INVOLVEMENT OF RUSSIAN BANKS AND OTHER FINANCIERS IN SENSITIVE SECTORS IN RUSSIA

A RESEARCH PAPER PREPARED BY PROFUNDO

FOR BANKTRACK

NOVEMBER 2012

CONTENTS

SUMMARY

This report details the involvement of Russian banks and other financiers in four particularly environmentally and socially sensitive industrial sectors in Russia, and identifies the most suitable stakeholders to be targeted by NGOs.

The report looks first at the structure and financing of four key extractive sectors - coal mining, oil and gas, pulp and paper, and gold mining. It then examines three company case studies: EuroSibEnergo, RusHydro and Sakhalin Energy Investment Company, and finally case studies of Russia's two largest banks: Sberbank and Bank VTB.

Analysing all sources of financing for these four sectors, the report finds that shareholders provide the largest proportion of financial backing to the sectors analysed, with the most important shareholder groups being institutional shareholders, the Russian state and the oligarch class. Bank loans, joint venture partners and bondholders are also analysed as funding sources. Institutional shareholders in particular, alongside international joint venture partners, can be considered the primary candidates for NGO campaigns in these sectors.

These conclusions are, of necessity, somewhat generic, as the choice of campaign targets will always be strongly influenced by the specific campaigning topic, the industry and the company chosen. However, we hope that the findings will provide pointers to identifying suitable, influential targets for campaigning activities, as well as an example of the criteria that can be applied in other regions and industries.

While the report aims to be as comprehensive as possible, a lack of detailed and publicly available information in some sectors (especially those that are dominated by privately-owned companies) means that there are inevitably gaps in the data in some areas.

OWNERSHIP AND CONSOLIDATION IN THE RUSSIAN EXTRACTIVE INDUSTRIES

Our analysis shows significant differences in ownership and consolidation between the four industries examined. In particular, the coal mining and oil and gas sectors are dominated by Russian companies, while it is international companies that dominate the gold mining and pulp and paper sectors.

In terms of consolidation, the coal mining, oil and gas and pulp and paper sectors are all dominated by a handful of large companies, while the gold mining sector is notably less consolidated, with many smaller players involved.

MAIN SOURCES OF FINANCE IN THE RUSSIAN EXTRACTIVE INDUSTRIES

To assess the importance of different groups of financial stakeholders, the percentage of assets financed by each main stakeholder group has been calculated, through an analysis of the leading companies in each sector.

Shareholders are the most important financers overall in the sectors studied. In the gold mining sector, shareholders finance 84% of the weighted assets of the companies analysed, and in the oil and gas industry they provide almost 79% of the finance. Shareholders also appear to be the most important financiers in the Russian pulp and paper industry, from the limited data available. In the coal sector, shareholders are also an important source of finance, although not the largest, accounting for an average of 33% of the weighted assets of the companies analysed.

While shareholders are the most important group of financial stakeholders in three out of four sectors, the types of shareholders vary significantly between the sectors. In the strategically vital oil and gas sector in particular, the Russian state plays a significant role, holding 37% of shares on average, while it is only a minor player in the pulp and paper industry, and is entirely absent from the coal and gold mining sectors. In contrast, wealthy Russian businessmen ('oligarchs') are the dominant shareholders in the coal mining sector, and also have a considerable role in the gold mining and pulp and paper sectors. American and European asset managers also play an important role, holding significant stakes in the oil and gas and gold mining sectors in particular. The US asset manager BlackRock holds a remarkably strong position in the gold mining sector, with large shareholdings (between 11% and 20%) in five of the largest gold mining companies in Russia.

Banks are the next most important group of financial stakeholders. With a share of more than 50% of weighted assets of the companies analysed, bank loans are the most important source of finance for the coal mining sector. In the other three sectors, the role of bank loans is smaller, accounting for 11% in oil and gas and 8% in the gold mining sector. (Insufficient information is available on bank financing of the pulp and paper sector.)

Foreign banks dominate in the three sectors with most information available (coal, gold mining and oil & gas). The role of foreign banks is especially important in the coal and gold mining sectors, accounting for 65% and 78% of total lending respectively. Russian banks account for between 22% and 33% of total bank lending in these three sectors. Information found on pulp and paper companies suggests that, as might be expected, international companies operating in Russia mostly obtain loans from North American and European banks, while domestic Russian companies mostly obtain loans from Russian banks. Multilateral development banks play a supporting role, most significantly in the oil and gas sector, and may be effective targets on a case-by-case basis.

Joint venture partners are the least important group of financial stakeholders in all sectors, although for some individual companies they play a significant role. Similarly, **bondholders** can be considered on a case-by-case basis, especially in the coal sector, but are on average a less important source of finance in these industries.

PRIMARY AREAS FOR NGOS TO FOCUS CAMPAIGNING EFFORTS

Based on these findings it can be concluded that from a campaigning point of view, institutional shareholders - be it domestic or foreign - seem the most attractive target within these industrial sectors. These include for example also pension funds and other institutional investors. Russian and foreign banks are also stakeholders with considerable influence on the industry, and should be considered.

While Russian businessman hold considerable (if often opaque) stakes in many of the major coal, gold mining and pulp and paper companies, they are considered likely to prove a difficult and unresponsive campaigning target. However, international joint venture partners or parent companies can present a more effective target, as they are more likely to be sensitive to media coverage on controversial activities abroad. These can again be influenced via their shareholders as they are predominantly public companies.

COMPANY CASE STUDIES

EuroSibEnergo and RusHydro are both large power generation companies. However, their financial structures are very different.

- **EuroSibEnergo** is a private company controlled by a Russian businessman. Other shareholders play only a minor role. Banks are the most important financiers of the company, providing 47% of the capital, with foreign as well as Russian banks providing loans during the last three years.

- **RusHydro** has the Russian State as its most important shareholder, although several domestic and foreign private and institutional investors also hold significant shareholdings.

As such, different campaigning tactics would be appropriate in each case. For EuroSibEnergo, foreign and domestic banks seem to be the most obvious campaigning targets, while in the case of RusHydro, its various investors are likely to be the most important source of leverage.

A previous study on **Sakhalin Energy Investment Company** (SEIC) was also included in this paper, based on data from 2011. The company is 50% owned by Russian company Gazprom, with the Anglo-Dutch oil giant Shell holding a 27.5% stake; the remainder is divided between two Japanese financial institutions. This set-up suggests institutional shareholders of Gazprom or Shell as targets, alongside those banks that have financial relations with SEIC directly.

BANK CASE STUDIES

Finally, this report analyses the two largest Russian banks, **Sberbank** and **VTB,** in terms of their financing activities and investment portfolio. Both banks are majority-owned by the Russian State, with the remaining shares held by a large number of domestic and foreign private and institutional investors.

Remarkably, both banks have a significant surplus on their retail business, which is used to provide loans to Russian corporations at relatively low interest rates. Key industrial sectors supported financially by both banks include metals and mining, and to a lesser extent power generation and oil and gas, alongside the dominant financial and services sectors.

INTRODUCTION

This report details the involvement of Russian banks and other financiers in environmentally and socially sensitive sectors in Russia, with the objective of deepening the understanding of Russian NGOs of the role of the financial sector and the possibility of using financing as leverage for change.

The report is structured as follows:

Chapter 1 provides an overview on financing trends in selected Russian industry sectors in the period 2009-2011: coal mining (section 1.1), oil & gas (section 1.2), pulp & paper (section 1.3) and gold mining (section 1.4).

The subsequent chapters describe three company case studies in more detail: EuroSibEnergo (Chapter 2), RusHydro (Chapter 3) and Sakhalin Energy Investment (Chapter 4). For the first two a detailed analysis of their sources of finance over the past three years since July 2009 is presented, listing the names of individual financiers and the amounts which they have invested in the company. The Sakhalin case study has a slightly different format as it was taken unaltered from a research project in 2011 which provided an investment analysis of the second phase of the Sakhalin II oil and gas project in Sakhalin Island, Russia.

Two bank case studies on Sberbank (Chapter 5) and Bank VTB (Chapter 6) analyse their financing activities and investment portfolio. Information is provided about the economic sectors in which the banks are active and the financing products they offer.

A NOTE ON TYPES OF FINANCE

Financial institutions can be involved in financing companies by providing corporate loans, acting as a company's principal banker, assisting companies with share- and bond issuances, and by (managing) investments in shares and bonds of these companies. Below, these financing categories are discussed in more detail:

Corporate loans: The easiest way to obtain debt is to borrow money. In most cases, money is borrowed from commercial banks. Loans can be either short-term or long-term in nature. Short-term loans (including working capital facilities, trade credits, current accounts, leasing agreements, etc.) have a maturity of less than a year. They are mostly used as working capital for day-to-day operations. Short-term debts are often provided by a single commercial bank, which does not ask for substantial guarantees from the company.

A long-term loan has a maturity of at least one year, but generally of three to ten years. Long-term corporate loans are in particular useful to finance expansion plans, which only generate revenues after some period of time. The proceeds of corporate loans can be used for all activities of the company. Often long-term loans are extended by a loan syndicate, which is a group of banks brought together by one or more arranging banks. The loan syndicate will only undersign the loan agreement if the company can provide certain guarantees that interest and repayments on the loan will be fulfilled.

Principal banker: Financial institutions which act as principal banker to a specific company assist the company in arranging its day-to-day financial operations. This could for example mean that the company has deposits at this bank.

Share issues: Issuing shares on the stock exchange gives a company the opportunity to increase its equity by attracting a large number of new shareholders or increase the equity from its existing shareholders. These shareholders can be private investors as well as institutional investors.
When it's the first time a company offers its shares on the stock exchange, this is called an Initial Public Offering (IPO). When a company's shares are already traded on the stock exchange, this is called a secondary offering of additional shares.

To arrange an IPO or a secondary offering, a company needs the assistance of one or more (investment) banks, which will promote the shares and find shareholders. Therefore, the role of investment banks in this process is very important.

Bond issues: Bond issues are the most important global source of corporate finance. A bond is a form of loan or IOU, whereby the issuer borrows funds from the bond purchaser for a defined period of time at a fixed interest rate.

Bonds are issued on a large scale by governments, but also by corporations. Like shares, bonds are traded on the stock exchange, however unlike shares they do not confer ownership or voting rights. Bonds are sold on the capital market, to private investors as well as institutional investors. Banks rarely buy any bonds. But to issue bonds, a company needs the assistance of one or more (investment) banks which underwrite a certain amount of the bonds. Underwriting is in effect buying with the intention of selling to investors, so, in the event that the investment bank fails to sell all bonds it has underwritten, it will end up owning the bonds.

(Managing) investments in shares: Financial institutions can invest in the shares of a certain company. This provides the company with new equity, and gives the financial institution a direct influence on the company's strategy as it becomes a co-owner of the company. The magnitude of this influence depends on the size of the shareholding.

Financial institutions like banks and insurance companies sometimes own the shares themselves, on their own balance sheet. However, asset managers (which can be independent financial institutions or subsidiaries of banks and insurance companies) buy shares of companies on behalf of the investment funds they are managing. Formally, these funds are owned by the private and institutional investors participating in these funds, although the management of the funds (and therefore the decisions to buy and sell shares) lies in the hands of the asset manager.

(Managing) investments in bonds: As with shares, financial institutions can invest in bonds of a certain company. The main difference between owning shares and bonds is that the owner of a bond is not a co-owner of the issuing company; the owner is a creditor of the company. The buyer of each bond is entitled to repayment after a certain number of years, and to a fixed interest rate ('coupon') over the term of the bond..

As with shares, financial institutions (especially insurance companies) typically buy bonds themselves, and hold them on their own balance sheets, whereas asset managers typically buy bonds on behalf of the investment funds they are managing for their clients (private and institutional investors).

Revolving credit facility: A revolving credit facility is a loan contract which the company has agreed with a banking syndicate, but which will be only be used when urgent payments need to be made. Depending on the main purpose it serves, a revolving credit facility can be called a guarantee facility or a stand-by facility.

A guarantee facility is often concluded with a banking syndicate in connection with a bond issuance. By the time interest is due on these bonds, the company might be temporarily short of cash (e.g. because its clients did not pay their bills in time). The guarantee facility then serves as a reassurance to the bondholders that the company will always be able to pay interest on its bonds. When the company does not have sufficient money in cash, it can use the guarantee facility to borrow the money without delay from the banks.

A stand-by facility is very similar, but is typically intended for use when a sudden investment opportunity (for instance the take-over of another company) arises and the company does not have sufficient money available in cash. It can then quickly use the stand-by facility to borrow money.

The company only starts to pay interest on a revolving credit facility when it actually borrows money under the conditions of the facility. As long as the facility is not used, it remains on stand-by and the company pays a small fee for having the right to use this facility.

CHAPTER 1 FINANCING TRENDS IN FOUR RUSSIAN SECTORS

In the following section, an overview is given of financing trends in four Russian industry sectors - coal, oil and gas, pulp and paper, coal mining – for the three year period from 2009 until 2011.

For each sector, a breakdown of the market by its largest players is provided. The financial structure of the largest companies is analysed, as far as the available information allows, aiming to identify the key groups of financial stakeholders providing capital to the companies. A distinction is made between shareholders, joint-venture partners (the external shareholders of the company's part-owned subsidiaries), bondholders and bank loans. The average percentage of the assets of the largest companies in each sector which is financed by these different groups of financial stakeholders is calculated.

The key groups of financial stakeholders are then analysed further:

- Banks providing loans are divided into Russian banks, foreign banks and multilateral development banks. Note that the analysis of the roles of different banks may be slightly skewed towards foreign banks, where transparency is greater.

- For shareholders, a distinction is made between three groups: (1) stakes by the Russian state; (2) private investors, including individuals (Russian and foreign) as well as financial institutions such as pension funds, banks and insurance companies; and (3) Russian oligarchs or other major shareholders holding substantial stakes in a company.

Again note that as companies are not always transparent in their reporting, it can be difficult to create a clear picture of the shares held by different stakeholders.

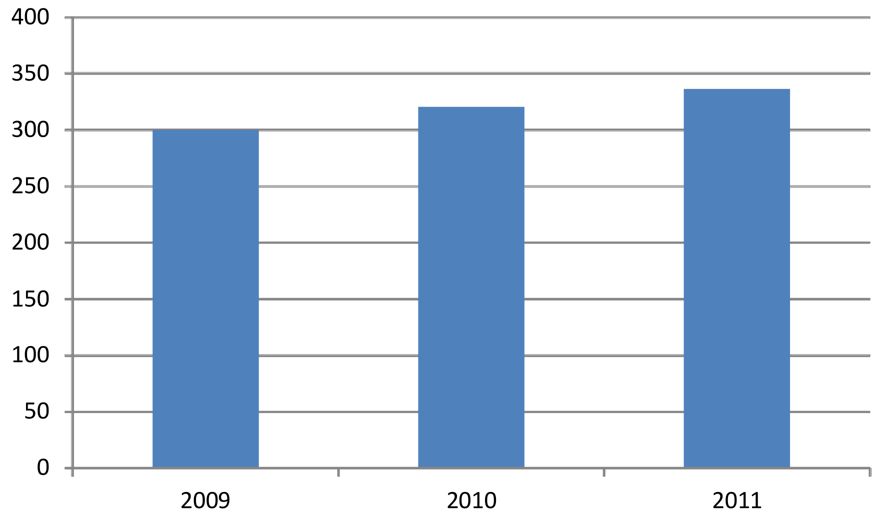
Additionally, investment banks may provide investment banking services to companies active in these sectors, including managing bond and share issuances ('securities'). In this case, the investment bank will value the company, write a prospectus, and promote and "underwrite" the securities. When underwriting, the investment bank buys the securities from the company for a fixed price, and then sells the securities to institutional investors at a slightly higher price. While this is an important financing activity, it is not reflected in the above analysis, as the underwriting banks usually sell the shares or bonds immediately. As such, underwriting activities are analysed separately.

1.1 FINANCING TRENDS IN THE RUSSIAN COAL MINING SECTOR

1.1.1 SECTOR OVERVIEW

Figure 1 shows Russian coal production for 2009-2011. The country produced 319 million metric tonnes of coal per year on average in this period. This represented approximately 4.5% of global coal production.[1]

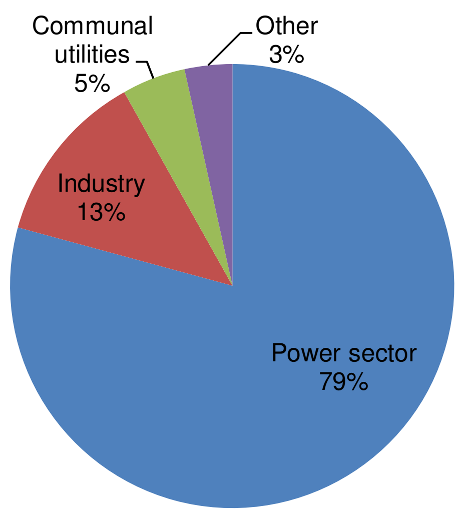
Figure 1 COAL PRODUCTION OF RUSSIA, 2009-2011 (MILLION TONNES)



Source: Verein der Kohlenimporteure, "Annual Reports 2010 and 2011", *Verein der Kohlenimporteure*, September 2010-2011; Government of the Russian Federation, "«Izvestia»: Kuzbass provides coal to the country", *Government of the Russian Federation*, 25 January 2012.

In 2010, Russia produced 321 million tonnes of coal. Of this amount, 242 million tonnes (75%) was steam coal, which is specifically used for electricity generation, and 79 million tonnes (25%) was coking coal, which is specifically used in the steel making industry. Figure 2 shows that in 2010 the power sector accounted for 79% of steam coal consumption in Russia, while industry and communal utilities accounted for 13% and 5% respectively.

Figure 2 STEAM COAL CONSUMPTION IN RUSSIA, 2010



Source: Butenko, A., "Future of Coal in Russia", *SUEK*, March 2011.

In 2010, Russia's net coal exports amounted to 87 million tonnes, of which the majority (80 million tonnes) was steam coal. The largest export markets of the country were Europe (53%), China (13%) and Japan (12%).[2]

1.1.2 LARGEST COMPANIES

Table 1 presents an overview of the largest coal mining companies in Russia. Together, these nine companies accounted for 70.7% of Russia's coal production in the period 2009-2011. All companies except for EVRAZ are based in Russia. Some companies specialise in coal mining (e.g. Kuzbassrazrezugol, SBU Coal and Raspadskaya) while others are vertically integrated steel companies (e.g. Severstal, EVRAZ and Mechel). Companies under 'others' are mainly small privately owned Russian coal producers.[3]

Table 1 LARGEST COAL MINING COMPANIES IN RUSSIA

Company	Based in	Subsidiaries	Average annual coal production in Russia 2009-11 (million tonnes)	Market share (%)	Source
SUEK	Russia		89.8	28.2%	4
Kuzbassrazrezugol	Russia		47.6	14.9%	5
Mechel	Russia	South Kuzbass Coal Company, Yakutugol	19.0	6.0%	6
SBU Coal	Russia		15.6	4.9%	7
EuroSibEnergo (see Chapter 2)	Russia		14.1	4.4%	8
Sibuglemet Holding	Russia		11.7*	3.7%	9
EVRAZ	UK	Yuzhkuzbassugol	11.5	3.6%	10
Severstal	Russia	Vorkutaugol	8.1**	2.5%	11
Raspadskaya	Russia		8.0	2.5%	12
Others			93.6	29.3%	
Average annual coal production Russia 2009-11			**319.0**	**100%**	

*Average of 2009 and 2011; **2010

1.1.3 GROUPS OF FINANCIAL STAKEHOLDERS

Of the nine coal mining companies summarised in Table 1, eight publish financial statements. The financial stakeholders of the largest coal mining companies in Russia are summarised in Table 2. The table shows that banks and shareholders are the most important financial stakeholders, providing, respectively, 53.5% and 33.3% of the finance to companies active in the sector. The larger, vertically integrated steel companies in particular are also financed to a significant degree by bondholders. For one company, EuroSibEnergo (see Chapter 2), joint venture partners are also very important financiers.

Table 2 FINANCIAL STAKEHOLDERS OF THE LARGEST COAL MINING COMPANIES IN RUSSIA (AVERAGE 2009-11)

Company	Market share (%)	Shareholders (%)	Joint venture partners (%)	Bondholders (%)	Bank loans (%)
SUEK	28.2	27.8%	9.7%	5.5%	57.0%
Kuzbassrazrezugol (KRU)	14.9	46.4%	0.0%	0.0%	53.6%
Mechel	6.0	36.9%	2.7%	10.0%	50.4%
SBU Coal	4.9	2.5%	0.0%	0.0%	97.5%
EuroSibEnergo	4.4	9.9%	32.4%	2.8%	54.9%
EVRAZ	3.6	41.5%	1.9%	29.7%	26.9%
Raspadskaya	2.5	79.8%	0.3%	19.0%	0.9%
Severstal	2.5	51.6%	2.9%	23.5%	22.0%
Others*	33.0				
Weighted average*		**33.3%**	**6.7%**	**6.6%**	**53.5%**

* Weighted by the market share of each company.

Source: Annual reports and accounts, all companies.

1.1.4 BANKS

This section provides further analysis on the most important group of financial stakeholders in the coal industry: banks.

For five coal mining companies summarised in Table 1 it was possible to distinguish between different types of banks which provided loans. These five companies accounted for 42.8% of Russia's coal production in the period 2009-2011. For this analysis we used the annual reports of these companies and in some cases the Bloomberg Database. We distinguish three types of banks: Russian banks, foreign banks and multilateral development banks.

Table 3 shows that on average, 33% of the value of bank loans which were outstanding to the five coal mining companies in the past three years were provided by Russian banks, 65% by foreign banks, and 2% by multilateral development banks. We have to note that the analysis is possibly slightly skewed towards foreign banks, because the companies which do not publish information on their bank loans are generally the smaller coal mining companies, which are likely to be more dependent on Russian banks.

Table 3 TYPES OF BANKS FINANCING THE COAL MINING SECTOR IN RUSSIA

Company	Average amount of loans outstanding 2009-11 (US$ m)	Outstanding to...		
		Russian banks (%)	Foreign banks (%)	Multilateral development banks (%)
SUEK	2,424	19%	79%	2%
Mechel	6,272	54%	45%	1%
EVRAZ	3,563	18%	82%	0%
Severstal	3,151	17%	76%	7%
Raspadskaya	14	51%	49%	0%
Weighted average*		**33%**	**65%**	**2%**

*Weighted by the amount of loans outstanding of each company.

Source: Annual reports and accounts, all companies; Bloomberg Database.

1.1.5 SHAREHOLDERS

This section further analyses the second most important group of financial stakeholders, the shareholders. It was possible to distinguish between different types of shareholders for all nine of the coal mining companies summarised in Table 1. As stated above, these companies accounted for 70.7% of Russia's coal production in the period 2009-2011. For this analysis we used the annual reports of these companies and in some cases the Bloomberg Database. We distinguish three types of shareholders: the Russian state, private shareholders (including financial institutions and individuals) and Russian businessmen who own large shareholdings of a company (oligarchs).

Table 4 shows that the oligarchs are by far the most important type of shareholders in the Russian coal mining sector. They hold at least 76.9% of the shares of the largest coal mining companies in Russia. These businessmen are almost all billionaires. For example, Alexei Mordashov, a major shareholder in Severstal, is Russia's third-richest man according to Forbes, with a net worth of US$ 15.3 billion as at March 2012.[13]

The Russian state does not own shares at all in this sector. Private shareholders play a substantial role, owning 23.1% of the shares in these companies. Private shareholders include Russian and foreign individuals as well as financial institutions like pension funds, banks and insurance companies. Financial institutions are especially important shareholders for listed companies, whose shares can be easily traded. Private shareholders of the non-listed companies include Russian individuals and also Russian banks. VTB Bank (see Chapter 6), for instance, owns a 4.35% stake in En+ Group, the owner of EuroSibEnergo.[14]

Table 4 TYPES OF SHAREHOLDERS FINANCING THE COAL MINING SECTOR IN RUSSIA

Company	Listed/private	Amount fin. by shareholders 2011 (US$ m)	Types of shareholders (%)				Source
			State (%)	Private (%)	Russian businessmen / majority shareholder (%)	Name(s)	
SUEK	Private	430	0.0%	13.9%	86.1%	Andrei Melnichenko, Sergei Popov	15
Mechel	Listed	4,991	0.0%	32.6%	67.4%	Igor Zyuzin	16
Kuzbassrazrezugol	Private	1,010	0.0%	37.5%	62.5%*	Iskander Makhmudov, Andrew Bokarev	17
SBU Coal	Private	36	0.0%	0.0%	100%	Mikhail Fedyaev and Vladimir Gridin	18
EVRAZ	Listed	5,545	0.0%	20.4%	79.6%	Alexander Abramov, Alexander Frolov, Eugene Shvidler, Igor Kolomoyskiy	19
Severstal	Listed	6,680	0.0%	17.1%	82.9%	Alexei Mordashov	20
Raspadskaya	Listed	1,057	0.0%	28.0%	72.0%	Management, shareholders of EVRAZ	21
EuroSibEnergo	Private	356	0.0%	4.4%	95.6%	Oleg Deripaska	22
Sibuglemet Holding	Private	Unknown	0.0%	0.0%	100%	Anatoliy Skurov, Valentin Bukhtoyarov, Vladimir, Melnichenko, Aleksandr Schukin	23
Weighted average**			**0.0%**	**23.1%**	**76.9%**		

*The shareholding structure of Kuzbassrazrezugol is not transparent. Different sources indicate that the holding companies of two businessmen own "a controlling share" of 75% of the company. We estimate that 62.5% is owned; **Weighted by the amount financed by shareholders of each company. Sibuglemet is therefore excluded from this average

1.1.6 INVESTMENT BANKS

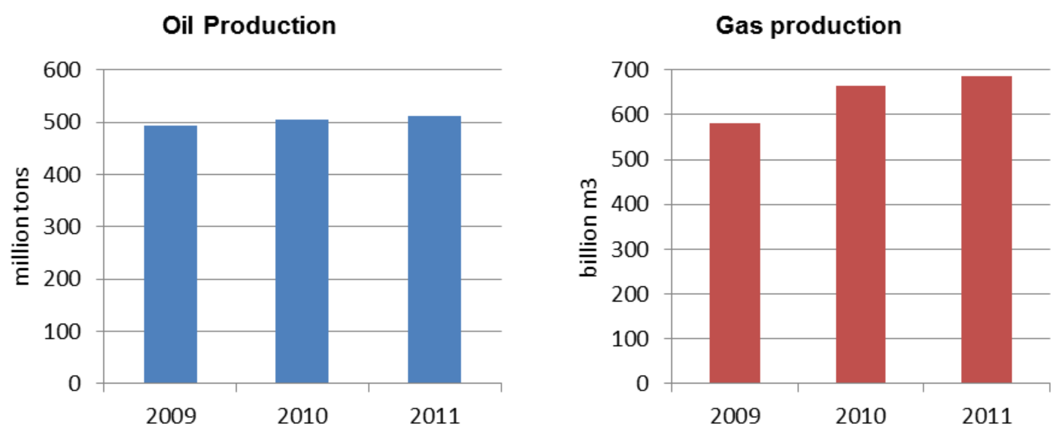
While not reflected in the financial structure of the largest companies (Table 2), the role of investment banks is also important for the financing of these companies. In the past three years, the coal mining companies in Table 1 have issued new shares and bonds 15 times (most frequently bonds). Russian as well as foreign banks (especially American investment banks) play an important role in underwriting these bonds. The largest underwriter in this period was VTB Capital (see Chapter 6). Other major Russian underwriters include Troika Securities and Sberbank.[24]

1.2 Financing trends in the Russian oil & gas sector

1.2.1 Sector overview

Figure 3 demonstrates the yearly oil and gas production of Russia in the period 2009-2011.

Figure 3 Oil and gas production of Russia, 2009-2011



Source: Surgutneftegas, "Annual Report 2011", *Surgutneftegas*, June 2012; Surgutneftegas, "Annual Report 2010", *Surgutneftegas*, June 2011.

Global crude oil production in 2011 totalled 3.6 billion short tons (3.3 billion tonnes) with ten oil producing countries accounting for more than 63% of the global crude production. With 463 million tonnes, Russia alone accounted for 14% of world production.

Russia is the second largest exporter of crude oil in the world, accounting for 12% of the international oil trade. Its most important export market is Europe, where Russia has a 30% market share.

Russia holds the largest gas reserves in the world, accounting for over 25% of global reserves. Worldwide gas production in 2011 totalled 3,100 billion m^3, of which, with 687.5 billion m^3 of gas produced, Russia took a 22% share. Gazprom produced the large majority of Russian gas, but gas production by oil companies totalled 78.1 billion m^3 (11% of the total) including 58.9 billion m^3 of associated petroleum gas (APG).[25]

Gas exports reached 150 billion m^3 in 2011, a large share of which was destined for Europe.[26] With the first line of the NordStream gas pipeline between Russia and Germany commissioned, gas export will play an increasing role in the future. In 2011, Russia supplied 26% of Europe's natural gas.[27]

1.2.2 LARGEST COMPANIES

Table 5 presents an overview of the largest seven oil and gas companies in Russia, some of them being engaged in both sectors. The calculation of their market shares is based on the sum of oil and gas production converted into "barrels of oil equivalent" (BOE). Together, these seven companies accounted for 89% of Russia's oil & gas production in the period 2009-2011. Except for TNK-BP, a 50-50 joint venture between the British company BP and the Russian Alfa Access Renova (AAR) consortium, all companies are Russian.

Table 5 LARGEST OIL & GAS COMPANIES IN RUSSIA

Company	Based in	Subsidiaries	Average annual oil & gas production in Russia 2009-11 (million BOE)	Market share (%)	Source
Gazprom	Russia		3,344	43.2%	28
Rosneft	Russia	50% Tomskneft	918	11.9%	29
Lukoil	Russia		796	10.3%	30
TNK-BP*	Russia/UK	50% Slavneft	638	8.3%	31
Surgutneftegas	Russia	Kinef refinery	523	6.8%	32
Gazprom Neft	Russia	50% Slavneft, 50% Tomskneft	392	5.1%	33
Novatek	Russia		301	3.9%	34
Others	Russia		831	10.7%	
Average annual oil & gas production Russia 2009-11			**7,744**	**100%**	

* two-year average 2010/11

1.2.3 GROUPS OF FINANCIAL STAKEHOLDERS

We analysed the financial structure of the seven oil and gas companies summarised in Table 5 to identify their financial stakeholders: the providers of the capital to the company. A distinction is made between shareholders, joint venture partners, bondholders and bank loans.

The financial stakeholders of the largest oil and gas companies in Russia are summarised in Table 6. The table shows that shareholders are by far the most important financial stakeholders, providing 79.8% of the finance, followed by banks with 11.1%. Bondholders (6.8%) and joint venture partners (2.2%) are on average less important. Note that Surgutneftegas operates a 'no-debt policy', and relies entirely on shareholders for its funding.[35]

Table 6 FINANCIAL STAKEHOLDERS OF THE LARGEST OIL AND GAS COMPANIES IN RUSSIA (AVERAGE 2009-11)

Company	Market share (%)	Shareholders (%)	Joint venture partners (%)	Bondholders (%)	Bank loans (%)
Gazprom	43.2%	83.2%	2.5%	9.5%	4.9%
Rosneft*	11.9%	72.4%	1.2%	0.1%	26.3%
Lukoil	10.3%	88.1%	0.3%	8.1%	3.6%
TNK-BP*	8.3%	69.1%	8.1%	4.6%	18.2%
Surgutneftegas	6.8%	100%	0.0%	0.0%	0.0%
Gazprom Neft	5.1%	70.1%	7.7%	4.6%	17.6%
Novatek	3.9%	66.5%	6.7%	6.3%	20.5%
Others*	10.7%				
Weighted average**		**78.8%**	**3.4%**	**6.7%**	**11.1%**

* Includes Yukos-related financing

** Weighted by the market share of each company.

Source: Annual reports and accounts, all companies.

1.2.4 BANKS

In this section, one of the two most important groups of financial stakeholders, banks, is further analysed.

The oil and gas companies have been analysed in terms of the different types of banks which provide them with loans. For this analysis we used the annual reports of these companies and the Bloomberg and Thomson One Databases. We distinguish three types of banks: Russian banks, foreign banks and multilateral development banks. Surgutneftegas was not considered due to its no-debt policy.

Table 7 shows that on average, 31% of the bank loans which were outstanding to the six oil and gas companies in the past three years were provided by Russian banks. 50% of the bank loans were provided by foreign banks and 19% by multilateral development banks. As in other sectors, this analysis is likely to be slightly skewed towards foreign banks, as information on loans from Russian banks is less readily available in financial databases. Also note that the relatively large share of multilateral development banks is almost entirely due to a large export facility provided by China Development Bank to Rosneft.

Table 7 TYPES OF BANKS FINANCING THE GAS AND OIL SECTOR IN RUSSIA

Company	Average amount of loans outstanding 2009-11 (US$ m)	Outstanding to...		
		Russian banks (%)	Foreign banks (%)	Multilaterals/ development banks (%)
Gazprom	15,095	76%	24%	0%
Rosneft	19,129	1%	54%	45%
Lukoil	2,386	0%	99%	1%
TNK-BP*	2,190	2%	98%	0%
Gazprom Neft	4,795	32%	68%	0%
Novatek	1,505	46%	54%	0%
Weighted average*		**31%**	**50%**	**19%**

*Weighted by the amount of loans outstanding of each company.

Source: Annual reports and accounts, all companies; Bloomberg Database, ThomsonOne Database.

1.2.5 SHAREHOLDERS

In this section, the second important group of financial stakeholders, the shareholders, is further analysed. For all oil and gas companies summarised in Table 5 it was possible to distinguish between different types of shareholders. These companies accounted for almost 90% of Russia's oil and gas production in the period 2009-2011. This analysis is based on the annual reports of these companies and in some cases the Bloomberg and Thomson One Databases. Three types of shareholders are distinguished: the Russian state, private shareholders (including financial institutions and individuals) and Russian businessmen, oligarchs and other major shareholders who own substantial amounts of shares of a company.

When looking at this information it has to be kept in mind that some companies are not transparent in their reporting which makes it difficult to get a clear picture of the shares held by management.
Table 8 shows that private shareholders, including individuals as well as financial institutions like pension funds, banks and insurance companies, play the most important role, owning on average 46% of the shares of the largest oil and gas companies. Financial institutions are especially important for listed companies, whose shares can be easily traded.

The state also has a substantial stake, holding an average of 37% of the shares. Russian businessmen are far less important than in the coal sector, with an average of 16%.

Table 8 **TYPES OF SHAREHOLDERS FINANCING THE OIL AND GAS SECTOR IN RUSSIA**

Company	Listed/private	Amount fin. by shareholders 2011 (US$ m)	Types of shareholders (%)				Source
			State %	Private (%)	Russian businessmen/majority shareholder (%)	Name(s)	
Gazprom	Listed	300,571	50.002%	49.008%	0.0%		36
Rosneft[a]	Listed	63,152	75.2%	24.8%	0.0%		37
Lukoil	Listed	67,638	0.0%	70.1%	29.9%	20.6% V. Alekperov 9.3% L. Fedun	38
TNK-BP Holding[b]	Listed	18,978	0.0%	5.0%	95.0%	50% AAR: M. Fridman, V. Vekselberg, Leonard Blavatnik, G. Khan; 50% BP	39
Surgutneftegas	Listed	49,429	0.0%	40%?	>60%?	V. Bogdanov, V. Erokhin, S. Ananiev, A. Bulanov, I. Gorbunov, other management members	40
Gapzprom Neft	Listed	23,512	0.0%	33.1%	66.9%	Gazprom	41
Novatek[d]	Listed	7,479	0.0%	62.4%	37.6%	14.1% Total SA. 13.1% .G Timchenko 9.9% Gazprom 0.5% L. Mikhelson[c]	42
Weighted average*			**37.3%**	**45.9%**	**16.3%**		

*Weighted by the amount financed by shareholders of each company;

a State involvement is via Rosneftegaz, which is under 100% federal ownership;

b BP and AAR each own 50% of TNK-BP, which in turn owns 95% of TNK-BP holding, with the other 5% floating freely on public markets;

c The role of management in Surgutneftegas is unclear. Already in 2005 minority shareholders filed an appeal, as management officially only holds 0.5% of shares, their control may in fact be much larger due to shares held as treasury stock by Surgutneftegas subsidiaries. See sources for further information.

d The share ownership of Leonid Mikhelson and Gennadiy Timchenko is unclear; it is likely that they own a larger share via holding companies (see e.g. Mazneva, Y., “Novatek's Largest Shareholder Is Its CEO”, The Moscow Times, 29 December 2010.

1.2.6 INVESTMENT BANKS

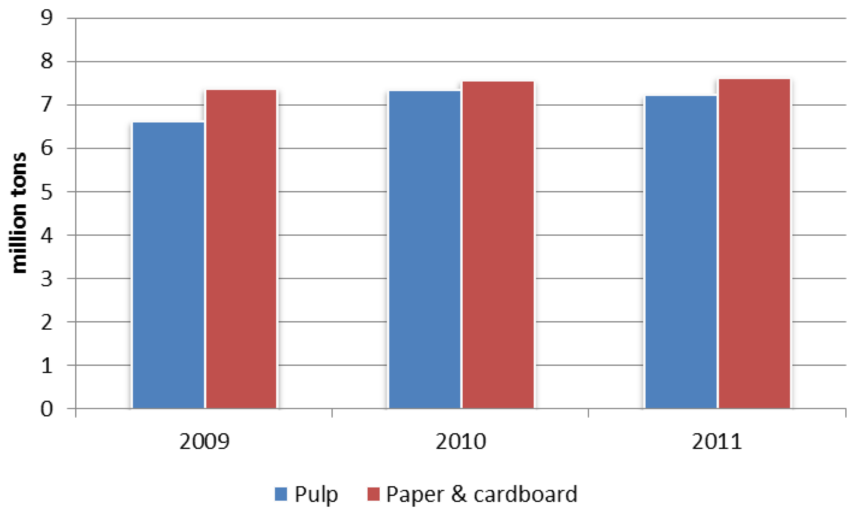
While not reflected in the financial structure of the largest companies (Table 6), the role of investment banks is also important for the financing of these companies. In the three years from 2009 until 2011, the oil and gas companies in Table 5 have issued new bonds on 14 occasions. Russian as well as American and European investment banks have been involved in underwriting these bonds. The largest underwriter in this period was Sberbank (Chapter 5), followed by VTB Capital (see Chapter 6).[43]

1.3 FINANCING TRENDS IN THE RUSSIAN PULP & PAPER SECTOR

1.3.1 SECTOR OVERVIEW

Russia has about 20% of the world's forestlands, but despite this the country is not one of the major global producers of pulp, paper or cardboard. This is due to inadequate timber processing capacity close to the regions of timber availability.[44] In 2011, Russia had a 2.5% share of global pulp production, with 7.1 million tonnes, and a 2.0% share of global paper and cardboard production, with 7.5 million tonnes.[45] Its share has increased in recent years as the industry has expanded.[46]

Figure 4 RUSSIAN PULP & PAPER PRODUCTION, 2009-2011



Source: FAO, "ForesStat", *FAO*, viewed August 2012.

Figure 4 shows annual Russian pulp and paper production between 2009 and 2011. Production has undergone a slight increase in these three years; paper and cardboard by 3%, total pulp production by about 9%.[47]

While the tonnage of Russian paper and cardboard exports greatly exceeds the tonnage of imports in recent years, the value of imports has exceeded the value of exports. This is due to a high domestic demand for high quality paper and board products, while exports are dominated by lower value paper products and wood pulp.[48]

The pulp and paper industry is seen as highly capital-intensive, leading to frequent mergers and acquisitions as companies consolidate their position in the market and seek economies of scale.[49]

1.3.2 LARGEST COMPANIES

The Russian pulp and paper market is highly consolidated. The eight companies listed in Table 9 account for around 70% of total Russian pulp volume and around 74% of total paper and cardboard volume. Many of the companies are partly or fully foreign-owned. Based on production of both pulp and paper, Ilim Group, the joint venture between Ilim Holding and International Paper, is by far the biggest player.

Table 9 LARGEST PULP & PAPER COMPANIES IN RUSSIA

Company	Based in	Estimated pulp prod. Russia (million tonnes)	Estimated paper prod. Russia (million tonnes)	% pulp	% paper	Source
Ilim Group	Russia	1.54	0.90	21.7%	12.0%	50
Arkhangelsk, subsidiary of Pulp Mill Hld*	Russia/	1.00	0.67	14.1%	8.9%	51
Syktyvkar, subsidiary of Mondi	Russia/ UK	0.70	0.90	9.9%	12.0%	52
Kondopoga**	Russia	0.64	0.74	9.0%	9.9%	53
Segezha, subsidiary of Investlesprom*	Russia	0.40	0.85	5.6%	11.3%	54
Svetogorsk, subsidiary of International Paper**	Russia/ US	0.58	0.40	8.2%	5.3%	55
Volga, subsidiary of Ost-West Group*	Russia	-	0.55	0.0%	7.3%	56
Solikamsbumprom***	Russia	-	0.55	0.0%	7.3%	57
Others	Russia	2.24	1.94	31.5%	25.9%	
Average annual pulp & paper production Russia 2009-11		**7.1**	**7.5**	**100%**	**100%**	58

*2011 figures; **Pulp production 2011 only; 2010 figures; *** 2010/11 average;

1.3.3 GROUPS OF FINANCIAL STAKEHOLDERS

The analysis of the leading Russian pulp and paper companies was hampered by a lack of detailed information, both on the Russian companies and on the Russian operations of international companies. As such it is only possible to provide a somewhat partial picture of the financing patterns of pulp and paper companies in Russia.

Based on the figures that could be identified, it seems that shareholders are playing the most important role, while bank loans are also important. The share of bondholders (except in the case of Svetogorsk) and joint venture partners is quite small. As it is difficult to create a common ranking for the pulp and paper market, the companies in Table 10 are ranked according to their domestic paper market shares, as all of them are active in this sector.

Table 10 FINANCIAL STAKEHOLDERS OF THE LARGEST PULP AND PAPER COMPANIES IN RUSSIA (AVERAGE 2009-11)

Company	Paper market share (%)	Shareholders (%)	Joint venture partners (%)	Bondholders (%)	Bank loans (%)
Ilim Group*	16.7%	56.6%	0.0%	0.0%	43.4%
Arkhangelsk (Titan Group & Pulp Mill Hld)	11.4%	79.1%	5.5%	0.0%	15.4%
Syktyvkar (Mondi)***	11.0%	57.8%	10.2%	7.6%	23.1%
Kondopoga	9.5%	≤32.4%	0.0%	unknown	≤67.6%
Segezha (Investlesprom)*	8.6%	unknown	unknown	unknown	unknown
Svetogorsk (International Paper)***	6.7%	35.2%	1.5%	49.8%	13.6
Volga (Ost-West Group)*	3.8%	unknown	unknown	unknown	unknown
Solikamsbumprom**	3.8%	84.7%	0.0%	0.0%	15.3%
Others	32.4%				

* 2009/10 data; ** 2009 data; *** based on data of the parent company;

Source: Annual reports and accounts, all companies.

1.3.4 SHAREHOLDERS

In this section the most important group of financial stakeholders, the shareholders, is further analysed. The financial stakeholders of the largest pulp and paper companies in Russia are summarised in Table 11 as far as possible with the limited information available.

The structure of shareholdings in this sector often lacks transparency, especially in the case of domestically-owned companies, many of which are privately held and as such are not required to provide detailed information on their financing and performance.

Given the limited information, it is not possible to draw general conclusions on the importance of the various shareholders in this sector. However, despite this lack of data it is striking that several of the companies are controlled by large shareholders, often involving Russian businessmen or oligarchs directly or indirectly. An exception is Kondopoga, a company in which employees own a controlling block of shares via several subsidiaries.

Table 11 TYPES OF SHAREHOLDERS FINANCING THE PULP AND PAPER SECTOR IN RUSSIA

Company	Listed/private	Amount fin. by shareholders 2011 (US$ m)	Types of shareholders (%)				Source
			State	Private	Russian businessmen/majority shareholder	Name(s)	
Ilim Group*	Private	737.4	0.0%	0.0%	100%	50% International Paper; 50% Z. Smushkin, B. Zingarevich, M. Zingarevich, L. Erukhimovich via Ilim Holding	59
Arkhangelsk*	Private	299.9	0.0%	2.25%	97.75%	V. Krupchak via Pulp Mill Holding	60
Mondi Syktyvkar**	Listed	408.0	0.0%	100%	0.0%	Mondi Group	61
Kondopoga	Private	139.2	10.0%	36.5%	53.5%	29.13% employees via companies Omega, Avangard & Bumazhnik; 24.42% Conrad Jacobson (Germany)	62
Segezha*	Private	Unknown	0.0%	0.0%	100%	100% Investlesprom; Bank of Moscow holds 24% stake in Investlesprom; remainder held by management and Russian private investors;	63
International Paper Svetogorsk**	Listed	440.0	0.0%	100%	0.0%	International Paper is the 100% parent of Svetogorsk	
Volga	Private	Unknown	0.0%	2.5%	97.5%	Ost West Group via Nizhniy Newsprint Holdings Limited (Cyprus)	64
Solikamsbumprom***	Private	231.7				No details available	65
Others							

* 2010 data shareholder assets; ** estimated shareholder assets based on estimated share of Russia segment in global operations; *** 2009 data shareholder assets;

[a] Segezha's parent company Investlesprom is at the centre of a scandal involving former Bank of Moscow president, Andrej Borodin, and his deputy, Dmitry Akulinin. They are accused of misusing their powers to conduct an illegal transaction during the sale of Investlesprom company, which belonged to the Bank of Moscow. The current share of the Bank of Moscow is 24%, the exact ownership of the remainder is unclear. Business at Segezha mill was temporarily stopped in January 2012. See: Banking Association for Central and Eastern Europe (BACEE), "Banking News (Russian Federation)", *BACEE*, January 2012; EUWID, "Segezha: Betriebsstopp aufgrund Investlesprom-Krise", *EUWID*, 7 February 2012.

1.3.5 BANKS

In this section the second important group of financial stakeholders, the banks, is further analysed.

A distinction has to be made in this sector between the international companies with Russian operations and the domestic Russian companies. Loans obtained by the international companies are mostly provided by North American and European banks, and are mostly provided for general corporate purposes, or else for specific projects outside of Russia. As such, detailed information on these loans has not been included as it is of limited relevance to the Russian sector.

For the Russian companies in the sector, no comprehensive information on the source of bank loans could be found. As the data is so incomplete, it is not possible to provide a general breakdown of the role of different kinds of banks.

From the data that could be found, it seems that the Russian banks play an important role in providing funds to Russian pulp and paper companies. This includes, for example, Segezha (subsidiary of Investlesprom), which has received funding via Bank of Moscow, part of VTB Bank (see Chapter 6) for working capital purposes and for specific investments. Bank of Moscow is one of Investlesprom's larger creditors.[66] For Kondopoga, evidence shows that Bank Vozrozhdenie provided a loan facility with a credit limit of US$ 35 million, in order to increase production and product quality.[67]

1.3.6 INVESTMENT BANKS

In the three years from 2009 until 2011, no information on bond or share issues by the researched Russian pulp and paper companies could be found.

1.4 FINANCING TRENDS IN THE RUSSIAN GOLD MINING SECTOR

1.4.1 SECTOR OVERVIEW

In the period 2009-2011, Russia produced an average amount of 205 tonnes (7.2 million ounces) of gold. Approximately 90% of this production was generated by mining gold, while the remainder was from gold produced as a by-product of other metals. Russia was the fourth largest gold producer worldwide in 2011.[68]

The eastern areas of Russia (eastern Siberia, the far east and north east) have the largest gold deposits. The most important regions are the Krasnoyarsk region, the Chukotka region and the Amour region. Russia's gold reserves are estimated to have a lifetime of 85 years at current production rates, compared to just 15-20 years in the United States, Australia and Canada.[69]

1.4.2 LARGEST COMPANIES

The Russian gold sector is fragmented; there are currently around 400 registered gold mining companies.[70] As shown in Table 12, the eight largest gold mining companies in Russia accounted for 57.9% of the country's gold production in the period 2009-2011. The leading producer is Polyus Gold, accounting for 21.0% of Russia's gold production in this period. Most of the top producers are listed companies based outside Russia. In particular, Kinross Gold is a global player, with operations in North and South America, Africa and Russia. Most companies are either engaged in gold mining only, or in gold and silver mining.

Table 12 LARGEST GOLD MINING COMPANIES IN RUSSIA

Company	Based in	Active in	Annual gold production in Russia 2009-11 (ounces)	Market share (%)	Source
Polyus Gold International	United Kingdom	Russia	1,380,667	19.2	71
Kinross Gold (subsidiary Kupol)	Canada	Worldwide	772,416	10.7	72
Petropavlovsk	UK	Russia	541,233	7.5	73
Polymetal International	Jersey	Russia, Kazakhstan	337,367	4.7	74
High River Gold Mines (75% owned by Nordgold NV)	Canada	Russia, Burkina Faso	225,052	3.1	75
Highland Gold Mining	Jersey	Russia, Kyrgyzstan	204,569	2.8	76
Yuzhuralzoloto	Russia	Russia	215,400*	3.0	77
GV Gold	Russia	Russia	126,000	1.8	78
Others			3,397,296	47.2	
Average annual gold production Russia 2009-11			**7,200,000**	**100%**	

*Based on 2010

1.4.3 GROUPS OF FINANCIAL STAKEHOLDERS

Of the eight gold mining companies summarised in Table 12, seven publish financial statements. We analysed the financial structure of these companies to identify their financial stakeholders: the providers of the capital to the company. A distinction is made between shareholders, joint venture partners, bondholders and bank loans.

The financial stakeholders of the largest gold mining companies in Russia are summarised in Table 13. The table shows that shareholders are by far the most important financial stakeholders, financing 83.6% of the assets of the companies active in the sector. Bank loans (8.3%) and bondholders (4.8%) play a much smaller role.

Table 13 FINANCIAL STAKEHOLDERS OF THE LARGEST GOLD MINING COMPANIES IN RUSSIA (AVERAGE 2009-11)

Company	Market share (%)	Shareholders (%)	Joint venture partners (%)	Bondholders (%)	Bank loans (%)
Polyus Gold International	21.0%	86.1%	3.4%	5.2%	5.3%
Kinross Gold	11.8%	90.4%	1.4%	6.2%	2.0%
Petropavlovsk	8.2%	71.3%	7.5%	8.9%	12.4%
Polymetal International	5.1%	65.5%	1.8%	0.0%	32.7%
High River Gold Mines	3.4%	90.3%	5.1%	1.3%	3.3%
Highland Gold Mining	3.1%	95.4%	0.2%	0.0%	4.4%
GV Gold	1.9%	84.5%	2.3%	0.0%	13.2%
Others	45.5%				
Weighted average*		**83.6%**	**3.3%**	**4.8%**	**8.3%**

* Weighted by the market share of each company.

Source: Annual reports and accounts, all companies.

1.4.4 SHAREHOLDERS

In this paragraph the most important group of financial stakeholders, the shareholders, is further analysed. For all gold mining companies summarised in Table 12 it was possible to distinguish between different types of shareholders. For this analysis we used the annual reports of these companies and in some cases the Bloomberg Database. We distinguish three types of shareholders: the Russian state, private shareholders (including financial institutions and individuals) and the oligarchs or Russian businessmen which own large amounts of shares of a company.

Table 14 shows that private shareholders are the most important shareholders in the Russian gold mining sector, holding 63% of the shares of the companies analysed. These private shareholders include financial institutions (like pension funds, banks and insurance companies) and individuals, both Russian and foreign. Financial institutions play a particularly important role in the case of the publicly listed companies. For example, the US asset manager BlackRock owns large stakes in several gold mining companies: 20.4% of Highland Gold Mining, 18.9% of GV Gold, 12.3% of Kinross Gold and 11.1% of Petropavlovsk.[79]

Multilateral development banks also have shareholdings in the Russian gold mining sector. The European Bank for Reconstruction and Development (EBRD) owns 5.26% of GV Gold, and until 2007 also owned a 4.2% stake in High River Gold Mines.[80] The International Finance Corporation (IFC), the private sector arm of the World Bank, invested US$ 15 million of equity in Petropavlovsk (then called Peter Hambro Mining) in 2005 for an unknown percentage of its shares. It is unknown if this stake is still held.[81] Alongside BlackRock and the multilaterals, other American and European asset managers also hold significant shareholdings in this sector.[82]

Russian oligarchs are also an important type of shareholders in the Russian gold mining sector, holding at least 37% of the shares of the largest gold mining companies in Russia. These businessmen are almost all billionaires.

The Russian state does not own shares in the companies analysed in this sector.

Table 14 TYPES OF SHAREHOLDERS FINANCING THE GOLD MINING SECTOR IN RUSSIA

Company	Listed/private	Amount fin. by shareholders 2011 (US$ m)	Types of shareholders (%)				Source
			State	Private	(Russian) businessmen	Name(s)	
Polyus Gold International	Listed	2,952	0%	22%	78%	Suleiman Kerimov, Mikhail Prokhorov	83
Kinross Gold	Listed	3,494*	0%	100%	0%	-	84
Petropavlovsk	Listed	1,451	0%	87%	13%	Pavel Maslovskiy, Peter Hambro	85
Polymetal International	Listed	1,314	0%	51%**	49%	Petr Kellner (Czech), Alexander Nesis, Alexander Mamut (and others)	86
High River Gold Mines	Listed	611	0%	33%	67%	Alexei Mordashov	87
Highland Gold Mining	Listed	599	0%	54%	46%	Company directors and other insiders	88
Yuzhuralzoloto	Private	Unknown	0%	0%	100%	Konstantin Strukov	89
GV Gold	Private	204	0%	24%	76%	Sergey Dokuchaev, Natalia Opaleva, Valerian Tikhonov (and others)	90
Weighted average* **			**0%**	**63%**	**37%**		

* 32.3% of total shareholders' equity, based on production in Russia; ** As at 31 December 2011. After this date, PMTL acquired 99% of the company; ***Weighted by the amount financed by shareholders of each company.

1.4.5 BANKS

In this section the second important group of financial stakeholders, the banks, is further analysed. For five gold mining companies summarised in Table 12 it was possible to distinguish between different types of banks which provide loans to these companies. These companies accounted for 49.5% of Russia's gold production in the period 2009-2011. For this analysis we used the annual reports of these companies and in some cases the Bloomberg Database. We distinguish three types of banks: Russian banks, foreign banks and multilateral development banks.

Table 15 shows that on average, 78% of the bank loans outstanding to the five gold mining companies in the past three years were provided by international banks and 22% were provided by Russian banks. Multilaterals were not found to provide loans to the companies active in the Russian gold mining sector, although as mentioned above they do play a role by investing in equity.

Table 15 TYPES OF BANKS FINANCING THE GOLD MINING SECTOR IN RUSSIA

Company	Average amount of loans outstanding 2009-11 (US$ m)	Outstanding to…		
		Russian banks	Foreign banks	Multilaterals/ development banks
Polyus Gold International	190.3	43%	57%	0%
Kinross Gold	174.7	0%	100%	0%
Petropavlovsk	307.7	17%	83%	0%
Polymetal International	676.4	25%	75%	0%
High River Gold Mines	19.3	0%	100%	0%
Weighted average*		**22%**	**78%**	**0%**

*Weighted by the amount of loans outstanding of each company.

Source: Annual reports and accounts, all companies; Bloomberg Database.

1.4.6 INVESTMENT BANKS

While not reflected in the financial structure of the largest companies (Table 13), the role of investment banks is also important for the financing of these companies. In the past three years, the gold mining companies in Table 12 have issued new shares and bonds in five instances, including the Initial Public Offering (IPO) of Polymetal International. These companies have been helped to raise new shares and bonds by foreign banks in the main (and particularly American investment banks), and also, to a lesser extent, Russian banks. Among the Russian banks that participated in share and bond issues are VTB Capital and Sberbank.[91]

Chapter 2 EUROSIBENERGO CASE STUDY

2.1 COMPANY PROFILE

EuroSibEnergo (also known as En+ Power) is the largest privately-owned power company in Russia with a 9% share of total electricity generation, and one of the largest hydropower generation companies in the world. EuroSibEnergo is 100%-owned by En+ Group, a Russian diversified mining, metals and energy company. EuroSibEnergo is the result of the consolidation of En+ Group's energy assets onto a single platform in September 2009.[92]

En+ Group is in turn an important part of the Basic Element Business Group of companies, which are controlled by, or are within the scope of, Oleg Deripaska's business interests. Basic Element, through its affiliates, owns significant stakes in dozens of companies operating in a range of segments, including energy, manufacturing, financial services, construction, aviation and agriculture.[93] Oleg Deripaska is estimated to have a net worth of US$ 8.8 billion, making him the 14th richest person in Russia.[94]

EuroSibEnergo operates 18 power generation plants with a total installed capacity of 19.5 GW. Of this capacity 15 GW is attributable to hydropower. The hydropower plants are located along the rivers Angara and Yenisei in Siberia.

Besides generation of electricity and heat, the company also engages in coal production and sale to end consumers, and runs its own engineering and construction unit. EuroSibEnergo's coal reserves amount to 1.26 billion tonnes, allowing the company to satisfy the demand of its coal-fired power stations in full.[95]

With a number of EuroSibEnergo's key assets located close to China, the company actively conducts negotiations regarding participation in electric power exportation to Northern and South-Eastern provinces of China. A Russian-Chinese intergovernmental agreement signed in 2006 provides for an increase in the annual volume of Russian electric power exported to China up to 20TWh by 2020.[96]
In 2011, EuroSibEnergo and China's largest public hydroelectricity producer China Yangtze Power Co established a joint venture, YES Energo, to develop power projects in Eastern Siberia. Several feasibility studies into construction of three hydro power plants with a total capacity of about 3 GW have been untertaken. En+ and WWF are making an assessment of the environmental and economic impacts of the proposed projects on the Amur River ecosystem.[97]

EuroSibEnergo´s most important customers are UC RUSAL's aluminium smelters, accounting for the consumption of half of its produced electric power. Long term agreements with UC RUSAL, the largest aluminium producer in the world, provide stable revenues for EuroSibEnergo while the smelter is dependent on cheap energy.[98] En+ Group holds a 47.41% stake in UC RUSAL.[99]

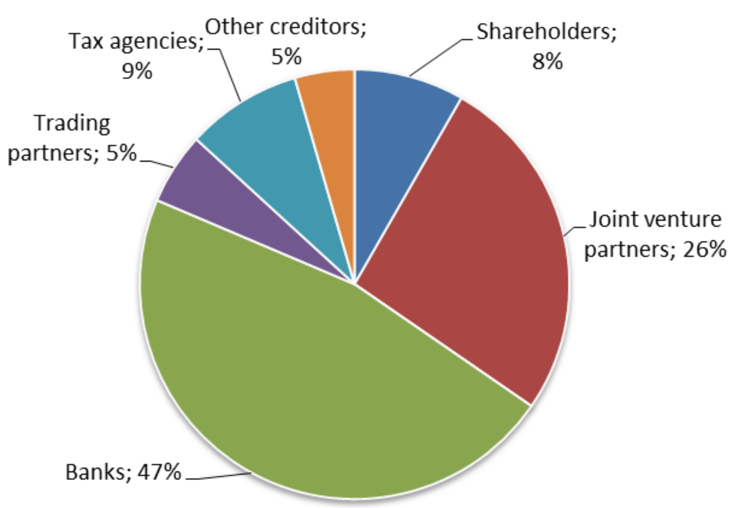
2.2 FINANCIAL STRUCTURE OF EUROSIBENERGO

In 2011, EuroSibEnergo reported revenues of US$ 3.1 billion, an increase of 14% from the previous year. Its net profit increased by 55% to US$ 429.9 million.[100]

No detailed financial statements for 2011 could be accessed by the time of writing this report. At the end of 2010, EuroSibEnergo owned assets with a total value of RUB 135.9 billion (US$ 4.4 billion). These assets were being financed by the following financial stakeholders:[101]

Shareholders	RUB 11.3 billion	8.3%
Joint venture partners	RUB 35.7 billion	26.3%
Banks	RUB 63.6 billion	46.8%
Trading partners	RUB 7.3 billion	5.4%
Tax agencies	RUB 11.8 billion	8.7%
Other creditors, incl. bonds via Irkutskenergo	RUB 6.2 billion	4.5%

Figure 5 **EQUITY AND LIABILITY STRUCTURE EUROSIBENERGO 2010 (%)**



EuroSibEnergo, "Consolidated statement of financial position", *EuroSibEnergo,* 31 December 2010

This financing structure is fairly remarkable, as in 2010 shareholders only financed 8% of total assets, while banks financed no less than 47%. Joint venture partners (26%) also played a very important role in financing EurSibEnergo.[102] Key subsidiaries of EuroSibEnergo include Irkutskenergo, in which it holds a 50.19% stake, and Krasnoyarskaya HPP in which it holds a 68.29% stake.

Important joint venture partners include Inter RAOwhich owns a 40.01% stake in Irkutskenergo, and which is in turn 14.79% owned by the Russian State, alongside Gidroinvest (Russia), which is the other major shareholder of Krasnoyarskaya HPP, holding a 25%-stake.[103]

The groups of financial stakeholders are discussed further below.

2.3 EQUITY

The only shareholder of EuroSibEnergo is EN+, owned 95.6% by Oleg Deripaska. A further 4.35% of EN+ is owned by VTB Capital (see Chapter 6).[104]

An IPO of EuroSibEnergo on the Hong Kong stock exchange had initially been announced for 2011, with lead banks Bank of China and Deutsche Bank as global coordinators, and Bank of America Merrill Lynch and Credit Suisse as joint bookrunners.[105] (The bookrunner is the main underwriter of the share issuance). However, plans were postponed in February 2011 for a year due to volatile markets.[106] In 2012, Oleg Deripaska explained a further postponement until 2013/14 at the earliest.

Deripaska then moved to try and list the parent company, EN+, as well as issuing convertible bonds with a value of US$ 500 million or more. The latter would take the shape of an exchangeable bond if only EuroSibEnergo were to get listed, and not the holding company. EN+ would issue the bonds convertible into EuroSibEnergo shares.[107]

An IPO of the holding company EN+ was expected to give the market a more stable investment than EuroSibEnergo, as EN+ also owns ferro-molybdenum mining company SMR, a 47.41% stake in Rusal and various uranium and coal projects. The pre-IPO convertible bond would be a way of presenting the investment case and management of EuroSibEnergo to the market, as well as a potential set of anchor investors for the eventual IPO. It would also provide access to funds that might have been raised through an IPO in better conditions.[108]

En+ Group made its first step towards becoming public with **VTB Capital** purchasing 4.35% in En+ Group from Deripaska for US$ 500 million in 2011, resulting in a reduction of Basic Element's stake to 20%.[109] The deal values the group at about US$ 11.5 billion.[110]

2.4 DEBT

2.4.1 BANK LOANS

The following bank loans to EuroSibEnergo and its parent company EN+ Group which were outstanding at the end of July 2009, or which were secured after this date, were found:

In January 2008, En+ Group obtained a one-year US$ 750 million term loan from a syndicate of 20 banks. The proceeds were to replace a € 1.375 billion Deutsche Bank arranged loan that supported the Group’s acquisition of a 30% stake in Austrian Strabag, and for new projects in the Russian energy sector.[111]

The following banks acted as bookrunners:

ABN-AMRO	The Netherlands
Credit Suisse	Switzerland
Deutsche Bank	Germany

Goldman Sachs & Co	United States
Morgan Stanley & Co	United States
Natixis	France
Raiffeisen Zentralbank	Austria

Other participants were:

Alpha Bank	Greece
Amsterdam Trade Bank, part of **Alfa Bank Group**	Russia
Barclays	United Kingdom
BNP Paribas	France
Caja de Madrid	Spain
Calyon, part of **Crédit Agricole**	France
Huanan Commercial Bank	Taiwan
KfW International Finance	Germany
Magyar Kulkereskedelmi Bank (MKB), part of **Bayrische Landesbank**	Germany
Nord/LB	Germany
OTP Banka Slovensko, part of **OTP Bank**	Hungary
Standard Bank	South Africa
VTB Bank	Russia

En+ Group in January 2010 closed a term loan which according to company information will mature at the end of 2013, with the purpose of restructuring and refinancing debt. It included a US$ 439.68 million tranche purely paid in kind (PIK) maturing at the end of December 2011, and a US$ 593.72 million tranche paying a small amount of cash, but mainly PIK.[112]

The following banks acted as bookrunners:

Credit Europe Bank	Turkey
Deutsche Bank	Germany
Goldman Sachs & Co	United States
Morgan Stanley & Co	United States
Natixis	France
Raiffeisen Zentralbank	Austria
Royal Bank of Scotland	United Kingdom

Other participants were:

Alpha Bank	Greece
Advisors Asset Management	United States
Banque Cantonale Vaudoise	Switzerland
Barclays	United Kingdom
BAWAG Wohnbaubank	Austria

BNP Paribas	France
Caja de Madrid	Spain
Crédit Agricole	France
Credit Suisse	Switzerland
Demir-Halk Bank	The Netherlands
HSH Nordbank	Germany
Hua Nan Commercial Bank	Taiwan
ING	The Netherlands
Investkredit Bank AG, part of **Oesterreichische Volksbanken**	Austria
KBC Group	Belgium
KfW International Finance	Germany
Mega International Commercial Bank, part of **Mega Financial Holding**	Taiwan
NMKB Finance	Curaçao
NM Rothschild & Sons, part of **Paris Orléans**	France
Nord/LB	Germany
Nordkap Bank	Switzerland
OTP Banka	Hungary
Raiffeisenlb Niederoest-Wien, part of **Raiffeisen Banking Group**	Austria
Sberbank	Russia
Société Générale	France
Sumitomo Mitsui Banking	Japan
Standard Bank	South Africa
VTB Bank	Russia

In November 2010, En+ Group announced that it secured a US$ 900 million loan from state-controlled investment bank **VTB Capital** (Russia) to complete the refinancing of its entire debt. The company had cut its debt to US$ 822 million from US$ 1.05 billion during the course of that year. The proceeds were destined to further develop the existing En+ Group's businesses as well as new projects in power generation, coal, uranium, gold, and iron ore mining. The loan had a maturity date in two years, with an option for a one year extension.[113]

In June 2011, En+ Group signed a US$ 5 billion agreement with **China Export-Import Bank** (China) to finance its energy, metals and mining projects. The proceeds were destined to finance the development of energy and mining projects in Eastern Siberia. This included funding for the construction of thermal and hydro power generation plants by EuroSibEnergo with a total planned capacity of 3 GW. The funding was provided on a project finance basis. En+ will seek to involve Chinese equipment and service providers in order to achieve greater cost and operational efficiency and advanced technology transfer. China Eximbank will also assist En+ Group in sourcing additional funding from Chinese commercial banks by way of syndicated loans if required.[114]

In January 2012, **Sviaz-Bank** (Russia) has set a limit on an overdraft loan of up to RUB 1.8 billion (US$ 60.7 million) it will provide as a cash-pooling service to enterprises integrated into the EuroSibEnergo Group. The loan will be drawn down for a year, and the loan agreement between the Bank and Group can be renewed. The cash-pooling service has been developed for major customers structured as holding companies, like the EuroSibEnergo Group, in an effort to cut borrowing costs significantly, optimize interest costs and earnings, and make the Group's liquidity management more efficient, which all reduces considerably both parties' costs in time and funds. EuroSibEnergo stated that the funds it is within the limit set by the Bank will be used to maintain current operations, such as increasing working capital and covering cash deficits.[115]

2.4.2 DEBT RESTRUCTURING

Deripaska, once Russia's richest man, ran into debt trouble at the height of the financial crisis, hit by the sharp decline in commodity prices that left him exposed to loans taken out when markets peaked.[116] This forced him to float RUSAL in Hong Kong in the first half of 2010 as part of the aluminium group's US$ 16.8 billion debt restructuring with more than 70 lenders.[117]
The completion of the restructuring of EN+ Group got delayed at the end of 2009 / beginning of 2010 by the sale of mid-sized oil company Russneft by Oleg Deripaska. Russneft was sold back to its founder Mikhail Gutseriyev for a reported US$ 600 million, US$ 250 million of which destined to pre-pay lenders to EN+. The total amount to restructure included US$ 750 million of senior debt, US$ 193.4 million of banking facilities relating to EN+ Central European Aluminium Company, plus a US$ 90 million bilateral advanced by Alfa Bank.[118]

The Group's US$ 1.05 billion refinancing was completed at the end of January 2010, after a new facility agreement was signed with 40 lending banks. The agreement provides for an extension of the initially agreed loan periods till the end of 2013 and the facility was split into two tranches, with interest payments under the loans to be almost fully capitalized.[119]

The final restructuring agreement was initially delayed by Alfa Bank's reluctance to restructure its US$90m bilateral. But after initial talks failed, the issue was finally resolved when Russia's largest savings bank, **Sberbank**, which has a long-standing relationship with EN+, stepped in and agreed to take over the US$ 90 million bilateral loan and a further US$ 30 million Alfa Bank held as part of the company's senior debt.[120]

2.4.3 BOND ISSUES

Our research found the following bond issue which was outstanding at the end of July 2009, or secured after this date:

In April 2011, Irkutsenergo, of which EuroSibEnergo (via En+ Group) holds a 50.19% controlling stake[121], issued three-year bonds with a total value of RUB 3 billion (US$ 106.8 million). The issuance was managed by the following financial institutions:[122]

- TransCreditBank, part of **VTB Bank** Russia

- Metropol Investment Financial Company Russia

2.4.4 BONDHOLDERS

No information on bondholders of EuroSibEnergo could be obtained.

Chapter 3 RusHydro case study

3.1 Company profile

JSC RusHydro (“RusHydro”) is Russia's largest hydropower company with a total installed capacity of 35.2 GW.[123] The company was incorporated in December 2004 as part of the Russian Federation’s program to reform the power sector. The significant hydro-generating assets which previously belonged to Russia’s state-controlled utility company OAO RAO UES of Russia (“RAO UES”) were grouped under RusHydro. The creation of the company occurred in several stages from 2005 to 2008.[124]

The company operates more than 70 energy facilities, including Russia’s largest hydro-power plant, Sayano-Shushenskaya, with a capacity of 6.7 MW, and a number of geo-, thermal- and wind-power plants. Several investment projects for the construction of additional hydro-power plants are currently under-way in various Russian regions.

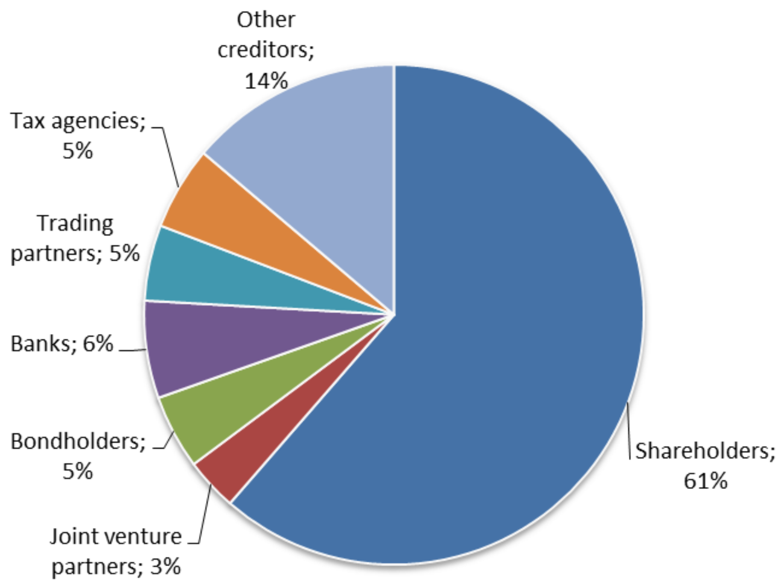
As part of its strategy to acquire and build hydro-power generating assets outside Russia, RusHydro made its first acquisition in 2011, buying the Armenian-based cascade of the Sevan-Hrazdan hydro-power plants, which includes seven derivation hydro-power plants on the Hrazdan River.[125]

3.2 Financial structure of RusHydro

In 2011, RusHydro generated revenues of RUB 362.6 billion (US$ 11.2 billion), resulting in an operating profit of RUB 51.1 billion (US$ 1.6 billion) and a net profit of RUB 29.5 billion (US$ 915.5 million). At the end of December 2011, the company owned total assets of RUB 811.8 billion (US$ 25.2 billion).[126]

Figure 6 shows that the company was mainly financed by equity (shareholder funds).

Figure 6 **EQUITY AND LIABILITY STRUCTURE RUSHYDRO 2011 (%)**



Source: RusHydro, "Annual Financial Report 2011", *RusHydro*, July 2012.

The equity and liability structure can be broken down by stakeholders:[127]

Shareholders	RUB 498.5 billion	61.4%
Joint venture partners	RUB 27.2 billion	3.4%
Bondholders	RUB 38.9 billion	4.8%
Banks	RUB 50.7 billion	6.3%
Trading partners	RUB 40.0 billion	4.9%
Tax agencies	RUB 44.3 billion	5.4%
Other creditors	RUB 112.2 billion	13.8%

These different debt sources, as well as finance secured after December 2011, are discussed in more detail below.

3.3 EQUITY

3.3.1 SHARE ISSUES

In 2007, RusHydro's shareholder structure changed significantly. While the company was previously wholly-owned by RAO UES, the Russian Federation – acting through the Russian Federal Agency for State Property Management (Rosimushchestvo) – acquired a controlling share in the company following an additional share issue. As of June 30, 2012, the Russian Federation still owns 60.5% of RusHydro's authorized capital and the remaining 39.5% belongs to minority shareholders.[128]

RusHydro stock was listed on the Russian stock market in 2008. The company's shares are traded on Russia's two leading stock exchanges – the Moscow Interbank Currency Exchange Group (MICEX) and the Russian Trading System (RTS). The company also launched an American Depositary Receipt (ADR) program, amongst others to increase liquidity and attract new investors. The company's ADRs are traded on the London Stock Exchange (LSE) and on the OTCQX trading platform - the highest tier of the U.S. over-the-counter (OTC) market. **BNY Mellon** (United States) is the depositary bank for the ADR program. **ING Bank** (Netherlands) is the custodian of the program.[129]

Since 2008, RusHydro's capitalization increased four times. Funds generated from these issues have been used to finance the company's investment program. No banks have assisted RusHydro to issue these new shares.[130]

3.3.2 CURRENT SHAREHOLDERS

Shareholders are the largest financial stakeholders of RusHydro. The Russian Federation is the company's largest shareholder. As of June 30, 2012, the Russian Federation owns 60.5% of RusHydro's authorized capital, with the remaining 39.5% belonging to private and institutional investors inside and outside Russia.[131] In total, 10.45% of the company's shares are held by ADR owners, predominantly in the United States and the United Kingdom.[132]

Table 16 lists all institutional shareholders of RusHydro that ownat least 0.1% of the company's share capital. Together these shareholders own or manage 9.6% of the company's shares with a value of approximately US$ 660 million.[133]

Table 16 INSTITUTIONAL SHAREHOLDERS OF RUSHYDRO*

Shareholders	Country	% of all shares	Value (US$ million)	Filing date
Blackrock	United States	2.13	142.87	31-May - 30-Jun-12
Vanguard Group	United States	1.03	73.06	30-Jun-12
Tradewinds Global Investors, part of Nuveen Investments	United States	0.80	52.27	30-Nov-11 - 30-Jun-12
Government Pension Fund Global	Norway	0.61	53.20	31-Dec-11
Deutsche Bank	Germany	0.59	38.99	30-Jun-12
Van Eck Associates Corporation	United States	0.49	31.75	31-May-12
Pictet & Cie	Switzerland	0.46	45.38	30-Apr-12
Baring Asset Management, part of MassMutual Finance	United Kingdom	0.45	29.78	31-May - 30-Jun-12
Dimensional Fund Advisors	United States	0.43	28.16	30-Jun-12
SEB	Sweden	0.28	19.63	31-Dec-11 - 31-May-12
UBS	Switzerland	0.27	19.58	30-Jun-11 - 31-May-12
East Capital Asset Management	Sweden	0.25	26.63	31-Mar-12
Swedbank	Sweden	0.21	14.16	30-Jun-12
Lyxor Asset Management	France	0.20	13.44	30-Apr - 31-May-12
Canada Pension Plan Investment Board	Canada	0.17	18.00	31-Mar-12
Fidelity Investments	United States	0.14	9.28	30-Jun-12
Carnegie Fonder	Sweden	0.14	9.19	30-Jun-12
Deka Bank	Germany	0.12	10.58	31-Dec-11
FIM Corporation	Finland	0.10	10.65	30-Apr-12
Parametric Portfolio Associates, part of Eaton Vance	United States	0.10	6.83	31-May-12
HSBC	United Kingdom	0.10	6.61	31-Oct-11 - 30-Jun-12
Total		**9.64**	**660.04**	

*Including holders of American Repository Receipts (ADRs).
Source: ThomsonOne, "Share ownership", ThomsonOne Database, viewed August 2012;
Government Pension Fund Global, "Holding of equities at 31 December 2011", *Government Pension Fund Global*, 31 December 2011;
CPP Investment Board, "Foreign publically-traded equity holdings", *CPP Investment Board*, 31 March 2012.

3.3.3 POSSIBLE CHANGES IN RUSHYDRO'S SHAREHOLDING STRUCTURE

Two major changes could take place within the coming years which would change the shareholding structure of RusHydro:

In 2011 the Economic Development Ministry of the Russian Federation announced that it was willing to privatize some of its shares in RusHydro and dilute its stake in the company to 50% plus one share in 2012. However, in 2012 RusHydro proposed to begin the process of privatizing the government's stake no earlier than in 2015, because the company is still in the process of consolidating energy assets and restoring the Sayano-Shushenskaya hydro power plant (HPP), which was damaged by a flooding accident. A recent letter from Minister Sergei Shmatko sent to Economic Development Minister Elvira Nabiullina states that the Energy Ministry supports the company's arguments.[134] Therefore, it is expected that the stake sale will not take place within the next few years.

The Russian state-owned bank **VneshEkonomBank** (VEB) was expected to buy 11% of RusHydro shares for RUB 64 billion (US$ 1.9 billion) in the period 2012-2014.[135] This was announced by VEB's CEO Vladimir Dmitriyev in February 2012, with the purchase expected to be approved in April 2012. The proceeds would be used for the capital expenditure program of RusHydro. Upon completion of the deal VEB would sell RusHydro's shares.[136] However, in the same week the approval from VEB was expected, Russian media reported that RusHydro had scrapped the plan after Deputy Prime Minister Igor Sechin had urged indefinite postponement, with no detailed reasons given. RusHydro was cited as stating that it had cut two power stations from its investment program and that it could use funds from state-run **Sberbank**.[137]

3.4 DEBT

3.4.1 BANK LOANS

Research showed the following banks loans which were outstanding at the end of July 2009, or secured after this date:

In September 2006 RusHydro secured a loan package of RUB 6.3 billion (US$ 235.1 million) from the multilateral European Bank for Reconstruction and Development (EBRD) to finance a modernisation programme which will extend by at least a quarter of a century the life of nine power stations of the Volzhsko-Kamskiy Cascade hydropower plants. The EBRD guarantees the full loan, but has syndicated part of the loan to commercial banks. The loan package consists of the following tranches:[138]

RUB 2.30 billion (US$ 85.8 million) provided as a 14-year loan by the **EBRD** (multilateral);

RUB 3.15 billion (US$ 117.6 million) provided as a 10-year loan by:

Bank Austria Creditanstalt, part of **UniCredit**	Italy
Calyon, part of **Crédit Agricole**	France
Fortis Bank, now part of **BNP Paribas**	France
ING Bank	Netherlands
Standard Bank	South Africa

RUB 850 million (€ 25 million) provided as a 8-year loan by:

Citi	United States
Credit Suisse	Switzerland
Raiffeisen Zentralbank	Austria
Société Générale	France

In December 2006 RusHydro secured a loan from **Morgan Stanley** (United States) with a value of RUB 3.0 billion (US$ 113.6 million). This loan is due 2013. In addition, RusHydro secured another loan from Morgan Stanley in April 2007 with a value of RUB 1.5 billion (US$ 58.2 million). This loan is due 2014. The proceeds of both loans were used to fund the company's investment program.[139]

In 2008 RusHydro secured a RUB 1,198 million (US$ 51.5 million) loan from the municipal authority of the Kamchatka region. The proceeds were used to construct the Verhne-Mutnovskaya geothermal power plant (GeoPP). The maturity date of the loan is January 2035.[140]

In November 2011 RusHydro secured a RUB 40.0 billion (US$ 1.3 billion) two-year loan from **Sberbank** (Russia). The proceeds were used to finance the company's on-going operations and its investment program.[141]

In December 2011 RusHydro secured a RUB 8.0 billion (US$ 262.6 million) ten-year loan from the **EBRD** (multilateral). The proceeds were used to fund balance sheet optimisation of RusHydro's subsidiary in Russia's Far East region.[142]

In December 2011 RusHydro secured a € 130 million (US$ 168.3 million) loan from **UniCredit Bank Austria** (part of UniCredit Group, Italy). The 15-year facility is guaranteed by the export credit agency **Oesterreichische Kontrollbank** (Austria). UniCredit Bank Austria will make use of funding within OeKB's Export Financing Scheme. The proceeds are used to finance the overhaul of the Saratovskaya HPP under the contract with Voith Hydro (a joint venture between the German companies Voith and Siemens) concluded in June 2011. RusHydro and Voith Hydro plan to perform an overall modernization of the hydropower turbines of the Saratovskaya HPP within 10 years. According to the company, the focus will be on environmentally sound and fish-friendly technologies.[143]

3.4.2 Bond issues

The following bond issues which were outstanding at the end of July 2009, or secured after this date, could be found:

In July 2006 RusHydro issued five-year bonds with a total value of RUB 5 billion (US$ 184.9 million) on the Russian capital market. The issuance was managed by the following financial institutions:[144]

KIT Finance	Russia
Nomos Bank	Russia

Alemar	Russia

In February 2007 the Dutch financing subsidiary CF Structured Products B.V. issued six-year bonds with a total value of US$ 60 million on the international capital markets. The proceeds were used to provide a loan to RusHydro to finance the construction of the Cascade HPPs. The issuance was managed by **KIT Finance** (Russia).[145]

In October 2010 RusHydro Finance Ltd, a financing subsidiary of RusHydro based in Ireland, issued five-year bonds ("loan participation notes") with a value of RUB 20.0 billion (US$ 663.6 million). The bonds are due October 2015. The proceeds were used for general corporate purposes. The following financial institutions assisted RusHydro Finance Ltd to raise these bonds, all acting as joint bookrunners:[146]

Gazprombank	Russia
JP Morgan	United States
Troika Dialog	Russia

In April 2011 RusHydro issued ten-year bonds with a value of RUB 20.0 billion (US$ 705.9 million) on the Russian capital market. The bonds have an interest rate of 8.0%. The proceeds were used to refinance the bonds secured in July 2006 and to finance the company's investments. The following financial institutions assisted RusHydro to raise these bonds:[147]

Gazprombank	Joint bookrunner	Russia
VTB Capital	Joint bookrunner	Russia
Raiffeisen Zentralbank	Joint bookrunner	Austria
GlobexBank, part of **VEB**	Participant	Russia
IFC Metropol	Participant	Russia
Svyaz-Bank, part of VEB	**Participant**	**Russia**

3.4.3 BONDHOLDERS

A major holder of Rushydro bonds is the **EBRD**. Of the bonds issued by RusHydro Finance Ltd. in October 2010, the EBRD acquired bonds with a total value of RUB 4.5 billion (US$ 147.2 million).[148]

Table 17 provides an overview of some other bondholders of RusHydro which owned at least 0.1% of the company's bonds at the time of writing. Together, the value of the bonds owned or managed by these bondholders is US$ 47.4 million. As only 4.7% of the company's bondholders are known at this point in time, it is very likely that other private and individual investors own significant amounts of bonds.

Table 17 BONDHOLDERS OF RUSHYDRO

Bondholder	Country	% all bonds	Value (US$ million)	Filing date
Van Eck Associates Corporation	United States	1.60	18.50	15-Aug-12
T. Rowe Price	United States	0.77	8.97	30-Jun-11
Waddell & Reed Financial	United States	0.58	6.67	30-Jun-11
Union Investment, part of DZ Bank	Germany	0.35	4.11	31-Mar-12
Deutsche Bank	Germany	0.27	3.14	31-May-12
Pioneer Investments Austria, part of UniCredit	Italy	0.16	1.88	31-May-11
Deka Bank	Germany	0.13	1.50	30-Sep-11
Forward Management	United States	0.13	1.47	31-May-12
VTB Bank	Russia	0.10	1.13	30-Jun-12
	Total	**4.09**	**47.37**	

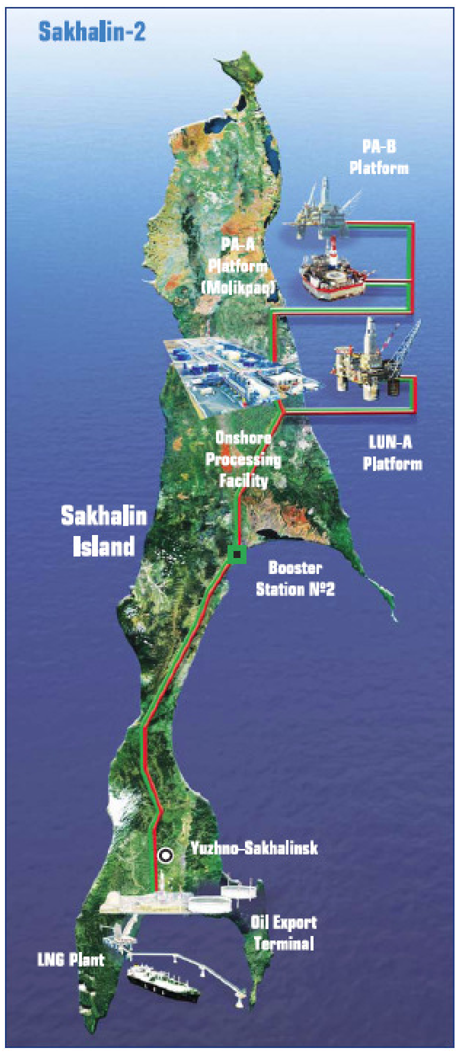
Source: Bloomberg Database, "Bond holdings", *Bloomberg Database*, viewed August 2012.

Chapter 4 SAKHALIN ENERGY INVESTMENT COMPANY CASE STUDY

4.1 SHORT PROFILE

Sakhalin Energy Investment Company (SEIC) develops and produces oil and gas in the Sakhalin II project. This project was developed in two phases: phase 1 involved first oil production from an offshore platform installed at the Piltun-Astokhskoye field in 1999, and phase 2 included the installation of two additional platforms, 300 kilometres of offshore pipelines connecting all three platforms to shore, more than 800 kilometres of onshore oil and gas pipelines, an onshore processing facility, an oil export terminal and Russia's first liquefied natural gas (LNG) plant. The project location is shown in Figure 7.[149]

Figure 7 SAKHALIN-2 PROJECT LOCATION

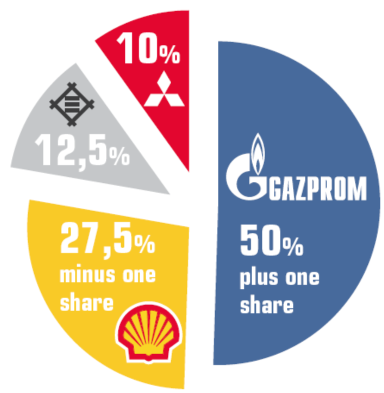


Source: Sakhalin Energy Investment Company, "Annual review 2009", *Sakhalin Energy Investment Company*, May 2010.

SEIC was founded in 1994 and is based in Yuzhno-Sakhalinsk, Russia. Initially, Anglo-Dutch energy company Royal Dutch Shell was the majority shareholder of the project. However, in December 2006 it was decided to bring Russian gas company Gazprom into the joint venture. Gazprom paid US$ 7.45 billion for a majority share in the project. Currently the shareholders of SEIC are:[150]

- Gazprom Sakhalin Holdings BV, part of Russian gas company Gazprom (50% + 1 share)
- Shell Sakhalin Holdings BV, part of Royal Dutch Shell (27.5% - 1 share)
- Mitsui Sakhalin Holdings BV, part of Japanese conglomerate Mitsui (12.5%)
- Diamond Gas Sakhalin, part of Japanese trading company Mitsubishi Corporation (10%)

Figure 8 **SHAREHOLDERS OF SAKHALIN ENERGY INVESTMENT COMPANY**



Source: Sakhalin Energy Investment Company, "Annual review 2009", *Sakhalin Energy Investment Company*, May 2010.

In 2010 SEIC generated revenues of US$ 6.1 billion and reported a net profit of US$ 2.3 billion.[151]

4.2 PRODUCTION AND EXPORTS

In 2010, oil production of SEIC equalled 6.1 million tonnes, compared to 5.5 million tonnes in 2009. The oil was delivered to buyers in Japan (33.9%), Korea (33.6%), China (24.8%), Taiwan (1.6%), Philippines (1.6%) and the United States (1.5%). Production of LNG reached 10 million tonnes and was exported to Japan (61.7%), South Korea (30.34%), Taiwan (4.49%), China (3.26%) and Kuwait (0.65%).[152]

4.3 FINANCING OF THE PROJECT

4.3.1 PROJECT COSTS

Initially the project costs of the second phase of the Sakhalin II project, approved in 2003, were put by Royal Dutch Shell at around US$ 10 billion. However, in July 2005 Royal Dutch Shell announced the costs had doubled to US$ 20 billion.[153] Currently, SEIC expects the total costs to be US$ 22.6 billion, including drilling activity until 2015.[154] Table 18 shows that in 2006, SEIC spent US$ 3.7 billion in capital expenditures. For 2007 and 2008 no figures are available, but in 2009 and 2010 capital expenditure was much lower (US$ 1.2 billion and US$ 530 million respectively).

Table 18 CAPITAL EXPENDITURES OF SEIC PER YEAR

Year	US$ million
2006	3,700
2007	?
2008	?
2009	1,200
2010	530

Source: Shell Sakhalin Holdings BV, "Annual Report 2006-2009", *Shell Sakhalin Holdings BV*, September 2007-2010.

4.3.2 CREDIT FACILITIES

The following finance has already been secured by SEIC for the project:

In June 2008 SEIC secured a project finance facility with a value of US$ 5.3 billion. The proceeds were used to finance the final stages of construction, testing and commissioning of the second phase of the Sakhalin II project. **Japan Bank for International Cooperation** (JBIC) provided US$ 3.7 billion of the loan facility.[155] A consortium of commercial banks provided the remaining US$ 1.6 billion. This consortium consists of the following banks:[156]

Bank of Tokyo-Mitsubishi UFJ	Japan
BNP Paribas	France
Credit Suisse	Switzerland
Mizuho Corporate Bank	Japan
Standard Chartered	United Kingdom
Sumitomo Mitsui Banking Corp	Japan

According to Bloomberg database, all banks except for Credit Suisse and Standard Chartered acted as joint bookrunners of the facility. While the amounts are undisclosed, it can be expected that the amounts committed by the bookrunners are slightly higher than the amounts committed by the participants.

The US$ 1.6 billion tranche provided by the international consortium matures in June 2013. The maturity date of the US$ 3.7 billion tranche was undisclosed.[157]

The first draw down of US$ 2.6 billion was made in July 2008, the second draw down of US$ 1.7 billion was made in December 2008, and the third draw down of US$ 1 billion was made in May 2009.[158]

In October 2009 SEIC secured another project finance facility, with a value of US$ 1.4 billion. The proceeds were used to finance the completion of the full scope of the second phase of the Sakhalin-II project, including the drilling programme.[159] The maturity of the loan is October 2021. The following banks participated in this facility, all acting as mandated arrangers:[160]

Bank of Tokyo-Mitsubishi UFJ	Japan
BNP Paribas	France
Mizuho Corporate Bank	Japan
Sumitomo Mitsui Banking Corp	Japan

The amounts committed by the different participants are undisclosed. Since all banks have the same role in the process, it can be expected that their commitments are equal.

In May 2010 SEIC secured a RUB 500 million (US$ 17.1 million) three-year loan from **Barclays** (United Kingdom). The proceeds were used for general corporate purposes.[161]

In addition, the following facility was secured by Gazprom to acquire its 50% + 1 share stake in SEIC:

In March 2007 Gazprom secured a US$ 5.45 billion term loan with a maturity date of September 2008. The proceeds were used to support the company's US$ 7.45 billion acquisition of a 50% + 1 share in SEIC, and for general corporate purposes. The following banks acted as arrangers of the facility:[162]

ABN AMRO	Netherlands
Morgan Stanley	United States
Société Générale	France

No other participants are mentioned. It is unknown if these three banks committed the whole amount of the loan or if there were other (undisclosed) participants.

In April 2007 Gazprom secured a US$ 2.0 billion term loan. The loan was split in two tranches: a US$ 1.0 billion tranche with a maturity date of April 2010 and a US$ 1.0 billion tranche with a maturity date of April 2012. The proceeds were used to support the company's US$ 7.45 billion acquisition of a 50% + 1 share in SEIC, and for general corporate purposes. The following banks participated in the syndicate:[163]

ABN-AMRO	Netherlands
AK Bank	Netherlands
Alpha Bank	Greece
Bank of Tokyo-Mitsubishi UFJ	Japan
Banque Misr	Egypt
Barclays	United Kingdom
BNP Paribas	France
Calyon, part of **Crédit Agricole**	France
Citi	United States
DnB NOR Bank	Norway
Fortis, now part of **BNP Paribas**	France
Intesa SanPaolo	Italy
Kommunalkredit	Austria
Landesbank Baden- Württemberg	Germany
Mega International Commercial Bank	Taiwan
Mizuho Corporate Bank	Japan
Morgan Stanley	United States
Société Générale	France
Sumitomo Mitsui Banking Corporation	Japan
Woori Financial Group	South Korea

ABN-AMRO, Société Générale and Intesa SanPaolo acted as arrangers of the facility. The remaining banks acted as participants. While the amounts are undisclosed, it can be expected that the amounts committed by the arrangers are higher than the amounts committed by the participants.

4.4 FUTURE OF THE PROJECT

In the initial years of the second phase of Sakhalin II, no oil or gas was produced and the joint venture partners had to invest their own money into the project. The largest amount of money was supplied by Royal Dutch Shell, through its subsidiary Shell Sakhalin Holdings. Funds were supplied by Royal Dutch Shell in the form of both debt and equity.[164] In 2007 Gazprom entered into the project and paid US$ 4.45 billion for its majority share, which was partly used to repay Royal Dutch Shell's investment in the project.

In 2008 and 2009, project finance for a total of US$ 6.7 billion (around 30% of the project costs) was raised by SEIC for the project. A large part of the proceeds of these facilities were paid in equity to the project partners. Future cash flows of SEIC from the Sakhalin II project are expected to repay the project finance facilities before 2021.

In the past two years, oil and gas production of the Sakhalin II project has increased. The income stream of the project has grown dramatically. It is therefore likely that further capital expenditure to be spent on the project, including new production platforms, will be largely financed by SEIC's own cash flow. In its 2009 annual report, Shell Sakhalin Holdings indicates that the capital expenditures for 2010 will be self-funded through cash generated by the company's operations.[165]

It is considered unlikely that SEIC will try to attract further project finance for further capital expenditure, as the project is in a mature stage and is now generating considerable cash flow. However, it should be borne in mind that in May 2010, Gazprom's Chief Financial Officer Andrei Kruglov hinted that Gazprom planned to use project finance in the near future to raise additional funds for the Sakhalin-II project.[166] To date no further project finance has been raised, neither by SEIC nor by any of its shareholders. However, given this announcement, it must not be ruled out that SEIC or one of its shareholders will seek to attract additional funds from banks. As such, continuing to monitor the financing strategies of SEIC is recommended.

Chapter 5 SBERBANK CASE STUDY

5.1 COMPANY PROFILE

Sberbank Group ("Sberbank"), made up of Sberbank and its subsidiaries, is the largest credit institution in Russia and the former Soviet Republics, accounting for 26% of aggregate Russian banking assets and 30% of banking capital. Sberbank is the biggest taker of deposits in the country and the key lender to the national economy.

Under its development strategy, the bank plans to generate about 5% of its net income outside Russia by 2014. Its international presence already includes subsidiary banks in Kazakhstan, Ukraine and Belarus, representative offices in Germany and China, and a branch in India. Other recent steps taken to diversify its business domestically and internationally include:

- At the end of 2011, a joint venture with Cetelem (part of BNP Paribas Group) was established;
- Also at the end of 2011, the company acquired 99.145% of the shares of SLB Commercial Bank AG (Switzerland);
- In January 2012, the bank completed its acquisition of Troika Dialog, a major Russian investment company;
- In February 2012, the bank acquired Volksbank International Group, a subsidiary of Austria's Oesterreichische Volksbanken AG banking group with branches in nine countries of Central and Eastern Europe;
- In June 2012, the bank signed an agreement for the acquisition of 99.85% of DenizBank. This was the largest acquisition in the bank's 170-year history, providing it with a leading position in the Turkish market.[167]

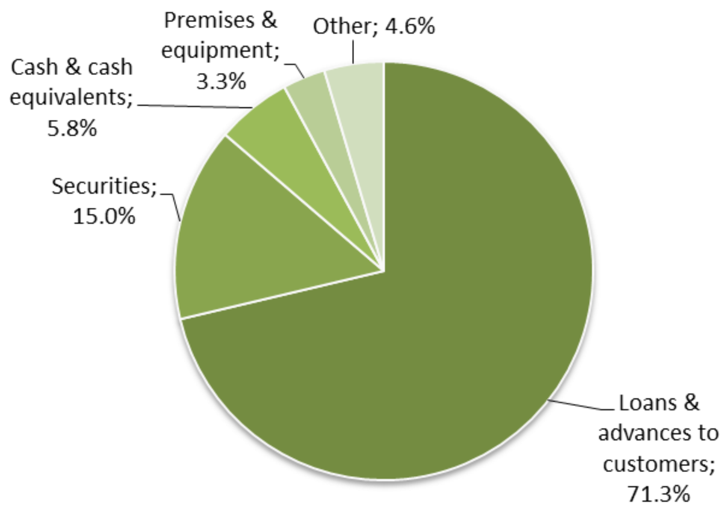
5.2 FINANCIAL STRUCTURE OF SBERBANK

Sberbank is a public company, with shares traded on the Russian stock market. Sberbank's principal shareholder is the state-owned Bank of Russia, which owns the majority of Sberbank's voting shares (60.25%). The remaining shares are held by more than 263,000 institutional and private investors.[168]

An American Depositary Receipt (ADR) programme was launched in June 2011, in order to facilitate access for foreign investors. ADRs are traded in London and Frankfurt. **Bank of New York Mellon** acted as depositary bank, **Sberbank of Russia** as the custodian. The maximum number of shares that can be traded abroad is up to 25% of the outstanding common shares.[169]

In 2011, Sberbank generated an operating income of RUB 744 billion (US$ 23.1 billion), resulting in a net profit of RUB 315.9 billion (US$ 9.8 billion). At the end of December 2011, the company owned total assets of RUB 10,835 billion (US$ 336.2 billion).[170] Figure 9 provides an overview of the structure of Sberbank's assets in recent years. With 71%, loans and advances to customers account for the largest share, followed by securities with 15%.

Figure 9 **STRUCTURE OF SBERBANK GROUP'S ASSETS 2011**



Source: Sberbank, "Annual Report 2011", *Sberbank*, June 2012.

In 2011, the equity and liability structure was broken down between the various financial stakeholders, as follows:

Shareholders	RUB 1,264.5 billion	11.7%
Bondholders	RUB 268.7 billion	2.6%
Joint venture partners	RUB 3.5 billion	0.0%
Banks	RUB 527.5 billion	4.8%
Corporate customers	RUB 2,205.8 billion	20.4%
Individuals	RUB 5,726.3 billion	52.8%
Tax agencies	RUB 21.2 billion	0.2%
Other creditors	RUB 812.6 billion	7.5%

With about 5%, Sberbank's dependency on bank loans is very small. The biggest stakeholders are individual and corporate customers of the bank with 53% and 20%, respectively, followed by shareholders with 12%.[171]

5.3 KEY OPERATIONS

Sberbank is active on the retail as well as the corporate market in Russia. Table 19 details the bank's market share in various financial services in Russia in 2011.

Table 19 SBERBANK MARKET SHARES IN FINANCIAL SERVICES IN RUSSIA

Financial service	Share in 2011 (%)
Corporate lending	32.9
Retail lending	32.0
Corporate accounts	14.5
Retail deposits	46.6

Source: Sberbank, "Annual Report 2011", *Sberbank*, June 2012.

5.3.1 RETAIL BUSINESS

In 2011, the bank provided retail loans with a total value of RUB 1,200 billion (US$ 38.2 billion), resulting in a retail loan portfolio of RUB 1,800 billion (US$ 56.0 billion). With a share of 32% it is the largest retail lender in Russia.

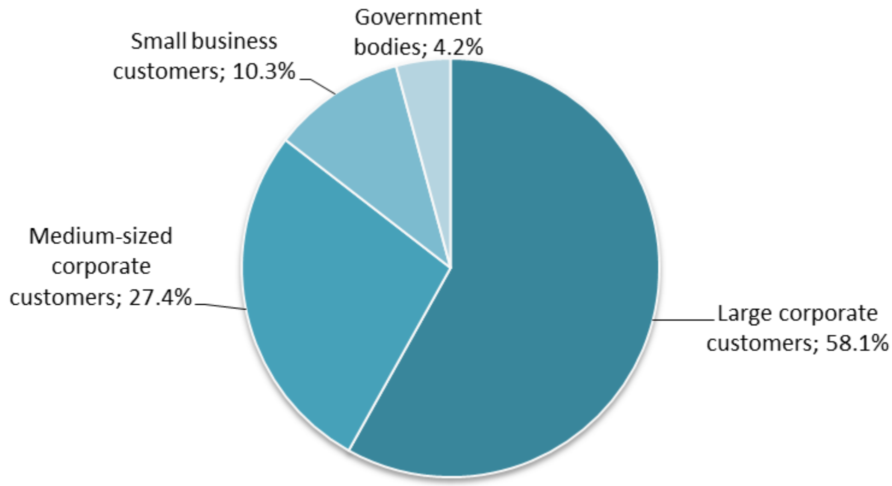
The bank's retail deposits totalled RUB 5,726 billion (US$ 177.7 billion) at the end of 2011, accounting for 47% of the Russian market.[172]

The huge difference between its retail deposits and its retail loans (almost RUB 4 trillion), gives Sberbank a very solid position on the corporate market. It can use this surplus, on which it pays a relatively low interest, to provide loans to Russian corporations.

5.3.2 CORPORATE BUSINESS

With 33% of the total corporate loan portfolio, the bank is a key investor in the Russian economy. Sberbank extended RUB 5.5 trillion (US$ 155.2 billion) to corporate borrowers in 2011, resulting in a total corporate loan portfolio of RUB 6.6 trillion (US$ 204.8 billion). With 58.1%, large corporate customers account for the majority of the corporate loan portfolio, followed by medium-sized business with 27.4%. Small business customers account for 10.3%, government bodies for 4.2%.[173]

Figure 10 SBERBANK CORPORATE LOAN PORTFOLIO BY CUSTOMER SEGMENT, 2011



Source: Sberbank, "Annual Report 2011", *Sberbank*, June 2012

Trade finance and documentary business, including import, export and domestic letters of credit, guarantees and trade finance transactions under bilateral agreements with foreign banks, exceeded RUB 1,000 billion (US$ 204.8 billion) in 2011.[174]

Surplus on its retail business (around RUB 4 trillion) funds about 60% of its corporate loan portfolio. Corporate deposits held by the bank, which totalled RUB 1,871 billion (US$ 58.1 billion) at the end of December 2011, make up much of the remainder. This minimises the bank's dependency on the capital markets to finance its corporate loans.

In 2011, Sberbank and Troika Dialog provided underwriting services for 65 bond-issues with a total value of about RUB 200 billion (US$ 6.2 billion). Sberbank and Troika Dialog achieved a 20% share in the placement of Rubel-denominated bonds, making them one of the top bond-issue arrangers on the Russian market in 2011.[175]

5.4 ACTIVITIES IN ECONOMIC SECTORS

5.4.1 LOAN PORTFOLIO

Table 20 gives an overview of Sberbank's loan portfolio by economic sector for the years 2009 to 2011. While personal lending forms the largest category, the services sector is the most important non-personal economic sector in 2011, accounting for 20% of lending, followed by trade with 14% and food and agriculture with 8%. The overall portfolio increased rapidly from US$ 180 billion in 2009 to US$ 260 billion in 2011, an increase of 44%.

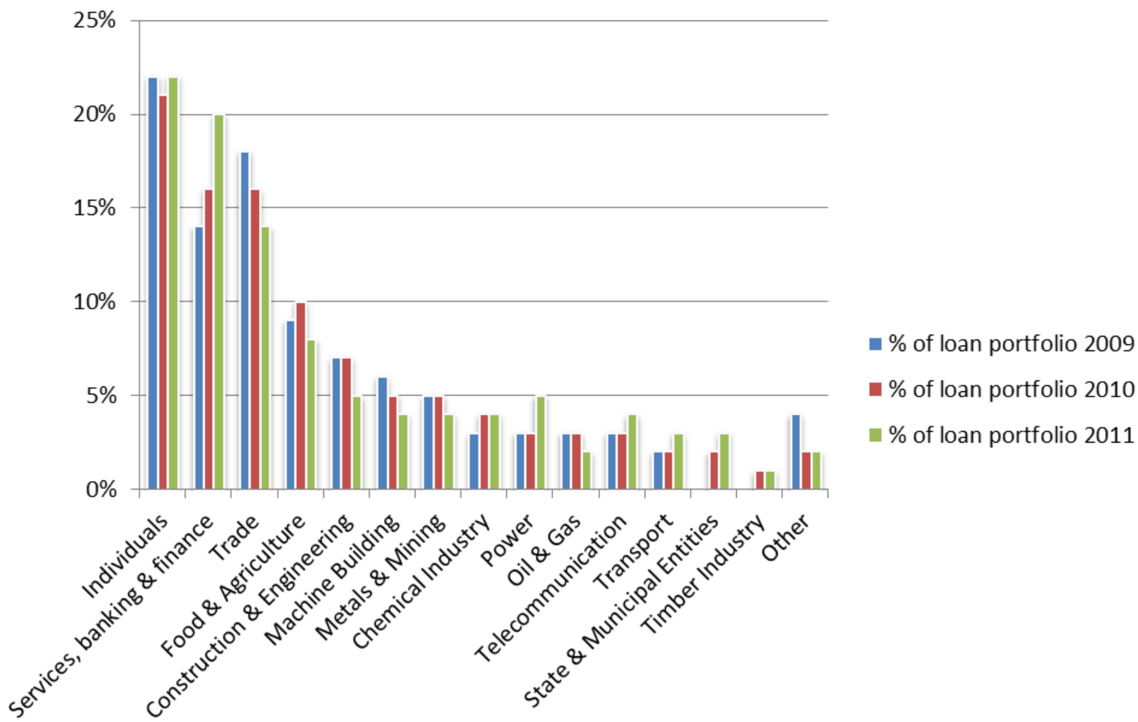
Table 20 SBERBANK LOAN PORTFOLIO BY ECONOMIC SECTOR, 2009 - 2011

Economic Sector	Amount 2009 (US$ billion)	% of loan portfolio 2009	Amount 2010 (US$ billion)	% of loan portfolio 2010	Amount 2011 (US$ billion)	% of loan portfolio 2011
Individuals	38.9	22%	43.2	21%	56.0	22%
Services, banking & finance	24.7	14%	32.8	16%	51.4	20%
Trade	31.7	18%	33.0	16%	35.2	14%
Food & Agriculture	16.9	9%	19.2	10%	21.8	8%
Construction & Engineering	13.5	7%	13.2	7%	14.0	5%
Machine Building	11.5	6%	10.4	5%	11.0	4%
Metals & Mining	9.0	5%	9.8	5%	9.3	4%
Chemical Industry	6.2	3%	7.1	4%	10.6	4%
Power	5.7	3%	6.8	3%	11.8	5%
Oil & Gas	5.2	3%	5.8	3%	5.1	2%
Telecommunication	5.4	3%	5.5	3%	10.3	4%
Transport	3.6	2%	4.8	2%	8.9	3%
State & Municipal Entities	n/a	n/a	5.0	2%	8.3	3%
Timber Industry	n/a	n/a	1.6	1%	1.6	1%
Other	7.5	4%	4.3	2%	4.7	2%
Total loans to customers	**179.8**	**100%**	**202.8**	**100%**	**260.1**	**100%**

Source: Sberbank, "Annual Report 2011", *Sberbank*, June 2012; Sberbank, "Annual Report 2010", *Sberbank*, June 2011.

As Figure 11 illustrates, the biggest gain over these three years can be observed for service-related activities, while the share of trade has decreased continuously.

Figure 11 COMPARISON OF SBERBANK LOAN PORTFOLIO SHARES BY SECTOR, 2009-2011



Source: Sberbank, "Annual Report 2011", *Sberbank*, June 2012; Sberbank, "Annual Report 2010", *Sberbank*, June 2011.

The relatively large portfolios of loans to the services and trade sectors are predominantly composed of a large number of loans to many small and mid-sized companies. The loan portfolios for other sectors are more concentrated with a few large companies. Among the ten largest borrowers of the group in 2011 were three telecommunication companies, two oil & gas companies, two power companies, one company from the machine building, metals and construction sector and one company from the services and finance sector. The latter two were the largest individual borrowers with 3.1% and 2.6% of the total loans, respectively.[176]

5.4.2 SECURITIES UNDERWRITING

As one of the functions performed by an investment bank, Sberbank regularly acts as underwriter of stock or bond issues.

- **Share underwriting**

No data could be found for the participation of Sberbank Group in underwriting share issues in 2009. For 2010, four underwritings in which Sberbank participated could be identified, and for 2011 three share underwritings were found. Figure 12 provides an overview of the shares of different economic sectors in the total number of share underwritings in which Sberbank participated, as well as the estimated value proportion of Sberbank's underwriting. It shows that Sberbank participated in three issues for the metals and mining sector, and one each for the food and agriculture (including agro-chemicals), construction and engineering, transport and oil & gas sectors.[177] Sberbank and Troika combined organised the ninth most share offerings in Russia in 2011.[178]

The value of Sberbank's participation in underwriting share issues has been estimated, due to a lack of detailed data. Its contribution was estimated based on whether it acted as bookrunner or as one of the other syndicate participants.[a] In Table 21 and Figure 12 these estimates are provided by economic sector and year.

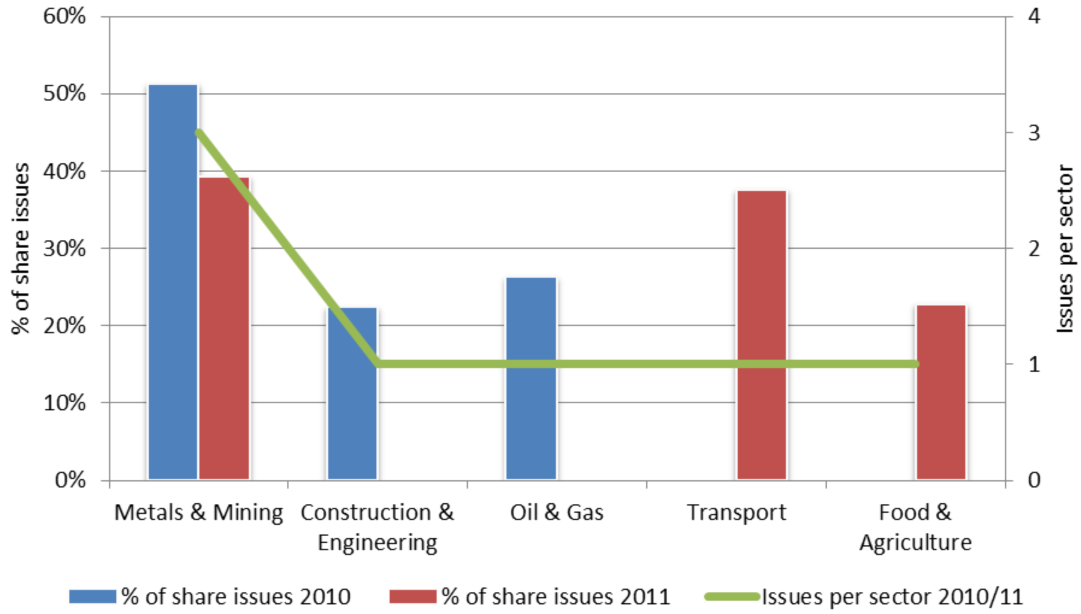
Table 21 ESTIMATED VALUE OF SBERBANK SHARE UNDERWRITING BY ECONOMIC SECTOR, 2009-2011

Economic sector	Sberbank underwriting 2010, estimate (US$ million)	% of Sberbank share underwriting, 2010	Sberbank underwriting 2011, estimate (US$ million)	% of Sberbank share underwriting, 2011
Metals & Mining	222	51%	140	39%
Construction & Engineering	97	22%	-	-
Oil & Gas	114	26%	-	-
Transport	-	-	134	38%
Food & Agriculture	-	-	81	23%
Estimated total	**433**	**100%**	**355**	**100%**

Source: ThomsonOne Database, "Screening & Analysis", ThomsonOne Database, viewed August 2012.

a In the case of share- and bond issuances, 75% of the total amount is committed by bookrunners and 25% by other participants of the syndicate.

Figure 12 **ESTIMATED VALUE PROPORTION AND NUMBER OF SBERBANK SHARE UNDERWRITINGS BY ECONOMIC SECTOR, 2009-2011**



Source: ThomsonOne Database, "Screening & Analysis", *ThomsonOne Database*, viewed August 2012.

Based on the small number of share underwritings that were found for 2010 and 2011, no trends in terms of a focus on specific economic sectors can be identified. Overall, metallurgy played the most important role in these two years, both in terms of number of underwritings in which Sberbank participated as well as with respect to the estimated value.

- **Bond underwriting**

In the three years from 2009 until 2011, 112 bond issues could be identified in which Sberbank or Troika Dialog participated, of which 20 took place in 2009, 27 in 2010 and 65 in 2011.[179] By far the most bond issues, about one third, were from the services sector, including banking and finance. 17% belonged to the metallurgy sector, while 16% of bond issues were related to state and municipal entities.

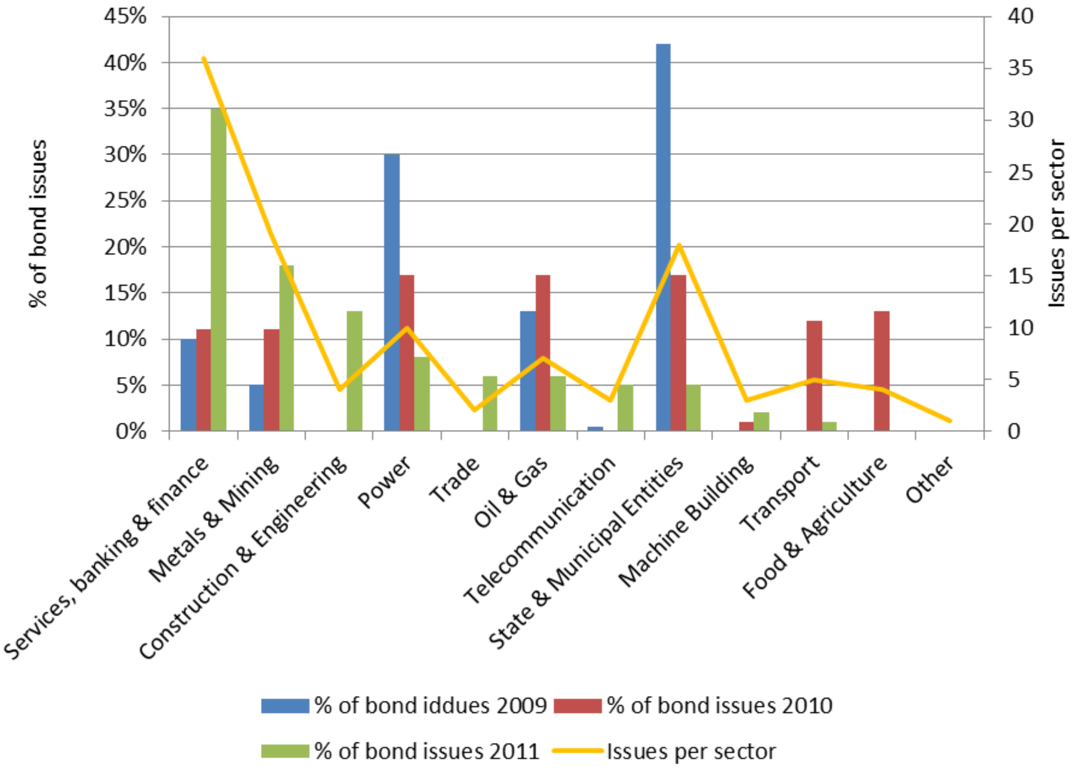
As with share issues, estimates were made for Sberbank's participation in underwriting bond issues, depending on whether it acted as bookrunner or as one of the other syndicate participants. In Table 22 and Figure 13 these estimates are provided by economic sector and year.

Table 22 ESTIMATED VALUE OF SBERBANK BOND UNDERWRITING BY ECONOMIC SECTOR, 2009-2011

Economic sector	Sberbank under-writing 2009, estimate (US$ million)	% of Sberbank bond under writing, 2009	Sberbank under-writing 2010, estimate (US$ million)	% of Sberbank bond under writing, 2010	Sberbank under-writing 2011, estimate (US$ million)	% of Sberbank bond under writing, 2011
Services (incl. banking & finance)	287	10%	284	11%	2,190	35%
Metallurgy	136	5%	302	11%	1,141	18%
Construction & Engineering	-	-	-	-	801	13%
Energy	855	30%	459	17%	526	8%
Trade	-	-	-	-	357	6%
Oil & Gas	382	13%	451	17%	349	6%
Telecommunication	14	-	-	-	341	5%
State & Municipal Entities	1,206	42%	460	17%	315	5%
Machine Building	-	-	21	1%	106	2%
Transport	-	-	330	12%	89	1%
Food & Agriculture	-	-	350	13%	18	0%
Other	-	-	-	-	13	0%
Estimated total	**2,880**		**2,657**	**100%**	**6,246**	**100%**

Source: ThomsonOne Database, "Screening & Analysis", *ThomsonOne Database*, viewed August 2012.

Figure 13 ESTIMATED VALUE PROPORTION AND NUMBER OF SBERBANK BOND UNDERWRITINGS BY ECONOMIC SECTOR, 2009-2011



Source: ThomsonOne Database, "Screening & Analysis", ThomsonOne Database, viewed August 2012.

With the number of bond underwritings significantly increasing in 2011, the key sectors for which Sberbank provided underwriting services in this year were the services & banking, metals & mining and construction & engineering sectors. The three sectors accounted for an estimated 66% of bond issues. The bank's engagement in bond issues by government entities and energy companies decreased significantly during these three years. The overall estimated engagement of the bank more than doubled from US$ 2.9 billion in 2009 to US$ 6.2 billion in 2011.

Chapter 6 BANK VTB CASE STUDY

6.1 COMPANY PROFILE

VTB Group, made up of VTB Bank and its subsidiaries ("VTB") is a leading Russian financial group, offering a wide range of banking services and products in Russia, CIS, Europe, Asia, Africa, and the United States.

Its Russian banking business is conducted through VTB Bank as a parent and its five subsidiary banks, including VTB24, Bank of Moscow, and TransCreditBank. VTB Capital is the group's investment business. VTB Bank obtained control over Bank of Moscow in 2011, after continuously increasing its stake to almost 95%. Its stake in TransCreditBank is almost 78%.[180]

In 2011, VTB generated an operating income of RUB 286.6 billion (US$ 8.9 billion), resulting in a net profit of RUB 90.5 billion (US$ 2.8 billion).

6.2 FINANCIAL STRUCTURE OF VTB BANK

6.2.1 LIABILITIES AND EQUITY

VTB is a public company, with shares in free float on the Russian and London stock market (global depositary receipts, or GDRs). VTB's principal shareholder is the Russian Federation, represented by the Federal Agency for State Property Management.

At the beginning of 2011, the State decreased its stake by 10%, holding 75.5% at the end of 2011. The stakes of foreign institutional investors holding GDRs almost doubled to reach 17% in 2011. In this offering, according to company information, Assicurazioni Generali (Italy), TPG Capital (United States) and the Chinese sovereign wealth fund China Investment Corporation (CIC) acquired significant amounts of VTB shares.[181] However, information available from financial databases shows other major shareholders, besides the Government of Russia, as detailed in Table 23.

Table 23 KEY SHAREHOLDERS OF VTB BANK

Investor	Country	% of total shares	Value (US$ million)	Filing date
Skagen AS	Norway	0.75%	139.01	30-Jun-2012
Vanguard Group, Inc.	United States	0.62%	114.22	30-Jun-2012
Baring Asset Management Ltd.	United Kingdom	0.38%	64.33	31-Jul-2012
Van Eck Associates Corporation	United States	0.29%	48.39	31-May-2012
DWS Investment GmbH	Germany	0.24%	44.90	30-Jun-2012
Assenagon Asset Management S.A.	Germany	0.22%	51.01	30-Nov-2011

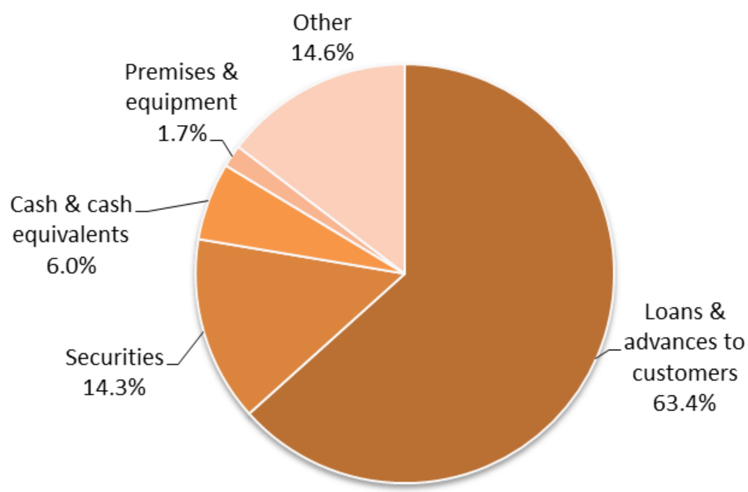
Investor	Country	% of total shares	Value (US$ million)	Filing date
BNP Paribas Investment Partners UK Limited	United Kingdom	0.21%	46.01	30-Apr-2012
HSBC Global Asset Management (UK) Limited	United Kingdom	0.17%	28.29	31-Jul-2012
Pictet Asset Management Ltd.	United Kingdom	0.12%	21.59	30-Jun-2012
Lyxor Asset Management	France	0.11%	20.39	30-Jun-2012
Nordea Investment Management (Denmark)	Denmark	0.10%	18.52	30-Jun-2012
Total		**3.21%**	**596.7**	

Source: ThomsonOne, "Share ownership", *ThomsonOne Database*, viewed August 2012.

6.2.2 ASSETS

At the end of December 2011, VTB owned total assets of RUB 6,789.6 billion (US$ 210.7 billion).[182] Figure 14 provides an overview of the structure of VTB's assets in 2011. With 63%, loans and advances to customers account for the largest share, followed by securities with 14.3%.

Figure 14 STRUCTURE OF THE VTB BANK'S ASSETS 2011



Source: VTB Bank, "Annual Report 2011", *VTB Bank*, July 2012.

In 2011, VTB's equity and liabilities were broken down as follows:[183]

Shareholders	RUB 603.5 billion	8.9%
Joint venture partners	RUB 21.6 billion	0.3%
Banks	RUB 940.8 billion	13.9%

Bonds	RUB 664.5 billion	9.8%
Customers	RUB 3,596.7 billion	53.0%
Tax agencies	RUB 10.0 billion	0.1%
Other creditors	RUB 952.5 billion	14.0%

Corporate and individual customers play by far the most important role with 53%. Bank loans play a much smaller role with 14%.

6.3 KEY OPERATIONS

VTB is active on the retail as well as the corporate market in Russia. Table 24 gives an overview of VTB's market shares in various financial services in Russia in 2011.

Table 24 VTB BANK'S MARKET SHARES IN VARIOUS FINANCIAL SERVICES IN RUSSIA

Financial service	Share in 2011 (%)
Corporate lending	18.7%
Corporate accounts	21.1%
Russian debt capital markets	26.1%
Russian Eurobonds	11.3%
Russian equity capital market	22.6%
M & A deals	14.6%
Retail lending	13.7%
Retail deposits	9.0%

Source: VTB Bank, "Annual Report 2012", *VTB Bank*, July 2012; AFX, "JSC VTB Bank - VTB Group announces its IFRS results for 2011", *AFX*, 25 April 2012.

6.3.1 RETAIL BUSINESS

In 2011, the bank provided retail loans with a total value of RUB 282.6 billion (US$ 8.8 billion), resulting in a retail loan portfolio of RUB 824.1 billion (US$ 25.6 billion) at the end of the year. With a market share of 13.7% in the Russian retail lending sector, an increase of 1.5% from the previous year, VTB was the second-largest player in this sector behind Sberbank.[184] It has to be noted that VTB reports loans to small businesses in its retail segment.

The bank's retail deposits totalled RUB 1,161.4 billion (US$ 36.0 billion) in 2011, accounting for 9% of the Russian market, an increase of 1.8% from the previous year.

Like Sberbank, VTB Bank has a surplus on its retail business which can be used to fund corporate loans. But the surplus (deposits minus loans) is much smaller in both absolute and relative terms, at around RUB 337 billion.

6.3.2 CORPORATE BUSINESS

VTB Group's investment banking business offers its corporate customers support for commercial transactions, organising debt and equity issuance, financial consulting in relation to capital markets and M&A transactions, development of direct investment business, and asset management.

With a market share of 18.7%, the bank is a key player in the Russian corporate loan sector. VTB´s corporate loan portfolio totalled RUB 3,800 billion (US$ 116.9 billion) at the end of 2011, an increase of RUB 1,200 billion (US$ 38.7 billion) from the previous year.

VTB Group is one of the few banks in the financial sector to offer long-term project financing in the Russian regions. In 2011, VTB funded several projects with the participation of Russian and CIS companies in various sectors of the economy.

Corporate deposits held by the bank totalled RUB 2.4 trillion (US$ 74.5 billion) at the end of December 2011, an increase of 66% from the previous year. This made VTB the number one in this sector in Russia, with a market share of 21.1%.

VTB Group is able to finance around 70% of its corporate loan portfolio (RUB 3,800 billion) with cheap internal funds: corporate deposits (RUB 2,400 billion) and the surplus on its retail business (RUB 337 billion). The other 30% has to be financed by more expensive loans from the capital market.

In terms of its global operations, VTB offers a full spectrum of trade operations in the debt and equity markets. VTB is a leading trader in the government and corporate bonds market on the Moscow Exchange and on over-the-counter markets, as well as the leading trader on the Russian fixed-income instruments market.[185]

VTB Capital took the top spot in Russian Debt Capital Markets and Russian Eurobonds rankings in 2011, carrying out 48 deals worth US$ 7.3 billion in domestic debt and 13 Eurobond issues of US$ 2.6 billion (apportioned values). This constitutes market share of 26.1% and 11.3%, respectively.[186]

In equity capital markets, VTB Capital was the highest-ranking bookrunner for Russia and CIS in 2011, performing nine transactions worth US$ 2.6 billion. This represents 22.6% of the Russian market and 21.6% of the CIS market. VTB Capital was also the leader among Eastern Europe equity capital market bookrunners with nine deals totalling US$ 2.8 billion.

VTB Capital is also ranked number one in Russian and CIS M&A deal volume, with a 14.6% market share in Russia and 12.7% in the CIS. During the year, VTB Capital took part in 20 deals totalling US$ 14.0 billion.[187]

6.4 ACTIVITIES IN ECONOMIC SECTORS

6.4.1 LOAN PORTFOLIO

The corporate loan portfolio of VTB reached RUB 3.8 trillion (US$ 117 billion) in 2011. Table 25 provides a breakdown of the loan portfolio by economic sector in the three years from 2009 to 2011. While individuals form the largest category, the banking and finance sector has been the most economic area in 2011, accounting for 13% of lending, followed by the construction sector with 12% and manufacturing with 10%.

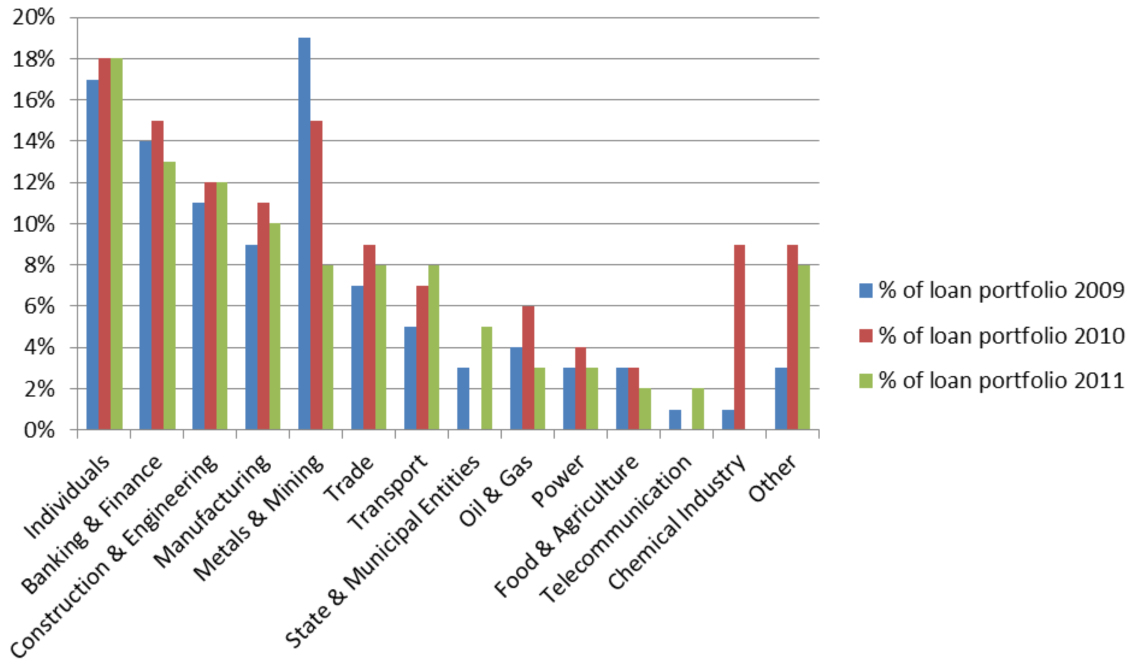
Table 25 VTB BANK LOAN PORTFOLIO BY ECONOMIC SECTOR, 2009 - 2011

Economic Sector	Amount 2009 (US$ billion)	% of loan portfolio 2009	Amount 2010 (US$ billion)	% of loan portfolio 2010	Amount 2011 (US$ billion)	% of loan portfolio 2011
Individuals	14.4	17%	17.7	18%	25.6	18%
Banking & Finance	11.9	14%	12.4	15%	18.6	13%
Construction & Engineering	9.2	11%	9.9	12%	17.1	12%
Manufacturing	7.3	9%	9.1	11%	14.3	10%
Metallurgy	13.8	16%	10.7	13%	11.4	8%
Trade	5.6	7%	7.4	9%	11.4	8%
Transport	4.7	5%	5.8	7%	11.4	8%
State & Municipal Entities	2.3	3%	n/a	n/a	7.1	5%
Oil & Gas	3.4	4%	4.9	6%	4.3	3%
Energy	2.9	3%	3.3	4%	4.3	3%
Food & Agriculture	2.4	3%	2.5	3%	2.9	2%
Telecommunication	0.6	1%	n/a	n/a	2.9	2%
Chemical Industry	0.9	1%	7.4	9%	n/a	n/a
Coal mining	2.4	3%	1.6	2%	n/a	n/a
Other	2.3	3%	7.4	9%	11.4	8%
Total loans to customers	**84.1**	**100%**	**100.2**	**100%**	**142.7**	**100%**

Source: VTB Bank, "Annual Report 2009", *VTB Bank*, July 2010; VTB Bank, "Annual Report 2010", *VTB Bank*, July 2011; VTB Bank, "Annual Report 2011", *VTB Bank*, July 2012; own calculations.

As Table 25 and Figure 15 illustrate, the biggest decrease in lending can be observed in the metallurgy sector and the chemical industry.

Figure 15 **COMPARISON OF VTB BANK LOAN PORTFOLIO SHARES BY SECTOR, 2009-2011**



Source: Source: VTB Bank, "Annual Report 2009", *VTB Bank*, July 2010; VTB Bank, "Annual Report 2010", *VTB Bank*, July 2011; VTB Bank, "Annual Report 2011", *VTB Bank*, July 2012; own calculations.

6.4.2 SECURITIES UNDERWRITING

As one of the functions performed by an investment bank, VTB regularly acts as an underwriter of stock or bond issues.

- **Share underwriting**

For the period from 2009 until 2011, data on 16 share issues with VTB involvement could be found. Services, banking & finance and metals & mining were most important with four issues each; food & agriculture and retailing each accounted for three underwritings.[188]

VTB´s participation in underwriting share issues had to be estimated due to a lack of detailed data. Its contribution was estimated based on whether it acted as bookrunner or as one of the other syndicate participants. In Table 26 and Figure 16 these estimations are provided by economic sector and year.

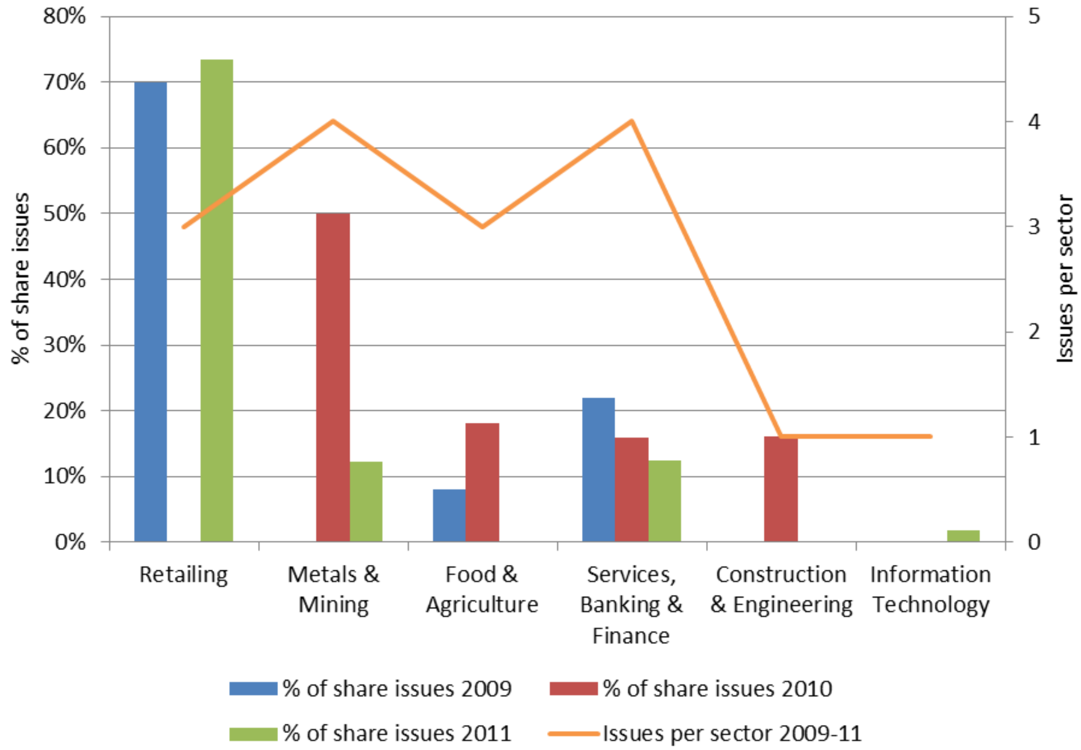
Table 26 ESTIMATED VALUE OF VTB SHARE UNDERWRITING BY ECONOMIC SECTOR, 2009-2011

Economic sector	VTB underwriting 2009, estimate (US$ million)	% of VTB share underwriting, 2009	VTB underwriting 2010, estimate (US$ million)	% of VTB share underwriting, 2010	VTB underwriting 2011, estimate (US$ million)	% of VTB share underwriting, 2011
Retailing	350	70%	-	-	792	74%
Metallurgy	-	0%	411	50%	132	12%
Food & Agriculture	40	8%	149	18%	-	-
Services, Banking & Finance	110	22%	131	16%	135	12%
Construction & Engineering	-	-	133	16%	-	-
Information Technology	-	-	-	-	19	2%
Grand Total	**500**	100%	**824**	100%	**1,078**	100%

Source: ThomsonOne Database, "Screening & Analysis", *ThomsonOne Database*, viewed August 2012.

Retailing takes a leading place in 2011, followed by metallurgy and services, banking & finance. Due to the small number of share underwritings it is not possible to identify a clear trend over the period analysed.

Figure 16 ESTIMATED VALUE PROPORTION AND NUMBER OF VTB SHARE UNDERWRITINGS BY ECONOMIC SECTOR, 2009-2011



Source: ThomsonOne Database, "Screening & Analysis", *ThomsonOne Database*, viewed August 2012.

- **Bond underwriting**

In the three years from 2009 until 2011, 161 bond issues could be identified in which VTB participated, of which 55 took place in 2009, 32 in 2010 and 74 in 2011.[189] By far the largest proportion of bonds, 41%, fall under the service, banking and finance sector. With 16%, state and municipal entities follow, and metallurgy with 12%.

As with share issues, estimates were made for VTB's participation in underwriting bond issues, depending on whether it acted as bookrunner or as one of the other syndicate participants. In Table 27 and Figure 17 these estimates are provided by economic sector and year.

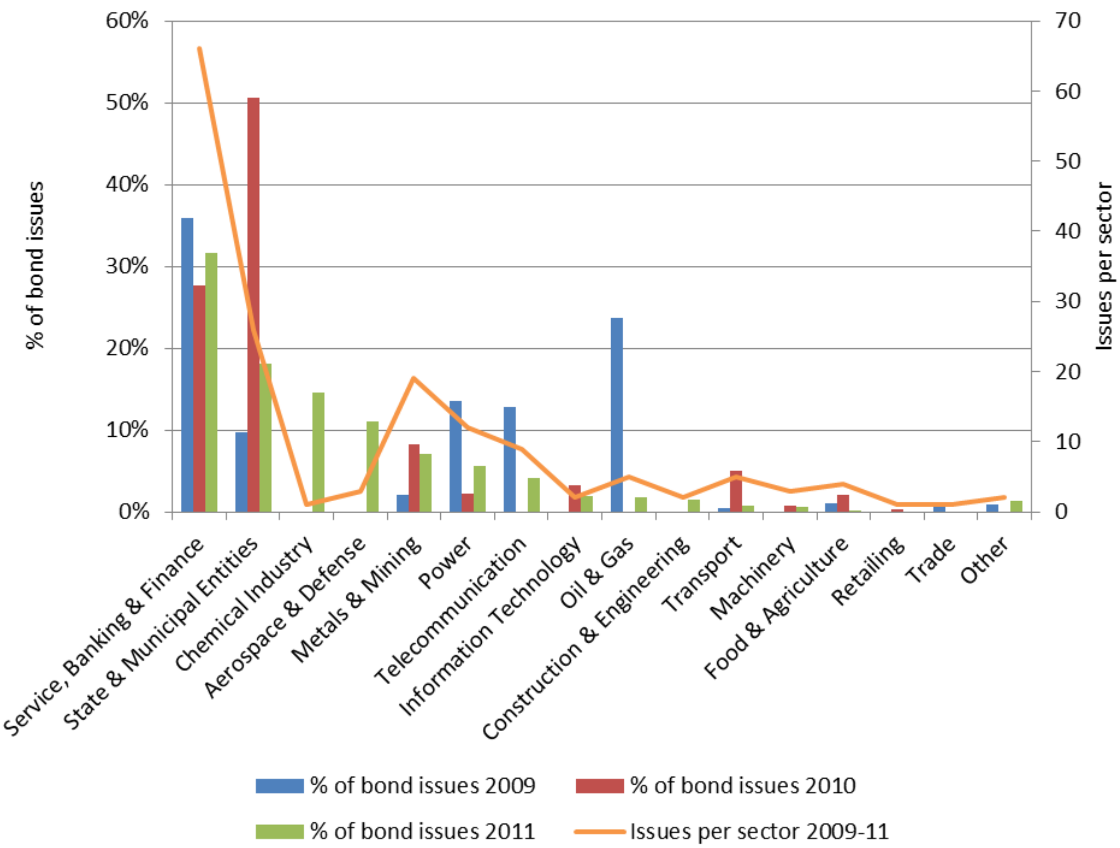
Table 27 ESTIMATED VALUE OF VTB BOND UNDERWRITING BY ECONOMIC SECTOR, 2009-2011

Economic sector	VTB underwriting 2009, estimate (US$ million)	% of VTB bond under-writing, 2009	VTB underwriting 2010, estimate (US$ million)	% of VTB bond under-writing, 2010	VTB underwriting 2011, estimate (US$ million)	% of VTB bond under-writing, 2011
Service, Banking & Finance	3,866	36%	1,443	28%	3,745	32%
State & Municipal Entities	1,037	10%	2,641	51%	2,147	18%
Chemical Industry	-	-	-	-	1,718	15%
Aerospace & Defense	-	-	-	-	1,298	11%
Metallurgy	216	2%	428	8%	836	7%
Energy	1,459	14%	112	2%	657	6%
Telecommunication	1,384	13%	-	-	483	4%
Information Technology	-	-	171	3%	225	2%
Oil & Gas	2,547	24%	-	-	203	2%
Construction & Engineering	-	-	-	-	169	1%
Transport	40	-	264	5%	89	1%
Machinery	-	-	38	1%	77	1%
Food & Agriculture	112	1%	105	2%	17	-
Retailing	-	-	12	0%	-	-
Trade	97	1%	-	-	-	-
Other	97	1%	-	-	163	1%
Estimated total	**10,758**	**100%**	**5,214**	**100%**	**11,828**	**100%**

Source: ThomsonOne Database, "Screening & Analysis", ThomsonOne Database, viewed August 2012.

There is substantial fluctuation over these three years, both in terms of total amounts underwritten per sector as well as in the share per sector. Figure 17 illustrates the development of the value share of the VTB engagement in different sectors.

Figure 17 ESTIMATED VALUE PROPORTION AND NUMBER OF VTB BOND UNDERWRITING BY ECONOMIC SECTOR, 2009-2011



Source: ThomsonOne Database, "Screening & Analysis", ThomsonOne Database, viewed August 2012.

The total value of VTB bond underwritings significantly increased in 2011 from the previous year; the key sectors in 2011 were services and banking, government institutions and the chemical industry. These three sectors accounted for an estimated 64% of the total value. At the same time the share of the bank's engagement in bond issues for state and municipal entities, in the oil and gas sector, energy and telecommunication decreased during these three years. Based on the available data, the overall estimated engagement of the bank halved in 2010, but returned to 2009 levels in 2011.

Chapter 7 CONCLUSIONS

The objective of this report was to research the involvement of Russian banks and other financiers in sensitive industrial sectors in Russia. These are, somewhat generic, as the choice of campaign targets will always be strongly influenced by the specific campaigning topic, the industry and the company chosen. However, we hope that the findings will provide pointers to identifying suitable, influential targets for campaigning activities, as well as an example of the criteria that can be applied in other regions and industries.

When comparing the structure and financing trends in the four industrial sectors – coal mining, oil and gas, pulp and paper, and gold mining – significant differences between the sectors can be identified. While the coal mining and oil and gas sectors are dominated by Russian companies, international companies show a greater involvement in gold mining and pulp and paper. Gold mining is the least consolidated of the four sectors, with many smaller players involved. In contrast, that other three industries are each dominated by a few large companies.

Table 28 summarises the average share of different financial stakeholders in three of the four sectors. (Pulp and paper could not be included due to a lack of information.) Shareholders are on average the most important group of financial stakeholders, especially in the oil and gas industry with 79% and gold mining with 84%. Banks are the next most important group of financiers on average, and the most in the coal mining sector, while joint venture partners and bond-holders each contribute less than 10% of the finance in each sector.

Table 28 ROLE OF DIFFERENT FINANCIAL STAKEHOLDERS IN RUSSIAN INDUSTRIAL SECTORS (AVERAGE 2009-11)

Sector	Shareholders (weighted Average, %)	Joint venture partners (weighted average, %)	Bondholders (weighted average, %)	Bank loans (weighted average, %)
Coal mining	33%	7%	7%	54%
Oil & gas	79%	3%	7%	11%
Gold mining	84%	3%	5%	8%

Table 29 summarises the findings on the types of shareholders which dominate the three industry sectors which could be analysed in detail. This shows the significant role played by the Russian State in the oil and gas sector. Russian businessmen and other majority shareholders are dominant in the coal mining sector and also have a considerable role in gold mining as well as in the pulp and paper sector.

Table 29 TYPES OF SHAREHOLDERS IN RUSSIAN INDUSTRIAL SECTORS (AVERAGE 2009-11)

Sector	State (weighted average, %)	Private (weighted average, %)	Russian businessmen / majority shareholders (weighted average, %)
Coal mining	0%	23%	77%
Oil & gas	37%	46%	16%
Gold mining	0%	63%	37%

Table 30 summarizes the findings on the types of banks providing loans to companies in these three sectors. Foreign banks are particularly important in the gold mining and coal sectors, where they account for 78% and 65% of bank finance, respectively. The share taken by Russian banks varies between 22% and 33% in these three sectors. The role of multilateral development banks in oil and gas should be interpreted with caution, as the percentage is influenced by a large export facility provided to one company in particular (Rosneft, provided by China Development Bank). Overall these institutions play a minor role, but may be effective targets on a case-by-case basis.

Table 30 TYPES OF BANKS FINANCING RUSSIAN INDUSTRIAL SECTORS (AVERAGE 2009-11)

Sector	Russian banks (weighted average, %)	Foreign banks (weighted average, %)	Multilateral development banks (weighted average, %)
Coal mining	33%	65%	2%
Oil & gas	31%	50%	19%
Gold mining	22%	78%	0%

From a campaigning point of view, private shareholders - be it domestic or foreign - seem the most attractive target. These include for example also pension funds and other institutional investors. Foreign banks are also stakeholders with considerable influence on the industry players.

Targeting the Russian businessmen who hold considerable, if often opaque, stakes in coal, gold mining and pulp and paper does not seem feasible. However, international joint venture partners or parent companies can present an effective campaigning target as they may be more sensitive to media coverage on controversial activities abroad. These can again be influenced via their shareholders as they are predominantly public companies.

A comparison of two large power companies, EuroSibEnergo and RusHydro, shows remarkable differences in their financial structure which also have an influence when choosing the most influential stakeholders to achieve campaigning objectives. While shareholders play only a small role in EuroSibEnergo, providing 8% of the company's finance, they are very important for RusHydro, accounting for about 61%.

For EuroSibEnergo, banks are the most important financiers with 47%, with foreign as well as Russian banks providing loans during the last three years. EuroSibEnergo is controlled by private company En+ Group, which in turn is closely tied to Russian businessman Oleg Deripaska.

In contrast, the Russian state is the largest shareholder of RusHydro, although several domestic and foreign private and institutional investors also hold significant shareholdings. Based on these findings campaigns would have to target different stakeholders in these two companies: for EuroSibEnergo foreign and domestic banks seem most feasible, while RusHydro could also be approached via investors.

Sakhalin Energy Investment is majority-owned by Russia Gazprom, while Anglo-Dutch oil company Shell also holds a considerable share. The remainder is divided between two Japanese stakeholders. This would suggest institutional shareholders in Gazprom or Shell as targets, as well as banks that have financial relations with the company directly.

Looking at the two largest Russian banks, both Sberbank and VTB Bank are majority-owned by the Russian State – Sberbank via the 60.25% stake owned by the state-owned Bank of Russia, and VTB via a 75.5% stake owned by the Federal Agency for State Property Management. The remaining shares are in both cases held by a variety of domestic and foreign private and institutional investors.

Remarkably, both banks, and particularly Sberbank, have a significant surplus on their retail business, which they can use to provide loans to Russian corporations at relatively low interest rates. Key industrial sectors for the financing activities of both banks include - besides the dominant services, banking and finance sector - metals and mining, and to a lesser extent power generation and oil and gas.

REFERENCES

1 Verein der Kohlenimporteure, “Annual Reports 2010 and 2011”, *Verein der Kohlenimporteure*, September 2010-2011; World Coal Association, “Coal Statistics”, *Website World Coal Association (www.worldcoal.org/resources/coal-statistics/)*, viewed August 2012.

2 Verein der Kohlenimporteure, “Annual Report 2011: Facts and trends 2010/2011”, *Verein der Kohlenimporteure*, September 2011.

3 Butenko, A., “Future of Coal in Russia”, *SUEK*, March 2011.

4 SUEK, "Consolidated annual financial statements for the year ended 31 December 2010", *SUEK*, February 2011;
SUEK, "Consolidated annual financial statements for the year ended 31 December 2011", *SUEK*, February 2012.

5 KRU, "ГОДОВОЙ ОТЧЕТ Открытого акционерного общества «Угольная компания «Кузбассразрезуголь» за 2011 год", *KRU*, July 2012;
KRU, "Баланс ОАО УК КРУ 2010г Баланс ОАО УК КРУ 2010г", KRU, March 2011.

6 Mechel, "Form 20F 2011", *Mechel*, May 2012; Verein der Kohlenimporteure, "Annual Report 2010", *Verein der Kohlenimporteure*, September 2010.

7 SBU Coal, "Годовой отчет за 2011 год", *SBU Coal*, March 2012;
"Предприятия ХК «СДС-Уголь» с начала года добыли 20 млн. тонн угля", *SBU Coal*, 30 November 2011;
SBU Coal, "ХК «СДС-Уголь» подвела итоги работы в 2010 году", *SBU Coal*, 15 February 2011;
SBU Coal, "Компания «СДС-Уголь» подвела итоги работы в 2009 году", *SBU Coal*, 19 January 2010.

8 En+ Group, ""Building the bridge between Russia and North-East Asia", *En+ Group*, 23 November 2010;
VostSibUgol, "ОАО «ЕвроСибЭнерго» подводит итоги работы в 2011 году", *VostSibUgol*, 1 June 2012.

9 Butenko, A., “Future of Coal in Russia”, *SUEK*, March 2011;
Metcoal.ru, " Sibuglemet plans to increase coal output by 3.5 per cent", *Metcoal.ru*, 3 March 2011.

10 EVRAZ, "Annual Report and Accounts 2011", *EVRAZ*, April 2012.

11 Severstal, “Vorkutaugol”, *Website Severstal (www.severstal.com/eng/businesses/resources/coal_mining/vorkutaugol/)*, viewed August 2012.

12 OAO Raspadskaya, "Consolidated financial statements for the years ended 31 December 2011, 2010 and 2009", *OAO Raspadskaya*, March 2012;
Raspadskaya, "Raspadskaya reports preliminary operating results for 4Q2011 and FY2011", *Raspadskaya*, 13 January 2012;
Raspadskaya, "Raspadskaya reports preliminary operating results for 4Q2010 and FY2010", *Raspadskaya*, 13 January 2011;
Raspadskaya, "Subsidiaries", *Website Raspadskaya (www.raspadskaya.com/company/collieries/)*, viewed August 2012.

13 Forbes, “Alexey Mordashov”, *Website Forbes (www.forbes.com/profile/alexey-mordashov/)*, viewed August 2012.

14 En+ Group, “VTB Capital Acquired a 4.35% Stake in En+ Group”, *En+ Group*, 19 July 2011.

15 SUEK, “Share Capital”, *Website SUEK (www.suek.ru/en/page.php?id=332)*, viewed August 2012.

16 Mechel, “Mechel, "Form 20F 2011", *Mechel*, May 2012

17 Uralsib Corporation, "A LA CARTE COAL: ATTRACTIVE 2ND-TIER COAL EXPOSURE", *Uralsib Corporation*, 28 May 2008;
Bloomberg, "Equity Holdings", *Bloomberg Database*, viewed August 2012;
CentreInvest Group, "Coal Company Kuzbassrazrezugol (KRU)", *CentreInvest Group*, 7 November 2005.

18 Forbes, "Mikhail Fedyaev", *Website Forbes (www.forbes.com/profile/mikhail-fedyaev/)*, viewed August 2012;
Reuters, "UPDATE 2-SUEK buys 24.9 pct of Murmansk port", *Reuters*, 22 February 2012;
Forbes, "Vladimir Gridin & family", *Website Forbes (www.forbes.com/profile/vladimir-gridin/)*, viewed August 2012.

19 EVRAZ, "Annual Report and Accounts 2011", *EVRAZ*, April 2012.

20 Severstal, "Consolidated Financial Statements for the years ended December 31, 2011, 2010 and 2009", *Severstal*, April 2012.

21 OAO Raspadskaya, "Consolidated financial statements for the years ended 31 December 2011, 2010 and 2009", *OAO Raspadskaya*, March 2012.

22 En+ Group, "En+ Group Announces 2011 Results", *En+ Group*, 7 June 2012.

23 Forbes, "Anatoly Skurov", *Website Forbes (*www.forbes.com/profile/anatoly-skurov/), viewed August 2012;
Sibuglemet, "Management", *Website Sibuglemet (*www.sibuglemet.ru/management_en.html*)*, viewed August 2012.

24 ThomsonOne, "Deals & League Tables", *ThomsonOne Database*, viewed August 2012.

25 Surgutneftegas, "Annual Report 2011", *Surgutneftegas*, June 2012.

26 Blagov, S., "Russian gas export plans face reality check", *Eurasia Daily Monitor*, Vol. 9 (37), 22 February 2012 (www.jamestown.org/programs/edm/single/?tx_ttnews%5Btt_news%5D=39042&cHash=fdbf75f5de3f92e5d3afb32fdf2bc07c), viewed August 2012;
European Commission, "Energy from abroad", *Website European Commission Directorate General for Energy* (ec.europa.eu/energy/international/russia/russia_en.htm), viewed August 2012.

27 Kramer, A.E., "Novatek May Break Russian Gas Export Monopoly", *The New York Times*, 18 July 2012 (www.nytimes.com/2012/07/19/business/global/novatek-may-break-gazprom-monopoly-on-russian-gas-exports.html), viewed August 2012.

28 Gazprom, "Annual Report 2011", *Gazprom*, 2012.

29 Rosneft, "Q4 and 12M 2011 US GAAP Financial Results", *Rosneft*, 7 February 2012.

30 Lukoil, "Annual Report 2011", *Lukoil*, 2012; Lukoil, "Annual Report 2010", *Lukoil*, 2011;
Lukoil, "Annual Report 2009", *Lukoil*, 2010; Lukoil, "Gas production", *Website Lukoil* (www.lukoil.com/static_6_5id_256_.html), viewed August 2012.

31 TNK-BP, "Annual Report 2011", *TNK-BP*, 2012; TNK-BP, "Annual Report 2010", *TNK-BP*, 2011; TNK-BP, "Annual Report 2009", *TNK-BP*, 2010.

32 Surgutneftegas, "Annual Report 2011", *Surgutneftegas*, June 2012; Surgutneftegas, "Annual Report 2010", *Surgutneftegas*, June 2011.

33 Gazprom Neft, "Annual Report 2011", *Gazprom Neft*, February 2012.

34 Novatek, "Production", *Website Novatek* (novatek.ru/en/business/production/), viewed August 2012;
Novatek, "Annual Report 2011", *Novatek*, 2012.

35 Otkritie Capital, "Surgutneftegas: Ten years of mystery. Time to celebrate?", *Otkritie Capital*, 6 December 2011.

36 Gazprom, "Annual Report 2011", *Gazprom*, 2012.

37 Rosneft, "Annual Report 2011", *Rosneft*, Feburary 2012.

38 Lukoil, “Annual Report 2011”, *Lukoil*, May 2012.

39 TNK-BP, “Annual Report 2011”, *TNK-BP*, 2012;
AAR, “Advisory Board”, *Website AAR* (www.aar.ru/en/), viewed August 2012.

40 Surgutneftegas, “Annual Report 2011”, *Surgutneftegas*, June 2012;
Hermitage Capital Management, “Surgutneftegaz minority shareholders file appeal in treasury share Dispute to the Supreme Arbitration Court of Russia”, *Press Release Hermitage Capital Management*, 14 January 2005;
Bierman, S., “Surgut revealed as best Russian oil with sleepy $28 billion secret: Energy”, *Bloomberg*, 2 March 2012.

41 Gazprom Neft, “Annual Report 2011”, *Gazprom Neft*, February 2012.

42 Novatek, “Annual Report 2011”, *Novatek*, 2012;
ThomsonOne, “Share Ownership”, *ThomsonOne Database*, viewed August 2012.

43 ThomsonOne, “Deals & League Tables”, *ThomsonOne Database*, viewed August 2012.

44 Valois, M., “Paper, paperboard and woodpulp markets, 2011-2012*”, UNECE/FAO Forest Products Annual Market Review*, 2011-2012.

45 FAO, “ForesStat”, *FAO* (faostat.fao.org/site/626/DesktopDefault.aspx?PageID=626#ancor), viewed August 2012.

46 ICEM, “World Congress of the Pulp & Paper Industries”, *ICEM*, Piriápolis, Uruguay, 2008

47 FAO, “ForesStat”, *FAO* (faostat.fao.org/site/626/DesktopDefault.aspx?PageID=626#ancor), viewed August 2012.

48 Valois, M., “Paper, paperboard and woodpulp markets, 2011-2012*”, UNECE/FAO Forest Products Annual Market Review*, 2011-2012;
Panibratov, A., “Russian multinationals: From Regional supremacy to global lead”, *Routledge Contemporary Russia and Eastern Europe Series*, New York, 2012.

49 Panibratov, A., “Russian multinationals: From Regional supremacy to global lead”, *Routledge Contemporary Russia and Eastern Europe Series*, New York, 2012.

50 Ilim Group, “Ilim Group Manufactures over 2.6 Million Tons of P&P Products in 2011”, *Press Release Ilim Group*, 7 February 2012;
Ilim Group, “Ilim Group produced 2,470,000 tons of pulp and paper products in 2010”, *Press Release Ilim GroupGroup*, 1 February 2011;
Ilim Group, “Ilim Group reports on its 2009 manufacturing performance”, *Press Release Ilim Group*, 16 February 2010.

51 Pulp & Paper International, “Arkhangelsk Pulp and Paper Mill to invest in new NSSC pulp line in Russia”, *Pulp & Paper International*, November 2011 (www.ppimagazine.com/ppiissue/201111?pg=8#pg8), viewed August 2012.

52 Mondi Group, “Annual Report 2011”, *Mondi Group*, 2012;
Mondi Group, “Annual Report 2010”, *Mondi Group*, 2011;
Mondi Group, “Annual Report 2009”, *Mondi Group*, 2010.

53 Kondopoga, “Annual Report 2011”, *Kondopoga*, April 2012.

54 Segezha Pulp & Paper, “Company”, *Website Segezha Pulp & Paper* (www.scbk.ru/e_company.html), viewed August 2012.

55 Pulp & Paper International, “IP to invest in new power station at Svetogorsk mill in Russia”, *Pulp & Paper International*, 24 November 2010..

56 Volga Paper, “History of the company”, *Website Volga Paper* (volga-paper.ru/eng/enterprise/about_the_enterprise/history_of_the_enterprise/), viewed August 2012.

57 Pulp & Paper International, “Solikamskbumprom taps Metso for roll wrapping unit”, *Pulp & Paper International*, 14 July 2010;
Solikamskbumprom, “Paper Production”, *Website Solikamskbumprom* (www.solbum.ru/eng/production/tech/production_paper.php), viewed August 2012.
58 FAO, “ForesStat”, *FAO* (faostat.fao.org/site/626/DesktopDefault.aspx?PageID=626#ancor), viewed August 2012.
59 International Paper, “International Paper, Ilim Complete Formation of 50:50 Joint Venture”, *Press Release International Paper*, 5 October 2007;
Highbeam Business, “Ilim pays shareholders $240 mln in 2010-2011”, *Russia & CIS Business and Financial Newswire*, 10 May 2012.
60 Format Trend, “Russische Milliardäre in Österreich”, *Website Format Trend*, 7 November 2011 (www.format.at/articles/1145/525/311307/russische-milliardaere-oesterreich), viewed August 2012;
Belarusian Universal Commodity Exchange, “Austria’s Pulp Mill Holding makes buyout offer to Arkhangelsk mill”, *Website Belarusian Universal Commodity Exchange*, 27 December 2010 (www.butb.by/engl/index.php?page=49&date=2010-12-27&id=26438), viewed August 2012;
ThomsonOne, “Share Ownership”, *ThomsonOne Database* viewed August 2012.
61 Mondi Group, “Annual Report 2011”, *Mondi Group*, 2012;
62 ThomsonOne, “Share ownership”, *ThomsonOne Database*, viewed August 2012;
Butrin, D., “Timber Industry 1991-2000”, *Website Kommersant*, 29 January 2002 (www.kommersant.com/tree.asp?rubric=3&node=43&doc_id=307741), viewed August 2012;
EUWID Pulp & Paper, “Republic of Karelia to sell stake in Kondopoga”, *Website EUWID Pulp & Paper* (www.euwid-paper.com/news/singlenews/Artikel/republic-of-karelia-to-sell-stake-in-kondopoga.html), viewed August 2012.
63 Belarusian Universal Commodity Exchange, “Bank of Moscow ups share in Investlesprom to 23.4% from 19.9%”, *Website Belarusian Universal Commodity Exchange*, 2 April 2012 (www.butb.by/engl/index.php?page=49&date=2012-04-02&id=30803), viewed August 2012;
Investlesprom, “Leading Russian Integrated Forestry Company”, *Investlesprom*, 10 June 2009 (www.scbk.ru/portal/component/option,com_docman/task,doc_view/gid,631/), viewed August 2012.
64 Russian Forest Information Service, ”Cyprian offshore decreased its ownership in Volga paper mill by 1.5%”, *WhatWood.ru*, May 2012 (http://www.idanmetsatieto.info/fi/document.cfm?doc=show&doc_id=1653), viewed August 2012.
65 Bloomberg, “Equity Screening”, *Bloomberg Database*, viewed August 2012.
66 Borodin, A., “Statement by Andrei Borodin, Founder of the Bank of Moscow, on the Situation in Segezha”, *Website Andrei Borodin*, 31 January 2012 (http://www.andrey-borodin.com/2012/01/31/segezha/), viewed August 2012.
Deloitte, “Industry Updates: Survival of the fittest”, *Deloitte*, 9-15 February 2009 (http://www.deloitte.com/assets/Dcom-Russia/Local%20Assets/Documents/ru_en_IU_160209.pdf), viewed August 2012.
67 Business Support Bureau Runa, “OAO Kondopoga received a loan of 35 mln USD”, *Website Runa*, 2011 (en.runa.info/content/view/841/39/), viewed August 2012.
68 Russia Briefing, "Russian Gold Production Increases, but Fails to Meet Expectations", *Russia Briefing*, 6 February 2012;
Auriant Mining, "The International Gold Industry", *Website Auriant Mining (www.auriant.se/eng/gold_indus/international_gold_mining_industry/)*, viewed August 2012.
69 Auriant Mining, “The Russian gold industry”, *Website Auriant Mining (www.auriant.se/eng/gold_indus/russian_gold_industry/)*, viewed August 2012.

70 Auriant Mining, “The Russian gold industry”, *Website Auriant Mining (www.auriant.se/eng/gold_indus/russian_gold_industry/)*, viewed August 2012.

71 Polyus Gold International, “Annual Report 2011”, *Polyus Gold International*, March 2012.

72 Kinross Gold, “Annual Reports 2010-2011”, *Kinross Gold*, March 2011-2012.

73 Petropavlovsk, “Annual Report 2011”, *Petropavlovsk*, April 2012.

74 Polymetal, “Operations”, *Website Polymetal (www.polymetal.ru/en/249)*, viewed August 2012;
Polymetal, “Annual Report 2009-2011”, *Polymetal*, August 2010-2012.

75 High River Gold Mines, “Corporate presentation”, *High River Gold Mines Ltd*, May 2012;
High River Gold Mines, “High River Gold Reports 2010 Results”, *High River Gold Mines*, 31 March 2011.

76 Highland Gold Mining, “Annual Report 2009-2011”, *Highland Gold* Mining, May 2010-2012.

77 Reuters, “Russian miner Yuzhuralzoloto revives IPO plans – report”, *Reuters*, 19 January 2012.

78 GV Gold, “Annual Report 2011”, *GV Gold*, June 2012; GV Gold, “GV Gold Group of Companies (OJSC “Vysochaishy”) Summarized Preliminary Results of Its Financial and Productive Activity in 2010”, *GV Gold*, 15 February 2011.

79 Highland Gold Mining, “Share structure and key shareholders”, *Website Highland Gold Mining (www.highlandgold.com/investor/sharestructure.aspx)*, viewed August 2012;
GV Gold, “Annual Report 2011”, *GV Gold*, June 2012;
ThomsonOne, “Share ownership”, *ThomsonOne Database*, viewed August 2012.

80 EBRD, “EBRD invests over 1.5 billion roubles in Russian gold mine”, *EBRD*, 31 August 2011; EBRD, “EBRD sells equity stake in Canadian group mining gold in Russia”, *EBRD*, 24 April 2007.

81 IFC, “Summary of Project Information (SPI)”, *Website IFC (www.ifc.org/ifcext/spiwebsite1.nsf/ProjectDisplay/SPI23864)*, viewed August 2012.

82 Bloomberg, “Equity Holdings”, *Bloomberg Database*, viewed August 2012.

83 Polyus Gold, “Ownership Structure”, *Website Polyus Gold (www.polyusgold.com/investors/shares/ownership_structure/Private)*, viewed August 2012;
Polyus Gold, “Exchange Offer by Kazakhgold Group Limited”, *Polyus Gold*, August 2010; Rowley, E., “Polyus Gold woos London investors”, *The Telegraph*, 8 July 2012.

84 Bloomberg, “Equity Holdings”, *Bloomberg Database*, viewed August 2012.

85 Bloomberg, “Equity Holdings”, *Bloomberg Database*, viewed August 2012; Petropavlovsk, “Share Register Information”, *Website Petropavlovsk (www.petropavlovsk.net/en/share-register-information.html)*, viewed August 2012.

86 Polymetal, “Financial Statements 2011”, *Polymetal*, April 2012; Polymetal, “History”, *Website Polymetal (www.polymetalinternational.com/about-us/history.aspx)*, viewed August 2012.

87 Bloomberg, “Equity Holdings”, *Bloomberg Database*, viewed August 2012;
Keevil, M., “Russian billionaire aims for full control of High River Gold”, *The Northern Miner*, 13 August 2012.

88 Highland Gold Mining, “Annual Reports & Accounts 2011”, *Highland Gold Mining*, May 2012;
Highland Gold Mining, “Share structure and key shareholders”, *Website Highland Gold Mining (www.highlandgold.com/investor/sharestructure.aspx)*, viewed August 2012.

89 Russia & CIS Metals and Mining Weekly, “Interfax Russia & CIS Metals and Mining Weekly”, *Russia & CIS Metals and Mining Weekly*, 14 July 2011.

90 GV Gold, “Annual Report 2011”, *GV Gold*, June 2012.

91 ThomsonOne, “Deals & League Tables”, *ThomsonOne Database*, viewed August 2012.

92 En+ Group, “EurSibEnergo”, *Website En+ Group* (enplus.ru/en/portfolio/enirgetics/esen/), viewed August 2012.

93 Basic Element, “Company”, *Website Basic Element* (www.basel.ru/en/about/), viewed August 2012.

94 Forbes, “The world’s billionaires: Oleg Daripaska”, *Website Forbes*, March 2012 (www.forbes.com/profile/oleg-deripaska/), viewed in Augsut 2012.
95 EuroSibEnergo, “About us”, *Website EuroSibEnergy* (www.eurosib.ru/en/about/), viewed August 2012.
96 EuroSibEnergo, “About us”, *Website EuroSibEnergy* (www.eurosib.ru/en/about/), viewed August 2012.
97 En+ Group, “En+ Group Announces 2011 Results”, *Press release En+ Group*, 7 June 2012 (enplus.ru/en/press/press/201206/results_2011/), viewed August 2012.
98 En+ Group, “EurSibEnergo”, *Website En+ Group* (enplus.ru/en/portfolio/enirgetics/esen/), viewed August 2012.
99 En+ Group, “About us”, *Website En+ Group* (enplus.ru/en/about/), viewed August 2012.
100 Irkutskenergo, “OAO EuroSibEnergo summarizes operating results for 2011”, *Website Irkutsenergo* (en.irkutskenergo.ru/news/2651.html), viewed August 2012.
101 EuroSibEnergo, “Consolidated statement of financial position”, *EuroSibEnergo*, 31 December 2010.
102 EuroSibEnergo, “Consolidated statement of financial position”, *EuroSibEnergo*, 31 December 2010.
103 ThomsonOne, “Share ownership”, *ThomsonOne Database*, viewed August 2012.
104 En+ Group, “About us”, *Website En+ Group* (enplus.ru/en/about/), viewed August 2012.
105 International Financing Review, “IFR comments”, *International Financing Review*, 652/19; ThomsonOne, “Tearsheet 2163639022”, *ThomsonOne Database*, no date.
106 Reuters, “EuroSibEnergo delays $1 bln HK IPO”, *Reuters*, 24 February 2011.
107 International Financing Review, “IFR comments”, *International Financing Review*, 652/19; ThomsonOne, “Tearsheet 2163639022”, *ThomsonOne Database*, no date.
108 International Financing Review, “IFR comments”, *International Financing Review*, 652/19; ThomsonOne, “Tearsheet 2163639022”, *ThomsonOne Database*, no date.
109 En+ Group, “En+ Group Announces 2011 Results”, *Press release En+ Group*, 7 June 2012 (enplus.ru/en/press/press/201206/results_2011/), viewed August 2012.
110 The Moscow Times, “VTB Gains En+ Stake for $500M”, *The Moscow Times*, 20 July 2011 (www.themoscowtimes.com/business/article/vtb-gains-en-stake-for-500m/440795.html), viewed August 2012.
111 ThomsonOne, “Tearsheet 2313507115”, *ThomsonOne Database*, 15 January 2008;
Bloomberg, “Loan Finder”, *Bloomberg Database*, viewed August 2012;
En+ Group, “En+ Group Completes US$750m Syndicated Loan”, *Press release En+ Group*, 12 February 2008 (www.enplus.ru/en/press/press/200802/pr_12_02_08/), viewed August 2008.
112 ThomsonOne, “Tearsheet 2544651115”, *ThomsonOne Database*, 19 January 2010;
Basic Element, “En+ Group refinancing completed”, *Website Basic Element*, 28 January 2010 (www.basel.ru/en/structure/enplus/2010/ennews_28_01_2010/), viewed August 2012.
113 Reuters, “Deripaska's En+ Group gets $900 mln VTB loan”, *Website Reuters*, 8 November 2010 (www.reuters.com/article/2010/11/08/deripaska-loan-idUSLDE6A71NZ20101108), viewed August 2012; Bloomberg
114 En+ Group, “En+ Group Announces 2011 Results”, *Press release En+ Group*, 7 June 2012 (enplus.ru/en/press/press/201206/results_2011/), viewed August 2012;
En+ Group, “En+ Group and Export-Import Bank of China Sign US$5bln Cooperation Agreement for development of mining and power projects”, *Press release En+ Group*, 16 June 2012;
Global Trade Review News, “En+ Group and China Exim ink agreement”, *Global Trade Review News*, 20 June 2011.
115 SviazBank, “Sviaz-Bank sets a loan limit of 1.8 billion rubles for enterprises of EuroSibEnergo OJSC”, *Press release SviazBank*, 12 January 2012 (sviaz-bank.ru/eng/news/1649.html), viewed August 2012.
116 Thorne, A., “Former LDV owner wins time to deal with debt mountain”, *Birmingham Post*, 30 July 2009.

117 Reuters, "Deripaska's En+ Group gets $900 mln VTB loan", *Website Reuters*, 8 November 2010 (www.reuters.com/article/2010/11/08/deripaska-loan-idUSLDE6A71NZ20101108), viewed August 2012; Bloomberg, "Loan finder", *Bloomberg Database*, viewed August 2012.

118 International Financing Review, "Comments on En+ Group restructuring", *International Financing Review*, 9 January 2010.

119 Basic Element, "En+ Group refinancing completed", *Website Basic Element*, 28 January 2010 (www.basel.ru/en/structure/enplus/2010/ennews_28_01_2010/), viewed August 2012.

120 International Financing Review, "Comments on En+ Group restructuring", *International Financing Review*, 9 January 2010.

121 ThomsonOne, "Share Ownership", *ThomsonOne Database*, viewed August 2012;
Irkutskenergo, "Annual Report 2010", *Irkutskenergo*, 2011.

122 ThomsonOne Database, "Tearsheet 2402533096", *ThomsonOne Database*, 8 April 2011.

123 RusHydro, "Company", *Website RusHydro* (www.eng.rushydro.ru/company), viewed August 2012.

124 RusHydro, "Annual Report 2011", *RusHydro*, July 2012.

125 RusHydro, "Annual Report 2011", *RusHydro*, July 2012.

126 RusHydro, "Annual Financial Report 2011", *RusHydro*, July 2012.

127 RusHydro, Consolidated Financial Statements as at and for the year ended 31 December 2011", *RusHydro*, July 2012.

128 RusHydro, "Annual Report 2011", *RusHydro*, 2011;
RusHydro, "Company", *Website RusHydro* (www.eng.rushydro.ru/company), viewed August 2012.

129 RusHydro, "Annual Financial Report 2011", *RusHydro*, July 2012;
ThomsonOne, "Advanced Search", *ThomsonOne Database*, viewed August 2012.

130 RusHydro, "Annual Financial Report 2011", *RusHydro*, July 2012;
ThomsonOne, "Advanced Search", *ThomsonOne Databas,* viewed August 2012.

131 RusHydro, "Company", *Website RusHydro* (www.eng.rushydro.ru/company), viewed August 2012.

132 RusHydro, "Annual Financial Report 2011", *RusHydro*, July 2012.

133 ThomsonOne, "Share Ownership", *ThomsonOne Database*, viewed August 2012.

134 Russia & CIS Business & Investment Weekly, "RusHydro seeks to put off privatization at least until 2015, Energy Ministry agrees", *Russia & CIS Business & Investment Weekly*, 17 February 2012; Russia Today, "VEB to inject RUB 64bn in RusHydro for 11% stake", *Russia Today*, 18 January 2012.

135 Russia Today, "VEB to inject RUB 64bn in RusHydro for 11% stake", *Russia Today*, 18 January 2012.

136 VTB, "Securities markets newsletter", *VTB*, 24 February 2012 (m.vtb.ru/upload/iblock/751/Custody_Newsletter_20120224.pdf), viewed August 2012.

137 Bloomberg, "RusHydro Won't Sell VEB $2.1 Billion of Shares, Kommersant Says", *Website Bloomberg*, 4 April 2012 (www.bloomberg.com/news/2012-04-04/rushydro-won-t-sell-veb-2-1-billion-of-shares-kommersant-says.html), viewed August 2012.

138 HydroOGK, "6.3 billion rouble loan for renewable energy in Russia - Nine international banks join EBRD in funding". *HydroOGK*, 8 September 2006.

139 RusHydro, "Annual Report 2007", *RusHydro*, August 2008;
RusHydro, "Admission to Listing on the Official List and to Trading on the London Stock Exchange of Global Depositary Receipts and American Depositary Receipts", *RusHydro*, July 2009 (www.russianipo.com/prospectus_files/RusHydro_Prospectus__English_version_.pdf), viewed August 2012.

140 RusHydro, "Admission to Listing on the Official List and to Trading on the London Stock Exchange of Global Depositary Receipts and American Depositary Receipts", *RusHydro*, July 2009 (www.russianipo.com/prospectus_files/RusHydro_Prospectus__English_version_.pdf), viewed August 2012.

141 RusHydro, "RusHydro Raised RUR 40 Bln from Sberbank", *RusHydro*, 22 November 2011 (www.eng.rushydro.ru/press/news/16199.html), viewed August 2012;
Bloomberg, "Loan finder", *Bloomberg Database*, viewed August 2012.

142 RusHydro, "RusHydro Secures RUR 8 bln Financing from EBRD for RAO ES of East", *RusHydro*, 8 December 2011 (www.eng.rushydro.ru/press/news/16302.html), viewed August 2012;
Bloomberg, "Loan finder", *Bloomberg Financial Database*, viewed August 2012;
EBRD, "EBRD offers long-term funding solution for Russia's RusHydro", *EBRD*, 8 December 2011, (www.ebrd.com/pages/news/press/2011/111208.shtml), viewed August 2012.

143 RusHydro, "RusHydro Secures Financing from UniCredit Bank Austria", *RusHydro*, 16 December 2011 (www.eng.rushydro.ru/press/news/16334.html), viewed August 2012;
RusHydro, "RusHydro Secures Financing from UniCredit Bank Austria", *Press release RusHydro*, 16 December 2012 (www.eng.rushydro.ru/press/news/16334.html), viewed August 2012.

144 HydroOGK, "HydroOGK Bonds Now Traded in the Secondary Market", *Press release HydroOGK*, Moscow, 31 August 2006.

145 Euroweek, "Rosneft rumours help keep Russian pipeline swelling", *Euroweek - Issue: 991*, 16 February 2007;
CF Structured Products B.V., "USD60,000,000 Loan Participation Notes Due 15 February 2013 Series 2007-1", *CF Structured Products B.V*, February 2007 (data.cbonds.info/emissions/7005/GES_Pricing_Supplement.pdf), viewed August 2012;
RusHydro, "Annual Report 2009", *RusHydro*, June 2010.

146 RusHydro Finance Ltd, "Prospectus: 7.875 per cent. Loan participation Notes due 2015", *RusHydro Finance Ltd*, 27 October 2010;
Bloomberg, "Corporates by ticker", *Bloomberg Database*, viewed March 2012;
ThomsonOne, "Tearsheet 2232182006", *ThomsonOne Database*, 21 October 2010.

147 RusHydro, "RusHydro Placed RUR 10 Billion Bond Issue", *RusHydro*, 25 April 2011 (www.eng.rushydro.ru/press/news/14470.html), viewed August 2012;
ThomsonOne, "Tearsheet 2382360096", *ThomsonOne Database*, 11 April 2011.

148 EBRD, "EBRD invests 3.66 billion roubles in 7-year Russian corporate bond", *EBRD*, 1 November 2010, (www.ebrd.com/pages/news/press/2010/101101.shtml), viewed August 2012.

149 Sakhalin Energy, "Sakhalin-2 project - recent key milestones", *Website Sakhalin Energy (http://www.sakhalinenergy.com/en/ataglance.asp?p=aag_main&s=1)*, viewed August 2011.

150 Sakhalin Energy, "About us", *Website Sakhalin Energy (http://www.sakhalinenergy.com/en/aboutus.asp)*, viewed August 2011.

151 Russia & CIS Energy Daily, "Sakhalin Energy posts net profit $2of .26 bln in 2010", *Russia & CIS Energy Daily*, 19 July 2011.

152 Sakhalin Energy Investment Company, "Annual review 2010", *Sakhalin Energy Investment Company*, May 2011.

153 Sakhalin Energy, "Annual Review 2005", *Sakhalin Energy*, 2006, available at http://www.sakhalinenergy.com/en/documents/Sakhalin05_Eng.pdf

154 Shell Sakhalin Holdings BV, "Annual Report 2009", *Shell Sakhalin Holdings BV*, September 2010.

155 Sakhalin Energy, “Sakhalin Energy secures $5.3 billion in largest Russian project finance deal”, *Sakhalin Energy*, 16 June 2008, available at http://www.sakhalinenergy.com/en/media.asp?p=media_page&itmID=247; JBIC, “JBIC Signs Loan Agreement for Sakhalin II (Phase 2) Project”, *JBIC*, 16 June 2011, available at http://www.jbic.go.jp/en/about/press/2008/0616-01/index.html

156 Bloomberg, “Loan finder”, *Bloomberg Database*, viewed August 2011; Shell Sakhalin Holdings BV, “Annual Report 2008”, *Shell Sakhalin Holdings BV*, December 2009.

157 Bloomberg, “Loan finder”, *Bloomberg Database*, viewed August 2011.

158 Shell Sakhalin Holdings BV, “Annual Report 2008”, *Shell Sakhalin Holdings BV*, December 2009.

159 Sakhalin Energy, “Sakhalin-2 project - recent key milestones”, *Website Sakhalin Energy (http://www.sakhalinenergy.com/en/ataglance.asp?p=aag_main&s=1)*, viewed August 2011; Shell Sakhalin Holdings BV, “Annual Report 2009”, *Shell Sakhalin Holdings BV*, September 2010.

160 ThomsonOne, “Tearsheet 2517216115”, *ThomsonOne Database*, 8 October 2009.

161 Bloomberg Database, “Loan finder”, *Bloomberg Database*, viewed August 2011.

162 ThomsonOne, “Tearsheet 2228561115”, *ThomsonOne Database*, 27 March 2007; Bloomberg, “Loan finder”, *Bloomberg Database*, viewed August 2011.

163 ThomsonOne, “Tearsheet 2219348115 and 2219348115”, *ThomsonOne Database*, 5 April 2007; Bloomberg, “Loan finder”, *Bloomberg Database*, viewed August 2011.

164 Shell Sakhalin Holdings BV, “Annual Report 2007”, *Shell Sakhalin Holdings BV*, September 2008.

165 Shell Sakhalin Holdings BV, “Annual Report 2009”, *Shell Sakhalin Holdings BV*, September 2010.

166 Prime-Tass English-language Business Newswire, “Gazprom to use project finance for several large-scale projects”, *Prime-Tass English-language Business Newswire*, 5 May 2010.

167 Sberbank, “Sberbank Today”, *Website Sberbank* (www.sbrf.ru/en/about/bank_today/), viewed August 2012.

168 Sberbank, “Annual Report 2011”, *Sberbank*, June 2012.

169 Sberbank, “Sberbank of Russia announces SEC registration of ADR Level 1”, *Press release Sberbank*, 28 June 2011 (sbrf.ru/en/presscenter/all/index.php?id114=11011332), viewed August 2012; Reuters, “Russia Sberbank ADRs to trade on LSE, Deutsche Borse”, *Reuters*, 30 June 2011 (http://uk.reuters.com/article/2011/06/30/sberbank-adr-idUKLDE75T06I20110630), viewed August 2012.

170 Sberbank, “Annual Report 2011”, *Sberbank*, June 2012.

171 Sberbank, “Annual Report 2011”, *Sberbank*, June 2012.

172 Sberbank, “Annual Report 2011”, *Sberbank*, June 2012.

173 Sberbank, “Annual Report 2011”, *Sberbank*, June 2012.

174 Sberbank, “Annual Report 2011”, *Sberbank*, June 2012.

175 Sberbank, “Annual Report 2011”, *Sberbank*, June 2012.

176 Sberbank, “Annual Report 2011”, *Sberbank*, June 2012.

177 ThomsonOne, “Screening & Analysis”, *ThomsonOne Database*, viewed August 2012.

178 Corcoran, J., “Troika to Hire Up to 40 Bankers as Sberbank Takes on VTB”, *Bloomberg*, 30 November 2011 (www.bloomberg.com/news/2011-11-29/troika-to-hire-40-investment-bankers-as-sberbank-takes-on-vtb.html), viewed August 2012.

179 ThomsonOne, “Screening & Analysis”, *ThomsonOne Database*, viewed August 2012.

180 VTB Group, “VTB Today”, *Website VTB Bank* (www.vtb.com/we/today/structure/), viewed August 2012.

181 VTB Group, “Annual Report 2011”, *VTB Bank*, July 2012.

182 VTB Group, “Annual Report 2011”, *VTB Bank*, July 2012.

183 VTB Group, “Annual Report 2011”, *VTB Bank*, July 2012.

184 VTB Group, “Annual Report 2011”, *VTB Bank*, July 2012.

185 VTB Group, “Annual Report 2011”, *VTB Bank*, July 2012.

186 CBonds Financial Information, “VTB Capital”, *Website CBonds Financial Information*, 8 August 2012 (www.cbonds.info/eng/news/index.phtml/params/id/588661), viewed August 2012.

187 AFX, “JSC VTB Bank - VTB Group announces its IFRS results for 2011”, *AFX*, 25 April 2012 (uk.finance.yahoo.com/news/jsc-vtb-bank-vtb-group-070125080.html), viewed August 2012; VTB Group, “VTB Group 3Q 2011 Results Announcement”, *Press release VTB Group*, 8 December 2011 (www.vtb.com/we/press-center/fin_releases/154191/), viewed August 2012.

188 ThomsonOne, “Screening & Analysis”, *ThomsonOne Database*, viewed August 2012.

189 ThomsonOne, “Screening & Analysis”, *ThomsonOne Database*, viewed August 2012.

BankTrack
Vismarkt 15
6511 VJ Nijmegen
Netherlands
contact@banktrack.org