

Recent LSE Listing Trends for Russian Companies

Presentation for LSE Annual Russia&CIS Conference

2 July 2012



#1 Investment bank in Russia in 2010

#1 Sales 2010
#2 Sales 2011

#1 Trading 2010
#1 Trading 2011

#1 Research 2010
#2 Research 2011

#1 Research 2010
#2 Research 2011-2012

#1 Trading 2011

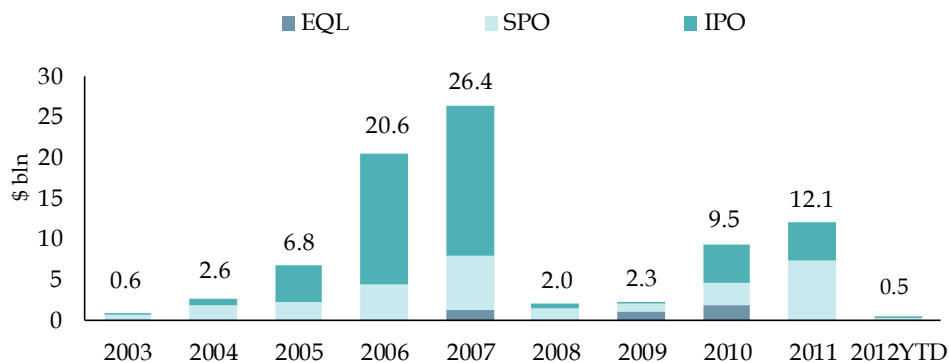
Agenda

1. Update on Equity Capital Market activity and LSE listings for Russian companies
2. Recent alternative to listing on LSE: Admission to trading (ATT)
3. Introduction of market making on IOB in April 2012
4. Russian regulatory considerations in relation to LSE listing

Update on Equity Capital Market Activity out of Russia

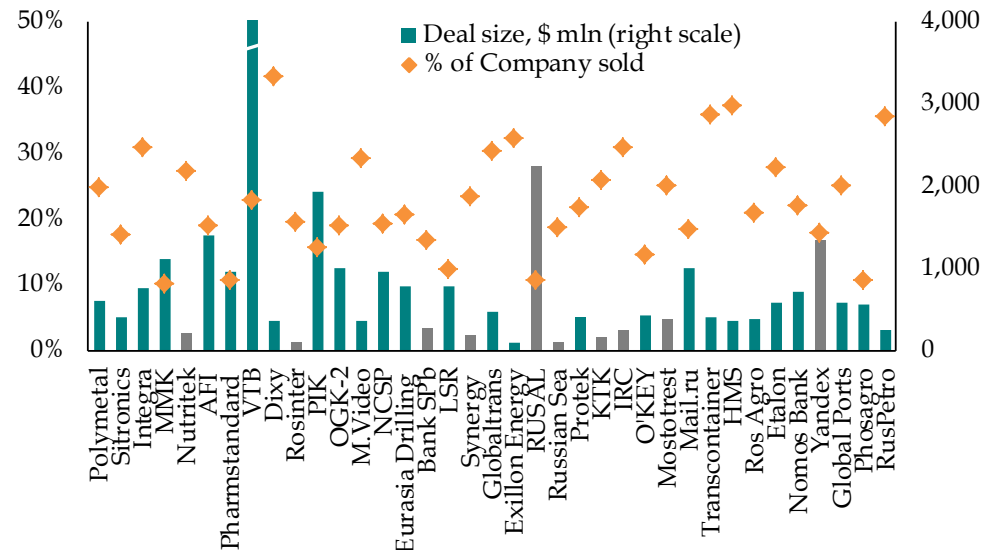
- In 2012 YTD IPO/SPO activity out of Russia has been very small compared to the previous years
- LSE remains the most popular platform for IPOs out of Russia
- At the moment there is a significant IPO pipeline from various sectors, primarily with listing on MICEX-RTS and/or LSE
- Russian privatization program include some offerings expected to happen with the use of LSE listed securities

Equity Issuance in Russia since 2003 (IPO, SPO, EQL)



Source: Dealogic, as of 28 June 2012

IPOs out of Russia in 2007-2012 YTD



Note: Grey colored are IPOs with Russian only or with a foreign listing other than LSE

Source: Dealogic, as of 28 June 2012

Update on LSE listings for Russian Companies

	AIM	Main market: Standard segment	Main market: Premium segment	
IPO Precedents	<ul style="list-style-type: none"> ✓ Peter Hambro Mining (\$189 mln, 2002) ✓ Highland Gold Mining (\$285 mln, 2002) ✓ RGI International (\$192 mln, 2006) ✓ Mirland (\$310 mln, 2006) ✓ Volga Gas (\$135 mln, 2007) 	<ul style="list-style-type: none"> ✓ Pyaterochka Holding (\$639 mln, 2005) ✓ Evraz (\$422 mln, 2005) ✓ Novatek (\$966 mln, 2005)* ✓ Kazakhgold (\$197 mln, 2005) ✓ Cherkizovo (\$251 mln, 2006)* ✓ Sistema Hals (\$432 mln, 2006)* ✓ Chelyabinsk Zinc (\$314 mln, 2006)* ✓ Polymetal (\$605 mln, 2007)* ✓ Sitronics (\$402, mln)* ✓ Integra (\$768 mln, 2007) ✓ Pharmstandard (\$952 mln, 2007)* ✓ Uralkali (\$948 mln, 2007)* ✓ EDC (\$783 mln, 2007) ✓ NCSP (\$955 mln, 2007)* ✓ LSR Group (\$772 mln, 2007)* ✓ Globaltrans (\$470 mln, 2007) ✓ OKEY (\$428 mln, 2010) ✓ TransContainer (\$400 mln, 2010)* 	<ul style="list-style-type: none"> Petropavlovsk (FF - \$1.2bn, 2009) ✓ Exillon Energy (\$101mln, 2009) 	
		<ul style="list-style-type: none"> ✓ HMS (\$360 mln, 2011) ✓ Etalon (\$575 mln, 2011) ✓ Nomos Bank (\$782 mln, 2011)* ✓ Global Ports (\$588 mln, 2011) ✓ PhosAgro (\$565 mln, 2011)* Nord Gold (FF - \$300 mln, 2012) 	<ul style="list-style-type: none"> Evraz (FF - \$1.7 bn, 2011) Polyus Gold (FF - \$3.0 bn, 2012) Polymetal (FF - \$2.5 bn, 2011) ✓ RusPetro (\$233 mln, 2012) * Nord Gold (\$990-1,300 mln, pulled, 2011) 	
			<u>Before 2011</u>	
	Follow-on offerings	<ul style="list-style-type: none"> ✓ Highland Gold Mining (\$130 mln, 2012) 	<ul style="list-style-type: none"> ✓ EDC (\$240 mln, 2011) ✓ Mail.ru (\$450 mln, 2011) ✓ Polymetal (\$787 mln, 2011) ✓ Mail.ru (\$122 mln, 2012) 	<ul style="list-style-type: none"> ✓ Exillon Energy (\$281 mln, 2011)
		Buy-backs (voluntary)		<ul style="list-style-type: none"> ✓ Uralkali (\$2.5 bn, 2011) ✓ Sistema (\$300 mln, 2012) ✓ Novatek (\$600 mln, 2012)
				<u>2011-2012 YTD</u>

Alternative Access to Foreign Investors and Trading on LSE

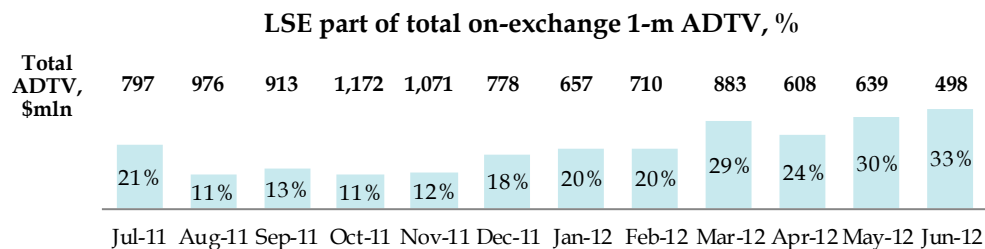
Admission to trading (ATT)

- Possibility of admission to trading (ATT) without full listing process and FSA approval was introduced on LSE in early 2011
- Positioned as a temporary trading regime for the companies considering to get listing later
- Key requirements: (i) DRs issued by an eligible depositary bank; (ii) underlying shares listed on a WFE member exchange; (iii) DRs are part of the min GBP700 k DR-program with min. GBP40 mln headroom and free float of the DRs of at least 25%; (iv) DRs have not been publicly offered in EEA before; etc.
- Quite simple process: sign and submit a short Form 1 URD, and in 10 business days LSE trading starts

Launch of ADR Level I program with subsequent listing / ATT on LSE

- Additional possibility for Russian companies to broaden investor base and improve trading liquidity on LSE
- Provides access to a broader pool of investors out of the US
- An alternative tested by a number of Russian large-cap companies (as either initial DR program or in addition to existing GDRs), e.g. GazpromNeft, Norilsk Nickel, Lukoil, Surgutneftegaz, RusHydro, Gazprom, Mosenergo, Sberbank
- The instrument is not broadly used by Russian medium-sized companies yet, but there are no serious limitations to that
- Simple set-up process (filing of Form F-6 with US SEC with subsequent listing or ATT on LSE)
- Not possible to use for capital raising but become fungible with Reg. S GDRs in 40 days after their offering

Sberbank case study



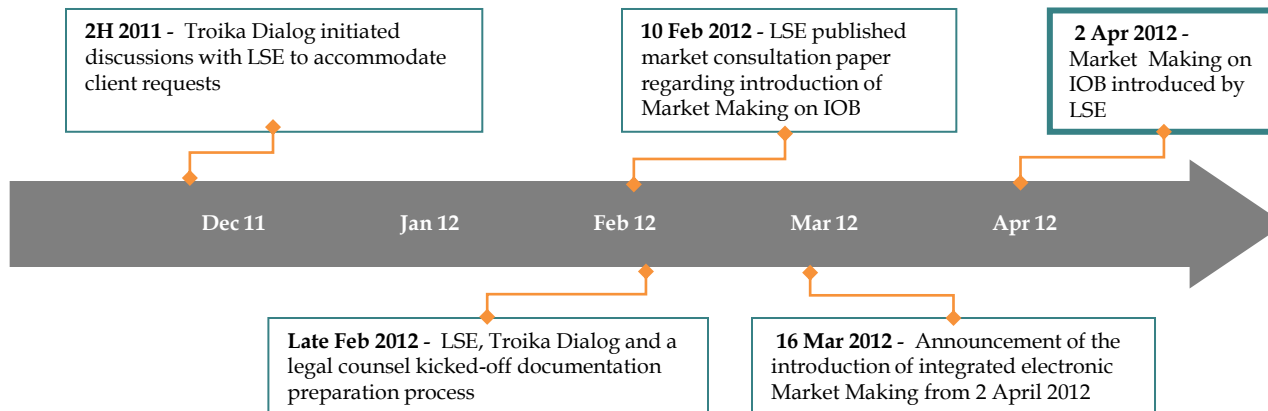
Source: Bloomberg, as of 28 June 2012

Timeline

Applied to LSE	17 June 2011
ADR Level I program registered by SEC	27 June 2011
Admitted to trading on LSE / First day of trading	1 July 2011

Introduction of Market Making of GDRs on LSE

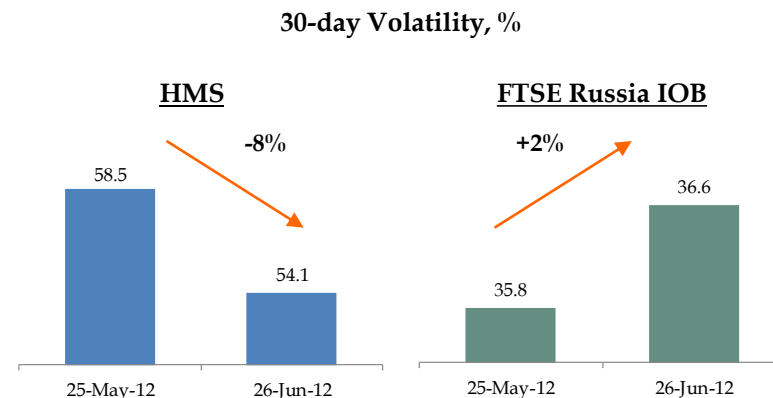
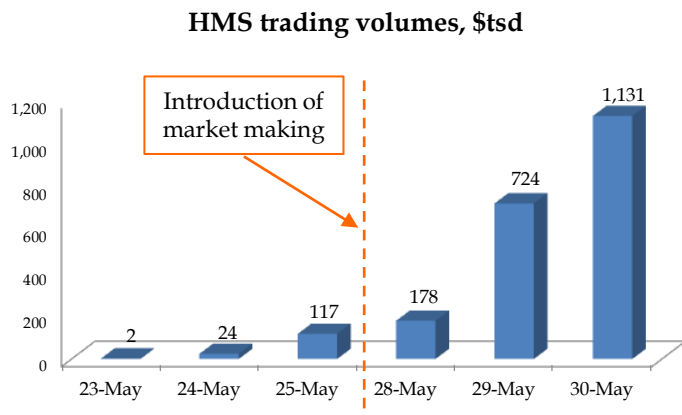
Timeline



Key LSE requirements for market making of GDRs

Timing of Market Making	At least for 90% of the continuous trading period and throughout the entire closing auction (including any extensions)
Maximum spread	5%
Minimum and maximum limits on volumes	No limits

First precedent: market making of HMS GDRs, introduced on 28 May 2012



Russian Regulatory Considerations in Relation to LSE Listing (1/2)

- Key limitations on the size of GDR offering for Russian onshore issuers (introduced by FSFM in early 2010):
 - Depository program can not exceed 25% of share capital (or 5% for a strategic company-federal subsoil user)
 - Maximum 50% of equity offering (in Russian definition) may be represented by GDRs
- In late 2011, the above limitations were considered for removal starting 2013, but after full introduction of Central Depository and T+3 settlement on MICEX-RTS

Selected precedents of closed GDR programs of Russian issuers

Company	Market cap., \$ bn	FE, %	FF, \$ bn	6M ADTV, shares		6M ADTV, GDRs		GDRs/shares split of ADTV,	3M average discount (-) / premium (+)*
				\$ mln	% of FF	\$ mln	% of FF		
Magnit	13.8	51%	7.1	6.6	0.1%	40.1	0.6%	86 / 14	-15%
TMK	2.7	23%	0.6	0.4	0.1%	4.0	0.7%	92 / 8	-8%
LSR	2.1	33%	0.7	0.6	0.1%	4.0	0.6%	88 / 12	-13%
Pharmstandard	2.1	47%	1.0	0.3	0.0%	2.3	0.2%	88 / 12	-16%
TransContainer	1.6	11%	0.2	0.1	0.0%	0.7	0.4%	92 / 8	-12%
Average	2.1	33%	1.9	1.6	0.1%	10.2	0.5%	89 / 11	-13%

*Discount of share price to GDR price
Source: Bloomberg, as of 28-June 2012

Case study: TransContainer IPO versus PhosAgro IPO

TransContainer IPO \$400 mln, November 2010

- ✓ 36% of share capital - sold*
- ✓ 20% of share capital - GDR permission

As a result

- Split of GDRs versus shares in IPO structure was not flexible
- GDR program was immediately exhausted and closed

PhosAgro IPO \$565 mln, July 2011

- ✓ 11% of share capital - sold
- ✓ 25% of share capital - GDR permission
 - 50% of share capital was applied to FSFM as a maximum offer size. Required Russian offer was properly made through Russian broker

As a result

- Split of GDRs versus shares in IPO structure was flexible
- Depository program is now open with full fungibility with local shares

Russian Regulatory Considerations in Relation to LSE Listing (2/2)

- Reform of new share issuance process in Russia is also pending and becomes more relevant given recent UK changes
 - Starting early 2011 listing of GDRs on LSE is not allowed before full completion of issuance of underlying shares (taking min. c. 10 days instead of standard 3 days)
- Trading of LSE listed GDRs on MICEX-RTS is already possible in off-list regime, and listing is expected to be introduced in 2H 2012 (opening opportunities for MSCI Russia inclusion)
- Public offering of LSE listed securities in Russia may be possible, subject to stamp off of prospectus by a Russian broker such as Troika Dialog