

## Support to Innovations

As at the end of 2014, the share of innovative development projects accounted for 25.4% in Vnesheconombank's loan portfolio. This is above the target of 20% to be reached by late 2015 under the Bank's Development Strategy for 2011-2015.

Among other priorities, the government policy aims to implement an innovative growth model in the Russian economy, which is particularly important today when technological advances come into our life at an amazing rates. The latest competitiveness rating by the World Economic Forum shows that the lack of innovations is a major drawback of Russia that ranks only the 108<sup>th</sup> across the world in terms of implementing advanced technologies. Vnesheconombank seeks to fill this accumulated gap as one of its priority tasks. To this end, we strive not only to finance high-tech projects, but also assist in building the infrastructure to support innovations.

Our investment lending priorities include support to innovation projects provided across such sectors as aircraft construction, medical equipment and pharmaceuticals, defense, space and rocket, electronics and engine construction.

Vnesheconombank is among those few in Russia who invest long money in the most complicated projects to launch the manufacturing of innovative products with high added value. Vnesheconombank's Development Strategy for 2015–2020 reiterates our support to innovations as a priority in our investment lending policy.



Project: Construction of a Synthetic Sapphire Plant for Optic Electronics

*Project initiator / borrower:* Kama Crystal Technology

*Total project value:* RUB 6.4 bn

*Vnesheconombank's commitment:* RUB 4.6 bn

*Project's budgetary effect:* RUB 2.5 bn, including the actual budgetary effect since the launch of the project financing exceeding RUB 50 mn

*Expected number of new jobs:* 235, including 33 new jobs already created within the project.

*Project goal:* create a business to grow and use artificial sapphire to produce specialised components. The project is also intended to develop the single-industry municipality of Naberzhniye Chelny in the Kama Innovative Territorial Production Cluster.

The project provides for the creation of an innovative business that will be able to support the full cycle of artificial sapphire production and offer finished products used in optic electronics, microelectronics, optics, watch production and other industries. Over 90% of the planned output is expected to be exported. The products would be ordered by consumers from about 40 world countries, given that at the moment South-Eastern Asian countries (China, Taiwan, South Korea, Japan) are the largest consumers of sapphire.

A plant that will produce extra pure aluminium oxide (feedstock for artificial sapphires) is also planned to be constructed as part of the project to prevent exposure of the business to foreign suppliers.

“ We and Vnesheconombank are facing a daunting challenge. The current innovative process in Russia is such that many of our developments are easier to implement in foreign countries than in Russia. I think this is wrong, and our agreement seeks to move away from this practice. Developments by our researchers must find their application within the country. We rely on capabilities of Vnesheconombank as a bank focused on innovation. Today, science needs a strong ally outside the research community. Only thus we will be able to succeed.

**Vladimir Fortov,**

President of the Russian Academy of Sciences

Vnesheconombank is actively involved in building an integrated system to support innovative projects and solutions. To this end, in 2010 we initiated the signing of a multilateral agreement on cooperation among development institutions and other stakeholders to ensure continuous financing of innovative projects at all stages of the innovative cycle. Parties to the agreement — Vnesheconombank, Rusnano, the Skolkovo Foundation, Russian Venture Company, SME Bank and a number of other development institutions — will jointly determine how to support high-potential innovative solutions in the most optimal way and promote them until the commercialisation stage.

In 2014, Vnesheconombank and the Russian Academy of Sciences (RAS) signed an agreement that became a next step in developing our innovation support relations. The agreement provides for joint efforts on development, implementation, independent review and professional education in the field of science and new technologies and seeks to implement the government’s innovative policy.

In 2014, Vnesheconombank co-organised the Moscow International Forum for Innovative Development ‘Open Innovations’ for the third time. The Forum has proved to be a global venue to discuss cutting-edge technologies and outlooks of international cooperation on innovations. As part of the Forum’s youth programme, Vnesheconombank held its annual award ceremony for the best innovative project among young entrepreneurs focused, among other things, on supporting the growth of the innovative segment of SME.

## Relations with the Agency for Strategic Initiatives

*In 2014, Vnesheconombank provided investment consultancy services for 2 projects reviewed by ASI and launched a due diligence of 1 project supported by ASI and requesting the Bank’s financing*

Relations with the Agency for Strategic Initiatives (ASI) is a priority area of Vnesheconombank’s efforts aimed at building a favourable environment to implement socially significant projects and initiatives and improve the business climate. The Bank provides ASI with expert and organisational support on a broad range of issues related to selection and promotion of investment projects and coordination of other aspects of the Agency’s operations.

The Bank is involved in key preparatory stages of ASI’s investment projects by providing expert support to the working team of the Agency’s Expert Board that reviews the projects, providing investment consultancy services for individual projects, and by earmarking the most promising projects of ASI for potential financing by the Bank.

### Outcomes of Relations with ASI in 2014

#### Financing projects supported by ASI

In 2014, Vnesheconombank considered the possibility of financing of ASI’s project, ‘Creation of a High-Tech BFRP Facility in Yakutsk’, with a total value of

**2.42 RUB**  
bn

for which the Bank already provided investment advisory services. On review, the Bank started a due diligence of the project to make the decision on potential financing

#### Providing investment advisory services for projects reviewed by ASI

In 2014, Vnesheconombank provided investment advisory services on the following projects of ASI:

‘Creation of a Facility for Production of Human Plasma Based Innovation Medicines’ with a total value of

**1.8 RUB**  
bn

‘Organisation of Production of Dry Mortars, Glass-Making and Graded Sand’ with a total value of

**1.6 RUB**  
bn

#### Running express analysis of projects and initiatives reviewed by ASI’s Supervisory Board

In 2014, Vnesheconombank reviewed 15 start-up, social and educational projects examined by the Supervisory Board of ASI.

Based on the results of the review, voting proposals were prepared for the Chairman of Vnesheconombank who sits on ASI’s Supervisory Board

#### Participating in the work of ASI’s Audit Commission

In 2014, Vnesheconombank was involved in the examination of materials and drafting of a report of ASI’s Audit Commission

#### Participating in meetings of the working group of the ASI’s Expert Board

In 2014, Vnesheconombank reviewed 42 investment projects examined by the working group of the Expert Board of ASI

The Skolkovo Foundation was the first technology city built from scratch in post-Soviet Russia. The Foundation is building a special environment for developing and commercialising new technologies in priority areas of the national innovative policy. VEB Innovations is a special project vehicle of Vnesheconombank Group that is responsible for financing high-tech projects of the Skolkovo Foundation. VEB Innovations works with projects from across all five clusters of the Skolkovo Foundation and has proved to be one of the most active investors in Russian innovative projects at the seed and early stages.

As part of the Development Strategy for 2015–2020, Vnesheconombank is intending to expand the investment mandate of VEB Innovations. The fund is planned not only to keep financing knowledge-intensive projects, but also to provide financial support to exports of Russian innovative products and develop cooperation with international investors in innovative areas.



#### Project: Development of a New Diagnostics Method for Coagulation Disorder

*Project initiator / implementer:* HemaCore Labs, a Skolkovo Resident

*Total project value:* RUB 165 mn

*Commitment by VEB Innovations Fund:* RUB 60 mn

*Number of new jobs:* 19

*Expected budgetary effect:* RUB 0.5 mn

*Project goal:* develop, clinically test and commercialise Trombodinamika-4D haemostasis, a new generation of Trombodinamika test.

The project will create an integral test of Trombodinamika-4D haemostasis that allows diagnosing coagulation disorders at early stages, including the identification of haemorrhage and blood clotting risks, to reduce the number of complications from thrombosis, ischemic strokes and other conditions. The device provides high diagnostics accuracy as the processes modelled in the devices are identical to natural blood coagulation processes that occur in the human body.

Several laboratory copies of the device have been built so far, and pre-clinical test results have been produced and published. New investment will help HemaCore Labs to complete the development of the device's commercial version, run clinical tests, work out recommendations on application of the device in different coagulation conditions and start introducing Trombodinamika-4D in clinical practice.

## Involvement of VEB Innovations in the Financing of the Skolkovo Foundation's Projects

Since its inception, VEB Innovations Fund has financed 18 projects of the Skolkovo Foundation for a total of

**500 RUB mn**



These projects are planned to create

**>1,000 new jobs**

provide tax and similar proceeds of

**>15 RUB mn**



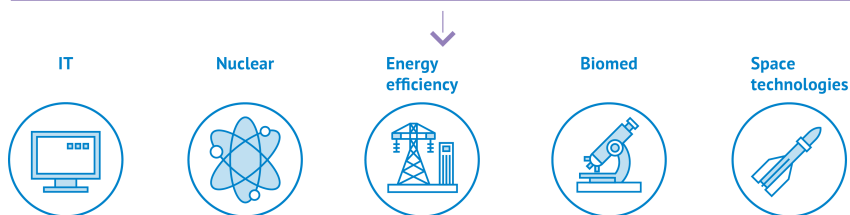
These projects are planned to create

**>200 new jobs**

provide tax and similar proceeds of

**>10 RUB mn**

### The Skolkovo Foundation Clusters



In 2014, the Fund took part in the financing of:

3 projects of the cluster

2 projects of the cluster

1 project of the cluster

1 project of the cluster

In 2014, the Fund approved the financing of:

3 projects of the cluster

2 projects of the cluster

1 project of the cluster

1 project of the cluster

2 projects of the cluster

Before 2020, VEB Innovations Fund is expected to invest up to RUB 30 bn in innovative projects at seed and early stages and raise up to RUB 20 bn from third-party co-investors