



## State Policy Developments

### The Government plans to correct criteria for exports subsidies on transportation of the machine-building products

The resolution of the Government #496 dated April 26, 2017 envisages provision of *subsidies for partial coverage of transportation costs related to exports of products of the machine-building industry* (the state agent on this is the [Russian Export Center](#)). The budgetary outlays for exports' subsidies in the Russian budget for 2017-2019 are indicated at RUR 11.9 billion (about USD 210 million).

The subsidy is calculated using special formula assuming different ratios for different categories of applicants:

- 0.8 ratio (80% of transportation costs' coverage) for the companies having certificate on running production facilities within the territory of the Russian Federation or operating under [Special Investment Contracts \(SPIK\)](#); before December 31, 2017 this ratio is also applied to products having ST-1 certificate issued by the Chamber of Commerce and Industry of the Russian Federation, not including the products of agricultural machine-building;
- 0.6 ratio is applied after January 1, 2018 to products having ST-1 certificate issued by the Chamber of Commerce and Industry of the Russian Federation, not including the products of agricultural machine-building;
- 0.2 ratio is applied in other cases (specifically, for companies having agreements on assembly of motor vehicles in Russia).

On May 29, 2017 Kommersant newspaper reported that the Russian Government is going to correct subsidies' criteria indicated in the resolution. According to preliminary information, the ratios will be *differentiated by industry*, and the following ratios are to be applied in *the motor vehicles assembly and manufacturing*:

- 0.8 ratio for the companies operating under Special Investment Contracts (SPIK) or for specific motor vehicles models having the level of localization exceeding 50% (ST-1 certificate required);
- 0.6 ratio for companies running assembly of the motor vehicles within Russia and complying with criteria of the Resolution of the Russian Government #719 dated July 17, 2015.

It shall be noted that the rules related to the motor vehicles' assembly and manufacturing within Russia may change further in the coming months, as far as the Ministry of the Economic Development and the Ministry of Trade and Industry are still confronting each other on approaches to provision of benefits to motor vehicles' manufacturers.

Resolution of the Government #496 dated April 26, 2017: [Original](#) (Rus)| [Google Translate](#)

Resolution of the Government #719 dated July 17, 2015: [Original](#) (Rus)| [Google Translate](#)

Dedicated article by Kommersant newspaper: [Original](#) (Rus)| [Google Translate](#)

### The Government prepares to subsidize up to 50% of costs on production of pilot batches of industrial equipment

On May 30, 2017 the Russian Government released Resolution #634 on the rules of provision of subsidies to industrial enterprises for manufacturing of pilot batches of "means of production" (i.e. original articles of industrial equipment). The rules envisage covering up to 50% of related production costs and offer a set of criteria for companies willing to apply. The selection of applicants is supposed to be made by special commission under the Ministry of Trade and Industry. The size of a subsidy shall not exceed RUR 150 million (about USD 2.65 million), while for selected products the cap is RUR 300 million. The list of equipment articles subject to subsidies is provided in appendix to the resolution.

Resolution of the Government #634 dated May 25, 2017: [Original](#) (Rus)| [Google Translate](#)

### The Government prepares measures on support of start-ups in the Russian universities

On May 30, 2017 Mr. Dmitry Medvedev, the Russian Prime Minister, initiated elaboration of the roadmap on support of "technological entrepreneurship" in universities by the Ministry of Education and Science in cooperation with the council of experts under the Russian Government. The roadmap envisages support of start-up activities in selected universities with the estimated program budget at RUR 200 million.


The program funds will be directed for creation of the start-up infrastructure (co-workings, technoparks and business incubators), coverage of costs on participation in accelerator programs for students, establishment of technology transfer centers and organization of competitions and awards.

The program will initially cover 5 pilot universities ([ITMO](#), [MIPT](#), [Lomonosov Moscow State University](#), [Novosibirsk State University](#) and [Tomsk State University](#)) with RUR 30 million budgeted for each of them. Afterwards, the list of participating university is supposed to be extended to 30 within 5 years. The elaboration of the roadmap is to be finalized by September 1, 2017.

Dedicated article in Kommersant newspaper: [Original](#) (Rus) | [Google Translate](#)

### The state plans to secure domestic production of 80-85% of motor vehicles sold in Russia by 2025 with 12-14% share of exports

On May 31, 2017 the Ministry of the Economic Development released the draft strategy of development of the Russian automotive industry until 2025 for discussion by all interested parties. It was elaborated jointly by the Ministry of Economic Development, the Ministry of Trade and



Industry, McKinsey and [NAMI](#) (Russian R&D Institute for the Automotive Industry).

The strategy envisages that domestically produced motor vehicles will cover 80-85% share of local demand by 2025, while the share of exports will be at 12-14%. This assumes the selective policy of facilitating the level of localisation of international companies via [special investment contracts \(SPIKs\)](#) with the state not interfering in the competitive environment in the market.

Besides that, the strategy is aimed at covering the technological gap between Russia and rapidly developing foreign automotive markets by means of introduction of new products and technologies (on-board autonomous systems, on-board surveying systems, etc.).

The state funds directed for support of the automotive industry are supposed to be fixed at the level of 2017 for the whole period of the strategy implementation, but there will be a shift towards financing of new technologies' introduction.

Key points of the strategy of development of the Russian automotive industry until 2025 (discussion paper): [Original](#) (Rus)| [Google Translate](#)

The strategy of development of the Russian automotive industry until 2025 (discussion paper): [Original](#) (Rus)

Key indicators of the Russian economy development strategy proposed by the Centre for Strategic Research

### **The state revealed a number of plans for the coming years in the course of St. Petersburg Economic Forum**

**1. Russian Government does not plan to increase the tax burden in the following years.** Mr. Anton Siluanov, the Russian Minister of Finance, commented that the Government does not plan to increase tax burden in the following 6 years. However, he stated that the Russian tax system will require modernization in order to secure proper growth. Mr. Igor Shuvalov, the Russian First Vice Prime Minister, confirmed that indicating that the Government does not plan to increase the personal income tax after 2018, while the overall tax burden will remain stable.

Citing Mr. Anton Siluanov (TASS news agency): [Original](#) (Rus)| [Google Translate](#)

Citing Mr. Igor Shuvalov (Kommersant newspaper): [Original](#) (Rus)| [Google Translate](#)

**2. Russia will be limiting the budgetary expenditures until 2019, while starting from 2020 it will be possible to increase outlays by a bit more than RUR 500 billion a year.** Referring to Mr. Anton Siluanov, the Russian Minister of Finance, the state aims at reaching the balanced budget in the coming years under the crude oil price at USD 40 per barrel.

Citing Mr. Anton Siluanov (TASS news agency): [Original](#) (Rus)| [Google Translate](#)

**3. The crude oil price used for implementation of [the budgetary rule](#) is likely to retain at USD 40 per barrel at least until 2020.** However, the members of the

Government did not support the proposal on increase of that price to USD 45 per barrel in 2019-2020 made by Mr. Alexey Kudrin, the head of the Centre for Strategic Research, which is a think tank contributing to the elaboration of the Russian economic strategy. The Government plans to re-introduce the budgetary rule in 2018-2019 in order to secure stability of the Russian budget.

Citing discussion on the budgetary rule (Kommersant newspaper): [Original](#) (Rus)| [Google Translate](#)

**4. Mechanism of special investment contracts (SPIKs) will be improved.** Mr. Vladimir Putin ordered to extend the maximum period of [special investment contracts \(SPIKs\)](#) to 20 years and remove limitation on corporate tax privileges so that they could be applicable beyond 2025.

Citing Mr. Vladimir Putin (Kommersant newspaper): [Original](#) (Rus)| [Google Translate](#)

**5. 22/22 tax maneuver is still under discussion.** Mr. Anton Siluanov commented that the Government has not yet made decision on the reform, which assumes increase in VAT from 18% to 22% with simultaneous decrease in the social payments from 30% to 22% of salaries' fund. Meanwhile, the potential reform was criticized by [Association of European Business \(AEB\)](#) representing the foreign investors. At present, 30% rate is applied to only a portion of the salary fund (specifically for the portion of salary under RUR 755 thousand a year), while the remaining part is subject to 15% rate. The reform envisages the unified 22% rate factually meaning higher tax burden for companies paying significant salaries in the IT and other high value added sectors.

Citing Mr. Anton Siluanov (RNS news agency): [Original](#) (Rus)| [Google Translate](#)

Citing Mr. Frank Schauff, AEB CEO (RBC news agency): [Original](#) (Rus)| [Google Translate](#)

**6. Russia is going to increase preparation of IT specialists by several times and improve the regulatory base for the IT sector in the coming years.**

Citing Mr. Vladimir Putin (Kommersant newspaper): [Original](#) (Rus)| [Google Translate](#)

**7. Russia looks for ways to improve relations with the U.S. with the help of the business people**


Citing Mr. Vladimir Putin (Kommersant newspaper): [Original](#) (Rus)| [Google Translate](#)

## **Business Environment Developments**

**Russia organizes the largest auction on purchase of renewable energy**

On May 29, 2017 Bloomberg reported on the largest-ever Russian auction for the renewable energy to take place from May 29 until June 9 with the cap of purchases indicated at 1.9 GW.

Factually, the auction participants bid to introduce generation facilities of certain capacity in the coming years with the energy being purchased under fixed price



indicated by the Government (the price for renewable energy is typically higher than the local energy market average).

There are strict localization requirements to generation facilities, and the level of localization shall be not less than 40% (i.e. 40% of components shall be of local origin).

In order to define the level of localization in a proper way, the Government has recently issued resolution #610 correcting the localization requirements for component groups of the renewable energy facilities and their contribution to localization in percentage points.

Fortum Oyj and Enel SpA are among the mentioned foreign players planning to participate in the auction.

Dedicated article by Bloomberg: [Original](#) (Eng)

The resolution of the Russian Government #610 dated May 23, 2017: [Original](#) (Rus) | [Google Translate](#)

### **Turkey reportedly lifted barriers on the Russian wheat and sunflower oil imports**

On May 29, 2017 Kommersant newspaper informed that the newly introduced quotas on the Russian [wheat](#) and [sunflower oil](#) imports to Turkey were abolished (introduction of quotas was reported on May 24, 2017 after [signing the statement on lifting trade restrictions with Turkey](#)).

Dedicated article in Kommersant newspaper: [Original](#) (Rus) | [Google Translate](#)

### **63% of the Russian citizens would vote for Mr. Vladimir Putin in case the Presidential Elections take place this weekend**

On May 29, 2017 [Levada Center](#) released the results of the recent electoral rating on Presidential elections (survey among 1 600 respondents throughout Russia).

Referring to the survey results, 63% of the Russian citizens would vote for Mr. Vladimir Putin. The other politicians follow far behind: Mr. Vladimir Zhirinovskiy (LDPR party) with 6% of potential votes, Mr. Gennady Zyuganov (the Communist party) with 3% of votes and Mr. Alexey Navalny with 2 % of votes being the closest ones.

In case the citizens willing to provide their vote in the course of elections are only considered, the electoral rating of Mr. Putin is even higher (82%).

Message on survey results by Levada Center: [Original](#) (Rus) | [Google Translate](#)

### **The Ministry of the Economic Development projects the Russian real pensions to freeze until 2035**

On May 31, 2017 Vedomosti newspaper released selected indicators of the updated Russian economic developments forecast until 2035 prepared by the Ministry of the Economic Development (target scenario).

According to the forecast, the Russian economic growth is to peak at 3.5% p.a. in 2026. The real disposable income is supposed to reach the pre-crisis level of 2013 by 2022.

At the same time, by 2035 the inflation-adjusted pensions are projected to be 4% lower of the level of 2013. The experts point that given the planned increase of the pension age, it is quite strange that no resources are directed for pensions' growth.

Dedicated article by Vedomosti newspaper: [Original](#) (Rus) | [Google Translate](#)

### **Elaboration of the strategy on the Russian economy development is likely to drag on**

On May 30, 2017 the [Centre for Strategic Research](#) and [Stolypin Club](#), which are the competing think tanks assigned to contribute to the Russian economic strategy development, presented the results of their work to Mr. Vladimir Putin. Selected points of their strategies are supposed to be integrated into the final strategy being prepared by the Ministry of the Economic Development.

Initially it was announced that the elaboration of the strategy shall be accomplished by the end of May, 2017 presuming that it will be approved and adopted in the following several months.

However, according to the post-meeting comments of Mr. Alexey Kudrin, the head of the Centre for Strategic Research, a number of the follow up meetings are to take place in June and July. According to Mr. Kudrin, the strategy is likely to be fully ready after the Presidential elections to take place in March 2018, while a part of decisions resulted from the elaboration of the strategy may be announced beforehand.

Dedicated article by RIA Novosti news agency: [Original](#) (Rus) | [Google Translate](#)

### **Russia deteriorated in the 2017 IMD World Competitiveness Ranking with 46th place out of 63 covered economies**

On May 31, 2017 IMD, a top-tier business school with head office in Switzerland, released the results the 2017 World Competitiveness Ranking that covers 63 world economies. The position of Russia in the ranking deteriorated from 44<sup>th</sup> place in 2016 to 46<sup>th</sup> place in 2017 with the competitiveness rating at 68.852 (Hong Kong, which is considered the most competitive economy, has 100 points).

In the 2017 World Digital Competitiveness Rating Russia also has lost two positions with 42<sup>th</sup> place (2016: 40<sup>th</sup> place) out of 63 traced economies.

The 2017 IMD World Competitiveness Ranking: [Original](#) (Eng)

The 2017 IMD World Digital Competitiveness Ranking: [Original](#) (Eng)

### **The Russian Government lifted the major part of restrictions on trade with Turkey**

On June 2, 2017 the Government issued resolution on lifting restrictions on the major part of the foods' imports from Turkey. Among the unbanned products are frozen chicken and turkey, cucumbers, apples, pears, grapes and strawberries. The restrictions on imports of tomatoes are still in place [as agreed previously](#).



Besides that, the restrictions related to operations of Turkish companies in Russia have been abolished. That concerned operations of design, engineering and construction companies, tourist agencies and hotel operators, wood processing companies and companies delivering products and services to the Russian state.

Resolution of the Government #672 dated June 2, 2017: [Original](#) (Rus) | [Google Translate](#)

### **S&P withdraws national-scale ratings for Russia**

On June 2, 2017 [S&P](#) withdrew the national scale ratings for the Russian issuers and issues (104 issuers and 48 issues in total). This decision resulted from changing regulations on operations of international rating agencies in Russia making their ratings ineligible for regulatory purposes starting from July 14, 2017. S&P was the last rating agency belonging to the Top 3 (together with Moody's and Fitch) to withdraw the national-scale ratings in Russia. The sovereign ratings for Russia and international scale ratings remain in place.

Press-release of S&P: [Original](#) (Eng, registration required).

## **National Statistics**

### **The Russian fixed capital investment grew by 2.3% in 1Q 2017**

On May 31, 2017 the Russian State Statistics Service released data on investment in fixed capital in 1Q 2017 indicating 2.3% growth as compared to 1Q 2016. At the same time, the Service also registered 61.8% contraction as compared to previous period (4Q 2016) reflecting the typical difference of investment volumes between the end and the beginning of a year.

Data on investment in fixed capital by the Russian State Statistics Service: [Original](#) (Rus, xls)

Data on the structure of investment in fixed capital by the Russian State Statistics Service: [Original](#) (Rus, xls)



## Reports and Forecasts on Russia Traced by Factosphere

Date	Publisher	Document name	URL
29.05.2017	<a href="#">Gaidar Institute</a> in cooperation with <a href="#">Russian Presidential Academy of National Economy and Public Administration</a> and <a href="#">Russian Foreign Trade Academy</a>	Monitoring of economic situation in Russia, May 2017, #10 (48)	<a href="#">Original</a> (Rus)  <a href="#">Google Translate</a>
29.05.2017	<a href="#">PwC</a>	Russian tax authorities challenge re-sale of Russian assets (Tax flash report)	<a href="#">Original</a> (Eng)
29.05.2017	<a href="#">PwC</a>	New controversial court practice on the beneficial ownership of income concept (Tax flash report)	<a href="#">Original</a> (Eng)
29.05.2017	<a href="#">Levada Center</a>	Presidential electoral rating (survey results)	<a href="#">Original</a> (Rus)   <a href="#">Google Translate</a>
29.05.2017	<a href="#">Berenberg</a>	Makroausblick Mai 2017	<a href="#">Original</a> (Ger)
31.05.2017	<a href="#">The Russian Central Bank</a>	Comments on the economy. May 2017	<a href="#">Original</a> (Rus)
31.05.2017	<a href="#">The Accounts Chamber of the Russian Federation</a>	Report on the audit of the federal budget execution for January-April 2017	<a href="#">Original</a> (Rus, doc, xls)
31.05.2017	<a href="#">Centre for Development of Higher School of Economics</a>	Comments on the state and the business, May 18-30, 2017 (#133)	<a href="#">Original</a> (Rus)
31.05.2017	<a href="#">The Center for Strategic Research</a>	Key findings of elaboration of the forecast on the fixed investment growth in Russia until 2035 (prepared by <a href="#">The Center for Macroeconomic Analysis and Short-Term Forecasting</a> )	Part 1: <a href="#">Original</a> (Rus)  <a href="#">Google Translate</a> Part 2: <a href="#">Original</a> (Rus)  <a href="#">Google Translate</a>
31.05.2017	<a href="#">The Ministry of Economic Development</a>	Picture of the Economy. Report on the developments of the Russian economy in 2017.	<a href="#">Original</a> (Rus)  <a href="#">Google Translate</a>
31.05.2017	<a href="#">The Ministry of Economic Development</a>	Key points of the strategy of development of the Russian automotive industry until 2025 (discussion paper).	<a href="#">Original</a> (Rus)  <a href="#">Google Translate</a>
31.05.2017	<a href="#">The Ministry of Economic Development</a>	The strategy of development of the Russian automotive industry until 2025 (discussion paper).	<a href="#">Original</a> (Rus)
31.05.2017	<a href="#">PwC</a>	Applying the concept of the beneficial ownership: Russian FTS explanations	<a href="#">Original</a> (Eng)
31.05.2017	<a href="#">IMD</a>	The 2017 IMD World Competitiveness Ranking	<a href="#">Original</a> (Eng)
31.05.2017	<a href="#">IMD</a>	The 2017 IMD Digital World Competitiveness Ranking	<a href="#">Original</a> (Eng)
01.06.2017	<a href="#">ROMIR</a>	Savings' patriotism. Survey on savings in Russia.	<a href="#">Original</a> (Rus)   <a href="#">Google Translate</a>
02.06.2017	<a href="#">Commerzbank</a>	Week in Focus	<a href="#">Original</a> (Eng)
02.06.2017	<a href="#">BOFIT</a>	BOFIT Weekly	<a href="#">Original</a> (Eng)

## Statistical Publications Traced by Factosphere

Date	Publisher	Document name	URL
29.05.2017	<a href="#">The Russian State Statistics Service</a>	Business activities of organisations in May 2017	<a href="#">Original</a> (Rus)  <a href="#">Google Translate</a>
29.05.2017	<a href="#">The Russian State Statistics Service</a>	On dynamics of retail prices for gasoline and resources of oil products in April 2017	<a href="#">Original</a> (Rus)  <a href="#">Google Translate</a>
30.05.2017	<a href="#">The Russian State Statistics Service</a>	Current information on natural movement of population for January-April 2017, breakdown by region	<a href="#">Original</a> (Rus)  <a href="#">Google Translate</a>
30.05.2017	<a href="#">The Russian Customs Service</a>	The structure of the Russian exports and imports by product type and by region (2016)	<a href="#">Original</a> (Rus, xls)
30.05.2017	<a href="#">The Russian State Statistics Service</a>	On financial results of activities of organisations in 1Q 2017	<a href="#">Original</a> (Rus)  <a href="#">Google Translate</a>
30.05.2017	<a href="#">The Russian Ministry of Finance</a>	Weekly data on budget funds in deposits, public budget loans and REPO	<a href="#">Original</a> (Eng)
31.05.2017	<a href="#">The Russian Central Bank</a>	Russian Federation: Inward Foreign Direct Investment Positions by Geographical Allocation (asset/liabilities principle)	<a href="#">Original</a> (Eng)



<b>Date</b>	<b>Publisher</b>	<b>Document name</b>	<b>URL</b>
31.05.2017	<a href="#">The Russian Central Bank</a>	Russian Federation: Inward Foreign Direct Investment Positions by Geographical Allocation (directional principle)	<a href="#">Original</a> (Eng)
31.05.2017	<a href="#">The Russian Central Bank</a>	Russian Federation: Outward Foreign Direct Investment Positions by Geographical Allocation (asset/liabilities principle)	<a href="#">Original</a> (Eng)
31.05.2017	<a href="#">The Russian Central Bank</a>	Russian Federation: Outward Foreign Direct Investment Positions by Geographical Allocation (directional principle)	<a href="#">Original</a> (Eng)
31.05.2017	<a href="#">The Russian Central Bank</a>	Indicators of the monetary statistics (2008-2016)	<a href="#">Original</a> (Rus, zip, xls)
31.05.2017	<a href="#">The Russian State Statistics Service</a>	On CPI estimate for May 23-29, 2017	<a href="#">Original</a> (Rus)  <a href="#">Google Translate</a>
31.05.2017	<a href="#">The Russian State Statistics Service</a>	Structure of investment in non-financial assets in 1Q 2017	<a href="#">Original</a> (Rus, xls)
31.05.2017	<a href="#">The Russian State Statistics Service</a>	Investment in fixed capital in 1Q 2017	<a href="#">Original</a> (Rus, xls)
31.05.2017	<a href="#">The Russian State Statistics Service</a>	Structure of investment in fixed capital in 1Q 2017	<a href="#">Original</a> (Rus, xls)
31.05.2017	<a href="#">The Russian State Statistics Service</a>	Investment in fixed capital in 1Q 2017, breakdown by region	<a href="#">Original</a> (Rus, xls)
31.05.2017	<a href="#">The Russian State Statistics Service</a>	Structure of investment in fixed capital in 1Q 2017, breakdown by region	<a href="#">Original</a> (Rus, xls)
01.06.2017	<a href="#">The Russian State Statistics Service</a>	On production volumes of oil products and dynamics of their retail prices for May 22-28, 2017	<a href="#">Original</a> (Rus)  <a href="#">Google Translate</a>
01.06.2017	<a href="#">The Russian State Statistics Service</a>	Russia in figures 2017.	<a href="#">Original</a> (Rus, rar)
01.06.2017	<a href="#">The Russian Central Bank</a>	International reserves of the Russian Federation (weekly)	<a href="#">Original</a> (Eng)
02.06.2017	<a href="#">The Russian Central Bank</a>	Cross-border transfers of individuals (1Q 2017)	<a href="#">Original</a> (Eng)
02.06.2017	<a href="#">The Russian Central Bank</a>	Inward FDI to the Russian regions: balance as of the date with breakdown by instrument and partner country (01.01.2017)	<a href="#">Original</a> (Rus)
02.06.2017	<a href="#">The Russian Central Bank</a>	Outward FDI from the Russian regions: balance as of the date with breakdown by instrument and partner country (01.01.2017)	<a href="#">Original</a> (Rus)
02.06.2017	<a href="#">The Russian State Statistics Service</a>	Short-term economic indicators of Russia in April 2017	<a href="#">Original</a> (Rus/Eng, rar)
02.06.2017	<a href="#">The Russian State Statistics Service</a>	Information for monitoring of social and economic developments of the Russian regions in April 2017	<a href="#">Original</a> (Rus, rar)
02.06.2017	<a href="#">The Russian State Statistics Service</a>	Social and economic developments of Russia in January-April 2017	<a href="#">Original</a> (Rus, pdf)
02.06.2017	<a href="#">The Russian State Statistics Service</a>	Financial Stability Review 4Q 2016 – 1Q 2017	<a href="#">Original</a> (Eng)



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