

The outlook for international business in Russia

With the support of:



MINISTRY OF ECONOMIC DEVELOPMENT
OF THE RUSSIAN FEDERATION







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**Maxim
Oreshkin**

Minister of Economic Development of
the Russian Federation

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Dear colleagues, allow me to congratulate you on the 25th anniversary of the Foreign Investment Advisory Council in Russia!

Foreign investment has always been, and remains, of great importance not only in driving the execution of projects built around cutting-edge technological solutions, but also in enabling the implementation of the latest international corporate responsibility policies and mechanisms for staff training and interaction with local business partners.

Foreign investors, and the Foreign Investment Advisory Council members in particular, fuel the development of Russia’s domestic market, while their Russian divisions are becoming increasingly integrated into global value creation chains.

The government, for its part, is getting on with the job of creating an environment that supports business. Not only have we substantially improved our standing in the World Bank’s Ease of Doing Business ranking, but we are also endeavouring to lessen administrative barriers through the “Transformation of the Business Climate” plan and to improve business conditions in the regions, for instance through the creation of new technology parks with state-of-the-art infrastructure and the establishment of advanced special economic zones.

Reducing legal risks for businesses and removing regulatory restrictions are major priorities in our work. We are in the process of devising a “regulatory guillotine” mechanism aimed at cutting out some of the mandatory requirements that businesses have to contend with. We are focusing heavily on protecting companies’ legal rights and reducing the legal risks involved in doing business. A digital platform is to be launched through which companies will be able to report pressures on their business.

I would like to thank you for the work you do in Russia and for your active participation in improving the investment climate.





Alexander Ivlev

CIS Managing Partner,
Deputy Regional Accounts Leader
for Central, Eastern and
Southeastern Europe &
Central Asia, EY

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This year, the Foreign Investment Advisory Council in Russia (FIAC) is celebrating its 25th anniversary. This is an important milestone for all members of the Council. Foreign investors greatly value the Government's commitment to improving the investment climate and the opportunity to carry on an open and honest dialogue.

Our survey covered almost a hundred major foreign investors, many of which have been operating in Russia for over twenty years. Combining figures from the survey with official statistics reveals that one in three dollars invested by international companies in Russia came from FIAC members. Importantly, 94% of FIAC companies regard Russia as their strategic market. What is more, we often hear from companies doing business in Russia that, even though they still operate on a global level, they feel increasingly Russian in their identity.

The survey results show that foreign investors believe in the future of the Russian economy and its ability to grow. They also give a positive assessment of the government's efforts to improve the investment climate. At the same time, around half of those surveyed pointed to the negative impact of sanctions, which have reduced market size and impeded access to financing.

The portrait of the typical investor is changing. Russia's turn to the East began in 2014, since when only five years have passed – a relatively short time by historical measures (especially when you consider that the Chinese are used to planning 50-100 years ahead and take much longer over decision-making than the Americans or the Europeans). And yet, China's growing role in the Russian economy is noticeable even now, and is clearly evident from statistical data. Judging from the results of EY's Europe Attractiveness Survey 2018, our Eastern neighbours are actively joining investors from the US and Europe. And it is the Chinese companies that have the most ambitious plans for growth.

Perhaps one of the most positive things to emerge from the survey is the fact that investor companies are deploying the latest technologies in Russia, digitally transforming their businesses and leading the way in productivity and social responsibility.

I would like to wish all foreign investors continued success in their activities in Russia.

Key conclusions

The main conclusion from the survey conducted by EY for FIAC with the support of the Ministry of Economic Development is that Russia has remained **an important growing market for international investor companies for many years**. Other key findings likewise confirm this trend.



of international investors regard Russia as **a strategic market**



of survey participants **expect their business in Russia to grow** in the next three years



of companies say **the business climate has improved and give a positive assessment of the government's efforts** to develop it

The survey reveals new trends related to investment projects in Russia. The majority of participants state that **business on the Russian market is on a level with the highest global standards**.



of survey participants say that **productivity levels achieved at enterprises in Russia match or exceed levels in other countries**



of respondents **export Russian products** to other countries



of companies participate **in projects designed to minimize negative environmental impact**. Sustainable development is one of the priorities for international investors in Russia



of the survey participants **are implementing digital transformation in all areas of business in Russia**, including manufacturing, logistics, client relationships and support processes.



of foreign investor companies **contract with small and medium-sized businesses for supplies of products, components or raw materials**

Respondent profile

This survey, which was conducted in July-August 2019, involved questioning 95 foreign companies, 53 of which are FIAC members and observers.

Length of time operating in Russia

The survey participants have been operating in Russia for an average of 28 years. This includes six companies that have been doing business in the country since the early part of the 20th century.

Revenue and workforce

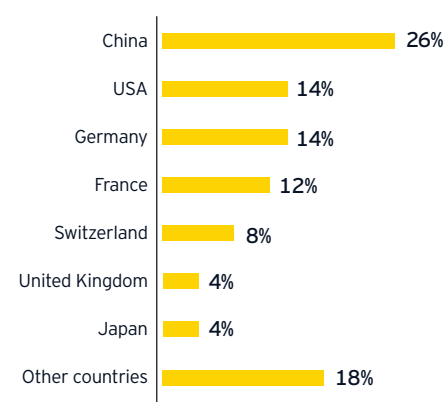
The average Russia-related revenue of participants in the survey was USD 745 million in 2018. The corresponding figure for FIAC members is in excess of USD 1.05 billion.

The turnover of American companies in Russia is five times higher than that of Asian companies and one and a half times that of European companies.

The average staff size is three thousand people.

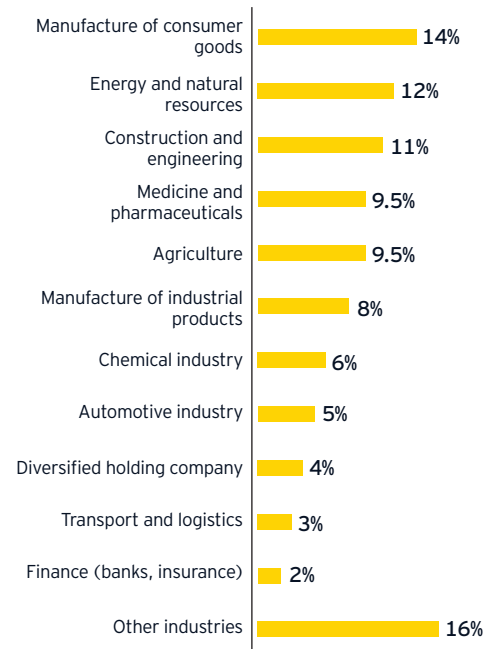
Geographical distribution of survey participants

Country of headquarters



Business sector

Main industry



Results of the survey

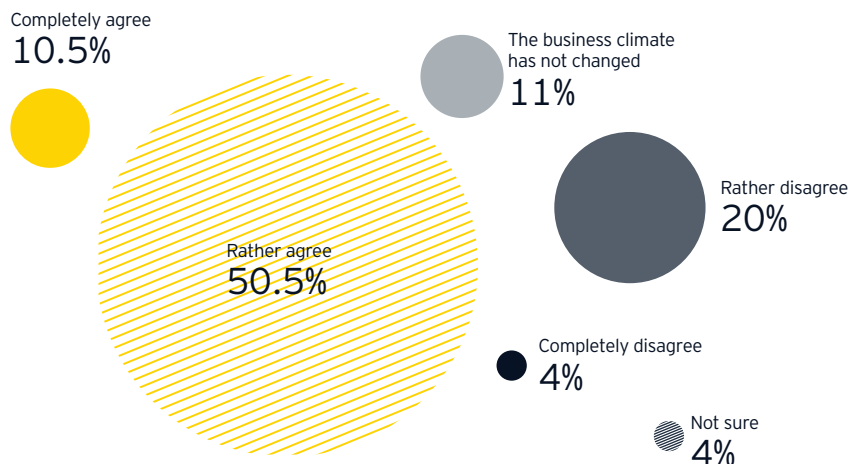
Operating conditions for foreign investors in Russia

Russia has made great strides, rising to 31st place in the World Bank's Ease of Doing Business Ranking in 2019 (Doing Business 2019). Experts at the World Bank have noted progress in key components of the business environment: the time taken to obtain construction permits has decreased, it has become easier to register property, and commercial disputes are resolved more quickly.

Foreign investors likewise point to an improvement in the conditions for doing business in Russia – 61% of surveyed companies think that the business climate in the country really has improved.

Those most likely to give a positive assessment of changes in the business climate were Asian companies – 78%, compared with 64% of North American and 49% of European businesses.

Do you agree that the business climate has improved?



Factors cited by companies as impeding the development of business in Russia include rapidly changing legislation, the large number of regulatory bodies with different agendas, the absence of a clear regulatory strategy for the majority of sectors and lack of coordination between federal and regional authorities.

Foreign companies plan to develop their business in Russia

Business in Russia is a priority for the majority of investor companies: 91% of the survey participants regard Russia as their strategic market, including 94% of FIAC members.

85% of the surveyed companies expect to see growth in their business in Russia in the next three years, but admit that it will probably be slow.

Rapid growth is expected by companies in the medical and pharmaceutical sector (44%), construction and engineering (40%) and the energy industry (36%).

The growth of Russian business will be aided by projects in a number of key areas, including the launching of new products and services on the Russian market (planned by 49% of all companies), expansion of production (40%) and increased investment in logistics (13%).

Development will not always mean more staff: around a half of companies plan to leave their staff size unchanged. One in ten companies is planning staff cuts.

Plans to recruit staff as a means of driving growth are indicated by companies with lower revenues – 47% of companies with revenues under USD 300 million intend to increase their workforce. This is substantially higher than the figure among large companies.

Importance of the Russian market for your company



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Russia is a key market and production hub for Nestlé. Over the past 20 years, we have invested more than USD 2.1 billion in developing our local production and export potential. Today, we source the majority of our raw materials locally, and over 90% of the products we sell are produced in Russia.

Martial Rolland,
Market Head Nestlé Russia and Eurasia

Foreign companies will continue to invest in Russia

The results of the survey show growing investment in Russia and positive plans for the future. FIAC companies have invested USD 183.8 billion over the entire period for which they have been operating in the country. The average amount of investment per company stands at over USD 3 billion.

American companies led the way in terms of FDI in 2018: they invested over twice more than European companies and over five times more than Asian companies.

At the same time, Asia leads in terms of planned growth – 41% of Asian companies plan to increase investment in 2019, compared with only 29% of European and American companies.

In 2019 the international companies that took part in the survey intend to invest USD 6.5 billion in Russia. Almost half of that amount (44%) is accounted for by companies in the energy and natural resources sector, whose projects are the most capital-intensive.

According to data published by the Central Bank of Russia and Oxford Economics, the inflow of foreign direct investment (FDI) into Russia in the period from 1994 to 2018 amounted to USD 585 billion. This means that **one in three dollars invested by foreign companies in the Russian economy was invested by FIAC companies.**



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“To be in Russia and for Russia” has been AstraZeneca’s mission throughout the 26 years it has operated on the Russian market. We are confident that, with its high science and technology potential and focus on innovative development, Russia can become a centre of attraction for investment in research and development. Partnership with global biopharmaceutical leaders like AstraZeneca will speed up the achievement of goals in healthcare and science.

Irina Panarina,
General Manager, AstraZeneca Russia and Eurasia

Sanctions have affected the business of foreign investors

Sanctions were seen as having a negative impact on business by 62% of surveyed companies. At the same time, 42% indicated that the restrictions imposed did not affect their revenue, while the remainder reported that the fall in income was insignificant.

Negative impact of sanctions



How is the negative impact of international sanctions actually manifested?

The sanctions reduced the size of the Russian market for **44%** of companies.

27% have found it more difficult to finance Russian projects, with agricultural companies the most likely to encounter problems – **75%**.

Sanctions have caused disruptions in established supply chains for one in four companies. Manufacturers of consumer goods were the most likely to report having suffered in this regard – **64%**.

38% of large companies with annual revenues of USD 300 million and above indicate that sanctions caused serious reputational risks, while only **14%** of smaller companies report this.

Sanctions were a factor in job cuts for **25%** of companies in the agricultural sector.

Foreign investors plan to develop their businesses by expanding into Russian regions

Regional development is a priority for half of the respondents in the survey. Top target areas include Moscow and its region, other central regions and North-West Russia, primarily Saint Petersburg and the Leningrad region.

Interest in Far Eastern regions is observed among resource extraction companies and Asian investors.

The most important factor when choosing a new region for development is tax conditions and reliefs. This was indicated by 58% of companies.

Ease of communication with regional authorities was the second most important factor, chosen by 53% of companies.

The respondents gave a positive assessment of the level of competence of regional authorities. The majority of international companies rated them as good (45%) or excellent (9%).

Only 14% of companies indicated a region's position in the investment climate ranking as a key factor. This may indicate a lack of awareness of the national ranking among international companies.

Position in the ranking is important to Asian investors and companies with low revenues – 31% of companies from Asia and 27% of companies with revenues under USD 300 million indicated it as a key factor.

The survey results show **noticeable differences in priorities**. Asian companies indicated tax reliefs as the most important factor (75%), while Europeans favoured proximity to sales markets (70%) and the Americans saw ease of communication with local authorities (71%) and availability of staff (57%) as the main priorities.

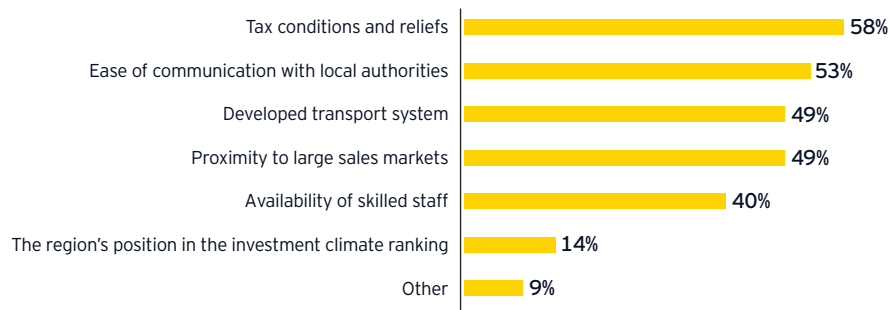
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Kinross Gold, the largest foreign investor in the gold mining industry of Russia, has been operating at the Russian Far East for about twenty-five years. The company continues enhancing its investment and in the near future plans to launch a new major development project in one of the far eastern regions of Russia.

Stanislav Borodyuk,
Vice-President, Head of Moscow Representative Office,
Kinross Gold Corporation

Most important factors in choosing a region for investment



Foreign investors are prepared to expand their manufacturing capacity

72% of survey participants have their own production base in the country, and half of these are planning to expand. 21% of companies indicated that they have plans to open a new production site.

The productivity level achieved by foreign companies in Russia is on a level with international standards.

For 33% of companies, productivity at Russian sites is the same as or higher than in other countries.

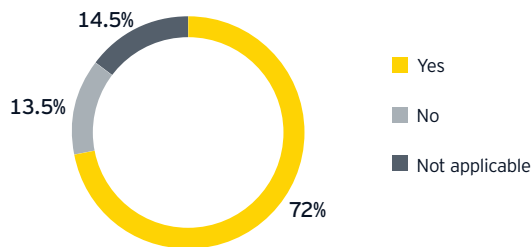
One in four companies said that productivity lagged behind other countries.

Among the key measures which companies believe may help boost productivity are the introduction of modern manufacturing methods (27%) and the automation and robotization of production processes (21%).

37% of companies are undertaking the digitalization of their business in all key areas, including manufacturing, logistics, client relationships and support processes. This was indicated by 49% of companies from Europe, which is significantly higher than the figure for companies from North America (36%) and Asia (19%).

Digitalization projects at Russian companies are carried out with the involvement of middle management employees – so say 76% of those surveyed. Half of companies invite specialists from offices in other countries, while approximately a third hire external advisors for these purposes.

Production base in Russia



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PepsiCo is proud of the fact that for many years now it has been delighting Russian consumers with high-quality products made at Russian enterprises out of Russian raw materials. We are a global company and yet at the same time a very local one.

Neil Sturrock,
President, PepsiCo Russia, Belarus, Ukraine, Caucasus
and Central Asia

“



Novartis designs and introduces applications that help patients monitor their own state of health. We already use a whole range of tools in day-to-day practice, from VR training systems for doctors to an interactive digital educational platform for regional medical advisors.

Natalia Kolerova,
Country President of Novartis Group Russia,
General Manager of Novartis Oncology in Russia, Ukraine
and CIS countries

Foreign investors export products made in Russia

More than half of the survey participants (55%) export products from Russia to other countries.

Exporters are primarily from North America and Europe:

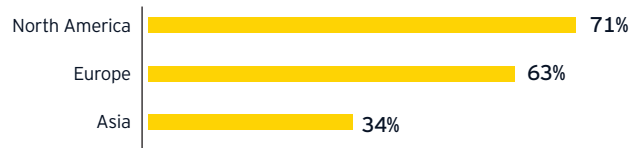
- ▶ 71% of American companies export products made in Russia.
- ▶ 63% of European companies do the same.
- ▶ Only a third of Asian companies have begun exporting to other countries. This is due to the fact that they are younger companies and are primarily focused on the Russian domestic market.

Foreign investors use small and medium-sized enterprises in their operations

Small and medium-sized enterprises (SMEs) play an important role as suppliers for foreign companies: 55% of the latter indicated that they purchase goods or services from SMEs directly, and another 11% work with SMEs via intermediaries.

Does your company export products from Russia to other countries?

Percentage of “yes” respondents by region



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We are continuing to invest in the development of local production while actively developing our export potential. Today, one in three chocolate bars produced by Mars in Russia is exported. Supplies are made to over 35 countries.

Valery Schapov,
President of Mars LLC

What prevents companies from using more small and medium-sized enterprises as suppliers?

The most common reason (cited by half of companies) is the lack of suppliers offering products of the required quality. One in four companies say that there are no SMEs that supply the products they need.

Foreign investors set examples of corporate social responsibility

Reducing impact on the environment, achieving gender equality and supporting social initiatives are important components of sustainable business development.

How popular are such initiatives among international companies operating in Russia?

Half of companies are involved in projects designed to minimize negative environmental impact, 17% support cultural and sporting projects and 12% participate in social projects aimed, for example, at the protection of human rights.

A quarter of companies are involved in projects in all the above-mentioned areas.

Foreign investors take a positive view of these endeavours:

- ▶ 68% of respondents believe that their company is achieving its mission through sustainable development projects.
- ▶ 25% of companies cite the positive effect that such initiatives have on their image in the eyes of the public and the state.

In terms of regional differences, 59% of Asian companies view support for sustainable development projects as a means of improving company image, while for European (76%) and American (86%) respondents it is more a question of mission.

The majority of companies were unable to give an exact figure for the amount spent on sustainable development projects. A third of the participants in the survey spend under 1% of revenue in Russia on such initiatives.

A quarter of companies may allocate up to 10% of revenue to such projects.



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We believe that no lasting financial performance can be achieved without sustainable development. Modern businesses can only expect to achieve good financial results if they set themselves sustainable development goals.

Marina Potoker,
Managing Director “ROCKWOOL” LLC



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Unilever’s global Sustainable Living Plan is exemplified by a number of major strategic programmes implemented in Russia, including the transition of all our owned enterprises to 100% renewable electricity (“green energy”), the launch of the first beauty care product bottle made from 100% locally sourced and recycled plastic (PET) and the achievement of zero waste to landfill status and 100% waste recycling at our factories.

Regina Kuzmina,
President Unilever Russia, Ukraine and Belarus



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Russia has everything needed to derive maximum value from the growth in demand for natural gas and liquefied natural gas (LNG) while contributing to the decarbonisation of the global energy system. We at Shell are committed to working with our Russian partners to turn this into reality.

Cederic Cremers,
Country Chair Shell Russia

The views of Chinese companies

Representatives of Chinese investors in Russia took an active part in the survey. The report includes data from 25 companies from China.

More than half of Chinese companies operate in two sectors: construction and engineering (28%) and agriculture (24%).

Chinese companies are relatively young, having operated in Russia for an average of 11 years. Their average revenue in 2018 amounted to USD 57 million.

The proportion of Chinese investment is small for now, but is set to grow

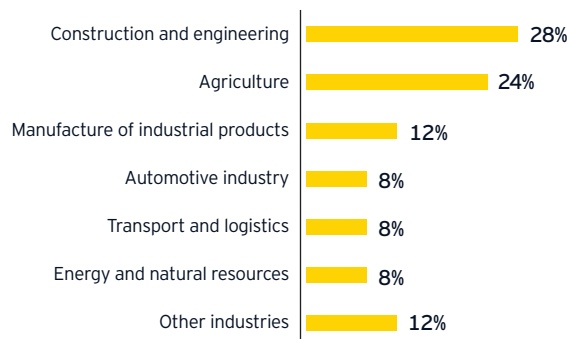
Despite having only operated in the country for a short time, Chinese companies have invested a total of USD 6 billion, which is approximately 3% of the FDI of all the survey participants. Investment from China is set to grow at a faster pace in the future - in 2019 the FDI of the Chinese respondents is expected to be a third higher than last year.

Chinese businesses in Russia differ in many respects from companies that have been operating here for a long time.

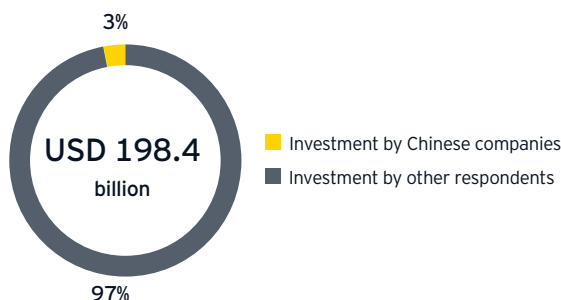
There are fewer exporters among Chinese companies: less than a third of them export goods. In the survey as a whole, over half of all companies were exporters.

Business sectors of Chinese companies

Main industry



Cumulative investment in Russia



Many Chinese companies (56%) reported a lower level of productivity in Russia, whereas only 16% of respondents from other countries reported this.

Chinese companies see the introduction of modern manufacturing methods (36%) and the updating of equipment (20%) as possible solutions to the productivity problem.

On the whole, investors give a positive assessment of the ease of doing business, with 92% of Chinese companies believing that the business climate in the country has improved.

Examples of barriers encountered by Chinese businesses:

- ▶ Construction companies point to big differences between Russian and Chinese labour laws and the need to comply with strict quotas on the recruitment of foreign workers.
- ▶ Transport companies experience difficulties in dealing with Russian clients affected by sanctions.
- ▶ The lack of transparency and predictability in the Russian legal system hinders the development of industrial projects.

Chinese businesses are actively expanding into Russian regions.

52% of Chinese companies plan to develop operations in Russia's regions. In choosing a region, they pay close attention to tax conditions and reliefs - 85% of Chinese companies see this as the most important factor (only 47% of respondents from other countries think likewise).

Chinese companies are well represented in the East of Russia – a third of them already have a presence in regions of the Far East, and the same number again plan to undertake projects there.

Chinese companies invest in sustainable development.

Participation in projects designed to minimize negative impact on the environment is the most popular sustainable development initiative among Chinese companies in Russia (48%).

The main benefit from supporting sustainable development projects lies in the improvement of a company's image in the eyes of the public and the state (63% of companies from China think this).

Success stories of FIAC companies

Investments in 2018-2019

FIAC companies have invested over USD 183 billion in Russia.

ABB: a new engineering centre in Kaliningrad has created over 100 world-class jobs



In April 2019 ABB opened its first Russian engineering centre in Kaliningrad.

The new centre is an addition to the existing network of centres, one of which is located in Bangalore (India) and the other in Ostrava (the Czech Republic).

More than 100 engineers at the new centre will develop ABB's systems and solutions and provide world-class service to the Russian and global markets for the metals, mining, marine, oil and gas, power generation and pulp and paper industries.

The company is working together with top Russian universities to establish an education consortium to develop a world-class programme for the development of engineering skills focused on automation, electrical engineering and software development to the highest international standards.

By hiring local professional staff and developing relationships with technical universities, ABB has recruited highly qualified engineers with a good command of English from Kaliningrad and other regions of Russia.

Arconic: a new aluminium alloy for freight wagons will help save up to 10% on transport costs



Arconic Samara Metallurgical Plant's hi-tech aluminium products have become the main material used in making hopper cars for the transportation of mineral fertilizers - a recent development on the Russian rail transport market.

The body of the wagon is made from an alloy developed and patented by Arconic Samara Metallurgical Plant together with Russian research institutions. The use of aluminium helps increase a wagon's carrying capacity and its service life compared with a steel-based equivalent. Notably, eight aluminium hoppers can carry the same weight in goods as 11 steel ones, thereby enhancing railway throughput capacity. The wagon helps save an average of up to 10% of costs per tonne of mineral fertilizer. The mineral hopper has been certified and has been in mass production since 2018.

Fortum: a wind farm in the Ulyanovsk region will supply 23,000 households with electricity



In January 2018 Fortum put into operation the 35 megawatt Ulyanovsk wind farm. The new wind farm became the first wind-based power generating facility to begin operating on the wholesale electricity and power market.

Electricity supplied by the Ulyanovsk wind farm in 2018 amounted to 82.2 million kWh, enough to meet the annual consumption needs of around 23,000 households.

The Ulyanovsk wind farm was the first step in Fortum's programme to develop renewable energy sources in Russia.

The Wind Power Development Fund established on a parity basis by Fortum and ROSNANO is carrying out a large-scale investment programme which is set to deliver almost 2 GW of wind power generation by 2023.

Ingka Group: creation of community spaces close to shopping centres

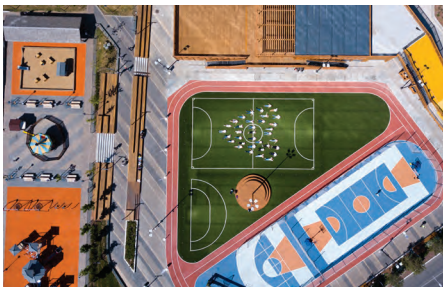


Ingka Group in Russia is carrying out a programme aimed at transformation of MEGA shopping centres into "meeting places". The programme includes reconstruction of shopping centres and creating park areas and improving public spaces in areas adjacent to MEGAs and IKEA stores. In 2018-2019 Ingka Group in Russia invested over RUB 900 million in projects aimed at creating comfortable urban environment.

In February 2019 a park was opened next to the MEGA Yekaterinburg complex in the Sverdlovsk region. Creating the landscaped and equipped park zone, with a total area of 13,500 m², cost the company RUB 540 million.

In December 2018 a park was opened next to the MEGA Khimki complex in the Moscow region, where the company created a landscaped area for walking, a children's playground and a multifunctional sports area with a total area of 10,000 m². The investment cost RUB 400 million.

In June 2018 a park was opened next to the MEGA Rostov-on-Don complex in the Rostov region with a total area of 20,000 m². The park was planted with over 1,500 shrubs and equipped with playgrounds, sports zones and areas for events and family festivals. The investment cost RUB 100 million.



Kinross Gold: the development of gold and silver mines in the Far East supports Russian suppliers



In October 2018, Kinross Gold launched production at the Moroshka mine in addition to its existing operations at the Kupol and Dvoynoy mines in the Chukotka Autonomous Region. Moroshka is located 4.5 km to the east of the Kupol mine, in a permafrost zone that has a predominantly subarctic climate, with a winter lasting around eight months and a short summer. In 2017, the company completed construction of the surface infrastructure at Moroshka, and the first Doré bar from ore mined at Moroshka was produced at the Kupol mill in October 2018.

In 2018, Kinross Gold spent USD 231 million on purchases of goods and services from Russian suppliers, paid USD 77 million in taxes and other contributions to all budgets and paid out USD 87 million in wages and social payments to employees, 98.5% of whom are Russian.



LafargeHolcim: the modernization of the cement plant in the Saratov region is one of the Group's biggest projects worldwide



LafargeHolcim has invested EUR 250 million in the installation of a new production line at a cement plant in Volsk in the Saratov region. The project also involved improving utility systems and upgrading existing equipment.

The investment in the Volsk cement plant enabled fuel consumption and emissions to be reduced by 30%. Thanks to the installation of modern, highly efficient dust collection equipment, dust emissions have been cut to a minimum.

The project is one of the largest investment projects undertaken by LafargeHolcim worldwide.



Nestlé: Nestlé Purina PetCare investment project

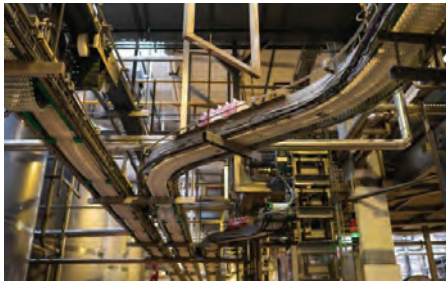


The Nestlé Purina PetCare factory in Vorsino (Kaluga region) was founded in 2007 and is the biggest Purina factory in Europe and one of the biggest investment projects of Nestlé in Russia. 95% of Purina products represented on the Russian market are produced in Vorsino. The factory exports its products to 14 countries, including CIS countries, Great Britain, France, Italy, Germany and other countries.

In total, by the beginning of 2017 the company had invested RUB 12 billion in the Vorsino factory. In 2017, an agreement of intent to implement an investment project was signed between Nestlé Russia and Kaluga Region Government. The investment by Nestlé, amounting to RUB 10 billion over the period from 2017 to 2019, includes the launch of new production lines, the expansion of storage space for storing raw materials and packaging and the construction of additional infrastructure and amenities.

By the end of 2019, in accordance with the company's plans, the total investment in production will amount to RUB 22 billion.

PepsiCo: a new baby food factory has created around 70 jobs in the Krasnodar region



In April 2018 PepsiCo launched a baby food plant at the Timashevsk Dairy Plant in the Krasnodar region.

It is effectively a new “plant within a plant”. The project involved erecting a new building with its own utility systems and support staff and with a total area of over 5,000 m².

Dairy processing at the new plant is highly automated with processing parameters fully controlled by industrial computers.

The project has created 70 new jobs at the enterprise. Total investment amounted to around RUB 2 billion.



Schneider Electric: Innovation Centre in Innopolis helps to develop Russia's innovation potential



In June 2018 Schneider Electric opened an Innovation Centre in Innopolis, Republic of Tatarstan.

12 specialists working at the Innovation Centre are developing and adapting information management systems and software for oil & gas and other sectors of Russian industry. The volume of investments in the project exceeded RUB 10 million.





The energy major Total is involved in the Yamal LNG project based around the Yuzhno-Tambeyskoye gas condensate field on the Yamal peninsula in the Arctic Circle.

The participants in the Yamal LNG project are:

- ▶ NOVATEK 50.1%
- ▶ TOTAL 20%
- ▶ CNPC 20%
- ▶ Silk Road Fund 9.9%

The final investment decision on the project was made in December 2013, and the first consignment of LNG was shipped on 5 December 2017. Shipments from the second train began in August 2018, and in November 2018 Yamal LNG achieved full operational capacity.

The three existing trains provide an output of over 16.5 million tonnes of LNG per year. Investment in the project stands at USD 27 billion. In addition to the plant and tank farm, the project involved the construction of port infrastructure, LNG shipment terminals, an airport and workers' villages.

Special tankers with outstanding ice-breaking characteristics (Arc 7), designed specifically for Yamal LNG, are capable of delivering LNG to Asian markets via the Northern Sea Route (NSR) without ice-breaker assistance.

Yamal LNG has become a reality thanks to a number of innovative solutions:

- ▶ Logistical solutions in the construction phase of the project – the carriage of large modular structures by sea with assembly on site provided significant savings on construction time.
- ▶ Transportation of liquefied gas by ice-breaking tankers via the NSR.
- ▶ The financing structure of the project based on the rouble, the yuan and the euro – a world first on this scale after US-imposed sanctions prevented shareholders from using dollar-based financing.

Yamal LNG is a shining example of collective achievement. At the project's peak, there were more than 30,000 people working on the construction site at the same time.

Essential and timely support from the state helped ensure this innovative project was launched on schedule.

The successful example set by the Yamal LNG project has enhanced the appeal of future LNG projects in the Russian Arctic.



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About FIAC

The Foreign Investment Advisory Council in Russia (FIAC) was established in 1994 as a result of the combined efforts of the Russian government and foreign businesses. In 2019, FIAC celebrates its 25th anniversary in Russia. Over the years, it has made a major contribution to improving the investment climate in Russia. Chaired by the Prime Minister of the Russian Federation, FIAC brings together the executives of 53 major international companies and banks. Four more companies hold observer status.

Throughout the year, FIAC is focused on key Russian sectors and industries covered by specialized working groups.

FIAC's activities are coordinated by an Executive Committee chaired by the Russian Minister for Economic Development. Annual plenary sessions bring together members of the government and global CEOs of member companies to discuss priorities in investment policy, legislative amendments to resolve current issues, and measures to improve the investment climate that recognize the interests of all parties involved.

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