



SNC-Lavalin in Russia

Current Operations and Future Prospects

By: Ronald Denom / May 28th, 2010

SNC-Lavalin History in USSR/Russia/CIS

- **Active since 1976**
- **Hundreds of industrial, oil and gas, mining, fertilizer and infrastructure projects completed over the years.**
- **Everything from shampoo and cosmetics factories to heavy civil and industrial**



Tunnel Boring for the Sochi Olympics



Fertilizer Production



National Teamwork



Demanding Clients



SNC-Lavalin Eurasia LLC

- **Original operating company. Operates only in Russia with both Russian and foreign clients**
- **Specialized in industrial and infrastructure projects**
- **Moscow based – also handles all government relations, general business development and provides administrative and logistical support to our non-Russian business units while they are active on a project the Territory.**



Vnipineft

- **48/52 Joint Stock Company uniting SNC-Lavalin with the leading Oil and Gas Design Institute in Russia**
- **Targeting projects inside and outside of Russia.**
- **Huge internal demand as the entire Russian refinery sector needs to be modernized and current oil prices support exploration and expansion of production.**



VEB Engineering - Moscow

- **51 / 49 Joint Stock Company with Vnesheconombank (VEB). VEB is a large Russian State Bank that acts as both a DFI and ECA.**
- **Russian economy has a significant proportion of “State Capitalism” and this investment puts us in a strategic position to be a player in the build out of Russian infrastructure and industrial plant.**
- **Initial Mandate is Technical and Financial Audits on Projects financed by VEB.**
- **Will grow into a multi-product engineering and project management company focused on projects financed by VEB inside and outside of Russia.**



Being Part of the Solution



The Burgeoning PPP Market

Odintsovo Bypass - \$750M – 19.5 km road project – 30 year concession - Glavnaya Doroga Consortium (Leader Management Company (Gazprom), Alpine, FCC, Brisa, Stroygasconsulting) – mostly financed by special bonds – about 50% with state backing.

M10 – Moscow – St. Petersburg First Section – 43 km - \$1.6B – 30 year DBFO – North West Concession Co. (Vinci) – loans from VEB and Sberbank + state backed bonds

Pulkovo Airport – New Terminal 17.5M passengers per year + operation of two existing terminals – Euro 1.2 B – 30 year PPP – Northern Capital Gateway (Fraport/VTB Capital/Copelouzos)



The Burgeoning PPP Market

Orlovski Tunnel – USD\$ 1.6B – 1 km. toll road under the Neva River – 60,000 cars/day – Vinci

Yanino Waste PPP – 30 DBFOT – at least 350,000 tpa MSW – est. value Euro 80-200M – based on availability payments

Nadzemny Express (light rail) – USD\$ 1.2 B – 26.5 km. line + stations - 30 yr. concession – under bid - competition based on minimum payments required during the construction period + size and frequency of availability payments during operation.



SC Rostekhnologii

Rostekhnologii is a Russian state corporation established in late 2007 to facilitate development, production and export of hi-tech industrial products for civilian and military purposes. The corporation has united enterprises of the Russian industrial defense complex.

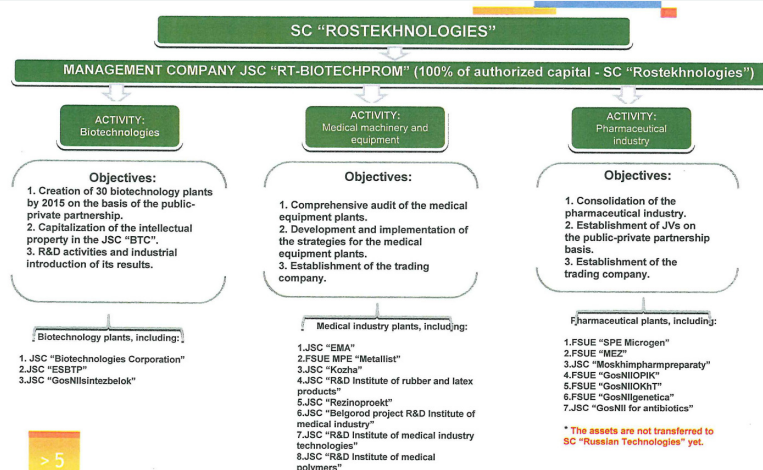
Rostekhnologii has been established to facilitate development, production, and export of hi-tech industrial products by supporting Russian industrial R&D organizations and manufacturers in the international market, creating sales channels for hi-tech industrial products, intellectual products, services, and information, attracting investment in the defense and industrial defense complexes.

Sergei Chemezov has been appointed the corporation's CEO.

The company also intends to acquire blocks of government shares in several major Russian aviation companies. The company established as a result may surpass Aeroflot in terms of combined volume of transportation in the domestic market.



SC Rostekhnologii



SC Rostekhnologii - Biotechnology

Within the biotechnology area, 30 plants for the deep processing of cellulosic raw materials are to be launched step-wise by 2015.

PRODUCTS OF THE BIOTECHNOLOGICAL PLANTS AND THEIR APPLICATION FIELD	РЫНОЧНЫЕ ПОКАЗАТЕЛИ
Biobutanol Paint and coating industry Biofuels	The world butanol market volume for the paint and coating industry is forecasted to reach at 4 million tons (\$3.4 billion per year); the world biofuel market reached 58 billion liters (\$25 billion per year) in 2008 with the forecasted growth rate at 15-20% per year.
Feed yeast Protein feed additive for the farm livestock	The feed protein market in the Russian Federation is estimated at 550-700K tons annually (\$500 million per year). Currently it is 80% dependent on imports.
Acetone Paint and coating industry Chemical industry	The world acetone market volume made 6.1 million tons (\$3.6 billion per year) in 2008, the market forecast for 2010 stands at 10 million tons (\$6 billion per year).
Fuel pellets Small-scale energy, including private sector	The world fuel pellets market forecast for 2012 equals 33 million tons (\$4 billion per year), and the high market growth rate will keep the pace for the nearest 10 years.
Glucose Food industry Chemical industry (including production of degradable plastics) Pharmacy (production of antibiotics) Biofuel industry (production of fuel-grade)	The aggregate glucose market volume was at 55 million tons (\$25 billion per year) in 2008. The market forecast for 2010 – 60 million tons.



SC Rostekhnologii – Medical Equipment

Current status:

1. 70% of the procured medical equipment is imported (70 billion RUR per year), trade margin reaches up to 400%.
2. 50 – 80% of the applied medical equipment is worn out and outdated.
3. The capacities of the Russian plants are not used. 700 of over 3000 producers are referred to the military-industrial complex.

Required measures:

1. Audit and consolidation of assets.
2. Improvement of the state procurement system.
3. Creation of the favorable investing environment for engagement of the world leading technologies.
4. More efficient use of the Russian scientific and industrial enterprises' potential, including the military-industrial complex.

Proposals:

To conduct an audit and develop a plants development program (4 months).



SC Rostekhnologii – Pharmaceuticals

Current status:

1. Market volume – 360 billion RUR per year, 25% annual growth rate, market volume forecast by 2020 – 1 500 billion RUR.
2. State procurement share (hospital and additional pharmacological support) – over 120 billion RUR per year.
3. The market and expenses are not supervised by the state, the budget losses reach up to 60 billion RUR annually.
4. The Russian producers' share – 25%, within the state programs – below 5%, in the innovative medicals – below 1%, substances – below 5%, antibiotics – 0%.

Required measures:

1. Improvement of the state procurement system.
2. Creation of the market regulation mechanisms.
3. Creation of the technology assessment and investment attraction mechanisms.
4. Securing the production of the strategically vital substances and medicines, including the immunologic ones.



SC Rostekhnologii – Pharma Priorities

1. Consolidation of the state assets, including:
 - FSUE RPE «Microgen»
 - FSUE Moscow Endocrine Plant
 - JSC Moskhimpharmpreparaty (n.a. Semashko)
 - FSUE «Genetica»
 - FSUE GosNIIOKhT
 - FSUE NIOPIK

The total number of enterprises is 26, which makes up 1-2% of the market (the enterprises are not transferred to Rostekhnologies yet)
2. Creation of the state logistic operator for servicing the state procurement.
3. Implementation of the number of the projects for production of the most important medicines jointly with the world leading companies.
4. Setup for production of strategically vital substances and medicines (antibiotics, insulin and cardiovascular medicines).



