesses in St Petersburg.

There are over a thousand large and medium-size joint ventures with foreign capital that employ over 200 thousand people.

98 companies from the Financial Times 500 global largest companies have their offices in St Petersburg.

By 2012 the number of companies trading on foreign markets grew by 7.5%.

9.2. International Business

St Petersburg treasures its relationships with the partner-cities and foreign regions. Currently, the city has two-side partnership treaties with 91 foreign cities and 27 foreign regions.

As of January 1, 2013 there are 63 consulates, including 34 general consulates, 3 Honorary General Consuls, 19 Honorary Consuls, 1 Embassy Department, 1 Embassy Attaché department and 4 offices of international organizations.

The following international organizations have their offices St Petersburg: CIS Interparliamentary Assembly, Nordic Council of Ministers Information Office, various international funds, unions and UN organizations.

St Petersburg is a member of the Union of the Baltic Cities, major Baltic city conference “Baltic Metropolises”, Baltic Subregional Cooperation Organization, Baltic States Tourism Committee. The city works closely with Baltic States Council and Nordic Council of Ministers,

as well as with the European Coastal Regions Forum, Baltic Development Forum and the Association of Chambers of Commerce of the Baltic Region.

Various international Chambers of Commerce and Business Centers improve the economical cooperation.

Wishing to attract more foreign partners, St Petersburg opened 18 Business Centers abroad: in Germany, Austria, Italy, Finland, Norway, Latvia, Australia, France, Ukraine, Armenia.

Source: Committee for External Affairs.

9.3. Office Real Estate

Saint Petersburg offers about 370 m² of office space per 1000 capita.

Available office spaces (in thousands m²)

2007	949,4
2008	1404,6
2009	1609,7
2010	1728
2011	1913,9
Quarter 3, 2012	1856

Source: St Petersburg Investment Committee, GVA Sawyer

In the third quarter of 2012 the city introduced 36.8 thousand m² of high quality offices, including 8.5 thousand m² of A class and 28.3 thousand m² of B+/B class office spaces.

Average monthly rental rate in A class business centers was 14,910 per m² in the third quarter of 2012 (incl. operating cost; excl. VAT). For B+/B class this number gained 0.7% over the quarter and reached 11,860 rubles/m².

In 2011 construction cost for 1 m² of office real estate (excl. land acquisition cost) was between 33 thousand and 51 thousand rubles, depending on the facility class.

9.4. Commercial Real Estate

St. Petersburg offers c. 566 m² of commercial real estate per 1000 capital (rentable mall spaces, excl. hypermarkets).

Available commercial real estate (in millions m²).

2006	1,90
2007	2,47
2008	2,71
2009	2,87
2010	3,11
2011	3,27

Source: St Petersburg Investment Committee

In 2011 the city put nearly 223 thousand m² of commercial real estate into operation.

Highest rental rates are offered to clothing, makeup and perfume stores, as well as food court operators. Thus, minimal rental rate for a clothing store comes up to 1,350 rubles/m²/month, while for supermarkets it is 700 rubles/m²/month and for an entertainment place it is 450 rubles/m²/month.

Construction cost for 1 m² of commercial real estate (excl. land acquisition cost) varies between 33 thousand and 41 thousand rubles depending on the facility features.

9.5. Storage Properties

Availability of high-quality storage properties in Saint Petersburg is 291 m² per 1000 capita.

Available warehousing property, in thousands m²

	Total	A class	B class
2006	350	3	120
2007	568,9	273,5	295,4
2008	1035,5	661,5	374
2009	1316	896,2	419,5
2010	1394,4	974,9	419,5
2011	1423	1005,3	417,7

Source: St Petersburg Investment Committee

In 2011 around 18 thousand m² of A class storage properties were put into operation.

At the end of 2011 average monthly rental rate for A class storage facilities came up to 486 rubles/m² (incl. VAT and utilities); for B class facilities the rate was 432 rubles/m².

Construction cost for 1 m² of warehouse real estate (excl. land acquisition cost) varies between 20.5 thousand and 36 thousand rubles.

9.6. Conferences/Exhibitions/Events

St. Petersburg hosts around 150 trade and economic exhibitions on the annual basis, with the most famous one being Saint Petersburg International Economic Forum. The Forum 2012 boasts 84 agreements signed, including 9 contracts exceeding 360 billion rubles, as well as 4 loan agreements for 164.4 billion rubles. More than 5.3 thousand people took part in this event.

9.7. Communications and information.

Facts on communications use in Saint Petersburg:

- 685 public Internet access places
- 3 540 computers in public Internet access places
- 98 thousand people use public Internet access places on a monthly basis.
- 76 % of families have a computer at home.

There are nearly 3 million Internet users in St. Petersburg.

The city offers around 200 places with Wi-Fi access, being second only to Moscow in terms of wireless spots.

10. One of the most popular destinations among European city tourists

Hundreds of thousands of tourists come to Saint Petersburg from all over the world to see its legendary architecture, walk the streets of Russia's northern capital and feel its history. Tourism is a stable income source for the city budget, and as a result a means to improve quality of life for the local people.

10.1. Inbound tourism flow

As of today tourism brings around 120 billion rubles per year to the local budget and creates c. 6% of its GRP.

Inbound tourism flow (in millions of people)

	International	Russian
2005	1,8	1,9
2006	1,9	2,0
2007	2,1	2,2

2008	2,3	2,5
2009	2,3	2,5
2010	2,3	2,8
2011	2,6	2,9
2012	2,9	3,1

Source: St Petersburg Investment Committee

Traditionally St Petersburg makes it to the top places in world and European tourism attractiveness rankings. Despite the global crisis, a number of tourists visiting St. Petersburg every year, including business travellers, is constantly growing. In 2012 the city hosted 6 million people.

10.2. Hotel Infrastructure

Total room inventory in St. Petersburg hotels is 33,734 rooms (687 facilities).

In 2004 the city adopted a program supporting hotel facilities placing in St. Petersburg. Such a form of investment projects support proved to be most efficient: over the last five years (2008 – 2012) the city got more than 5 thousand new hotel rooms. St. Petersburg can boast a significant growth in the presence of large global hotel networks, incl.:

- Kempinski;
- Rocco Forte Hotels;
- Corinthia;
- ACCOR (brands: Novotel and Ibis);
- Rezidor (brands: Radisson and Park Inn);
- Sokos Hotels;
- Marriott Intl (brands: Cortyard by Marriott and Renaissance);
- Starwood (brand: "W");
- Orient Express Hotels;
- Intercontinental Hotels Group (brands: Crowne Plaza, Holiday Inn; Staybridge Suites);
- Domina Hotels & Resorts etc.

Famous networks, such as Four Seasons, Indigo and Hilton, are expected to open their brands in 2013 – 2014.

11. World's center of arts and culture

Rightfully so, Saint Petersburg is considered one of the most beautiful cities in Europe, showing off its exceptional style and unique atmosphere. Its historic center, palaces and parks are a part of UNESCO World Heritage List. St. Petersburg prides itself on more than 8 thousand historic landmarks and more than a thousand cultural facilities, incl. museums, theaters and concert hall. Annually the city government selects the winners for the Literature, Arts and Architecture Award, as well as for the Saint Petersburg Young Artist Award.

Saint Petersburg boasts 76 state and more than a 100 private museums and galleries.

City museums play an active role in international and local festivals, as well as other regular and special events. Being a part of European museum practice, Saint Petersburg holds Children's Day in Saint Petersburg, which is the Russian children's museum program festival, as well as such international events as Long Night of Museums, the Night of Music in Gatchina, and Dostoevsky Day. Museum inventory in Saint Petersburg embraces more than 12 million items, attracting more that 18 million people every year.

Saint Petersburg is the city of 39 state and more than 20 non-governmental theaters.

Annually, more than 50 shows in various genres premiere in city theaters that also tour Russia and other countries on a regular basis. In 2013 the Mariinsky and the Alexandrinsky

Theaters opened their new stages. City theaters' annual viewership records reached c. 3 million people. St. Petersburg Theater shows received multiple Russian and international theater festival awards, The Golden Mask Award (the lead Russian theater prize), as well as Russian Government theater prizes. The end of the theater season is marked with two events: *the Golden Sofit* (Zolotoi Sofit), the annual St. Petersburg theater award, and *the Breakthrough Award* (Proryv) for young talents.

Saint Petersburg is the home for 17 state and more than 10 private concert companies.

17 state concert companies are headquartered in St. Petersburg: symphony orchestras, Russian folk instruments orchestras, concert companies and philharmonic societies, ice shows and concert halls. Every year the city holds around 4.5 thousand concerts in various genres attracting more than 2 million people.

Saint Petersburg shows off 13 state and more than 40 private movie theaters.

Kinoforum, the annual St. Petersburg International Film Forum will take place in autumn 2013. St. Petersburg is the proud host for such film festivals as the Russian film festival *Vivat, Kino Rossii*, St. Petersburg Open Film Festival for Young Talents *Nachalo* (Beginning), International Christian Film Festival *Nevsky Blagovest* and *Message to Man*, the International Festival for Documentaries and Short Feature and Animated Films..

Saint Petersburg embraces 27 state and more than 60 private culture and entertainment facilities.

Every year culture and entertainment facilities welcome more than 1.5 million people attending monthly family gatherings called *Cultural Center: the Family Territory*, concert programs for veterans called *My Treasure is the Years of My Life*, and other events that include discos, theater shows, entertainment programs, exhibitions and arts & crafts fairs. Performance groups and creative teams under the auspices of cultural centers, conveniently located in all parts of the city, involve more than 100 thousand people.

Saint Petersburg is the city of more than 200 public libraries.

It's no exaggeration to call St. Petersburg Russia's library capital. The country's oldest state libraries are located here: Library of the Russian Academy of Sciences, the National Library of Russia, Saint Petersburg State Theater Library. In total libraries in St. Petersburg can boast inventory of various items that bring more than 10 million readers.

Saint Petersburg is the proud host for more 260 festivals and concerts every year.

Music and dancing, theater and films, ethnic and arts festivals welcome both adults and children. City theaters hold such big events as *Baltic House*, *Meetings in Russia* and *Alexandrinsky Festival*. In 2013 Lev Dodin will start the *Winter Theater Festival*. Other bright stars of the city festival life are *Museum Olymp* (*Museiny Olymp*), *SKIF*, *Rainbow* (*Raduga*), the *Stars of the White Nights*, *Arts Square*, the *Swing of the White Night*, *Musical Hermitage* and *Palaces of Saint Petersburg*. The city hosts more than 8.5 thousand children's festival, such as *Harlequin* theater festival and *Children's Day in Saint Petersburg*, which is the Russian children's museum program festival, and St. Petersburg children's charity film festival *Step Towards*.

Saint Petersburg hosts more than 90 festive events annually.

St. Petersburg is the city of unforgettable events and splendid shows, with the most popular ones being City Birthday, Alie Parusa - the Scarlet Sails (the city prom), Mardi Gras, New Year, Victory Day, Navy Day, the Day of Family, Love and Faithfulness, as well as Peter the Great's Birthday.

International cooperation

Prestigious international and citywide cultural events sponsored by General Consulates, international culture centers take place in St Petersburg annually. Every year their number grows, as grows their impact on the international cultural cooperation. St Petersburg is an integral participant of the international Year of Russia that takes place in various countries around the world. The city also takes part in events like Edinburgh International Festival, Theatre festival in Avignon or inter-European culture cooperation events like European Cultural Capital.

12. State Support for Investment

St Petersburg is one of the countries' most attractive cities for investment. All the prerequisites for investment in the various industries have already been created.

The city government utilizes a wide array of investment support mechanisms including tax breaks, discounted real estate leases, assistance in obtaining loans.

St Petersburg is primarily interested in the projects that are going to raise investment attractiveness and compatibility of the city, while improving its image as an international business and cultural center and developing the urban infrastructure and territories.

At the moment, priority projects are being carried out in infrastructure, territory development, hotel infrastructure, culture, sports, social projects and automotive industry. Right now 28 projects were awarded the status of Strategic Investment Project with the combined investment volume exceeding 800 billion rubles.

Public Private partnership (PPP) is being used as one of the primary tools to finance investment projects. St Petersburg is one of the first regions in Russia to develop its own PPP legislature and according to World Bank the city is one of the world's pioneering regions in PPP implementation.

Top priority infrastructural development projects are financed through PPP with total volume amounting to 340 billion rubles.

An additional instrument to create favorable investment conditions was the introduction of Special Economic Zone (SEZ) for R&D-centered businesses in 2006.

SEZ is set to operate for 20 years and creates an advantageous environment for the following branches:

- Biomedicine (including the pharmaceutical cluster);
- Precision and analytical instrument industry;
- IT;
- Energy-conservation Methods;
- Microelectronics;
- Communication;
- Nanotechnology .

SEZ residents receive tax and custom duties break, as well a chance to take advantage of discount land lease rates within the SEZ.

14. Institutionalized investor support structure

In 2013 the city started to develop a “one-stop-shop” approach, giving the investor a chance to receive the entire wealth of information about investment opportunity and receive the support during the early stages of the project in one place.

The structure includes the Investment Council, the Investment Committee and Investment Promotion Agency.

The investment Committee is the highest administrative body that defines the investment policy of St Petersburg and the city governor is always an acting chairman. The council takes place monthly and during its sessions the key investment strategy questions are raised.

St Petersburg Investment Committee is an executive branch responsible for implementation the city investment policy. In this structure the Committee defines the reasonability of an invest project and also form the investment maps for key industries in the city.

Investment Promotion Agency carries out the marketing strategy, keeps the list of major investment projects, forms investment proposal packages and works with the investors from early stages up to entering the market.