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Creation of the M&A working group at AEB

10 February 2009

The current economic situation has increased the need for a special AEB M&A working group

Trends

Implications



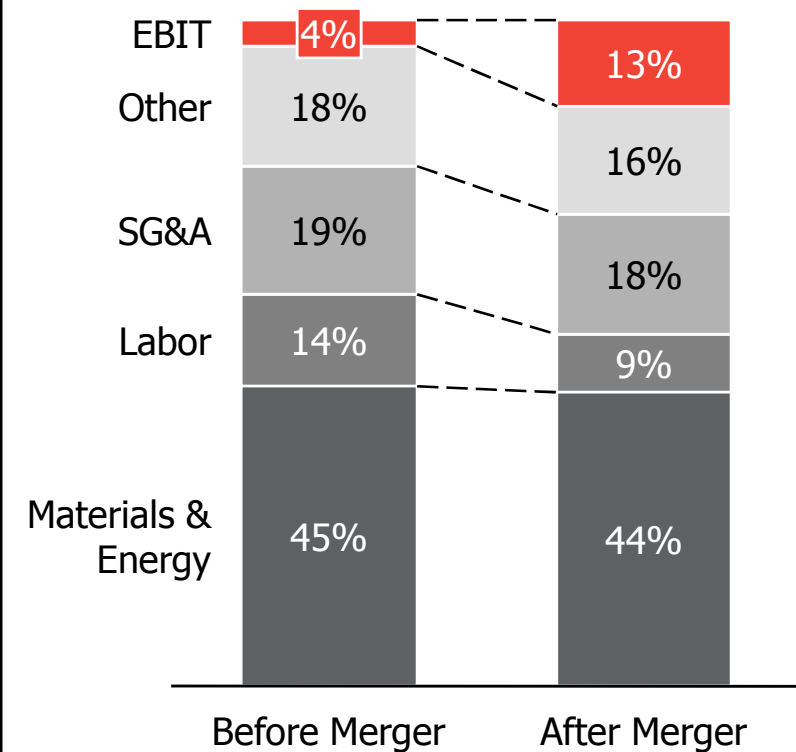
Synergies for European companies

- Entry to a new fast-growing market
- Cost reduction opportunities:
 - Lower wages
 - Lower taxes
 - Lower energy and resources costs
- Access to cheaper natural resources

Synergies for Russian companies

- Access to the latest technologies and highly-qualified engineers
- Access to highly-qualified managers

Case – European company in the machine-building industry tripled its EBIT margin after merger with a Russian partner



The mission of the AEB M&A working group would support and develop Russian-European M&A deal-flow in three major areas

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Lobbying

- Lobbying Russian authorities to provide more transparent rules for M&A activities
- Providing support in 'complex' deals, e.g. of a large size and/or politically sensitive

Information providing

- Providing European companies with the information they need to make acquisitions and divestments in Russia
- Stimulate Russian-European cooperation through providing non-biased information on Russia and minimizing Russian country risk

Business networking

- Organization of special meetings and events for the companies interested in M&A in Russia
- Special database of interested parties

The AEB M&A working group would provide lobbying support for both European companies in Russia and Russian investors in Europe

Problem

Actions

Transparency issues

- Lobby Russian government to increase the transparency in deal-making
- Organize Russian-European forums and conferences devoted to M&A with participation of high-level officials

Potential issues with government with 'complex' projects

- Contact governmental institution during a preparatory stages in complex M&A deals
- Help solving complex M&A issues with federal and regional government

Foreign capital restrictions

- Lobby Russian government to ease foreign investments restrictions

Problems accessing European markets

- Provide initial lobbying support for Russian investors willing to make M&A deals in Europe

The AEB M&A working group would provide European companies with the information they need to know for making deals in Russia

Problem

Actions

Lack of information

- Provide European companies with up-to-date information on legal system and basics of M&A process in Russia
- Provide Russian investors with the information they need to know about deal-making in different European countries

Differential between image of Russia and actual situation

- Support positive image of Russia in the eyes of European investors
- Communicate positive image of Russian companies as trustable investors

The AEB M&A working group can give vast business networking opportunities for the potential deal-makers

Problem

Actions

Difficulties with finding potential partners

- Organize special networking events for potential deal-makers
- Create special on-line database of the companies interested in M&A activity

Lack of places to share M&A experience

- Organize special experience-sharing events on regular basis: forums, conferences
- Take the conceptual lead in the organization of AEB M&A events, yearly conferences etc

Potential sellers

- Business owners seeking for financial resources in Russia and/or Europe
- Private equity firms and investments funds operating in Russia

Example: Alitalia, Buhler, Phillips de Pury

Intermediate parties

- Investment Banks
- Commercial Banks (participation in deal financing)
- M&A Boutiques
- Management Consultants
- Legal Advisors
- Auditors

Example of AEB members: Alfa Capital, Credit Suisse, Pricewaterhouse Coopers, Baker & MacKenzie

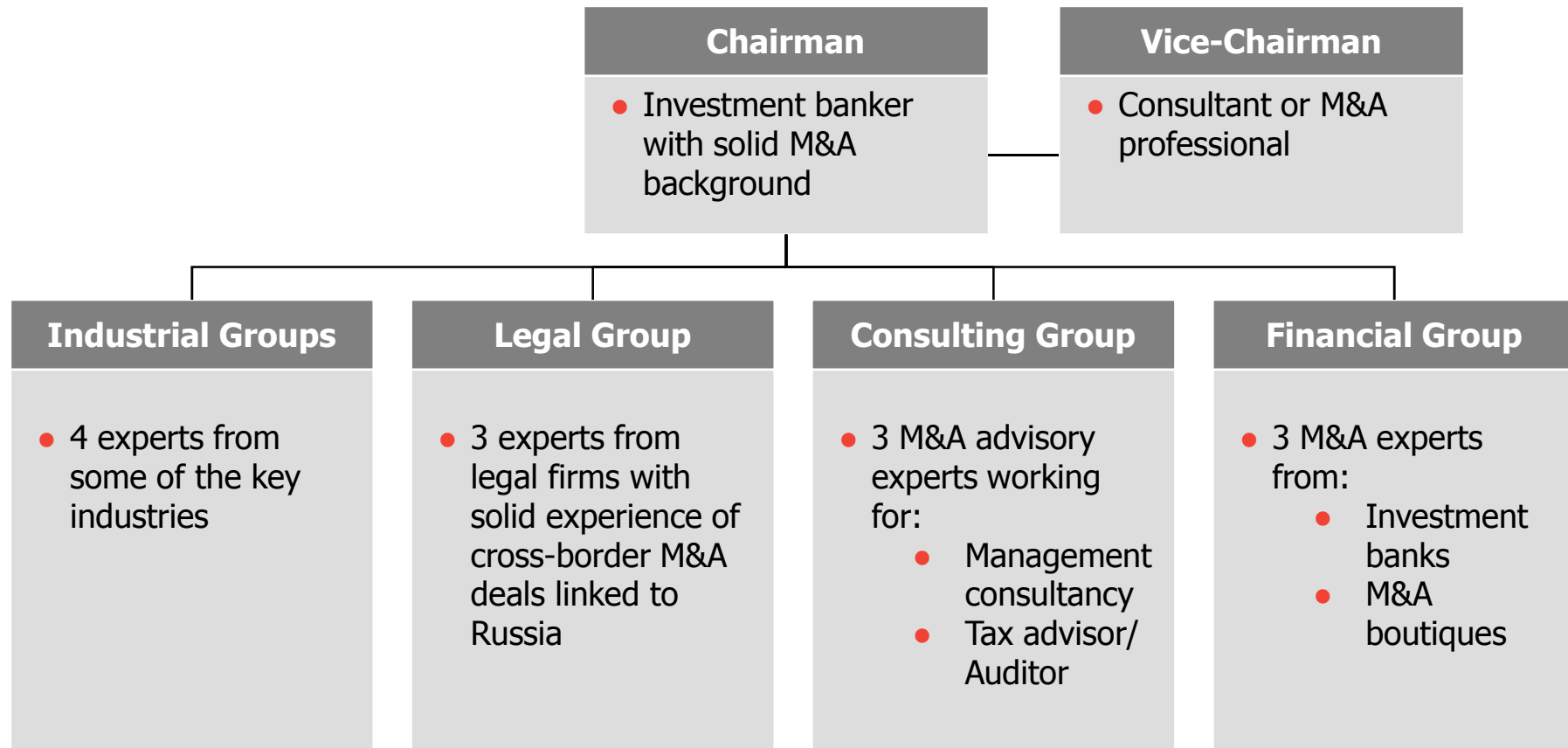
Potential buyers

- Strategic European investors seeking buying opportunities in Russia
- Strategic Russian investors seeking buying opportunities in Europe
- Private equity firms and investments fund operating in Russia

Example of AEB members: Alcoa Rus, British American Tobacco, Eni, EBRD, Shell, TPG

Regulators & Experts

- Russian government representatives (e.g. Federal Antimonopoly Service)
- Leading economists and professors (e.g. MSU, HSE, NES)
- Journalists (Mergers & Acquisitions Journal, Vedomosti, Kommersant)



Lobbying	Information Providing	Business Networking
<p><u>Step 1.</u> Discuss and define major legislative issues with Group Members</p> <p><u>Step 2.</u> Organize on-going lobbying support in the defined fields</p> <p><u>Step 3.</u> Continuous progress updates and discussions with the Group members</p>	<p><u>Step 1.</u> Prepare and distribute special informational materials among interested parties</p> <p><u>Step 2.</u> Organize special events on sharing M&A experience in Russia</p>	<p><u>Step 1.</u> Create and support special database with online access</p> <p><u>Step 2.</u> Organize special networking events on regular basis</p>

Actions

- Kick-off meeting
- Regular Group meetings

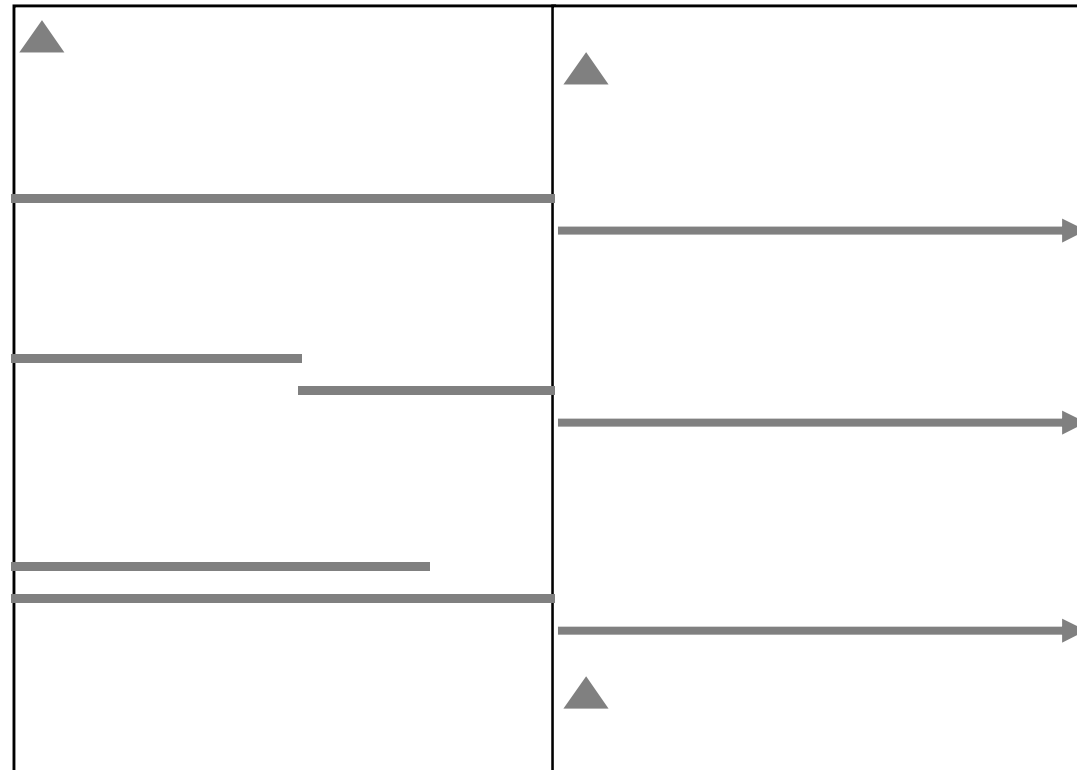
- Lobbying activities
 - Defining major issues
 - On-going lobbying

- Information activities
 - Data collection
 - Informational materials production
 - Informational materials distribution

- Networking activities
 - Database data collection
 - Database roll-out
 - Database online access
 - Regular experience sharing events

<Actions for the M&A working group creation>

<Actions for the M&A working group Development>



* - each stage could last from 4 weeks to more

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