**Press release**

Vienna, 31 March 2011

**CMS Survey “Deal Drivers Russia 2011”: Activity of the Russian M&A Market Increases Significantly**

**CMS and mergermarket interviewed M&A experts working in Russia about past transactions and asked them to make a forecast for the market in 2011. 84 respondents reported that their transactions in Russia lived up to expectations and achieved the respective goals. Despite Russia’s reputation as being a challenging country for M&As, the experts surveyed did not consider such transactions in Russia as more difficult than in other countries.**  
  
To get a better understanding of the current state of the M&A market in Russia as well as the current deal drivers and deal obstacles, CMS commissioned mergermarket (Financial Times Group) to garner the opinions of 25 representatives from the Russian deal-making community. In addition, a further 100 Russian M&A practitioners were surveyed on their outlook for 2011.

The report “Deal Drivers Russia 2011” explores four main topics:

1. Expected development of the Russian M&A market in 2011
2. Main challenges in the Russian M&A market
3. Industries expected to be especially active in 2011
4. Key drivers of the Russian M&A market

The forecast for the Russian economy is largely optimistic moving into 2011, with 79% of respondents expecting economic conditions to improve compared to the previous year and 74% expecting inward investment to increase (as against 60% last year). However, the straw poll findings indicate that bureaucracy and legislation issues are still regarded as key challenges when operating with M&A deals in Russia. This sentiment is mirrored in the market outlook survey, where 49% collectively attribute political and regulatory issues as the primary obstacles.   
  
Additional findings:

* Securing finances has, in the opinion of 74% of survey respondents, become easier than it was a year ago – but 65% stress that the difficulties have only eased slightly.
* While the broad majority of survey respondents (79%) predict more creative deal structures to bridge the funding gap, aside from vendor financing (vendor loans) there is little evidence of them in practice.
* Pressure on Russian businesses from their lenders to alter their capital structures is strong, according to 70% of respondents.
* Aside from the traditionally “hot” sectors in Russia, Transportation could be the sector that sees the next concentrated burst of deal flow, according to the mergermarket Heat Chart, which tracks future industry focuses of M&A activity, while 52% of respondents also name the Technology, Media & Telecommunications (TMT) space as a potential hub of activity in Russia.
* In terms of deal size, Russia has historically seen the majority of M&A transactions at the lower end of the spectrum (€ 15 – € 100m). However, respondents expect a shift towards bigger deals in the € 101 – € 250m bracket.

Key drivers behind primary market activity: government initiatives and cash-rich corporates   
  
Nearly one-quarter of respondents (23%) in the market outlook survey believe government initiatives will be the primary deal driver in Russia over the course of this year. More than one-fifth of respondents believe cash-rich corporates will generate the most significant deal flow during the current year.   
  
Despite the large number of Russian businesses that have moved into lender ownership via a debt-to-equity swap, less than one-tenth of respondents identify distressed M&A as a primary market mover of 2011, representing a steep drop from the one-quarter of respondents who expected this to be the case for 2010.   
  
Non-core asset disposals, arguably a hallmark of the financial crisis, are also much further down the list of top drivers, a clear sign that the tide has changed and the Russian market is emerging from the impact zone of the financial crisis.

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