

Russian Federation

Anton Klyachin and Igor Kuznets, Salomon Partners

www.practicallaw.com/0-500-4564

MARKET

1. Please describe briefly the venture capital market in your jurisdiction, in particular:

- How it is distinguished from private equity.
- The sources from which early-stage companies obtain funding.
- The types of companies that attract venture capital investment.
- Market trends (for example, levels of investment, the type of companies invested in and where those companies are located).

Venture capital and private equity

There is little specific regulation for investment in Russia concerning private equity in general, and venture capital in particular. Laws regulating investments are outdated and of limited use. The legal definition of private equity is far from accepted standards and venture capital remains undefined.

The Law on Investment Funds (*No 156-FZ, 29 November 2001*) regulates mutual investment funds and incorporated investment funds established in Russia. It severely restricts funds' activities, often making them unsuitable for venture financing.

The Federal Service for Financial Markets (FSFM) has defined venture financing as investments in high-tech, or similar companies connected with significant investment risks. However, this definition does not provide a clear distinction between venture capital and private equity.

The lack of regulation significantly complicates venture capital activity, although it does not prevent such transactions from taking place.

Sources of funding

Venture capital is relatively newly established in Russia and its early development is heavily linked with international financial institutions, such as the European Bank for Reconstruction and Development and the International Finance Corporation. For several years, venture funds organised by these institutions were the sole source of special purpose venture financing. Venture capital funds of international and foreign origin are still one of the main sources of venture financing, while the number of local venture

investors remains low. Russian banks and public companies have been slow to provide venture investment in recent years, and due to the global finance and credit crunch, this financing virtually ceased. However, large finance and credit corporations (in particular, Alfa Group and Rosno) still maintain their own venture funds, which provide moderate investment.

Investment funds incorporated under Russian investment legislation, including mutual investment funds and incorporated invested funds, often cannot provide sufficient venture financing, due to legislative restrictions and their internal regulations. Pension funds do not invest heavily, as they face similar restrictions to investment funds. However, all these funds are potentially able to provide financing for venture companies.

The state can invest in the national economy through specifically created state investment funds. In 2000, a state Venture Investment Fund was established. Later, the Russian Venture Company (RVC) received substantial financing from the state to distribute between ten to 20 venture funds. The RVC is modelled on the Israeli Jozma programme, as a fund of funds providing financing to private funds on a 50:50 basis. However, during 2009, the RVC was generally inactive.

Types of company

Most companies attracting venture financing are small- or medium-sized companies engaged in innovative, high-tech research and production, such as IT companies or telecommunication companies. They are usually early-stage companies offering or intending to offer new products and services.

Companies can be organised as limited liability companies (LLCs) or joint stock companies (JSCs). Depending on the form of the company, the investor may receive a participatory interest or shares in the company, both representing its stake in the company, but having slightly different legal regimes (*see Question 19*). LLCs and JSCs can conduct any activities not directly prohibited by law. However, a special licence is required for certain types of activity.

Market trends

Investments in venture capital represent an insignificant part of total investments made in Russia, and the situation is unlikely to change significantly in the near future. The most popular areas of venture financing are IT, particularly software, telecommunications and services. Companies planning to produce goods are less popular.

There are a number of issues currently slowing development of the venture capital market, including the:

- Insufficiency of specific legal regulation.
- Underdevelopment of infrastructure, hindering the development of small- and middle-sized research and development companies.
- Unstable financial and credit situation, which makes it almost impossible for start-up companies to receive bank financing.
- Underdeveloped and unstable securities market which results in low liquidity of venture investments.
- Lack of competent management in venture investment.

2. What tax incentive schemes exist to encourage investment in venture capital companies? At whom are the schemes directed? What conditions must be met?

There are no special tax incentive schemes to encourage investment in venture capital. However, the Tax Code (*Part I - No 146-FZ, 31 July 1998; Part II - No 117-FZ, 5 August 2000*) provides some benefits to the parties to an investment transaction (see below, *Investment tax credit*).

Income tax

Income received from contributions to a company's charter capital or within the framework of target financing do not incur income tax (*Article 251, Tax Code*). Therefore, investments in a target venture company are not taxed if they come from direct financing, or contributions to its charter capital from its shareholder(s), including holding companies.

Investment tax credit

The investment tax credit provides a time when the target can (within certain limits) decrease its payments on certain taxes, gradually repaying the debt and accrued interest in the future (*Article 66, Tax Code*). To apply for an investment tax credit, the company must meet one of the following requirements:

- It must be involved in research and development, or in the technically upgrade its own creations (for example, upgrades aimed at employing disabled persons or environmental protection).
- It must commission or itself be involved in:
 - innovative activities;
 - creating or upgrading technologies;
 - developing new sources of raw materials.
- It must provide an important contribution to the social and economic development of a region or provide important services to the general public.

Double taxation treaties

Russia has double taxation treaties with many countries, providing potential tax benefits for foreign investors. Local investors can also enjoy these benefits by including a company incorporated under the law of these countries into the structure of an invest-

ment transaction. This is an important consideration, as most venture investors acting in Russia use structures and instruments based on foreign law. The benefits provided by double taxation treaties are not directly related to venture financing or private equity investments, though they can be used by investors.

3. From what sources do venture capital funds typically receive funding?

The first venture capital funds were organised and fully funded by international organisations. Later, a number of private foreign funds were established. Local financing still plays a small part in the amount of overall investments.

While private foreign financing, local financing or a combination of the two is usual, state financing (at federal and regional levels) is also available (see *Question 11*).

International and local venture capital funds mostly receive funding from private and corporate investors, and the level of such funding exceeds credit funding.

4. Can the structure of the venture capital fund impact on how investments are made?

Funds with different structures, financial sources and management have different objectives in relation to:

- Acceptable investment targets.
- The way the investments are made.
- Exit structuring.

In particular, Russian-based investment funds generally have more limited means of making investments, and less to invest compared to foreign funds, although the targets of investments are mostly the same. If a Russian-based investment fund is established as a mutual investment fund or incorporated investment fund, it has fewer options for investing, due to a number of limitations imposed by the Federal Service for Financial Markets on these funds' asset structure.

Long-established foreign investment funds, with more complicated structures and higher funding can be more risky. However, they currently have a considerable advantage over local funds in levels of investment and rates of return.

5. Do venture capital funds typically invest with other funds?

In practice, venture funds generally invest independently. This is because venture financing in Russia is mainly undertaken by large foreign funds, who are able to provide all the necessary finance. However, joint financing with other funds or strategic investors is more common when attracting a new investor at a later stage in the next round of investments. Venture funds sometimes co-operate in finding potential targets. In this case, they finance independently, but exchange information concerning targets.

FUND FORMATION AND REGULATION

6. What legal structure(s) are most commonly used as vehicles for venture capital funds in your jurisdiction?

It is possible to establish a representative office of a foreign company, and use it as a vehicle for venture capital funds. The representative office is deemed to be a separate department of the foreign company, rather than a separate company. However, due to insufficiency of regulation and procedural difficulties relating to establishing and maintaining representative offices, most investors, including foreign investors, prefer to establish separate Russian-based companies and use them as investment vehicles.

A company can be incorporated as an LLC or a JSC. As there is currently no legal distinction between public and private companies, the choice of structure does not significantly affect the way investments are made.

Another option is to use a mutual fund. Mutual funds are regulated by the FSFM, and are obligatory for managing state funds. However, for major investors which are capable of participating in managing targets, this is less convenient than JSCs and particularly LLCs, due to the number of requirements and restrictions concerning mutual funds.

7. Do a venture capital fund's promoter, manager and principals require licences?

Licences may be required in limited situations, including the following:

- Some professional participants in the stock market, including brokers, dealers and depositaries must obtain special licences. However, in most cases, funds do not operate on stock markets with assistance, or an intermediary, so the fund or its promoter, manager or principals do not need a licence.
- Russian-based mutual and incorporated investment funds investing in venture companies must have a licence for securities management. Certain requirements also apply to their management team.

8. Are venture capital funds regulated as investment companies or otherwise and, if so, what are the consequences? Are there any exemptions? Include, in the answer, any restrictions on how a venture capital fund can be marketed or advertised (for example, under private placement or prospectus rules).

As venture funds are not specifically regulated (*see Question 1*), they follow the general rules regulating companies making investments. Fund vehicles must comply with general corporate legislation, including all restrictions provided for Russian companies on:

- Advertising.
- Marketing.
- Securities.
- Monopolies.

For example, advertising restrictions on Russian-based mutual investment funds and incorporated investment funds include:

- Restrictions connected with sources of funding, investment instruments and other restrictions, provided mainly by FSFM regulations.
- Advertising regulations under Article 28 of the Law on Advertising (*No 38-FZ, 13 March 2006*), which aim to ensure the full and accurate disclosure of information about the fund and its activities.

These requirements can be imposed on investment funds acting in Russia.

9. How is the relationship between investor and fund governed? What protections do investors typically seek?

For foreign venture funds, relations between the investor and fund are regulated by the law of the jurisdiction where the fund is established. Therefore, they can invest in Russian targets without any changes to the relationship.

Domestic mutual and incorporated investment funds are regulated by:

- The Law on Investment Funds (*No 156-FZ, 11 October 2001*).
- FSFM regulations.
- For an incorporated investment fund, the fund's charter and investment declaration.
- For mutual (unincorporated) investment funds, the rules on trust management.

Since incorporated investment funds must be JSCs, their investors are their shareholders. They can therefore participate in the fund's management and protect their interests in the way provided by the Law on Joint Stock Companies.

The rules on trust management for mutual investment funds are intended to provide investors with substantial protection, through extensive responsibility and accountability obligations for the fund's managing company.

10. What are the most common investment objectives of venture capital funds (for example, what is the average life of a fund, what return will a fund be looking for on its investments and what is the time frame within which a fund would seek to exit its investment)?

Foreign venture capital funds operating in Russia aim to invest in start-up and early-stage companies with unique research and development projects, which allow them to

- Gain market power.
- Become self-sufficient.
- Begin providing returns within a short period of time.

The life of a fund is usually five to seven years, and produces returns of 30% to 40% internal rate of return (IRR) or above. For example, in 2008, one of the largest foreign venture funds declared IRR on several projects as high as 70% per annum, which resulted in considerable profits for investors, though these amounts are expected to decrease this year and beyond due to the overall economic situation.

A fund usually exits a project after four to five years.

However, it is not currently possible to provide detailed figures concerning timing, financing at each stage and returns of domestic venture projects, since venture financing is still undeveloped, and the general economic situation is unstable.

11. Are there any recent or proposed regulatory changes affecting the venture capital industry?

In recent years, the government has consistently stated its concern about the underdevelopment and low amounts of venture financing in the country. As a result, several organisations were formed to provide state financing for start-up companies (for example, Russian State Corporation for Nanotechnologies). In addition, some special state venture funds are planned (for example, from October 2009 there will be a new venture fund, fully financed by the RVC with capital of RUB2 billion (about US\$45 million). These measures will support start-up companies, and it is hoped they will incentivise the development of the venture capital industry.

However the government did not propose any regulatory changes in relation to venture financing, and past proposed changes remain to be considered. State financing for start-up companies is unlikely to solve the main problems of venture industry in Russia, and does little to incentivise private investors.

INVESTMENTS

12. What form of investment do venture capital funds take? (For example, equity, debt or a combination.)

Since it is usually unfeasible to secure obligations from the target, venture capital funds provide equity financing, particularly in the early stages.

Equity financing also has the advantage of allowing funds to nominate their own managers to the governing bodies of targets. Funds can therefore gain control over the company and obtain reliable information about the company's activities.

Although equity financing is a priority, sometimes the targets apply for debt financing from the venture fund. This is usually to cover operating costs, or to receive bridge financing during the fund's decision-making period. Debt financing in this form is usually done in combination with basic equity financing.

Debt financing is increasingly popular for seed or angel investments, where these early-stage investors intend to replace the debt provided by them with equity at later investment stages.

13. How do venture capital funds value an investee company?

Until recently, investors considered investing in a simple licence or patent with little development or commercialisation. However, funds are now largely investing in companies already generating income or making a profit.

This demonstrates a considerable change in how capital funds are assessing risk and sustainability is becoming much more important than potential. Instead of evaluating intellectual property (IP) or the basic ideas of the founders, investors are looking for:

- A developed and well-supported business plan.
- A proven and tested business concept.
- An able management team.

Generally, investors and venture capitalists accept as little risk as possible.

There are no strict rules on the venture capital fund's share in the target's capital, within the framework of the financing. However, this matter is dealt with through agreements between the fund and the founders of the investee company.

14. What investigations will venture capital funds carry out on potential investee companies?

When considering potential investments, venture capital funds closely examine the target's business plan, and compare it with current market trends to estimate the company's prospects. If the conclusion is positive, the fund carries out a due diligence exercise, which includes the following:

- **Technical due diligence.** Regardless of what stage the project is at, technical due diligence is the most important part of this process.
- **Legal due diligence.** This covers IP matters and, where the target has existed for some time, its documentation and legal history are also subject to thorough legal due diligence.
- **Financial due diligence.** This is carried out for existing targets.
- **Management due diligence.** The fund assesses the current management of the company, as its abilities will be crucial in establishing long-term success.

15. What are the principal legal documents used in a venture capital transaction?

A shareholder agreement regulated under foreign law is usually used as the principle legal document, transferring participatory interests or shares in the target to the fund (represented by its vehicles), in exchange for future financing.

This is because share or asset purchase agreements under Russian law are generally of limited use, since it is practically impossible to contractually include any conditions, other than those related to the sale and purchase. For example, representations

and warranties (as they are known in common law jurisdictions) are not accepted in Russia, and the courts would most likely consider this part of an agreement unenforceable.

The Law on Joint Stock Companies was recently brought into force, with provisions regulating shareholder agreements between the shareholders of Russian JSCs. Under recent changes to the law regulating LLCs (effective from 1 July 2009), LLC participants can also enter into participant agreements, similar to shareholder agreements.

These agreements can, among others:

- Regulate voting issues.
- Include pre-emption and first refusal rights.
- Cover other matters of co-operation between shareholders or participants.

Due to the recent introduction and coming into force of the amendments, there is still very little information concerning completion and practical use of such agreements.

Therefore, many investors still seek and will seek mechanisms to have the transaction governed by foreign law, for example, by using a holding company registered outside Russia. While it is theoretically possible to include provisions concerning further financing in the purchase agreement, the parties to a private equity transaction still usually have additional and detailed shareholder agreements regulated by foreign law.

Share purchase agreements made under Russian law (used if the investor acquires existing shares) contain provisions on:

- The subject matter of the agreement.
- The level of consideration.
- Mutual rights and obligations of the parties (including completion mechanics).
- Arbitration, if the parties to the agreement intend to submit their disputes to arbitration.

Generally, venture investment transactions also include changes to the target's constituent documents. The target must also usually execute certain documentation required by the investor as a result of legal due diligence, for example, to transfer intellectual property rights to holding level.

16. What form of contractual protection does an investor receive on its investment in a company?

Although significant changes were made to corporate legislation concerning shareholder agreements (see *Question 15*), those agreements are still of limited use.

Therefore, the parties to a venture investment transaction, even if they are both Russian, still prefer to perform the deal through a foreign special purpose vehicle (usually offshore), and submit the agreements connected with transaction to foreign law (usually one of the common law systems). This is because this is the only way to execute a comprehensive and effective shareholder agreement, and set out future obligations relating to further financing and the operation of the target, as well as mutual representations and warranties.

17. What form of equity interest does a fund commonly take (for example, preferred or ordinary shares)?

The form of equity interest taken by a fund depends on whether the target is a LLC or a JSC (see *Question 1, Types of company*):

- **LLC.** An equity interest in an LLC is represented by a participatory interest, which is not recognised as a security. The participatory interest provides rights to:
 - participate in the company's management;
 - receive a part of company's profits.

In specific cases, the participants of the company can grant a participatory interest holder additional rights, similar to those given to a shareholder by preferred shares (for example, rights connected with the management of the company and distribution of profits).

- **JSC.** JSCs issue ordinary and, if necessary, preferred shares, which can be distributed among a limited number of shareholders (closed JSC), or placed and traded publicly (open JSC).

18. What rights does a fund have in its capacity as a holder of preferred shares (for example, what rights to capital and/or to interest)?

Shareholders holding preferred shares cannot vote at shareholder meetings, except in limited cases (generally, matters of restructuring and matters directly related to preferred stockholders' powers) (*Law on Joint Stock Companies (No. 415-II, 13 May 2003)*).

The target's charter must provide a fixed amount or rate of interest to be paid to the holders of preferred shares, and define which part of the company's assets will be delivered to them in case of the company's winding-up. The charter may also allow for the conversion of preferred shares into ordinary shares, in which case the order of any conversion must be set out.

If the company fails to pay interest to its preferred shareholders, they obtain voting rights, effective at the first shareholder meeting after non-payment of interests.

19. What rights are commonly used to give a fund a level of management control over the activities of an investee company (for example, board representation, certain acts of the company subject to investor consent)?

The management structure of Russian companies differs from the Anglo-American model. The role of the board of directors in Russian private and public companies is less important, while the shareholders usually control the company's activities. Therefore, it is more important for the fund to have a major shareholding in the company, in the form of a controlling or at least a blocking stock, and to approve the company's general director (chief executive officer). In addition, new companies are usually established as LLCs and closed JSCs, which may have no board, provided the management is performed through shareholder meetings and general director.

20. What restrictions on the transfer of shares by shareholders are commonly contained in the investment documentation?

LLC participants and JSC shareholders can create contractual restrictions on share transfers in the target, such participants or shareholders, which forms part of the investment documentation.

The following actions are also available to JSCs and LLCs:

- Restrictions can also be imposed in the constituent documents of Russian-based LLCs on the ability of participants to transfer their participatory interests.
- Even if no additional restrictions are set out in the constituent documents or participants' agreements, shareholders of closed JSCs and participants of LLCs have pre-emption rights for any shares or participatory interests offered to a third party that is not a shareholder or participant of the company.

Due to delays in the regulation of pre-emption rights and the lack of practical implementation of the participants' agreements, it is still highly recommended to incorporate all restrictions in a comprehensive shareholder agreement regulated by foreign law, preferably a common law system.

21. What protections do the investors, as minority shareholders, have in relation to an exit by way of sale of the company (for example, drag-along and tag-along rights)?

Russian corporate legislation does not recognise drag-along and tag-along rights. While these concepts might be recognised by the courts in the future, under the freedom of contract concept, currently, the only guaranteed way for the investor to receive this type of protection is to be a shareholder of a foreign holding company, solely owning the target in Russia (see Questions 15 and 16).

Under recent changes to the Law On Limited Liability Companies, LLC participants can agree and implement into a target's foundation documents various rights of minority participants concerning the sale of their participatory interests, for example:

- Fixed sale price of participatory interests.
- Criteria and ways to determine the sale price (including net assets and net profit of the company).

This makes an LLC a convenient instrument for minority shareholders, where they can effectively secure their interests.

22. Do investors typically require pre-emption rights in relation to any further issues of shares by an investee company?

Statutory pre-emption rights are provided for LLCs and closed JSCs (see Question 20). However, considering the limited flexibility of these provisions, and the impossibility of sufficiently regulating the parties' relationship in an agreement, it is advisable to incorporate pre-emption rights in the shareholder agreement of a foreign holding company (see Questions 15 and 16).

23. What consents are required to approve the investment documentation?

No consents of official bodies are required for the approval of investment documentation. However, there are regulations concerning the requirement for documentation to be executed and submitted to certain regulatory bodies by Russian-based mutual investment funds and incorporated investment funds. At the same time, various corporate consents from the investor of a target or of the founders (if they are represented with legal entities) may be required in accordance with applicable legislation and the respective foundation documents.

24. Who covers the costs of the venture capital funds?

Generally, the fund bears its own costs. However, there are no restrictions on the costs of foreign venture capital funds being paid by any other entity or individual. It is not uncommon for costs to be met out of the fund's investment when the investment is completed. If not, it is usually the management company of the fund who covers the costs.

FOUNDER AND EMPLOYEE INCENTIVISATION

25. In what ways are founders and employees incentivised (for example, through the grant of shares, options or otherwise)? What are the resulting tax considerations?

It is not customary to grant shares and options to employees, except at the highest levels. Employees are usually incentivised through bonuses, which may be connected with efficiency or length of service. However, management can be granted options for up to 15% to 20% of shares on a fully diluted basis.

Founders commonly have shareholdings and occupy top management positions in venture companies. They are therefore directly motivated to be successful and to increase capitalisation of the company.

Employees' bonuses are subject to general payroll tax at a flat rate of 13%.

26. What protections do the investors typically seek to ensure the long-term commitment of the founders to the venture (for example, good leaver/bad leaver provisions and restrictive covenants)?

As most venture investors acting in Russia are foreign or international venture funds, they generally implement the same conditions of financing and protection as used in other countries. This also means that all the usual contractual instruments used to ensure founders' commitment can be used for Russian-based foreign venture companies and their respective founders. Founders' lock-ups are quite common and can be structured under Russian law. Good leaver and bad leaver provisions are usually structured outside Russia, since shareholder agreements regulating these issues are most commonly regulated by foreign law.

EXITS

27. What forms of exit are typically used to realise a venture capital fund's investment in an unsuccessful company? What are the relative advantages and disadvantages of each?

A venture capital fund's stock in an unsuccessful company is primarily realised through a sale or buyout.

However, if the unsuccessful target is an LLC, the investor may have an additional option under the Law on Limited Liability Companies (*No. 14-FZ, 8 February 1998*). If included in the charter of the target, this option provides that in exchange for the investor's equity stock, the company can, within a set period of time, deliver to the investor a part of its total assets in an amount pro rated to the investor's shareholding, in kind or the cash equivalent. The participant of a LLC can use this right at any time. If there are no investors willing to buy the equity stock and a management buyout is not possible, this type of exit can become a valuable tool for the investor. The exit repayments are exempt from taxation as part of the initial contribution made by the investor to the company, so the investor does not have to pay a profit tax in Russia for the amount of gains up to its effected contributions (see *Question 2, Income tax*). However, the investor is still subject to taxation if it sells its equity stock in the usual way. If the investor owns substantial equity stock, such an exit can seriously affect a company.

28. What forms of exit are typically used to realise a venture capital fund's investment in a successful company (for example, trade sale, initial public offering and secondary buyout)? What are the relative advantages and disadvantages of each?

A venture capital fund holding equity stock in a successful company usually has a wide range of ways to realise its investment, including:

- An initial public offering (IPO).

- A management buyout.
- A leveraged buyout.
- Sales to strategic investors.

The most commonly used exit is a sale to a strategic investor, due to the:

- Currently limited opportunities for international IPOs.
- Under-developed stock market.
- Lack of private equity transaction regulations.

Further, IPOs in Russia do take place, and it is expected that their numbers will grow in the future, with the further development of infrastructure and the securities market.

29. How can this exit strategy be built into the investment?

An exit strategy is usually contractually built into the investment, particularly by including it in the shareholder agreement, or any similar instrument used to regulate the parties' relationship.

The investors must consider any provisions in the target company's foundation documents, which could delay or make impossible a desired exit strategy (for example, a restriction on selling a participatory interest in a LLC, if the investor wishes to sell those participatory interests to the strategic investor).

CONTRIBUTOR DETAILS

Anton Klyachin and Igor Kuznets

Salomon Partners

T +7 495 691 11 84

F +7 495 691 15 08

E anton.klyachin@salomons.com

igor.kuznets@salomons.com

W www.salomons.com

PLC Law Department

PRACTICAL LAW COMPANY



“We expect all our commercial and transaction lawyers to use PLC Law Department. Frankly, I would be surprised if our external law firms and other blue chip in-house departments did not take the same view.”

Clive Grant, Legal Counsel, Shell International Limited.

PLC Law Department is the essential know-how service for in-house lawyers. Never miss an important development and confidently advise your business on law and its practical implications. www.practicallaw.com/about/lawdepartment

SALOMONS



PRIVATE EQUITY:

\$50,000,000 INVESTMENT INTO WILD ORCHID (LINGERIE RETAILER) BY GREATER EUROPE FUNDS MANAGED BY WERMUTH ASSET MANAGEMENT;

\$4,500,000 INVESTMENT INTO DEBT AGENCY PRISTAV (CREDIT RECOVERY) BY GREATER EUROPE DEEP VALUE FUND MANAGED BY WERMUTH ASSET MANAGEMENT;

\$16,000,000 SECOND ROUND INVESTMENT IN TASCOM (WIRELESS TELECOM OPERATOR) BY QUADRIGA CAPITAL RUSSIA;

\$15,000,000 ACQUISITION OF SEVERNY LES (FORESTRY COMPANY) BY GREATER EUROPE DEEP VALUE FUND II MANAGED BY WERMUTH ASSET MANAGEMENT.

MEDIA:

\$UNDISCLOSED ACQUISITION OF KOMSOMOLSKAYA PRAVDA (NEWSPAPER) BY ESN GROUP;

\$60,000,000 LPN ISSUE BY TNT-TELESET (TV CHANNEL);

\$8,500,000 ACQUISITION OF PANORAMA-TV (TV GUIDE) BY GAZPROM-MEDIA;

\$2,000,000 MANAGEMENT BUY-OUT OF EUROADDRESS (YELLOW PAGES GUIDE).

8/1 SKATERTNY LANE, 3RD FLOOR
MOSCOW 123995
RUSSIAN FEDERATION

TELEPHONE: +7 495 691 1184
FAX: +7 495 691-1508
E-MAIL: SALOMONS@SALOMONS.COM

SALOMONS