A New Dawn in Dealmaking
A report on Russian M&A activity
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Foreword

WELCOME TO ‘A NEW DAWN IN DEALMAKING – A REPORT ON RUSSIAN M&A ACTIVITY’.

The cornerstone of this report is an extensive survey of Russian dealmakers, who were asked to give their opinion on the key issues influencing M&A activity in the country. It not only looks at the challenges they are facing, but also opportunities they have identified to ensure growth for the months to come. Those surveyed were asked to give their outlook on trends driving M&A activity; issues relating to deal financing; the legal and regulatory challenges that dealmakers run into on a daily basis; adviser considerations that all M&A corporates need to take into account; and the overall M&A process.

The results of the survey were put into context by in-depth interviews with M&A experts from Goltsblat BLP on these key issues, which are further framed with historical data from the region.

Respondents to the survey give M&A activity in Russia over the next year a big vote of confidence, with the vast majority expecting deal flow to increase, in line with global trends. They say that securing funding to do deals has become easier, which is facilitating dealmaking. Key drivers of this comeback in M&A activity are the overall market recovery, as well as the availability of distressed assets at reduced prices.

Sector-wise, activity will be focussed on the TMT, Energy, Mining & Utilities space, as well as the Financial Services industries – areas that have traditionally seen the bulk of M&A activity and continue to remain of interest to investors.

However, dealmakers will continue to face challenges – the complex regulatory environment is frequently cited as a potential stumbling block towards M&A aspirations. High interest rates, the lack of planning feasibility, as well as lenders’ attitudes pose further stumbling blocks to acquisitive corporates. Furthermore, Western buyers could also face increased competition from Asian buyers. In particular, cash-rich corporates from both India and China – already prolific buyers in the global M&A arena – are paying close attention to the Russian market and are keen to get more involved.

Having said all this, experts continue to see the attraction of Russia as an investment destination, citing the comparatively low price of entry and the significant growth potential of the market as the primary attractions. They also mention highly skilled workers and natural resources as factors which continue to attract buyers.

We hope you enjoy this report on Russian M&A activity, and would encourage you to give us any feedback.

Andrey Goltsblat, Managing Partner of Goltsblat BLP, Senior Partner Corporate, M&A and Investment Projects
Russian M&A review

Given the rapid emergence of the BRIC economies over the past decade, it is unsurprising that the level of M&A in the Russian market has risen markedly in recent times.

Indeed, since the beginning of 2005, a total of 322 deals have been announced in the space, carrying an aggregate disclosed value of US$97.4bn. In contrast, dealmaking activity over the first five years of the new millennium was relatively subdued, with Russia witnessing 114 transactions worth US$30.5bn.

Casting an eye back to recent years, activity peaked at the height of the M&A boom in 2007, when a total of 88 deals were brokered. Clearly, the global financial crisis had a significant impact upon M&A and Russia was certainly no exception in this regard. The M&A figures from 2009 represent a volume decline of 55% compared to the previous 12 months, and an even more severe 65% fall in valuations. Certainly, a difficult debt financing environment and increased risk aversion served to stifle activity, particularly at the top-end of the deal bracket specified in this report (up to US$1bn). In this regard, the impact on international financial investors has been particularly pronounced with just four private equity-related deals announced in the deal-size range since the fourth quarter of 2008.

Despite this, signs are slowly emerging that funds are looking to return to the marketplace as economic visibility and dealmaking conditions improve. This is reinforced to good effect by the fact that Russia recently witnessed one of the largest European private equity deals of 2010 so far. The transaction in question was announced in the second quarter and saw Russian private equity firm PromSvyazCapital, alongside investment holding company Burnham Advisers, exit its investment in fixed-line operator Synterra CJSC. In a deal valued at US$745m, the firm sold out to MegaFon, the domestic wireless telecommunications services provider, having previously acquired Synterra for an estimated consideration of US$300m in 2006.

Elsewhere, recent activity suggests that a recovery in the wider M&A market is underway, driven largely by domestic corporate acquirers. Indeed, 2010 year-to-date valuations have already surpassed full-year 2009 figures, indicating that the obstacles to larger deals are easing and cash-rich players now feel well placed to target growth opportunities going forward.

While the bulk of announced activity in recent months has been seen in the Energy, Mining & Utilities and TMT sectors, it is notable that the largest transaction in the <US$1bn range of 2010 to date was actually brokered in Transportation. The deal saw private investor, Andrei Kobzar, acquire a 50.00% stake in National Container Company, the container terminal operator, from Far Eastern Shipping Company for a total consideration of US$900m. Despite this, the traditional hotbeds of activity dominate the recent run down of top deals, with the Energy, Mining & Utilities sector accounting for 39% of overall activity in the deal-size bracket since the beginning of 2009. In the largest such deal, ANK Bashneft moved to launch a US$760m mandatory offer for a 49.84% stake in OAO Bashkirenergo, the Russian power and heat utility company.

Significantly, seven of the top 10 deals of the year so far have been stake sales, with a number of these deals seeing large trade players divesting equity positions in portfolio holdings. Going forward, non-core asset disposals will continue to drive M&A activity in Russia as corporates respond to the new economic reality. While a degree of activity will no doubt continue to be distressed-driven, robust firms will look to reshuffle their portfolio with a view to focussing on key, core competencies, potentially creating attractive investment opportunities for regional and, to a lesser extent, international private equity funds.

The Russian government could also help kick-start M&A with mergermarket intelligence suggesting that the state plans to raise around US$10bn in 2011 alone through the sale of assets. Potential future deals could involve stake sales in the likes of Rosneft, VTB Bank and Rosspirtprom. Notably, the proposed wave of privatisations will be far from sweeping, as the Russian government plans to retain a controlling stake in all holdings.
Outlook and trends

Methodology

Over the course of the summer and early autumn of 2010, Remark, the research and publications arm of The Mergermarket Group, canvassed the opinions of 100 Russian M&A practitioners. The respondents were financial and legal advisers, private equity practitioners and C-suite executives from businesses that have been involved in M&A transactions in the country. Corporate respondents came from a variety of sectors and their businesses had a turnover of up to US$1bn.

Respondents were asked to give their opinions on a number of issues relating to dealmaking in Russia, responding in relation to deal values of up to US$10bn.

The survey was broken into four sections, allowing us to see the respondents’ specific sentiments on the following issues:

• Outlook and trends in Russian dealmaking
• Financing issues
• Legal and regulatory challenges
• Adviser considerations
• The M&A process

All answers were confidential and results have been reported in aggregate.

The breakdown of survey respondents is as follows:

• Corporate: 77%
• Investment banker: 8%
• Private equity practitioner: 7%
• Accountant: 4%
• Outside counsel/lawyer: 4%

A combined 79% of all respondents expect to see M&A activity across Russia increase over the next 12 months, while a further 19% believe that levels will remain the same. Just 2% think that Russian M&A deal flow will fall over the year.

The bulk of respondents clarified their views by stating that the worst of the financial crisis is now over and that, "The Russian market has emerged as a favourable destination for investment. Many cash-rich European and North American companies are diversifying away from troubled home markets and are, instead, looking to grow in more dynamic emerging markets such as Russia."

Another bullish respondent notes that policy-driven incentives are also boosting levels of activity in the Russian M&A market, chiefly by relaxing some of the more onerous regulations governing inbound acquisitions in the country.

A number of those polled explained that rising levels of acquisitions within Russia could be driven by distressed plays, with one suggesting that, "Smaller players are finding it difficult to refinance short-term commitments and as a result, are being taken over by bigger firms with solid balance sheets. At the same time, private equity investors could drive deal flow as they are immensely knowledgeable on the Russian market and can identify low-valued assets to buy into."

However, not all respondents were as optimistic. One says that, "I am expecting deal activity to increase over the next 12 months, but this increase will not come until the latter stage of H2 2010. Global uncertainty still remains as the European and US economies continue to perform poorly."
97% expect Russian dealmaking to at least mirror global trends going forward

How does this compare with your view of global trends?

Prospective Russian M&A activity will match global M&A trends or exceed them, according to 97% of respondents, who believe that Russian dealmaking will either broadly align with global trends in the coming 12 months (74%), or outpace them (23%).

Russian activity could outpace its counterparts because of the large number of distressed assets available for sale in the Russian market, as well as the subsequent bouts of consolidation activity following these divestments, according to one respondent. Others were less optimistic, saying that countries like India, China and South Korea will most likely drive global M&A activity over the near future.

Almost all respondents believe that Russia is still a valid member of the BRIC group

Is Russia still a valid member of BRIC countries?

98% of respondents still believe that Russia is a valid member of the BRIC (Brazil, Russia, India & China) economies, although one respondent obviously has his reservations. He said, “We could do more and we could do better. We are now lagging behind our contemporaries, with China leading the pack.” Another respondent shares a similar view and explains that, “Russia is not a BRIC member anymore as our unfavourable investment climate and low GDP growth rate mean that we have been left behind by India, Brazil and most of all, China.”
A cumulative 62% of respondents believe that prospective Russian M&A activity over the next 12 months will be driven by one of two factors – the wider global economic recovery or the large number of distressed business sales. Respondents were fairly evenly split between the two, with 33% thinking that the upcoming recovery will drive deal flow, against 29% who suggest that fire sales will propel activity forward.

One respondent who falls into the former category adds that, “The global recovery has boosted consumer demand, raised company revenues, strengthened bank lending and aided investor confidence – all of which helps the bottom line.” Another straddles both viewpoints, saying that, “Companies will be utilising current strong market conditions to sell their distressed and non-core assets at a respectable price in comparison to 2009.” Yet another strongly believes that distressed sales will drive deal flow looking forward, “Distress-driven transactions will outnumber all other drivers as many Russian businesses inherited huge debt obligations as a result of the economic downturn.”

In terms of distressed sales, real estate and development will be most affected. In terms of buyers for these assets, we are already seeing large foreign funds sniffing around.

Andrey Goltsblat, Managing Partner of Goltsblat BLP

Rustam Kurmaev, Partner at Goltsblat BLP
72% of respondents suggest that the bulk of Russian M&A activity over the next two years will take place in either the TMT, Energy, Mining & Utilities or Financial Services sectors, with more than one quarter of them (26%) believing that the bulk of deal flow will take place in the TMT space. More than 15% consider that transactions in the Consumer sector will lead Russian M&A activity.

TMT plays will come to dominate the market, according to at least one respondent who argues that, "There is no room for them to grow. Huge competition in the domestic market has resulted in Russian TMT companies, big and small alike, exploring other regions for business growth." Another respondent offers a similar reasoning for Energy, Mining & Utilities deals, "Most, if not all, Russian miners, utility providers and energy generators, have pursued aggressive M&A-driven expansion strategies and this is likely to carry on as demand for Energy, Mining & Utilities end-products continues to skyrocket."

The reasons driving transactions in the Financial Services arena were less positive, however. "Financial institutions suffered badly during the recession and as a result, many of them are looking to divest underperforming businesses or sell non-core assets as they look to return to profitability," one respondent explains.

More than 90% of respondents believe that the value of most Russian M&A transactions over the next two years will be less than US$1bn, with the majority of them suggesting that M&A activity will fall into either the US$25m-US$250m or US$250m-US$1bn categories. One respondent explains that, "It would take another two to three years to see a return on large and mega-cap deals as many large corporates are busy focussing on restructuring their businesses, not conducting M&A." Another respondent remarks that future cross-border activity will most likely take place in the US$1bn plus range, while domestic transactions will probably be in the mid-market space.
Financing issues

The biggest trend in the Russian financing space is the shift from outright lending of funds to restructuring existing debt. Nowadays, a large proportion of the funding available is, in fact, for the refinancing of debt. Aside from that, the flight of Western lenders in the aftermath of the financial meltdown has allowed their Russian counterparts, both state-owned and private, to fill the void and gain market share.

In the run up to the financial crisis, the Russian market saw a glut of Western banks jockeying to fund the strategic initiatives of Russian corporates. German and Austrian banks in particular were investing heavily in the Russian real estate space. Overall, funds were being lent to a variety of businesses to support their extensive corporate development initiatives.

However, the crisis had led investors to retreat from the Russian market and, right now, the involvement of Western commercial banks is fairly minimal. Stepping in to fill this void are, to an extent, the European Bank for Reconstruction and Development (EBRD) and the International Finance Corporation (IFC). The EBRD is currently involved in just under 620 projects in Russia, across a variety of sectors including Industrials, Energy and Infrastructure. Given their objectives and mission statements, the nature of their lending is necessarily different from that provided by commercial lending banks. Strict investment criteria, a particular focus on due diligence and a propensity to invest in projects related to infrastructure makes accessing funds for corporate development purposes, such as M&A or general expansion investment, more challenging.

Over the past 12-18 months, Russian state-owned banks stepped in to provide funding to local businesses. Institutions that particularly stand out in terms of lending are Sberbank, VTB and VEB. These state-controlled financial institutions are particularly active in real estate projects and, as a result of the financial crisis, they have ended up being the biggest landlords in Moscow. That said, their lending has been sensible and cautious.

Meanwhile, local investment banks have been taking advantage of the lack of competition from Western banks and are moving to grab what they can of the market share. A good understanding of the local market and bold tactics have allowed players such as Renaissance Capital and VTB Capital to strengthen their market shares.

So, who is money being lent to and for what? Funds are being lent to a variety of businesses across a number of sectors. It is being lent for projects such as internal development work and capex investments and to fund new equipment. Notably, it is not being lent for M&A activity and there is no sign of significant funding being available for corporates who are keen to engage in consolidation activity that would allow them to acquire their competitors. Overall, levels of M&A are extremely subdued and the deals that are being done are predominately being completed using existing cash reserves.

Private equity is the asset class that has felt the pinch caused by the lack of funding most acutely. The funds are, in fact, sitting on rich coffers of cash, however, they are also finding that potential targets are in unfavourable conditions and have unrealistic price expectations. These stem from a time before the financial crisis and many owners are not yet prepared to adjust their price expectations, instead adopting a ‘wait-and-see’ approach. As in other countries, for the time being, private equity firms are largely focussed on portfolio management and ensuring that they generate the expected returns on investment.

Recently, lending has been making a comeback, however, not at the same rate as three to five years ago. Borrowing is becoming easier for corporates, but given the ever-present restrictions posed by strict investment criteria, deals are no longer being done with the crazy levels of leverage seen in the run up to the financial crisis. It would also appear that each sector is being treated differently – a recent anecdote reveals that a local real estate developer was unable to raise funds by way of debt finance on a project, despite having substantial equity available.
Financing issues

The overwhelming majority believe that the financing climate has eased over the last 12 months

Compared to 12 months ago, how would you describe the current financing situation?

- Much easier: 75%
- Slightly easier: 60%
- No different: 56%
- Slightly harder: 52%
- Much harder: 41%

78% of respondents indicate that locating deal financing nowadays is easier than 12 months ago, while a further 18% don’t believe that the financing environment has changed over the period. A vocal 4%, on the other hand, consider it harder now than before.

One bullish respondent explains his viewpoint, saying, “12 months ago, companies faced severe debt constraints and many of them fell into bankruptcy as there was no liquidity in the system and banks themselves were struggling. But the government’s stimulus package and the ongoing economic recovery have resulted in a marked improvement in liquidity and banks are now beginning to lend again.”

However some respondents remain cautious, with one suggesting that, “It will take another two years before deal financing returns to normal.” Another comments that, “Liquidity has risen but not to the levels of 2006-2007. Furthermore, pure acquisition financing is still a problem.”

60% of respondents state that Russian companies are currently seeking funding for domestic M&A acquisitions, while a further 52% suggest that they are looking for financing in order to undertake cross-border acquisitions. One respondent adds that, “As Russian companies have already successfully negotiated the recession, the main reason for obtaining funds would be to fulfil expansion plans and the majority of these would be in the domestic market.”

I fundamentally agree. Banks are full of liquidity and actually find it difficult to lend because there are too few good borrowers.

Andrey Goltsblat, Managing Partner of Goltsblat BLP
Nearly half of corporate respondents are currently actively seeking funding

Is your business currently seeking funding? (For corporate respondents only)

47% of respondents expressed that they are currently seeking funding, with more than half of them (56%) saying that their primary reason to do so is to fund M&A activities. One such respondent remarks that such funding would be for “both domestic and international M&A expansion. We are on the look out to expand our business’ operations and retail network.”

When asked what the main challenges facing Russian businesses looking to secure financing are, some 61% of respondents remark that high interest rates are the primary difficulty facing would-be borrowers. A further 45% also mention that defending the feasibility of their business plans is the biggest issue they are facing. Furthermore, 44% say that lenders’ overall attitude to borrowers is the chief problem to overcome.

There is a considerable influence from the lending party on the proposed business plans insofar as they frequently try to influence or amend the business plan to benefit them, or lower the overall risk profile of the loan. However, “Such alterations are invariably not beneficial for the borrowing entity,” one respondent explains. While another comments that “bank interest rates are still high. This can, however, be somewhat mitigated by buyers turning towards other investment sources, such as private equity firms.”

The majority of businesses are seeking funding for working capital, the rest for acquisitions, capex investments and restructuring of current debt.

Andrey Goltsblat, Managing Partner of Goltsblat BLP
**Financing issues**

**77% of respondents expect that acquisitive Russian corporates are likely to turn to private equity or external investors to support their growth plans.**

How do you expect the majority of Russian buyers to finance their acquisitions over the next 12-24 months?

![Bar chart showing financing options and their percentages](chart.png)

Echoing previously-mentioned sentiments, more than three quarters (77%) of respondents believe that Russian acquirers will finance their upcoming acquisitions via private equity and external investors, while a further 75% also suggest that would-be buyers will use internal M&A war chests to fund acquisitions. 71% say they expect Russian purchasers to turn to the debt markets to bankroll prospective M&A activity.

One respondent expands his answer, stating that, “Private equity investors are likely to be the most active financiers of M&A. Market confidence is improving with Russia being a fast-growing market. At the same time, competition for assets is low compared to other major markets while local acquirers are desperate for deal financing as other funding alternatives come attached with onerous conditions.”

Another respondent notes that, “Turning to equity capital markets is not a popular choice because of ongoing market uncertainty. Debt financing will only be used for specific industries or companies and they will inevitably be offered with many conditions while internal cash reserves will be largely utilised for ongoing business operations.”

**Private equity is very attractive to Russian businesses, because it is a less expensive way of funding than taking on debt. We also see private equity closing more deals, though still comparably less than strategic buyers.**

Andrey Goltsblat, Managing Partner of Goltsblat BLP
Legal and regulatory challenges

It is to be expected from a complex country such as Russia that there are a number of legal and regulatory challenges facing M&A practitioners when doing deals there. The inflexible, as many believe, nature of Russian corporate and contact laws, and lack of effective acquisition tailored payment mechanisms, has led to numerous instances of the use of foreign laws. Adding to this trend is the reluctance of the Russian courts to rule on anything that is worded differently to the original code and law. This has led to the development from more and more complex deal structures than would have ordinarily been necessary.

Overall, unnecessary complexity is an underlying theme to dealmaking in Russia. As an example, the amendments to the anti-raid legislation are not helping prevent raids or raid-like actions and instead causing more complexity, burden and cost to bona fide market participants. It is also worth mentioning an excessive use of anti-trust regulations that are applicable to the majority of deals eventually, regardless of the market shares of the parties involved. Furthermore, the wide definition of ‘foreign investor’ in the strategic enterprise regulations, which allow the treatment of virtually any investor as a foreign investor, creates opportunities for abuse. The result is parties who go looking for legitimate loop holes to escape the need to follow the requirements of public company takeover rules.

At the same time, the Russian legal environment is generally seen as inconvenient and key reasons for it are not tax optimisation or confidentiality driven, but rather due to difficulties originating from contract enforcement. This has meant that using offshore structures in deals has almost become common practice. Indeed, there are instances of small to mid-sized deals being completed that are quite artificial and which only materially extend a route for the buyer to the underlying assets. This has resulted in a greater due diligence burden, and may in fact leave little security should there be a breach of contract in such deals.

Meanwhile, foreign buyers may find themselves unaccustomed to local peculiarities of dealmaking in Russia. They will find the lack of transparency with regards to corporate structures challenging to deal with. This issue can become a stumbling block when dealing with small-sized regional businesses, where shares can still be held by nominal shareholders in de facto trust for real beneficial shareholders with no legal control in place. Furthermore, the lack of transparency of real objectives on the count of many Russian parties can result in a mismatch with the agreed ones, which becomes an issue particularly whenever a joint venture is a likely scenario. In a similar vein, foreign buyers may expect possible changes of key factors during negotiations - including elements which already appear to have been agreed on and settled.

Looking ahead, buyers should expect increased clarity in relation to strategic enterprise legislation, development of precedents with shareholder agreements and complex share purchase arrangements under Russian laws. As a result, the space should see more application of Russian laws than in the previous decade. In line with growing significance of local regulations, there are expectations that the bankruptcy law, already one of the most frequently amended laws in recent times, could see another cycle of changes – which, unfortunately, may not help create a sense of consistency, and is something to pay particular attention to when doing a deal in Russia in these financially turbulent times.

Derived from an interview with Anton Sitnikov, Partner and Head of the Corporate/M&A practice in Goltsblat BLP’s Moscow office.
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Legal and regulatory challenges

Respondents proffered a number of regulatory and legislative changes which they thought would impact the Russian M&A space over the next couple of years. Some thoughts which respondents shared are listed below.

What upcoming legislative and regulatory changes should buyers in Russia be aware of?

“There will be upcoming reforms to the Russian Civil Code. They are currently under consideration and are expected to be formulated within two years.”

“They should be aware of expected changes relating to the Russian tax regime.”

“There will be some changes in the retail sector regarding market monopolies.”

“There could be some major changes aimed at investment policies, foreign investment and tax positions.”

“Changes could be introduced which reduce tax burdens in order to inspire more foreign investors to invest in the market, as well as measures to reduce corruption.”

“Relaxation on credit control policies.”

The Russian dealmaking environment is not favoured due to rigid and imperative M&A legislation as well as inefficient tax incentives at home

Why are Russian laws not favoured by investors even for pure Russian deals, i.e. Russian buyer of Russian target?

More than two thirds of respondents (68%) suggest that the reason why domestic deals are not in favour is due to either the norms-based legislation governing M&A deals taking place within Russia becoming more rigid, or the fact that deal makers elsewhere are being offered more efficient tax optimisation schemes. A sizable 18% indicate that the contract unenforceability is also an issue, while 14% state that issues relating to deal confidentiality are problematic/pose problems.

“The misuse of antitrust law and the enforcement of specific contracts to the benefit of an individual, and potentially to the detriment of others, is the prime reason why domestic deals cannot be completed in Russia. Current legislation doesn’t provide enough security for deals and normally, British law is followed,” one respondent says in relation to his answer.

The further development of corporate legislation, as well as contract laws, is something to look out for.

Andrey Goltsblat, Managing Partner of Goltsblat BLP

From a litigation point of view, amendments in the Russian arbitration court could stop attacks from corporate raiders.

Rustam Kurmaev, Partner at Goltsblat BLP
72% of respondents say that improved processes are the most effective method to stamp out corruption

What do you feel is the best way to deal with corruption?

72% of respondents believe that the best way to deal with corruption is nullifying the incentive to undertake it in the first place. A further 16% suggest that increased legislation could help, while just 12% think that introducing stricter penalties would be an effective deterrent.

“Strict punishments, such as high capital penalties and business operations restrictions should be implemented,” one respondent says. Another disagrees, saying that, “Increased legislation will not help as corruption intensifies with increasing amounts of legislation.” Yet another supports improved processes, saying that, “A well-defined and structured process does not give corruption any room to mature.”

A small number of other respondents offered alternative methods of dealing with corruption. “Make significant improvements to the Russian legal system,” one says, while another declares that, “More businesses should be privatised as corruption is a problem that mostly affects state-owned entities.” Yet another respondent says that education is important in terms of teaching individuals the moral and ethical issues of corruption.

72% of respondents believe that the best way to deal with corruption is nullifying the incentive to undertake it in the first place.
Adviser considerations

When undertaking an M&A transaction, there are a number of considerations corporates will take into account while seeking out external legal and financial advisory services.

In Russia, as in many countries, the main criteria for choosing an adviser will rest upon the experience and expertise that an advisory firm can bring to a given transaction.

In this respect, a strong track record of advising on transactions in the Russian market is an indispensable prerequisite that corporate clients will look for when bringing legal or financial advisers to a deal. The laws, regulations and tax frameworks affecting dealmaking can be complex and opaque. Therefore, an in-depth knowledge of how such factors will come to bear on a prospective merger or takeover can be crucial for the success of a transaction.

An expertise in cross-border dealmaking or a specialisation in a specific industry can help a firm stand out in their service offerings to prospective clients whose in-house legal and corporate finance teams might not have the appropriate skills and background. Indeed, an advisory firm benefitting from significant experience and a deep understanding of M&A investing in a particular country for tax or other legal areas will certainly be able to raise its profile among prospective clients.

Casting a look to an example from the Oil sector, one of Russia’s largest industries, the legal and regulatory framework for dealmaking can be complex and clearing such hurdles for the successful completion of a deal requires a legal team that can leverage their experience and expertise to avoid pitfalls and problems that could otherwise stymie a transaction.

Another area where external advisers can distinguish themselves is in their experience in structuring larger, more complicated transactions for which in-house teams may not have the necessary experience or sufficient resources to manage such processes. For foreign corporates with little dealmaking experience in Russia, having advisers familiar with the local business culture and practices is arguably as important.

The same can be said for Russian firms sourcing transactions abroad. Legal and financial advisers who are accustomed to, and comfortable with, working on transactions involving overseas clients enjoy a distinct advantage when corporates seek external advisers for cross-border M&A deals.

In itself, reputation is clearly a key consideration that corporates will take into account when looking to hire an external adviser. So too are existing relationships and advisory firms that can offer a one-stop shop for the full range of services required by a corporate client undertaking an acquisition or merger. In the end, however, corporate clients also want good value for money. If you get what you pay for, then paying for the services of a professional and reputable firm may well be the best value for money when undertaking an M&A deal.
An overwhelming majority of corporate respondents would utilise a legal adviser when undertaking an M&A transaction

When undertaking an M&A deal, would you engage a legal adviser? (For corporate respondents only)

87% of respondents note that they would engage a legal adviser if they were undertaking an M&A deal, while the remainder do not expect to do so.

One respondent who would engage a legal adviser explains his reasoning, “Transactions in the Energy sector have to overcome many legal hurdles and to do this smoothly and efficiently, we use legal advisers.” Another respondent notes that his business “has a number of international operations in different legal jurisdictions. As a result, we have to engage legal advisers.”

Elsewhere, another respondent is more cautious, commenting that, “It depends on the size and the location of the deal. For small domestic deals, our in-house team will suffice, whereas for foreign deals, we engage a legal adviser.”

I completely agree – the reality of doing a deal in Russia is not the same as doing a deal in other jurisdictions. You need a very strong understanding of the local legal and regulatory system to ensure a successful transaction.

Andrey Goltsblat, Managing Partner of Goltsblat BLP

More than 50% think sector, country and cross-border expertise are important factors to consider when hiring legal advisers

What are the most important considerations when selecting a legal adviser to work on an M&A deal?

78%, 62% and 61% of respondents respectively think that sector, country and cross-border expertise are at least important factors to take into account when engaging a legal adviser. Indeed, 30% think sector expertise is the most important issue, followed by the 29% who believe that cross-border M&A experience is also the most crucial factor.

“Sector and country experience is very important as each country and sector has its own legal framework,” says one respondent. While another makes the point that, “Good value for money will be automatically achieved if the legal adviser has all the necessary expertise and therefore works to complete the deal in an efficient manner.”

To do deals in Russia you need someone who understands the Russian approach combined with an experience in UK law.

Rustam Kurmaev, Partner at Goltsblat BLP

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Adviser considerations

82% would also engage a financial adviser when doing an M&A deal

When undertaking an M&A deal, would you engage a financial adviser? (For corporate respondents only)

Financial adviser selection is dependent on a wide number of factors, respondents say

What are the most important considerations when selecting a financial adviser to work on an M&A deal?

A resounding 82% of corporate respondents note that they would engage a financial adviser when undertaking an M&A deal. One such respondent comments that, “Financial advisers can help us achieve the optimum pricing for a deal, which is very important in ensuring that the deal doesn’t collapse due to a price dislocation between buyers and sellers.”

More than half of respondents weigh up potential financial advisers based on their sector, cross-border M&A and country expertise, as well as their value for money. More than half of respondents believe that sector experience, as well as a solid reputation in conducting successful cross-border M&A transactions, are the two most important factors to take into consideration when selecting a financial adviser.
M&A processes are fundamentally the same the world over, but local customs and the cultural context within which deals take place play a crucial role in how they are executed. Practitioners agree that while there are no staggering differences between deals struck in Western Europe and Russia, there are lots of little ones that when compounded can make the experience of doing deals in these two geographic regions very different.

The lack of publicly available information is frequently mentioned as a key challenge that dealmakers have to face when doing a deal in Russia. There are few official sources of information and investors are virtually limited to real estate registers, the corporate registry and a log of intellectual property. All of which will be based on data and documents made available by the Russian counterparty in a deal, which in turn makes the process longer and more complex than those experienced in Western Europe. However, this does not mean that deals are impossible – far from it, there are many attractive opportunities available which make dealmaking in this growing market an attractive proposition.

Information is, of course, crucial to a comprehensive due diligence process and it is considered key to ensuring a successful M&A transaction in Russia – particularly so for mid-sized deals. The difficulties facing prospective buyers in relation to this are twofold: on the one hand, they are entirely dependent on the information that is made available to them by the counterparty and, in many cases, that party is either unable or unwilling, or both, to make a conventional data room available to prospective buyers. More often that not, a data room consists of a collection of boxes rather than the electronic version that many Western corporates use to make relevant information accessible to all parties involved in an M&A process.

On the other hand, vendors and targets are not always mentally prepared to part with critical and confidential information because of the business risks they associate with making such information available to outside parties. This sort of behaviour has been particularly noticed when the prospective buyer is a fellow trade player or a direct competitor of the target – both understandable and frustrating at the same time. While this attitude is slowly changing, it will take time to develop due diligence processes more akin to those in the West. Until then, prospective buyers need to come prepared to deal with these challenges by working with experienced advisers.

Prospective buyers also need to keep in mind that the complex nature of the Russian legal system means that concepts such as exclusivity and non-compete clauses conflict with local anti-trust laws. Furthermore, they will have to get used to the firm nature of Russian corporate and contract laws, which coupled with a reluctance of courts to judge on what is different from exact wording of the law, limits the use of local laws and the use of dispute resolutions in Russia. In the case of mid-sized deals, this means that the counterparty may not have anything tangible abroad in case of a breach of a contract, thus making the choice of using foreign law and arbitration abroad of little practical value. As a result, local M&A practitioners have come to rely on UK law to do deals. US law is generally considered unfavourable due to the high litigation risks associated with it.

Compounding the already complex nature of legal advice in an arena in which more than one legal system is being used, is the fact that many Russian small to mid-sized businesses do not employ a specific legal adviser in the event of an M&A transaction and instead rely on in-house counsel. All this leads to such deals generally taking a little longer to complete than those in Western countries. Additionally, anti-trust regulations are applicable to the majority of deals eventually, regardless of the market share of the parties involved. This further increases the time that needs to be allocated for regulatory clearance.

Juxtaposed against this is the fundamental attractiveness of the Russian market, which is growing and offers investors many attractive opportunities. Meanwhile, the challenges to post-merger integration are to ensure that the expected benefits of a deal’s objectives are made clear early on and implemented via a comprehensive action plan. In Russia, as in many other countries, there needs to be scope for modifications as the integration process moves along.

**The M&A process**

*Derived from an interview with Anton Sitnikov, Partner and Head of the Corporate M&A practice; Anton Rogoza, Partner in the Corporate practice; and Ian Ivory, Partner in the Corporate practice; all in Goltsblat BLP’s Moscow office.*
The M&A process

More than two thirds of respondents use multiple methods of target identification

What is your primary method of identifying potential targets?

- Combination of the three
- Internal research team
- Mergermarket or other intelligence provider
- Adviser pitches

The vast majority of respondents agree that Russian M&A deals generally take less than 32 weeks to complete

In your experience, how long does it usually take to complete the entire transaction in Russia?

- 4-8 weeks
- 8-16 weeks
- 16-32 weeks
- >32 weeks

Internal research, the services of intelligence providers such as Mergermarket, and adviser pitches are all used to varying degrees by Russian bidders as they seek to identify potential targets, with 69% of them employing all three methods as they go hunting for deals.

Some respondents elaborate on their answers, saying that target identification tends to originate from internal research teams, but is ultimately finalised by external advisers.

83% state that completing an M&A transaction in Russia typically takes less than 32 weeks, with close to two thirds of them suggesting a 16-32 week time frame. Meanwhile, a further 18% believe that an 8-16 week period is doable.

Nonetheless, many respondents caveat their responses, with one remarking, “It could take any time from four weeks to more than a year. The last deal we were involved in took this long because it was a complex large-cap deal which covered many jurisdictions.” Another echoed this sentiment, saying that, “Jumbo deals can take up to two years to complete, while small to medium-sized transaction time frames can range from six to 18 months.” Yet another respondent adds that, “Ideally, a deal should take around 20 weeks to complete – but in the current economic situation, it could take longer.”

This time frame is, overall, the same as in other jurisdictions – it fundamentally depends on the target and the nature of the deal.

Andrey Goltsblat, Managing Partner of Goltsblat BLP
Just over a third of respondents believe that dealmaking in Russia now takes longer since the onset of the global financial crisis

How does this time frame compare to pre-crisis time frames?

81% say that the due diligence process ordinarily takes between four and eight weeks...

In your experience, how long does it usually take to complete the due diligence process?

A combined 36% of respondents believe that dealmaking time frames in Russia are now longer than before the crisis, with the vast majority of this proportion going on to say that timings are now only slightly longer. However, some 62% suggest that M&A time frames have not changed markedly pre and post-crisis.

Those who think that deals are taking longer to complete consider that the extra time needed is “now spent on negotiating price and deal terms. Current market uncertainty has meant that deal negotiation is now becoming a more essential part of dealmaking.” Another notes that the acquisition of distressed assets is traditionally a longer process than vanilla M&A activity, ultimately resulting in a rise in deal time frames.

On the other hand, one respondent believes that deals will be completed comparatively quicker over the coming months as “competition from other bidders incentivises companies to look towards completing a deal in as short a time frame as possible.”

81% of respondents expect that Russian due diligence processes should typically take between four to eight weeks to complete, with 44% of the respondents believing that due diligence processes should take between four to six weeks. Just over one-in-ten believe that due diligence takes between two to four weeks, while 8% indicate that it should take more than eight weeks.
The M&A process

...with close to one third believing that this represents an increase on pre-crisis time frames

How does this time frame compare to pre-crisis time frames?

- 66% significantly shorter than before
- 30% slightly shorter than before
- 2% no change
- 2% slightly longer than before
- 2% significantly longer than before

M&A success is dependent on strong management/advisory teams and synergy-creation say a combined 61%

What, in your opinion, is the most important factor leading to the success of an M&A transaction?

- 41% strong management team and/or advisers’ team
- 20% synergies between the two companies
- 11% clear deal rationale
- 8% clear communication
- 8% clearly developed post-acquisition integration plan
- 8% effective due diligence process
- 8% effective 90 day plan
- 20% clear reporting lines

32% consider that the time needed to complete due diligence processes has risen post-crisis, with the bulk of them going on to say that time frames have only risen slightly. Of the remainder, 66% believe that time frames have not changed meaningfully while just 2% think they are now shorter.

One respondent says that the reason due diligence processes are now taking longer to complete is because “undertaking M&A is now riskier than before as many companies are debt-laden and are performing poorly. At the same time, many targets have been tampering with their accountancy records, as they do not want to show that they are under financial distress. As a result, due diligence has increased.”

When asked what the most important factor contributing to M&A success is, 41% of respondents say that having a strong management and/or advisory team onboard makes all the difference, while another 20% suggest that clear-cut synergy creation between the buyer and the seller is of vital importance. An obvious deal rationale is also put forward by 11% of respondents as the main component of deal success.

“A strong management team is the most important factor as they will have a clear strategy and ensure that all other factors are very well taken care of,” one respondent replies. Another highlights the inherent desire to do a deal, “If there is a desire from both sides to consummate the transaction, then both parties will work hard to make it so. If, on the other hand, there isn’t a clear desire the deal will invariably fail.” Yet another highlights the importance of post-merger integration, saying, “The post-integration of the two businesses is very important from both an operational and cultural perspective.”

An early settling of the question of who will take on the risk for corporate conflict and an agreement on how to resolve conflicts, increases the chances of success.

Rustam Kurmaev, Partner at Goltsblat BLP
56% of respondents remark that the most likely reason for a Russian M&A deal to collapse is unrealistic expectations from buyers and sellers, while a further 19% believe that a lack of communication can also upend a deal. Meanwhile, 13% and 12% respectively believe that systemic corruption and flawed due diligence processes are chiefly to blame.

In addition, one respondents says that, “Current market conditions have an adverse impact on bids,” while another answers that, “Currently, we are seeing lots of deals fail because of market mismatches and diverse deal expectations, mostly emanating from the bidder’s side.”

“The reasons for failure can often be traced back to the complex, unclear, unpredictable and yet rigid nature of Russian law. This is further complicated by the law being different in many of Russia’s regions.”

Rustam Kurmaev, Partner at Goltsblat BLP
A New Dawn in Dealmaking – A report on Russian M&A activity

Appendix: Heat Chart

Looking ahead, the mergermarket Heat Chart predicts that the bulk of M&A activity in Russia will fall in the Energy, Mining & Utilities space. The Financial Services sector is also set to see notable levels of dealmaking, as well as the Consumer, Industrials & Chemicals and Telecoms, Media & Technology (TMT) niches.

Interestingly, the Heat Chart broadly mirrors past M&A activity as well as current sentiment amongst the wider corporate and M&A community in Russia. Indeed, the survey results illustrated that a significant proportion of respondents tip the Energy, Mining & Utilities (25%) and Financial Services (23%) sectors to be active in the coming months. However, 26% of respondents named the TMT sector as likely to see most M&A going forward, representing something of a slight departure from the above chart.

Drilling down into individual transactions that could come to market over the short to medium-term, mergermarket intelligence reports that the Russian government could dispose of around a 30.00% stake in state-controlled bank VTB. Elsewhere, TNK-BP is reportedly considering selling off two energy equipment servicing companies, Orenburgenergoneft and Nizhnevartovsknergoneft, while another Energy, Mining & Utilities heavyweight, Rosneft, could look to broker a deal for oil company Chernomorneftegaz. According to mergermarket intelligence, one of the fields is believed to hold around 100m tonnes of crude oil.

The mergermarket Heat Chart is based on ‘Companies for Sale’ tracked by mergermarket in Europe between 1-Jan-10 and 30-Jun-10. Opportunities are captured according to the dominant geography and sector of the potential target company.

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Historical data

Please note: data in this section only includes deals with a value of up to US$1bn.

Overall M&A activity in Russia

Top M&A deals in Russia, 2010 YTD

<table>
<thead>
<tr>
<th>Announced Date</th>
<th>Status</th>
<th>Target Company</th>
<th>Target Dominant Sector</th>
<th>Bidder Company</th>
<th>Bidder Dominant Country</th>
<th>Seller Company</th>
<th>Seller Dominant Country</th>
<th>Deal Value (US$m)</th>
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</thead>
<tbody>
<tr>
<td>26-Jul-10</td>
<td>C</td>
<td>National Container Company LLC (50.00% stake)</td>
<td>Transportation</td>
<td>Andrey Kobzar (private investor)</td>
<td>Russia</td>
<td>Far Eastern Shipping Company</td>
<td>Russia</td>
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<tr>
<td>21-May-10</td>
<td>P</td>
<td>Svyazinvest Telecommunication Investment Joint Stock Company (75.00% stake)</td>
<td>TMT</td>
<td>OAO Rostelecom</td>
<td>Russia</td>
<td>OAO Comstar United TeleSystems</td>
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<td>26-Apr-10</td>
<td>P</td>
<td>Bashkirenergo OAO (49.84% stake)</td>
<td>Energy, Mining &amp; Utilities</td>
<td>ANK Bashkraft JSC</td>
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<td>PromSvyazCapital</td>
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<td>27-Aug-10</td>
<td>C</td>
<td>INTER RAO UES OJSC (34.16% stake)</td>
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<td>Vnesheconombank</td>
<td>Russia</td>
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<td>13-May-10</td>
<td>P</td>
<td>Far East Telecom Ltd</td>
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<td>OAO Rostelecom</td>
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<td>Svyazinvest Telecommunication Investment Joint Stock Company</td>
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<td>OJSC Power Machines (29.94% stake)</td>
<td>Industrials &amp; Chemicals</td>
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<td>Cyprus</td>
<td>Siemens AG</td>
<td>Germany</td>
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<td>18-Jun-10</td>
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<td>KAMAZ Incorporated (17.10% stake)</td>
<td>Industrials &amp; Chemicals</td>
<td>Daimler AG; European Bank for Reconstruction and Development; Russian Technologies State Corporation</td>
<td>Germany</td>
<td>Troika Dialog Group</td>
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<tr>
<td>14-Jul-10</td>
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<td>Digital Sky Technologies Ltd (28.70% stake)</td>
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<td>Naspers Ltd</td>
<td>South Africa</td>
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<td>Northern Gold LLC; Regionruda LLC</td>
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<td>Canada</td>
<td>Millhouse LLC</td>
<td>Russia</td>
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C = Completed;  P = Pending
Sector breakdown of M&A activity in Russia, 2009-2010 YTD

VALUE

<table>
<thead>
<tr>
<th>Sector</th>
<th>2009</th>
<th>2010</th>
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<tbody>
<tr>
<td>Energy, Mining &amp; Utilities</td>
<td>34%</td>
<td>2%</td>
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<tr>
<td>TMT</td>
<td>4%</td>
<td>7%</td>
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<tr>
<td>Financial Services</td>
<td>8%</td>
<td>4%</td>
</tr>
<tr>
<td>Industrials &amp; Chemicals</td>
<td>4%</td>
<td>8%</td>
</tr>
<tr>
<td>Transportation</td>
<td>12%</td>
<td>14%</td>
</tr>
<tr>
<td>Consumer</td>
<td>13%</td>
<td>7%</td>
</tr>
<tr>
<td>Construction</td>
<td>9%</td>
<td>13%</td>
</tr>
<tr>
<td>Real Estate</td>
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<tr>
<td>Agriculture</td>
<td>19%</td>
<td>23%</td>
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VOLUME

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<th>Sector</th>
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<th>2010</th>
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<td>19%</td>
<td>23%</td>
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Deal-size breakdown of M&A activity in Russia

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<th>Year</th>
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<th>Value of deals (US$m)</th>
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<td>2010*</td>
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Overall private equity activity in Russia

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<th>Year</th>
<th>Volume of deals</th>
<th>Value of deals (US$m)</th>
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<tr>
<td>2005</td>
<td>8</td>
<td>30</td>
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<td>2010*</td>
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</table>
Buyer breakdown of M&A activity in Russia

**VALUE**

![Graph showing value of deals in Russia from 2005 to 2010.](chart-value.png)

**VOLUME**

![Graph showing volume of deals in Russia from 2005 to 2010.](chart-volume.png)

* YTD 2010 includes data up until the end of August.
* Q3 2010 includes data up until the end of August.
Goltsblat BLP biographies

Andrey Goltsblat, Managing Partner of Goltsblat BLP, Senior Partner Corporate, M&A and Investment Projects

Practice Areas:
- Corporate/M&A
- Legal support for foreign direct investment projects in Russia
- Public-private partnership/infrastructure

Andrey Goltsblat concentrates on M&A, restructuring, joint ventures, commercial and industrial real estate, as well as counselling directors and senior management of domestic and overseas companies in connection with investment projects and deal structuring in Russia and the CIS.

His previous roles include Chief of Staff for the Constitutional Commission of the Russian Parliament.

He and his team’s recent Russia-related M&A work includes advising: Mars on the US$23bn acquisition of Wrigley; a major Russian state bank on the proposed acquisition of a software developer; Magna on its planned acquisition of the Opel business from General Motors; and Onexim Group on its acquisition of APR-Bank (currently MFK-Bank). The total value of M&A transactions supported by Andrey and his team over the last two years is in excess of US$28bn.

He has overseen legal advice to more than 450 real estate and construction projects in different Russian regions over the last five years for major multinational investors, as well as a number of Japanese and European car manufacturers.

Andrey has been awarded the medal of the Federal Chamber of Attorneys of the Russian Federation ‘For services in support of human rights and liberties’. For several years running, he has been a recommended individual by The European Legal 500 and Chambers & Partners in the corporate/M&A and construction/real estate areas.

Andrey.Goltsblat@gbplaw.com

Anton Sitnikov, Partner, Head of Corporate/M&A

Practice Areas:
- Corporate/M&A
- Corporate recovery & restructuring
- Competition & antitrust

Anton Sitnikov has supervised the acquisitions of companies operating in multiple sectors, including: oil and gas, mining, food and other consumer goods, finance, telecoms, retail and industrial manufacturing sectors.

Anton has handled a number of corporate restructuring projects, including pre-IPO and pre-private equity ventures. This involved due diligence on groups of companies, identification of risks, development of solutions for optimising corporate structure and implementation of restructuring programmes. Anton also supports the set-up of various joint ventures, predominantly in the mineral resources and oil & gas sectors.

He has rendered numerous advisory services in relation to the issue and circulation of securities and has represented sector leaders in their disputes with anti-trust authorities.

For several years running, Anton has been mentioned by The European Legal 500, PLC Which Lawyer? and Chamber & Partners as a recommended individual in the corporate/M&A area.

Some of the projects that Anton has led include: advising Magna International on the planned acquisition of the Russian and CIS part of Opel and related businesses from General Motors Corporation; acting for Onexim Group in relation to acquisition of APR Bank (presently MFK Bank); advising LG international in relation to its investment into Siberian coal industry; advising IKEA on its joint venture with Belaya Dacha to set up Mega Belaya Dacha Mall.

Anton.Sitnikov@gbplaw.com
Anton Rogoza focuses his practice on M&A, private equity, joint ventures and corporate restructuring projects. He also advises corporate clients on various other corporate matters, including governance.

Anton represents both Russian and international companies in connection with their investments in Russia. He advises clients in structuring strategic and portfolio investments and assists in transactions involving strategic alliances and joint ventures. Anton usually advises international clients on various aspects of Russian law applicable to different cross-border transactions.

Some of Anton’s recent projects include: advising Farallon Capital Management and PineBridge Investments (formerly AIG Capital Partners) on the disposal of part of their investment in Geotech Oil Services Company Limited, a large Russian oil services holding; advising EBRD and UFG Private Equity on investments in Russian Towers, a Russian telecommunication services company; acting for AIG Capital Partners and Farallon Capital Management on the acquisition of a minority stake in Geotech Oil Services Company Limited, a large Russian oil services holding with a transaction value approx. US$100m; acting for Minit Group on the disposal of its Russian business to Secundochku LLC, a Russian competitor; acting for Lege Artis. Clinical Research Company and its shareholders in the sale of the company’s business to Ingenix, a major US investor; advising EBRD on a second amended and restated revolving credit agreement between EBRD and Huhtamaki S.N.G.; advising EBRD on providing financing to European Bearing Corporation to refinance EBC existing debt of approx. US$170m.

Anton.Rogoza@gblplaw.com

Practice Areas:
- Corporate/M&A
- Private equity
- Finance

Ian Ivory is a Partner at Goltsblat BLP and Head of English Law - Corporate Finance.

Ian previously worked for 11 years in the Corporate Department of Berwin Leighton Paisner, London office, where he was a Partner and Head of the Private Equity Work Group. Ian is a member of the Law Society of England and Wales and a Solicitor of the Supreme Court of England and Wales with more than ten years standing.

Ian is recognised by Chambers UK 2009 as a leading individual for UK Private Equity buy-outs and is mentioned in Legal 500 UK 2009 for UK venture capital.

Ian has considerable expertise in international transactions in and outside of Russia, together with extensive legal experience spanning a wide range of business sectors.

His experience in M&A and private equity includes: advising Sberbank and Sistema Hals on different joint ventures and development projects in Russia; advising Flemings Family and Partners (Russia) on a corporate disposal in Russia; acting for EFES Group of Companies in Russia on financing and corporate projects; acting for Kasa-Akfen on a corporate project in Moscow and separately in relation to financing matters.

Ian.Ivory@gblplaw.com

Practice Areas:
- Corporate/M&A
- Private equity
- Restructurings

Rustam Kurmaev specialises in acting for financial companies and corporations in litigations and on aspects of corporate legislation and land relations. Rustam has extensive experience of acting for both Russian and foreign clients in arbitration and general jurisdiction courts. He has taken part in many disputes in the spheres of insurance, banking and finance, disputes connected with rights to real estate and land relations and other disputes pertaining to civil and commercial law. Rustam takes an active part in major due diligence projects for both Russian and foreign companies.

The Legal 500 EMEA 2010: “Rustam Kurmaev demonstrates an especially deep knowledge of Russian civil procedure and the principles of international arbitration.”

Some recent projects conducted under the guidance of Rustam Kurmaev: Acting for Matra Petroleum in a series of corporate disputes over the rights to stakes in a Russian oil-extraction company; representing Vimpelcom in a corporate dispute with respect to a transaction to acquire non-residential premises in Novosibirsk; acting for Volkswagen Group Rus in a series of disputes relating to termination of dealership agreements, debt recovery and seizure of over 120 luxury vehicles; acted for Gillette in a series of disputes for recovery of the cost of freight lost during general cargo shipment from China to the UK. Rustam successfully resolved over a hundred disputes for Caterpillar Finance and Scania Leasing associated with the seizure of leasing equipment provided on the basis of domestic and international leasing agreements.

Rustam has been a member of the Moscow Chamber of Attorneys since 2003.

Rustam.Kurmaev@gblplaw.com

Practice Areas:
- Resolution of corporate conflicts
- Repossession disputes
The First Russian International Law Firm

17.09.2010 Over 450 clients, including 17 Fortune 500 companies

20.05.2010 Goltsblat BLP receives a Chambers Europe Award for Excellence 2010 for best client service among law firms in Russia

22.04.2010 Goltsblat BLP receives a 2010 ILO Client Choice Award in the category "Best Law Firm in Russia"

15.03.2010 90 lawyers, 13 partners in Moscow and 640 lawyers, 180 partners in other BLP offices in London, Abu Dhabi, Brussels, Paris and Singapore

11.02.2010 Goltsblat BLP wins The Legal Business Awards 2010 (Legal500) in the category "International Office of the Year 2010"


01.03.2009 Goltsblat BLP officially opens its new offices in Moscow City Business Centre

16.01.2009 Merger with the UK law firm Berwin Leighton Paisner (BLP) – "one of the most notable developments among the country's international legal elite" (Legal 500 EMEA 2009)
**GOLTSBLAT BLP**

*Goltsblat BLP was established as a result of the merger with Berwin Leighton Paisner* (UK).

- One of the biggest teams with over 90 Russian and English qualified lawyers, including 13 partners, based in Moscow.
- The core of the firm is formed by a well-established team of Russian lawyers (until 16 January 2009, employees of Pepeliaev, Goltsblat & Partners).

- Over 450 clients, about 70% are major multinationals operating on the Russian market, including 17 Fortune 500 companies. Over 15 years experience in supporting large-scale foreign direct investment projects in Russia.
- Key strengths are: Legal Support for Foreign Direct Investment Projects in Russia, Corporate/ M&A, Dispute Resolution, Real Estate & Construction
- Providing assistance with any legal need a business may face ranging from handling complex transactions, including ones of a cross-border nature, to day-to-day operational legal support on corporate, commercial, real estate, tax, customs, finance, competition, employment and IP related matters
- Over the last five years, the lawyers of the team have supported more than 600 real estate and construction projects, most of them being associated with setting up manufacturing and other commercial and industrial facilities predominately for major multinational investors in different regions of Russia
- The total value of M&A transactions supported by the team over the last two years is in excess of USD 28 bn
- One of the biggest litigation teams in Russia with 33 trial lawyers based in Moscow, each specializing in particular area (corporate, commercial, real estate, customs, tax, labour, IP and consumer disputes)
- Over 2009 the team has handled 372 cases worth approximately USD 1.2 billion, 91% of these cases being won

**GOLTSBLAT BLP Representative Client list**

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* All names are disclosed with the permission of clients.

**BERWIN LEIGHTON PAISNER**

*Berwin Leighton Paisner LLP is a premier, full-service law firm headquartered in the City of London. The firm offers pragmatic, commercial legal advice that helps major public and private companies, financial institutions, public sector bodies and private clients to achieve their goals. The firm’s service extends to over 65 jurisdictions, with offices in Abu Dhabi, Brussels, Moscow (Goltsblat BLP), Paris and Singapore.*

**Main contacts**

- **Andrey Goltsblat** Managing Partner of Goltsblat BLP, Senior partner Corporate / M&A and Investment Projects
- **Anton Sinikov** Partner, Head of Corporate / M&A
- **Maxim Kulkov** Partner, Head of Dispute Resolution, Commercial, Competition & Antitrust
- **Vitaly Mozharowski** Partner, Head of Real Estate & Construction
- **Ivan Ivory** Partner, Head of English Law

Goltsblat BLP is the winner of the Legal Business Award 2010 (Legal 500) for International Office of the Year and Chambers Europe Award for Excellence 2010 in the Client Service category for best client service among law firms in Russia.

Goltsblat BLP received a 2010 ILO Client Choice Award in the category: “Best Law Firm in Russia”.

Chambers Europe 2010
- “Their strong team leads the way on the domestic scene, thanks to a profound understanding of local issues and a client-oriented culture. Its <Goltsblat BLP> diverse practice has been key to its success in the recession, balancing know-how on property finance and restructuring with investor mandates and infrastructural projects.”
- Legal 500 EMEA 2009
  - “a great choice for Russian real estate work”
  - “… in the thick of the growing insolvency cases, debt collection, shareholder disputes and property litigation, the team has handled the work with an impressively high success rate.”
  - Legal 500 EMEA 2010
    - “… an especially deep knowledge of Russian civil procedure and the principles of international arbitration”
  - Chambers Global 2010
    - “A no-nonsense, client-oriented approach that you see from an international firm.”
    - “Flourishing M&A practice”
    - “Robust reputation on the Russian corporate market”

More about our local capabilities

Chambers Europe
- “No-one knows the law here like they do”
- “… a top name in the Russian field”
- “Superb local knowledge”
- Legal 500 EMEA
  - “Deep knowledge and understanding of the local issues”

**Contacts**

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