

PRIVATE EQUITY NEWS 1Q 2010, RUSSIA AND CIS

(based on AllEquityFunds news feed
<http://www.allequityfunds.ru/news>)

DEALS

Quadriga Capital and CapMan take 75% of Gars Telecom.

Bester Investments (controlled by Quadriga Capital and Finland-based asset manager CapMan) has bought 75% of Russian Gars Telecom. According to Vedomosti newspaper 100% of Gars Telecom is valued at \$20-30 million.

The history of Gars Telecom began in 1999, when the company launched its own data transmission network. As a one-stop telecommunications carrier, telecom-consultant and integrator, Gars Telecom is focused working with large corporate clients, in the commercial and hospitality real estate sectors, where it has generated business development solutions.

Baring Vostok Capital Partners to acquire half of Smeshariki.

The leading Russian private equity firm Baring Vostok Capital Partners (BVCP) is in final negotiations to acquire almost 50% of Riki Group, the company that owns the rights to the popular Russian cartoon series for children, Smeshariki, reported newspaper Kommersant. BVCP valued the company at \$90 million and is close to purchasing 45%-47% of the group and provide it with a \$10-15 million loan, the newspaper said.

In the U.S., Smeshariki is known as GoGoRiki and distributed by 4Kids Entertainment. The series was first aired in fall of 2008.

In 2009, the creators of Smeshariki were awarded the State Prize of the Russian Federation.



UFG Private Equity Fund II and EBRD invest in Cell Towers.

UFG Private Equity and the EBRD are reportedly investing \$30 million into a new cell tower company founded by seasoned American telecom entrepreneur Garth Self. The company, Russian Towers, will build cell towers and lease them to operators seeking to roll out 4G service in Russia's North West Federal District.

Third party cell tower companies are common in America, but this will be a relatively new model for Russia. Given existing coverage in the region of the established players, rental of the sites will depend largely on adoption of the new 4G technology and market entry by new, second-tier players. Both could mean success for Russian Towers.

UFG Private Equity together with Shari Redstone buys out KinoStar cinema chain.

Shari Redstone, President of National Amusements Inc., and co-founder of Rising Star Media, announced that she has joined with Charles Ryan of UFG Private Equity of Russia to purchase Rising Star from NAI.

Redstone will be chairman of the new entity and Rising Star co-founder Paul Heth is joining as CEO. Rising Star Media plans to aggressively expand its theater chain in Russia under the well-established brand KinoStar.

Redstone and Heth founded Rising Star Media in 2002 with National Amusements. The venture quickly became a significant player in the Russian theatre scene. Today the company owns and operates the top five grossing theatres in Russia.

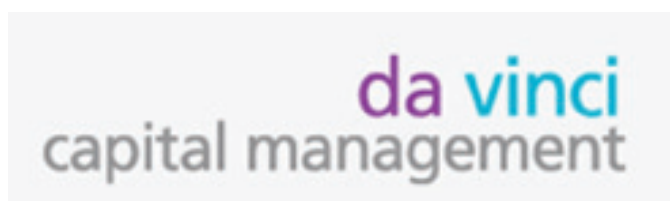
National Amusements sold the Rising Star group as part of a previously announced plan to divest some its theaters in the United States and abroad.

Russian fund Da Vinci Capital ups stake in clothing retailer, buys into play center chain.

Russian investment fund Da Vinci Capital Management has raised its stake in local children's clothing retail chain Imperia Detstva (Childhood Empire) and has acquired a stake in local children's play center chain Game Zona.

According to a source close to Da Vinci, the fund currently controls 75% in Childhood Empire. In 2008, Da Vinci acquired 30% in Childhood Empire for \$10 million.

Da Vinci Capital has also acquired a stake in children's play center chain Game Zona. According to a source close to the deal, Da Vinci Capital acquired 25% in Game Zona.



Japan's UMJ Russia Fund buys minority stake in Russian television channel Gameland TV.

Japanese investment fund UMJ Russia Fund has acquired a minority stake in Russia's "Game Network", the producer of local Gameland TV television channel.

According to a consultant of the deal, UMJ Russia Fund paid \$3 million for 30% share in Game Network.

Parallels raises funding from Siguler Guff's Russia Partners and Bessemer.

The leading provider of automation and virtualization software for cloud services, Parallels has raised an undisclosed amount of venture capital funding from Siguler Guff's Russian investment arm, Russia Partners, which led the round, and Bessemer Venture Partners.

Founded in 1999, Parallels has numerous sales and business offices across the U.S., Europe and Asia and significant research and development operations in Russia. The annual revenues of Parallels exceed \$100 million.

Almaz Capital Russia Fund I takes 23 percent in Russian casual games firm Alawar.

Almaz Capital Partners, general partner of Almaz Capital Russia Fund I (also known as Almaz Capital/Cisco Russia Fund I), signed an agreement with Finam Investment Holding to purchase Finam's equity stake in Alawar Entertainment. Under the terms of the transaction, Almaz Capital Partners will acquire a 23% stake in the company,

which Finam acquired after several rounds of investments starting August 2007.

According to the Casual Games Association, the international casual games market reached \$2.7 billion in annual in 2009, with 30 percent of all new games being created in Eastern Europe. Within this space, Alawar has significantly bolstered its position as the leading distributor of casual games on the Russian segment of the Internet by developing its own Web sites and expanding its partnership network

According to Kommersant Alawar could have \$15-20 million sales in 2009, 23% of Alawar could cost \$ 17-27 million.

Detroit Investments offers to buy local brewery from Anheuser-Busch InBev.

Russian investment company Detroit Investments has made an offer to buy a brewery in the town of Pushkin, Leningrad region from SAN InBev, the Russian unit of Anheuser-Busch InBev.

DI was willing to pay \$60-70 million per hectoliter of production capacity. Thus the brewery in Pushkin, which has production capacity of 2.3 mn hl, could be evaluated at \$138-161 million.

SAN InBev acquired the brewery in Pushkin from Russian businessman Oleg Tinkoff in 2005 for 167 million Euro (\$201 million), as well as Tinkoff and T brands. In 2008, SAN InBev ceased production at the brewery citing "unexpected slowdown in the brewing industry".

IFC plans to acquire up to 10% of Megabank (Ukraine).

International Finance Corporation (IFC) is ready to buy up to 10% of Megabank (Ukraine) shares, said Chairman of the Board Elena Zhukova. IFC plans to make the transaction in the first half of 2010 by acquiring the bank's shares from existing minority shareholders.

As previously reported by AllEquityFunds, in October 2009 the European Bank for Reconstruction and Development (EBRD) and the German state development bank KfW Entwicklungsbank acquired 30% of Magabank (15% each). That time the EBRD and KfW planned to provide financing to Megabank, totally €28.9 million. It was planned to use the funds for lending to local borrowers, after stabilization of the market.



NEW

CEE Special Situations Fund will buy distressed assets in Central and Eastern Europe.

The World Bank, the European Bank for Reconstruction and Development and fund manager CRG Capital have launched a fund to buy toxic assets in Central and Eastern Europe hit by the global financial crisis.

The CEE Special Situations Fund will raise some €200 million to buy or invest in corporate distressed assets in the region to aid its recovery from deep recession, the World Bank's private-sector lender, the International Finance Corp, the EBRD and CRG Capital said.

The groups said they would initially commit €36 million to the fund, which will focus on "the acquisition, turnaround and resolution of corporate distressed assets".

UFG Capital Management plans a new USD 200M fund.

Florian Fenner, Managing Partner of Deutsche UFG Capital Management said in his interview that before the crisis, the company planned to start a \$400 million fund, but now they plan that the size of the new fund would be \$200 million. Currently the company has two funds under management - \$280 million and \$160 million. The first one is closed and some of its assets are already sold.

Prometheus Capital Partners plans to invest in retail and consumer sectors.

Former vice-president of AFK Sistema and former head of insurance group "Rosno" Levan Vasadze established a fund Prometheus Capital Partners to invest in retail and consumer sectors.

Currently Prometheus works on several projects, among them - investments in pet food retail chain "Beethoven" (12 stores in Moscow and Ryazan) and "Zoobum" (29 stores in Moscow, St. Petersburg and other Russian regions). Investment bankers familiar with negotiations said that the fund initially wanted to unite these two chains with Cats & Dogs chain (51 stores), but the latter refused to deal.

The market of pet food has almost no other retail chains but "Beethoven", "Zoobum" and "Cats & Dogs". There are also small chains with 5-6 stores or individual operators. So, the market has opportunities for consolidation.



Wermuth to raise \$500M for Russian funds.

Russia-focused investment firm Wermuth Asset Management aims to raise \$500 million this year via three new funds, including a \$200 million private-equity fund and a \$200 million electricity-sector fund, the firm's founder Jochen Wermuth told reporters Thursday.

The Greater Europe Private Equity fund will invest in unlisted companies and won't be sector-specific. The fund would invest in consumer companies, such as providers of cable television and high-speed Internet. The fund will also invest in Russian consumer-debt-collection businesses.

The electricity sector fund, Russian Power Investments, will invest in publicly traded electricity companies in Russia, and possibly some unlisted companies in the greater CIS.

The third fund will be a \$100 million "long-short" equity fund investing in publicly traded companies.

The firm, which has \$400 million under management, is launching the three funds now "because the valuations are terribly low and the opportunities are outstanding" among Russian companies.

Novaar (Saudi Arabia) will invest in infrastructure projects of the Urals Federal District (Russia).

Novaar Capital Management SPC ("Novaar") announced the creation of a Joint Venture with JSC Ural Industrial-Ural Polar ("Ural Polar"), an entity owned by state institutions of the Russian Federation, to facilitate Foreign Direct Investment ("FDI") in the natural resource-rich Urals region of the country.

Initially, the Joint Venture will concentrate on developing the transportation and power generation infrastructure of the region, including the 354 kilometre Salekhard-Nadym railway line, which should enable the more efficient conduct of freight movements from Europe to Eastern Siberia. The construction of the railways, associated power generation facilities and electricity transmission will provide further impetus to the development of the region's natural resources and energy sectors.

The Ural Federal District, described by some as "Russia's Klondike of raw materials," represents 92% of all Russian gas production, 66% of all oil production and 45% of all ferrous and 42% of all non-ferrous metals.

In total, the Ural Polar projects are estimated to require investment of over 831.2 billion Roubles (\$27.7 billion) over the coming years, with three-quarters expected from private investment sources. The Russian Investment Fund has already committed 126.8 billion Roubles (\$4.2 billion) to Ural Polar.

Nanotechnology International Fund of Rosnano Capital starts this year.

Under management of Swiss-registered Rusnano Capital is an international nanotechnology fund. Target size of the fund - \$1 billion, less than half of the funds will provide Rusnano, the rest - will provide international institutional and private investors.

Rusnano expects that the Fund will start its work this year. It will invest in foreign and Russian companies with advanced technology - mainly in energy materials and electronics.

OTHER

EBRD aims to invest up to \$1 billion in Kazakh projects.

The EBRD is supporting the Kazakhstan government's economic diversification programme. The EBRD aims to invest up to around \$1 billion in projects to be identified in collaboration with the Kazakh Ministry of Industry and Trade, and the Kazakh National Wealth Fund "Samruk-Kazyna". A Memorandum of Understanding was signed in Astana between the three parties.

According to the Memorandum, the EBRD, the Kazakh Ministry of Industry and Trade and the Kazakh National Wealth Fund "Samruk-Kazyna" will seek to increase their cooperation with a view to identify, prepare and implement various industrial and infrastructure projects in Kazakhstan, which are based on sound market principles, commercial viability, higher standards of corporate governance and transparency, as well as utilisation of modern and environmentally friendly technology.



Baring Vostok Capital Partners wins "Best Private Equity Firm in Russia".

Baring Vostok Capital Partners has again been named "Russian Private Equity Firm of the Year" by readers of Private Equity International and subscribers of Private Equity Online. BVCP has won the award for the past 5 years, each year that Russia has been included in the survey.

Baring Vostok Capital Partners is one of the leading private equity firms operating in Russia and the CIS. The Baring Vostok Private Equity Funds have invested over \$1.2 billion in 54 companies since 1994, and currently have committed capital of \$2 billion for new investment. The Funds' portfolios are diversified among financial services, oil and gas, consumer products, telecommunications, and media sectors.

IFC intends to finance construction of Russian hotels.

IFC intends to finance construction of five Russian hotels. The project aims to satisfy the growing demand for budget and economy hotels operated under international standards (3 star IBIS and 4 star Novotel hotels) in the Russian Federation. The five greenfield hotel properties will be developed in Samara (207 IBIS rooms), Kaliningrad (210 IBIS rooms), Yaroslavl (180 IBIS rooms) and Krasnoyarsk (150 IBIS rooms and 150 Novotel rooms).

The project development will be managed by KasaAkfen Real Estate Development LLC, with the help of Kasa Stroy (a company under the Turkish "Kayi Group" with expertise in design and construction), and with quality monitoring for the implementation provided by Thost (German expertise based project management company). The internationally well known hotel operator Accor will be responsible for operating the hotels under the IBIS and Novotel brands.

IFC would provide a loan of €27.5 million and invest €2.5 million in equity. The share of IFC and EBRD in the company that would operate the project would be 15%.

Altana Capital and Birmingham International Holdings Ltd will invest in Ukraine.

Altana Capital (Ukraine) signed an agreement with Birmingham International Holdings Ltd (Hong Kong) to work together on attraction of debt capital from the Asian region to Ukraine and realization of direct and portfolio investments in the Ukrainian and foreign assets. The sum of investments according to the agreement would be not less than \$50 million. The areas of financing are infrastructure and industrial projects, mining projects.

East Capital Explorer, East Capital Financials Fund and Intrum Justitia jointly invest in Russian non-performing consumer loan portfolios.

East Capital Explorer and Intrum Justitia, together with the East Capital Financials Fund, intend to invest in a joint venture which will seek to purchase portfolios of non-performing consumer loans that are non-secured with focus on the Russian market. The total investment will amount to €20 million, of which Intrum Justitia intends to invest €10 million.

The Russian non-secured debt industry comprising non-performing retail loans such as consumer loans, vendor loans, credit card debts and car loans have increased significantly following the recent financial crisis. Banks are increasingly outsourcing collection to local collection agencies or selling their non-performing consumer loan portfolios on the market in order to improve cash flow.

The portfolios purchased by the joint venture will be serviced by selected local service providers. East Capital Financials Fund partially owns Morgan&Stout (M&S), a Russian collection agency, which will be included in the selection.

Alexei Mordashov's S-Group Capital Management and TUI Travel plan to invest \$60 million in their joint assets.

Europe's leading travel group TUI Travel and Alexei Mordashov's S-Group Capital Management agreed to invest \$60 million during the next three years in their assets in Russia and Ukraine. These funds will be used primarily to transfer joint assets in the CIS under the brand TUI, as well as for development of Internet-sales and for management strengthening. Last year TUI Travel and the S-Group announced a joint venture TUI Russia & CIS, which soon acquired 75% of VKO Group and the Ukrainian "Voyage-Kiev", and planned to increase its share in Russian travel company "Mostravel" from 34% to 75%. Last year TUI Russia & CIS planned to spend \$40 million for acquisitions.

