

Russian private equity market – current state, trends and opportunities

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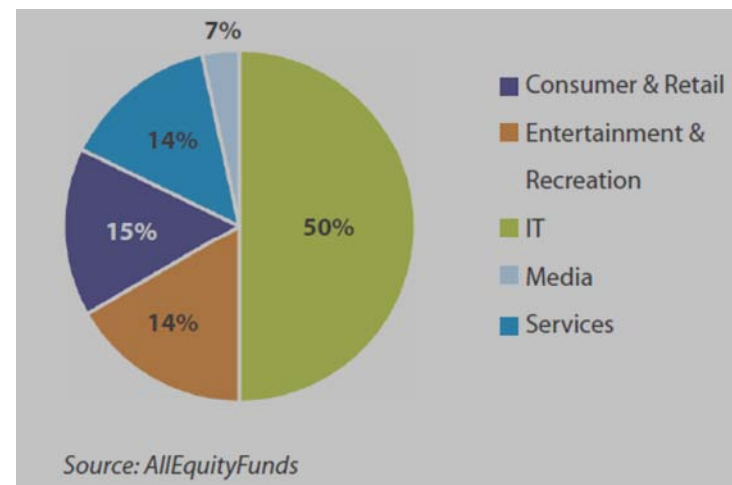
2009:

- sum of deals with private equity funds: USD 750+ million
- volume of new funds announced to start fundraising: USD 2+ billion



1Q 2010:

- sum of deals with private equity funds: USD 300+ million
- volume of new funds announced to start fundraising: USD 800+ million



- 1. Increasing deals activity.** Number of deals in 1Q 2010 almost the same as in the whole 2009.
- 2. Diversification of deals.** While the deals in 2009 were mostly in retail sector – now we see increased activity for example, in IT, entertainment, services.
- 3. Increasing of fundraising activity.** Inevitable for supporting further deals and market development. Increasing volume of announced funds that is higher than the volume of deals could also mean the increasing opportunities for PE investors on the market.
- 4. New funds based on money of Russian HNWI.** Foreign funds looking for HNWI in Russia (totally ~100 000 HNWI in the country with USD 300 billion), but they mostly prefer to have active role and form their own funds (Foresight Capital Partners, S-Group Capital Management, etc.)
- 5. Stabilization of distressed assets activity.** In 2009 most of the deals – with distressed assets. In 1Q 2010 the situation changed, market comes to its normal state. Though great opportunities on distressed assets market, new players would come.
- 6. Increasing/remaining activity of international investors (EBRD, IFC etc).**
- 7. Increasing activity of government, showing the increasing role of such investments** (starting funds with state companies, for example, Rusnano, Vnesheconombank, etc.; adjusting legislation for supporting funds activity).

DEVELOPING MARKET WITH HIGH POTENTIAL OF EXPECTED GROWTH



- large economy (GDP: USD 1.230 billion)
- 140+ million population
- nearness to European countries
- diversified economy (almost all kinds of industries and activities are represented in the country)

OUTLOOK FOR RUSSIA, 2010-2011

	2010	2011
World Growth, %	2.7	3.2
Oil prices, average, USD/bbl	76.0	76.6
Russia		
GDP growth, %	5.0-5.5	3.5
Consolidated government balance, %	-3.0	0.0
Current account, USD bln.	32	19
Capital account, USD bln.	30	50

Source: World Bank projections.

- increasing price of the oil (driver of Russian economy, increase from 35\$ to 76\$ in short time)
- small level of total external debt (about 30% of GDP)
- large gold and foreign exchange reserves (~USD 484 billion)
- low budget deficit
- stable political situation

Job creation by FDI into Europe

Rank 2009	Country	Jobs created in 2008	Jobs created in 2009	Market share 2009	Change 08-09
1	United Kingdom	20,210	20,017	16%	-1%
2	France	13,003	13,298	11%	2%
3	Russia	12,900	11,734	9%	-9%
4	Turkey	1,863	10,819	9%	481%
5	Poland	15,512	7,491	6%	-52%
6	Hungary	11,829	7,112	6%	-40%
7	Romania	11,403	6,384	5%	-44%
8	Slovakia	3,660	5,262	4%	44%
9	Spain	5,038	5,212	4%	3%
10	Germany	11,422	4,928	4%	-57%
11	Czech Republic	5,626	3,993	3%	-29%
12	Ireland	6,335	3,461	3%	-45%
13	Belgium	3,406	3,357	3%	-1%
14	Serbia	3,103	3,248	3%	5%
15	Moldova	na	2,508	2%	N/A
16	Ukraine	890	2,274	2%	156%
17	Italy	1,084	1,955	2%	80%
18	Portugal	4,140	1,780	1%	-57%
19	Bulgaria	6,709	1,321	1%	-80%
20	Switzerland	1,996	1,099	1%	-45%

Source: Ernst & Young European Investment Monitor 2010

Number of FDI projects into Europe

Rank 2009	Country	FDI projects in 2008	FDI projects in 2009	Market share 2009	Change 08-09
1	United Kingdom	686	678	21%	-1%
2	France	523	529	16%	1%
3	Germany	390	418	13%	7%
4	Spain	211	173	5%	-18%
5	Russia	143	170	5%	19%
6	Belgium	142	146	4%	3%
7	Netherlands	116	108	3%	-7%
8	Poland	176	102	3%	-42%
9	Italy	96	100	3%	4%
10	Ireland	108	84	3%	-22%
11	Romania	145	75	2%	-48%
12	Switzerland	125	69	2%	-45%
13	Hungary	100	64	2%	-36%
14	Czech Republic	87	61	2%	-30%
15	Sweden	85	58	2%	-32%
16	Turkey	41	58	2%	41%
17	Ukraine	31	46	1%	48%
18	Portugal	39	42	1%	8%
19	Austria	64	41	1%	-36%
20	Denmark	53	34	1%	-36%

Source: Ernst & Young European Investment Monitor 2010

EXAMPLES:



Delta Private Equity invested in «National Cable Networks». Period of investment ~1 year.
 Sum of investments - USD 5M, sum received after the exit - USD 20M.



Renova Capital invested in Internet-provider «Corbina telecom». IRR for the fund - 160%.

RETURNS OF FUNDS WITH EBRD INVESTMENTS:

Returns as at December 31 2008	Three Years	Five Years	Ten Years
EBRD Private Equity Portfolio - All	12.10%	33.60%	12.20%
CSE	12.62%	28.50%	11.38%
Russia/CIS	10.17%	41.22%	13.01%
EVCA, All Private Equity**	2.6%	8.1%	8.0%

Source: EBRD, EVCA

THE LAND OF OPPORTUNITIES FOR INVESTORS HAVING EXPERTISE ON THE MARKET OR INVESTING IN TEAMS WITH SUCH EXPERTISE



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