



# Russian OFS: Scaling Up Innovation for New Growth

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15/16 March 2007

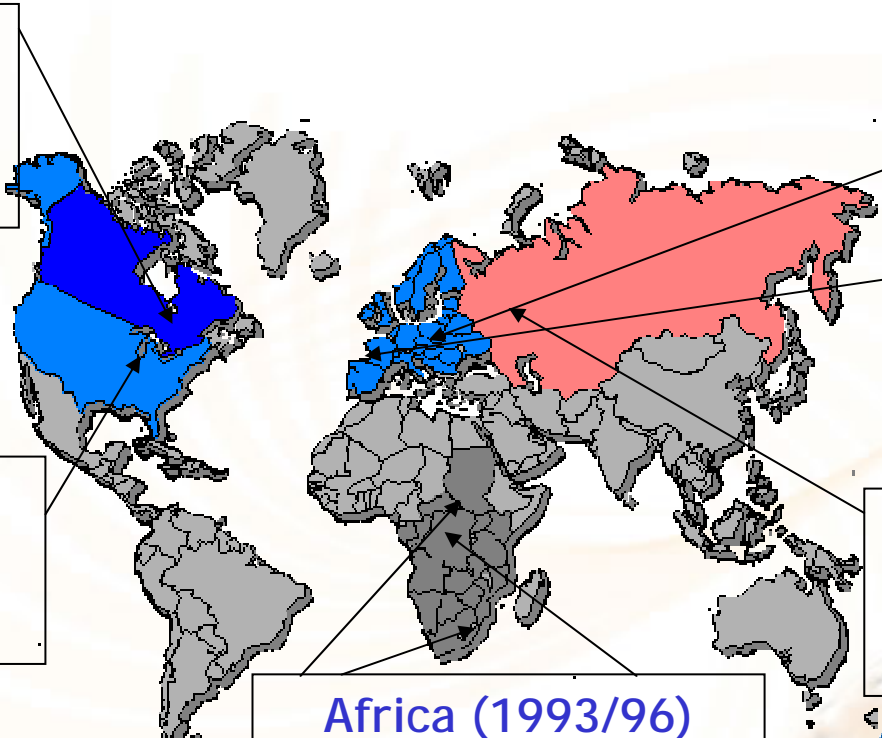
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# IVI History-Direct Invest & Advisory

**Canada (1992)**  
 C\$100MM-Canadian  
 Bus. Dev. Bank



**USA (1986)**  
 The Michigan Product  
 Dev. Fund (\$5MM)



**Europe (1992/94)**  
 TP Fund, \$10MM-  
 EU, \$-Financière  
 St Dominique,  
 Paris



**Russia (1997)**  
 HP LP, \$30MM-EBRD &  
 USAID



**Africa (1993/96)**  
 E. Africa \$5MM, Sub-  
 Saharan, \$200MM, South  
 Africa,\$30MM, IFC/WB



# IVI in Russia & Russian Tech

- 1997: Transact Russian VC Deals-Infrastructure
- 2001: IVI's Russian Technology Investment Forum (2 day biz plan comp, 35 top IT SMEs) & VC Workshop (2 days; education/trainings-presentations & elevator pitch)
- 2002: Russian Tech for Oil/Gas (e.g., SLB), IT, Biotech, Medical, Homeland Security (Global)
- 2004: Partnership with Shell (STV/GameChanger)
  - 'Snapshot' the mkt, invest in Gamechanging tech for global mkts & start a relationship to build a portfolio
  - Member, Russian Tech Tour Committee (biz plan)

# Today's Message

## 1. What's Happening in the Market?

➤ Issues & Opts

## 2. GoForward Plan for Profit



# Happenings in the Mkt: 10 Year Summary

## 1. Pre-1998

- Import Everything, from Beer to Tech
- Ex, Russian Beer—6 RUR, Heineken—8 RUR
- Little to No Investment in Local Mfging, Tech Development-Commercialization

## 2. Post 1998: Start of a Sea Change

- Import Costs Soared: Heineken—26 RUR
- Consumer & Mfging Sectors Blossomed, Tech Lagged behind the Mkt & to its Potential
- Imported OFS Business Strong



# Tech Successes Since 2001



Baring Vostok Capital Partners



PBC Lasers & Wostec



AKELLA



Ultra Motor "a revolution in the way the world is driven"



## Multinationals w/R&D Labs in Russia



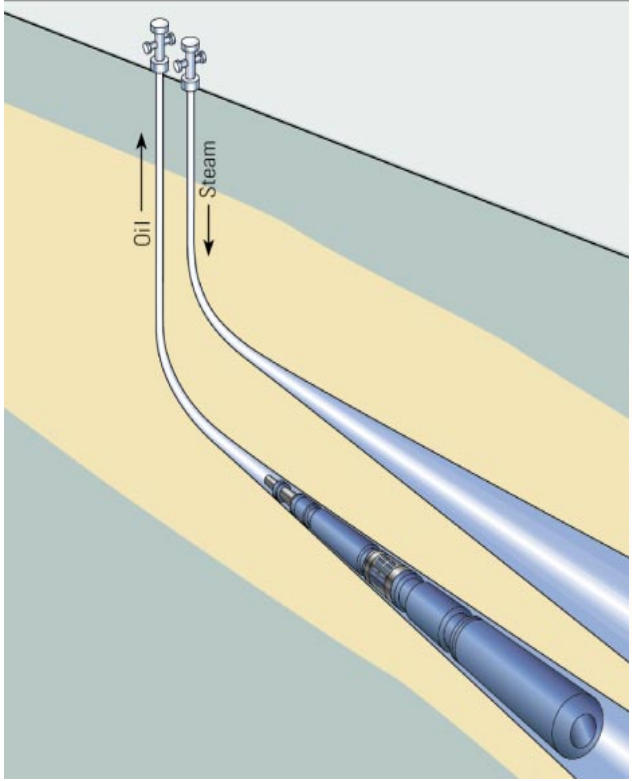
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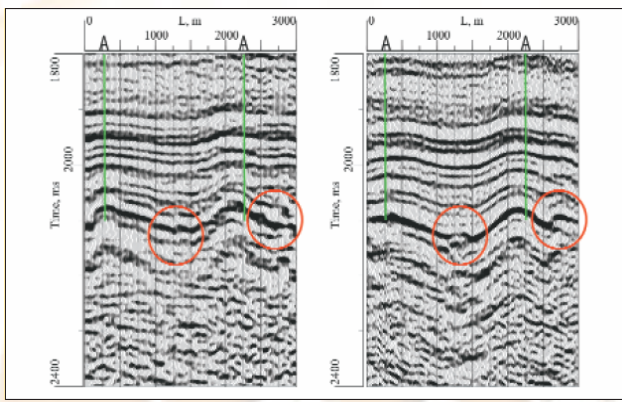
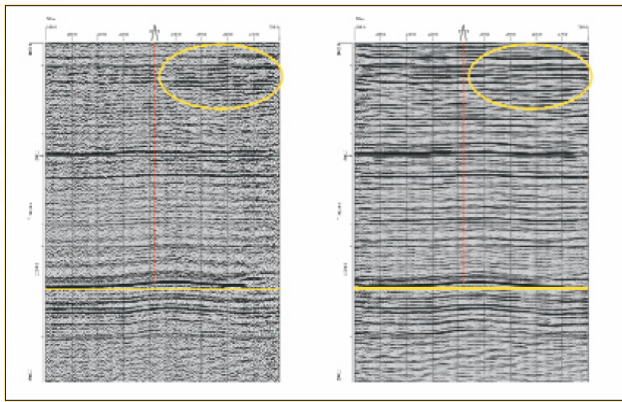
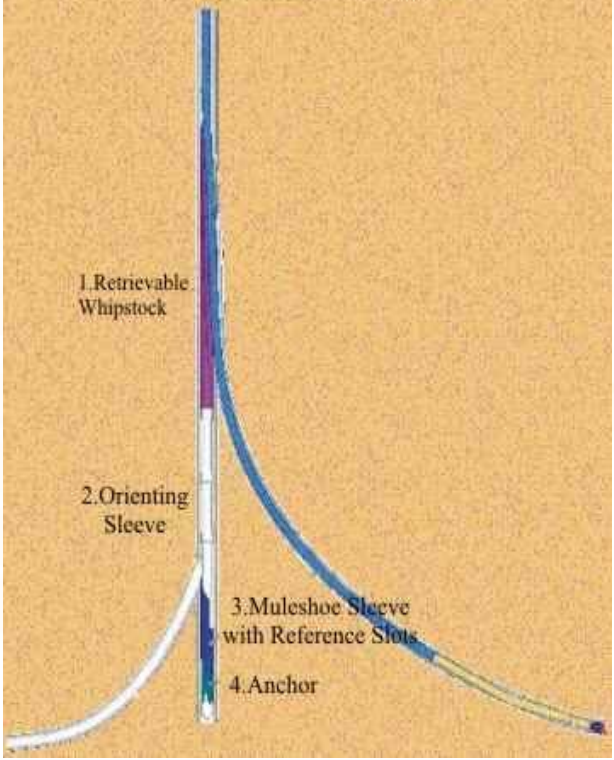
# Good Reasons for Seeking Russian GameChanging Tech

## Russian Contributions to the Oil Industry

HOTLINE 550 electrical submersible pump (ESP) completion.



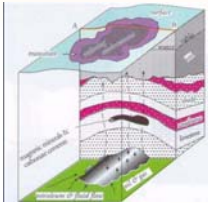
Multilateral Well



# The +'s & -'s of Russia

- Isolation = unique science & technical approaches
- Strong education, foundation of entrepreneurship
- A few success stories
- Low #s of GM, BD, mkting guys, etc., w/global experience
- Limited consumption for tech, low understanding & access to global mkts.
- Low #s English speakers
- No WOW factor

# 140 Technologies: Categories of Apps & Solutions



## Exploration

- Earth Modeling
- Seismic & Non-Seismic Exploration
- Analytical, Computational & Reporting



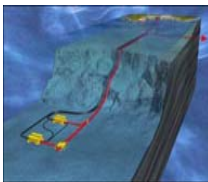
## Production

- Wireline & Downhole Measurement
- Enhanced Oil Recovery
- Advanced Drilling & Novel Well Construction



## Russian Specific E&P Challenges

- Pack Ice
- Extreme Cold
- Remote Locations
- Off-shore & Deep Ocean
- Hydrocarbon Processing



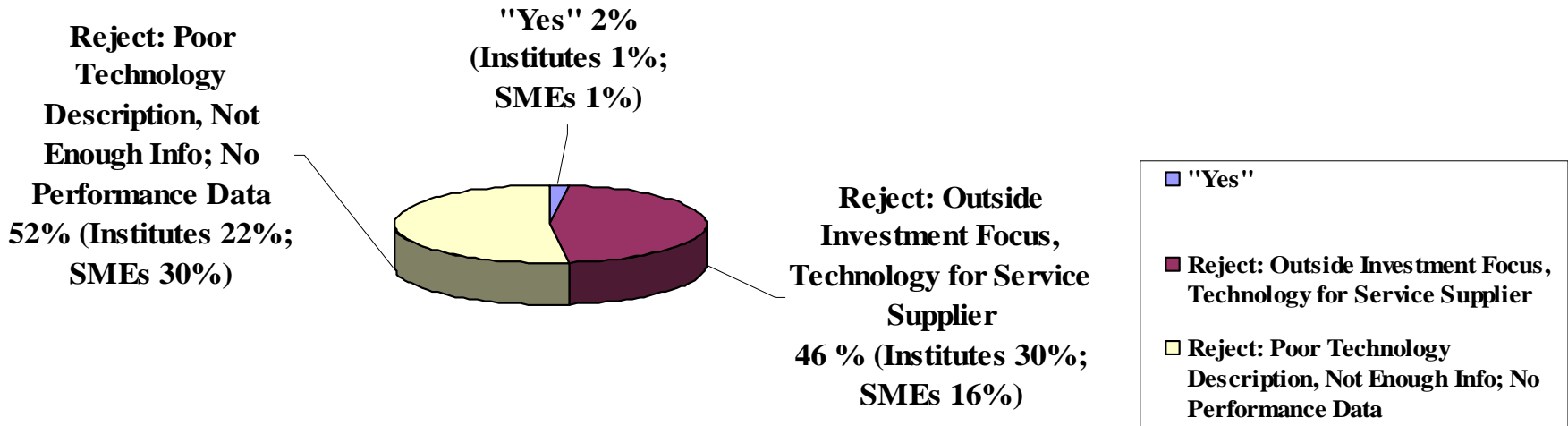
## Tech Transfer

- 3D Visualization/Numerical Software
- Subsea Solutions
- Composite Materials
- Gages, Optics & Sensors

# IVI Conclusions

## GameChanging Potential (in R&D), But →

### Opportunities & Decisions



Rejection not for obstacles; IP, Bus Plans, Mgt., Capital Mkts

# Near Term Opts & Priorities

## Invest to Build the Supply Chain

1. Almost best in class tech++<sup>2</sup> for Russia as it modernizes E&P to=USA, Middle East, SE Asia
2. Mix & match Western/Russian Tech: localize int'l content through co-dev to lower cost & increase value
3. Execute old West tech (e.g., RFTs) locally to fill price/performance gaps

Invest for More: More Perf, More Cost Reduction, More Service & More Local Content

# Where's the Customer Pain (Need) in the Oil Industry?

1. MORE Perf, Execution & Cost Reduction
  - Not GameChangers; blocking/tackling tech so oil operators meet business plan
2. MORE Local Content (w/SMEs) in Supply Chain
  - More value-added tech vs. brick & mortar
  - Tech Sold to Multiple Customers
  - Generate Supplier Sustainability thru Multiple Locations (beyond one field)
3. More Local Content = Russian Gov't Priorities

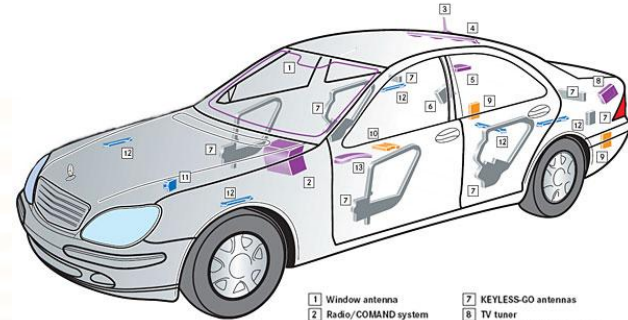
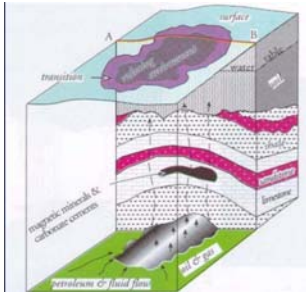
# GoForward Plan: Scaling Up Innovation for New Growth

A Much Bigger Bus. Dev. Picture to  
Generate \$\$

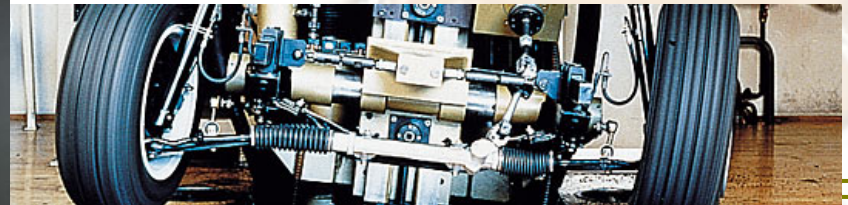
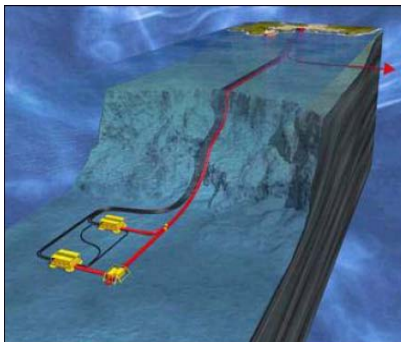
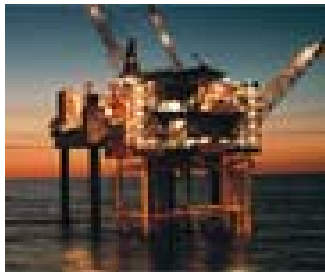
## Invest in Tech for Domestic Mkt

- Link Int'l & Russian Corporates: User Pull, Testing, Deployment & Commercialization
- Solve Tech & Supply Chain Needs
- Large Purchasing Req'ts & Big Volumes
- Build Locally, Upgrade Later for Int'l

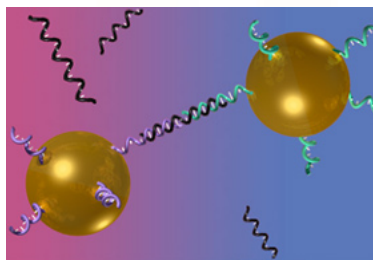
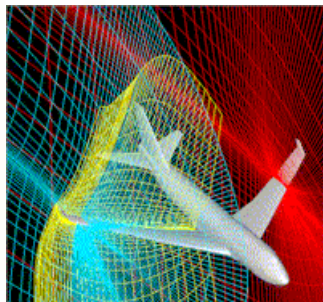
# GoForward Plan: Scaling Up Innovation for New Growth Sectors Besides IT



- |                             |                                      |
|-----------------------------|--------------------------------------|
| 1 Window antenna            | 7 KEYLESS-GO antennas                |
| 2 Radio/COMMAND system      | 8 TV tuner                           |
| 3 GPS and telephone antenna | 9 Redundant TeleAID antennas         |
| 4 Antenna amplifier module  | 10 TeleAID                           |
| 5 Parking heater receiver   | 11 Tire pressure monitoring          |
| 6 KEYLESS-GO                | 12 Tire pressure monitoring antennas |
|                             | 13 Telephone                         |



# Russian Tech: Profits Poised for New Increases





Innovative  
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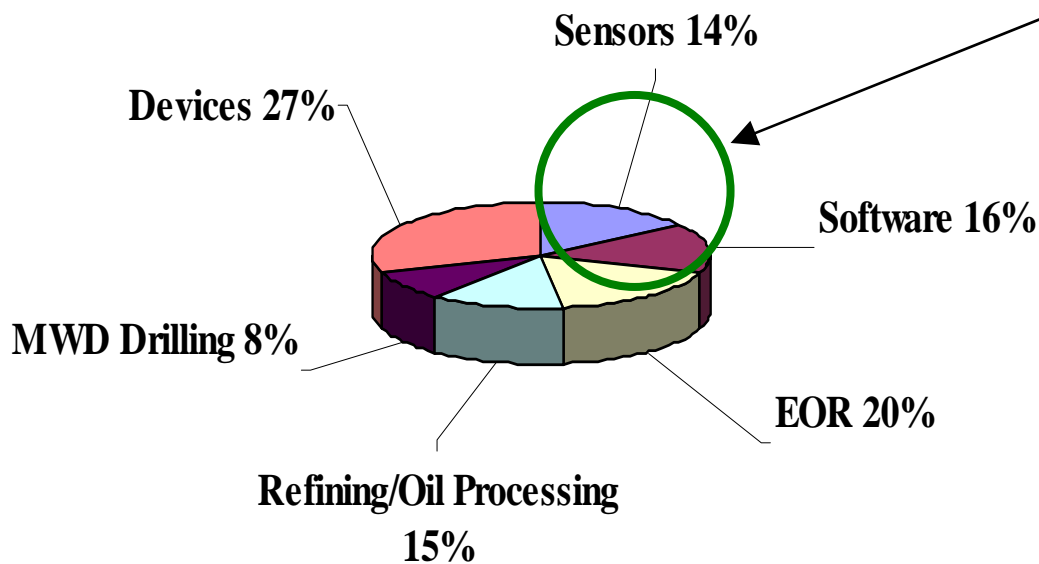
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# Back-up Slides Follow

# In Tech, East + West = the Best

## Value Clusters Match Strategic Priorities of International Customers/Investors



### Analytics & Computation (Signal Processing)

- Sensing
- Measuring
- Recording
- Collecting
- Analyzing
- Reporting

# In Tech, East + West = the Best

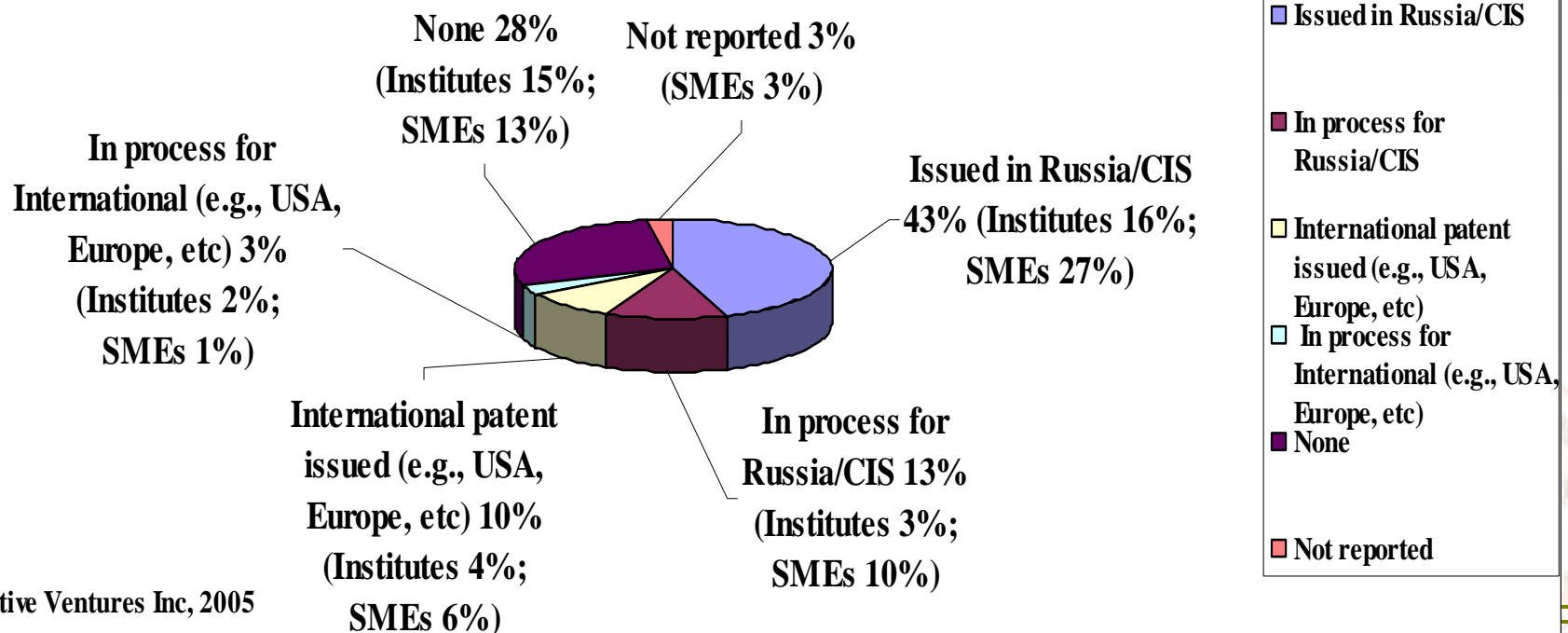
## Examples: Russian Tech Solutions

- Distributed Temperature/Pressure System (Remote Monitoring & 24/7) – *SME*
- Condensate Separation – *SME*
- 3D+VSP – *SME*
- Hemispherical Resonator Gyroscope – *SME*
- EOR 2 Stage Combustion Technology – *Institute*
- Novel Well Testing (Software) – *Institute*

# What About IP?

## The Majority of IP is Protected

### IP Status of Russian Technologies



# GoForward Plan for Russian Tech & VC Continued

1. Domestic Mkt VC-Industry Consortia
2. Create a 'Tech Proof of Concept' Fund
3. Create an IP Fund
  - Fund costs of Filing IP, especially Int'l
  - Pay-back as a Royalty on Sales
  - Funded by Russian Gov't Initiative

# 'Why Russia & CIS'

## 1. History of Innovation in Technology

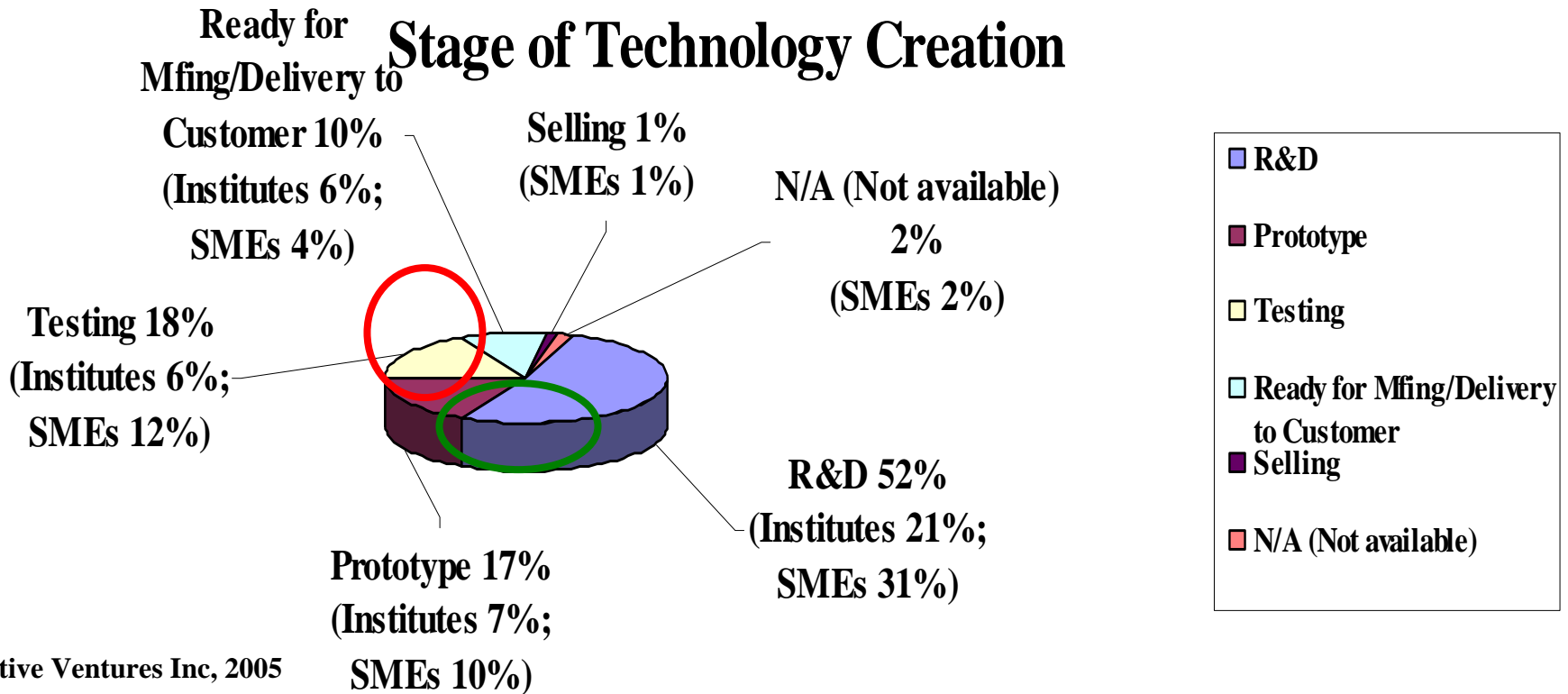
- Military, Defense, Security & Selected Commercial Applications (like innovations for oil & gas industry)

## 2. Strengths in Multiple Areas

- Scientific/engineering skills for ICTs in Electronics, Microelectronics, Hardware & Software
- Chemistry & biological research for life sciences apps in healthcare, biotech, pharmaceutical & environmental
- Automation Control for embedded sensors & optics

# CIS Oil/Gas Tech Consortium

## Co-Dev. & Sales Transactions Possible



# Is \$ Flowing to Tech?

Most Tech Opts in Int'l Mkts

Where Demand Is

Gaining Access is Expensive

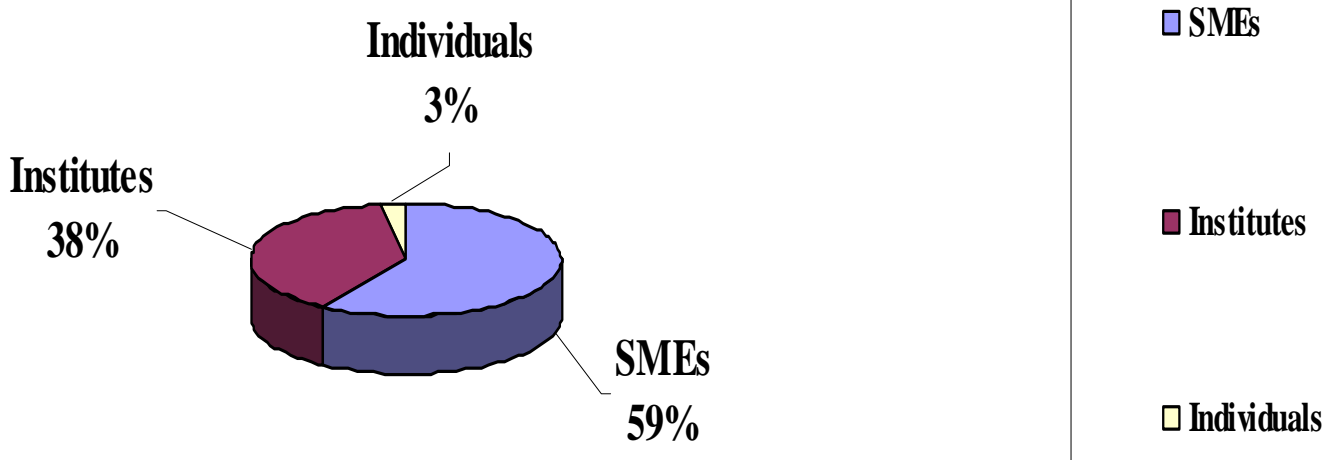
Penetration & Growth Takes Much Time

Quality & Quantity of Deal Flow is very low in  
Russia to Execute this Strategy as a Fund

Too Few Opportunities Meet the Req'ts for  
Success to Raise a Fund to this Strategy

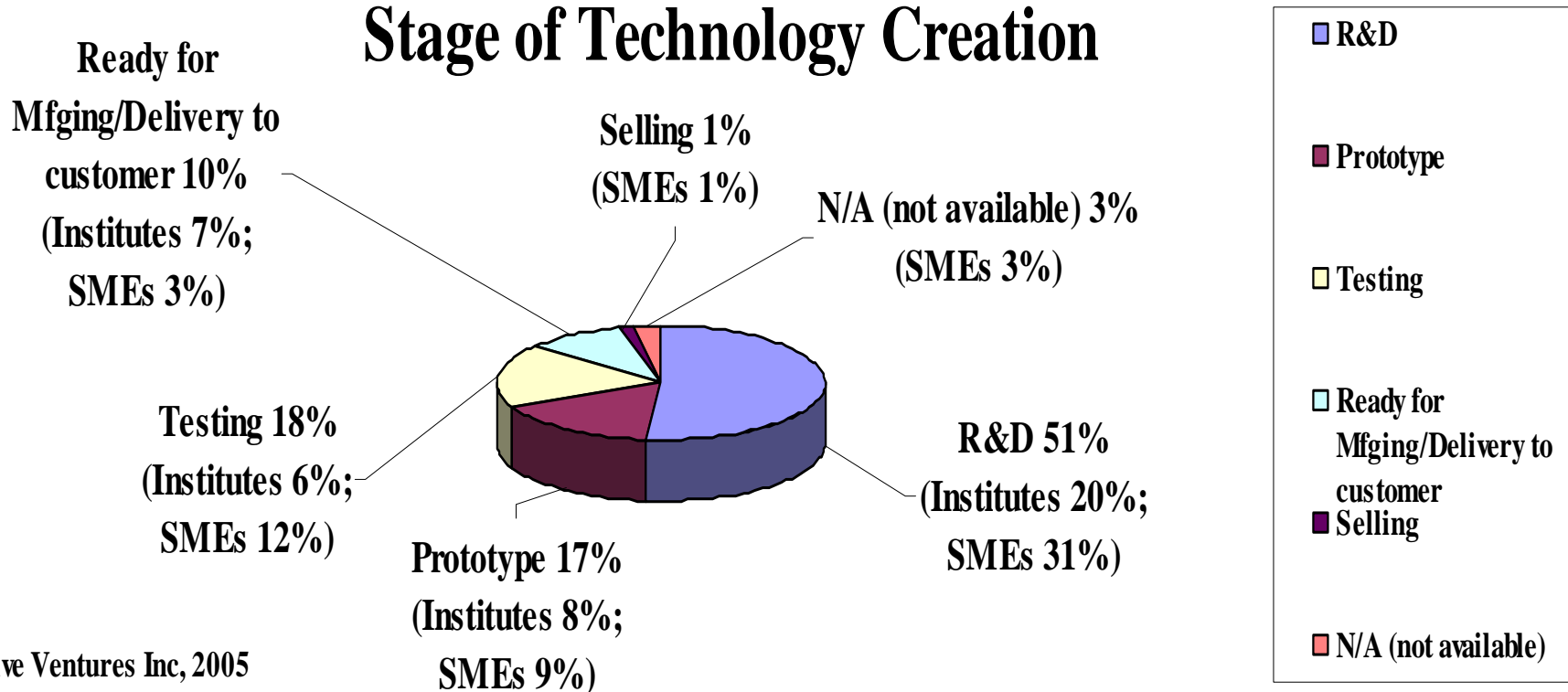
# Results & Examples: R&D & Equity Investment Opportunities Exist

## Sources of Deal Flow



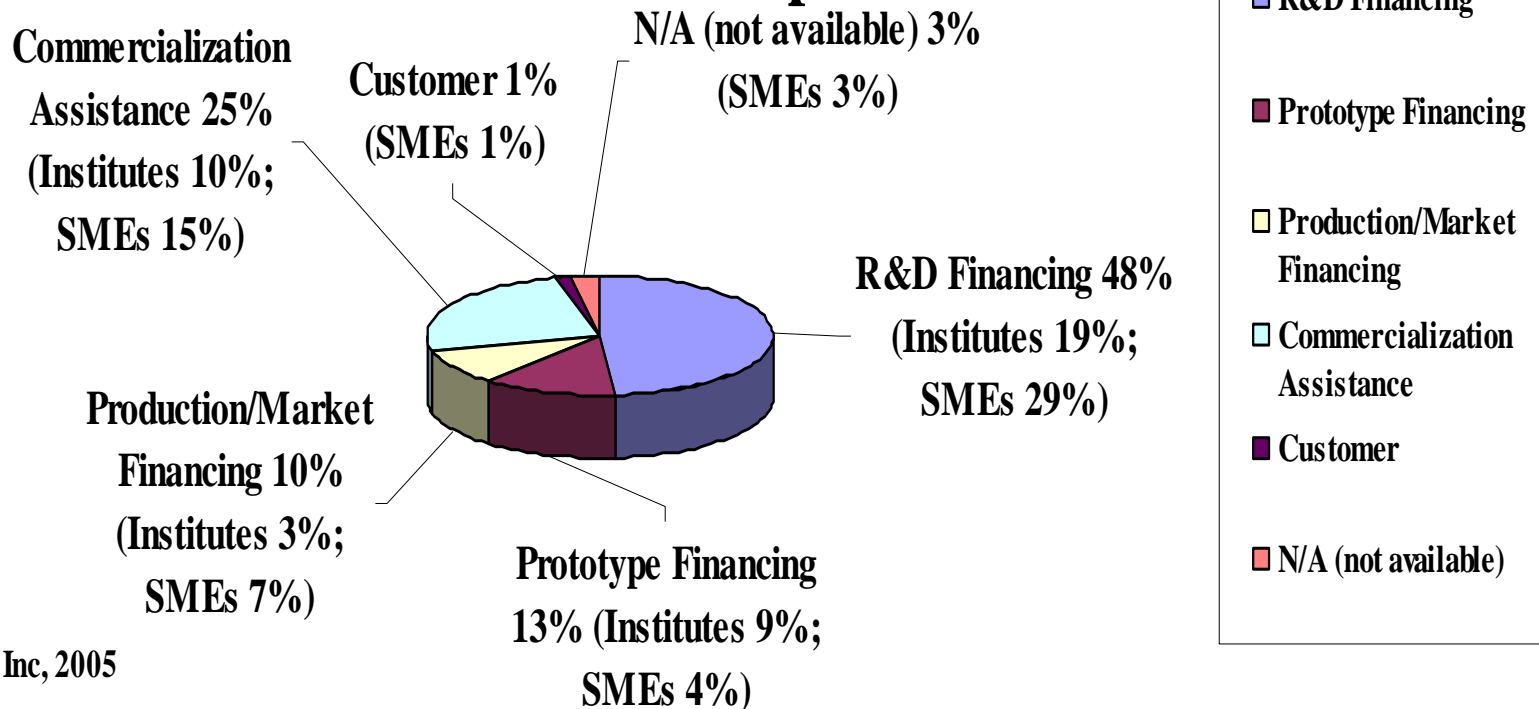
# Results & Examples: Co-Dev. & Sales Transactions Possible

## Stage of Technology Creation



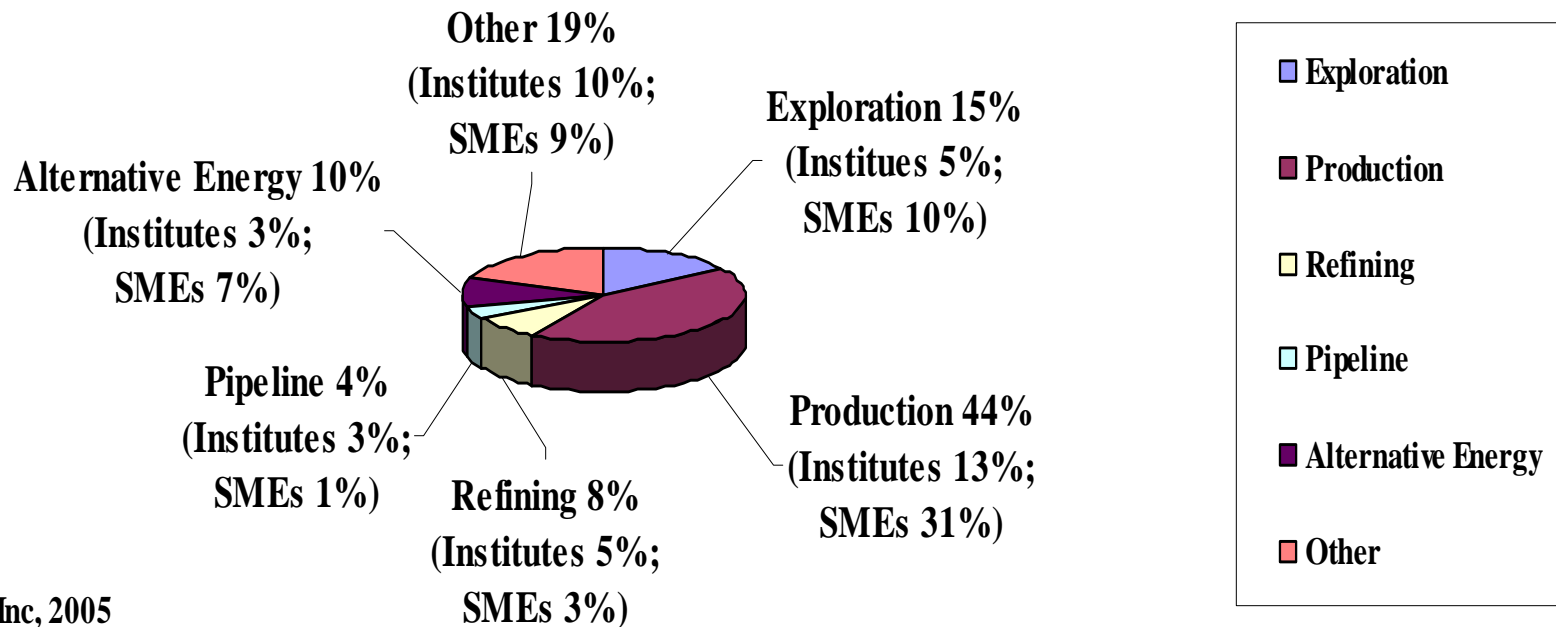
# Actions Needed for Commercialization

## What Russian Developers Need



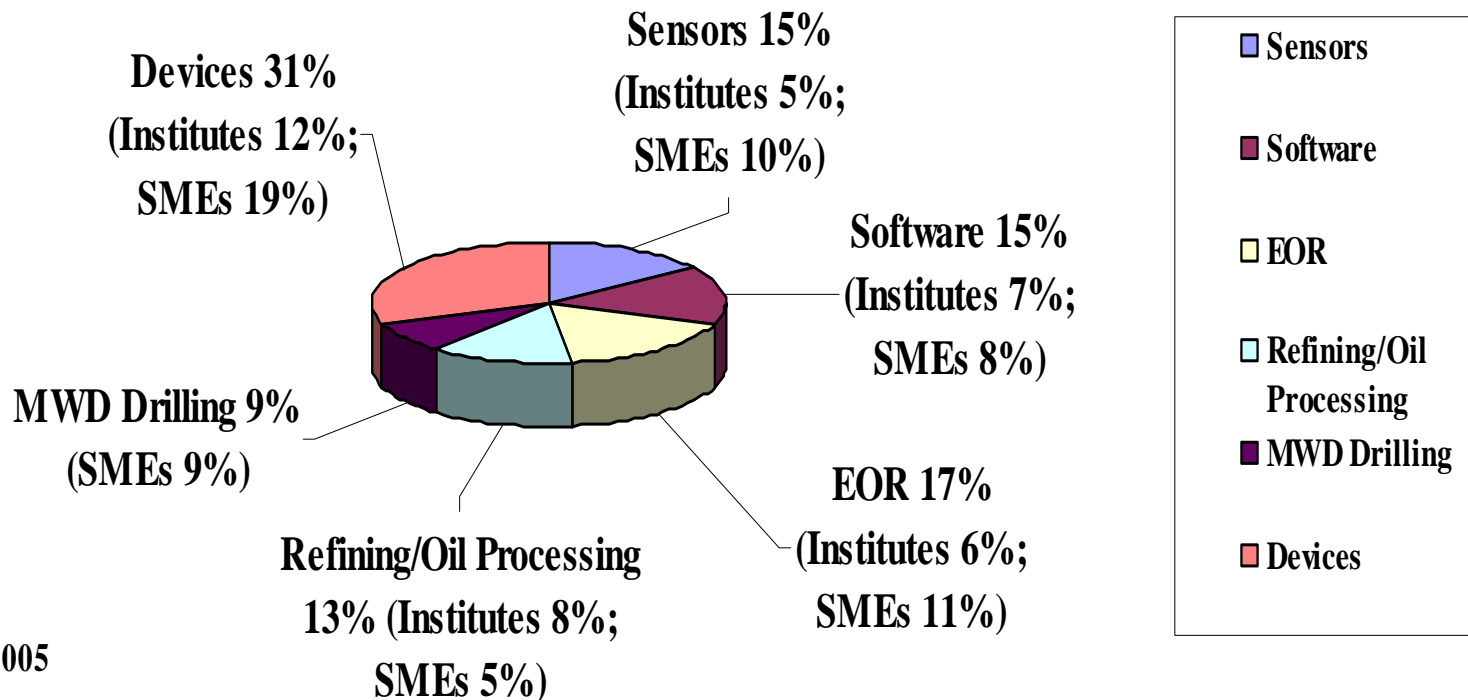
# Results & Examples: Tech Dev. Matches Strategic Priorities of Int'l Partners & Buyers

## Technology Strengths



# Enabling & Platform Technologies of Strategic Interest Exist

## Opportunities by Technology



# The Majority of IP is Protected

## IP Status of Russian Technologies

