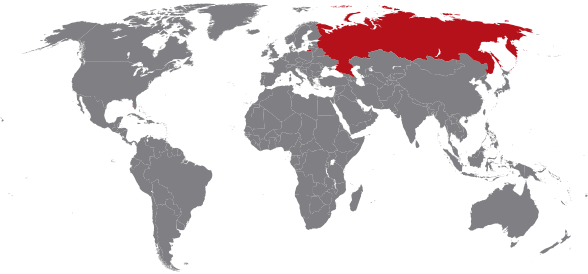


# Russian Federation

Capital: Moscow ++ Official Language: Russian ++ Currency: Russian Ruble

## Basic Facts



GDP	1653 [bn USD]	IPO Volume	4th 1st
Population	142 [mn]	M&A Volume	4th 1st
GDP Growth '02-'08		VC Activity	4th 1st
Pop. Growth '02-'08		PE Activity	4th 1st

## SWOT Analysis

### Strengths

- Consumers continue to desire "Western style" goods
- Many global players see Russia as having stronger prospects in the near- and mid-term than most developed markets

### Weaknesses

- Confidence and transparency in corporate laws and weak local accounting and auditing standards
- The need to be "on the ground" creates challenges for foreign GPs
- Weak infrastructure

### Opportunities

- Financial pressures placed on oligarchs and other business owners may bring unexpected deal flow

### Threats

- A "second wave" of the financial crisis could severely damage Russian's economy, and government's reserves will likely not be sufficient to intervene as heavily as in fall 2008
- Increasing proportion of economy becoming state controlled

### Outlook

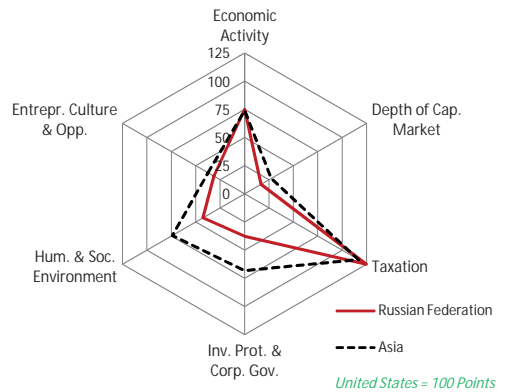
- The more challenging economic environment will make it easier to distinguish strong performers from those who have "risen with the tide", and limits the number of local players who have traditionally used connections and speed to their advantage, thereby presenting interesting opportunities

Doug Jenkinson, Partner, Ernst & Young Russia

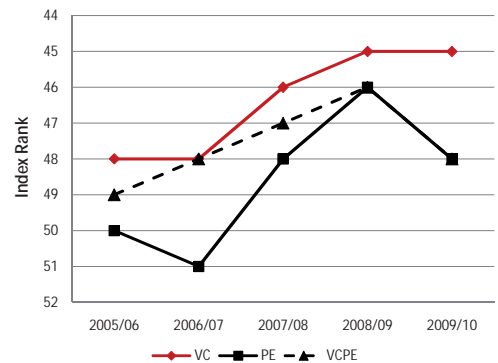
## VCPE-Ranking

	2005/06	2009/10		Quartile	
	Rank	Value	Rank	4th	1st
<b>VCPE Ranking</b>	49	38,0	48	↑	4th 1st
Economic Activity	57	75,0	40	↑	4th 1st
Depth of Cap. Market	38	16,9	23	↑	4th 1st
Taxation	22	124,7	19	↑	4th 1st
Inv. Prot. & Corp. Gov.	56	37,6	61	↓	4th 1st
Hum. & Soc. Env.	51	42,6	54	↓	4th 1st
Entrepr. Culture & Opp.	45	31,4	47	↓	4th 1st

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2005/06	2009/10		Quartile	
	Rank	Value	Rank	4th	1st
Hong Kong	4	79,5	5	↓	4th 1st
Japan	7	76,5	7	→	4th 1st
Republic of Korea	15	67,5	13	↑	4th 1st
Malaysia	23	54,4	25	↓	4th 1st
China	42	48,5	28	↑	4th 1st
India	46	40,9	38	↑	4th 1st
<b>Russian Federation</b>	49	38,0	48	↑	4th 1st
Indonesia	60	30,7	54	↑	4th 1st
Philippines	57	26,1	61	↓	4th 1st

## Details

### 1. Economic Activity

	2005/06 Rank	2009/10			Quartile	
		Value	Rank		4th	1st
1.1 Gross Domestic Product	31	67,9	25	↑	■	■
1.2 Inflation	63	62,9	60	↑	■	■
1.3 Unemployment	33	98,6	35	↓	■	■

### 2. Depth of Capital Market

	2005/06 Rank	2009/10			Quartile	
		Value	Rank		4th	1st
2.1 Size and Liquidity of the Stock Market	33	22,7	24	↑	■	■
2.2 IPO Market Activity	19	7,5	9	↑	■	■
2.3 M&A Market Activity	15	8,6	12	↑	■	■
2.4 Debt & Credit Market	63	47,7	59	↑	■	■
2.5 Financial Market Sophistication	58	19,7	61	↓	■	■

### 3. Taxation

	2005/06 Rank	2009/10			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives	20	160,5	24	↓	■	■
3.2 Administrative Tax Burdens	42	96,9	35	↑	■	■

### 4. Investor Protection and Corporate Governance

	2005/06 Rank	2009/10			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	54	42,8	56	↓	■	■
4.2 Security of Property Rights	53	37,3	56	↓	■	■
4.3 Quality of Legal Enforcement	58	41,5	56	↑	■	■
4.4 Regulatory Quality	58	30,1	63	↓	■	■

### 5. Human and Social Environment

	2005/06 Rank	2009/10			Quartile	
		Value	Rank		4th	1st
5.1 Education & Human Capital	30	59,7	36	↓	■	■
5.2 Labor Market Rigidities	41	60,8	34	↑	■	■
5.3 Bribing & Corruption	59	11,0	63	↓	■	■
5.4 Costs of Crime	54	82,6	52	↑	■	■

### 6. Entrepreneurial Culture and Opportunities

	2005/06 Rank	2009/10			Quartile	
		Value	Rank		4th	1st
6.1 Innovation & R&D	40	15,4	40	→	■	■
6.2 Ease of Starting & Running a Business	41	77,8	47	↓	■	■
6.3 Simplicity of Closing a Business	43	57,2	48	↓	■	■
6.4 ICT Infrastructure	48	14,2	51	↓	■	■