



Russian Venture Capital Association (RVCA)

RVCA YEARBOOK

Russian private equity
and venture capital market
review 2012



Content

Introduction	2
Statistics on funds.....	3
Classification of management companies.....	21
Investments by industry branches	23
Investments by stages	53
Investments by federal districts	63
Exits	71
Venture capital funds created with participation of Ministry for Economic Development of the Russian Federation (MED) and Russian Venture Company (JSC RVC).....	74
Conclusion	81
Dynamics 2007–2012	82
Methodology	85

Introduction

The year 2012 has become a challenge for venture capital on the world market. Global economical uncertainty greatly affected the market, with some market parameters having fallen down to the lowest level since 2009.

The Russian venture capital landscape looks more optimistic. According to the results of RVCA annual investigation of Russian private equity and venture capital (PE&VC) market, volume of accumulated capital in Russia is continually showing positive dynamics during several last years; in 2012, this parameter surmounted \$ 26.4 bln – 28% growth.

Moreover, the last years validly evidenced the fact that investors are ready to run risks and to back up early stage companies: more than 70% of documented deals corresponded to the early stage companies in 2012.

RVCA presents to your attention the Russian private equity and venture capital market review 2012, for preparation of which a questionnaire design of more than 180 representatives of leading investment funds and management companies has been conducted.

This investigation is based only on the information which was rendered by the investment structures positioned themselves as private equity and venture capital funds and acted on the territory of Russia. M&A deals as well as intra-holding investments were not taken into account at calculating investment volumes.

In spite of all their exertions, the RVCA experts failed to obtain information from some market players who refused to participate in the investigation and did not give any information even on conditions of strict confidentiality.

However, in spite of lack of complete data on some market developments – that did not allow including them in the analysis – the aggregate data presented in the Review adequately reflect the Russian PE&VC market's trends.

RVCA expresses special gratitude to all the structures that participated in the investigation. Without their help and cooperation in collecting information, this Review's data wouldn't be representative and the Yearbook itself would have never been prepared.

*Sincerely yours,
Albina Nikkonen
CEO RVCA*

Statistics on funds

Positive growth dynamics of number and cumulative capitalization of funds in 2011 was noted in the 2012 reporting period also. The main capital inflow in 2012 was provided by creating or recapitalization of several large private equity funds (which is highly remarkable taking into account the complicated situation in the global economy), and at the same time considerable growth of new funds' number is caused by emergence in the market of many new funds focused on early stage companies.

Cumulative capitalization volume of the funds which are acting in the Russian market and are being represented in this statistics was equal to near \$26.4 bln in 2012, that was almost one third higher than the similar parameter of 2011 (\$20.1 bln). Thus, the amount of relative gain has increased in comparison with previous reporting period (28% against 20% in 2011).

While relative growth rate of cumulative capitalization has not exceeded pre-crisis values yet (e.g. in 2007 and 2008, this parameter was equal to 60% and 40%, correspondingly), the value of absolute net gain of cumulative capitalization (i.e. not taking into account the funds which had left the market and were excluded from the statistics) in 2012 was more than one and a half higher than the same value at the previous period.

So, if in 2011 the net absolute capital gain averaged near \$3.8 bln, in 2012, the total volume of capital attracted to PE&VC funds acting in the Russian market may be estimated as approx. \$6.65 bln. The "attracted capital" means an integral value of several constituents:

- Newly raised PE&VC funds with known size – 30 funds with near \$2.7 bln by total volume, 23 funds of which were the first funds of their management companies (total volume of such funds came to approx. \$0.4 bln), and 7 – the second and the follow-on funds (near \$2.3 bln by volume).
- Additional tranches to already working PE&VC funds (4 funds, aggregate volume of additionally attracted capital – \$2.25 bln). At that, near 90% of the named volume corresponded to the capital directed to the Russian Private Equity Fund (RPEF) recapitalization.
- For a number of new (as well as a number of working funds which were not included in the statistics before) Russian funds, sizes of which were not disclosed, the volume of these funds' investments in 2012 was regarded as volume of their capital (there were 17 funds of this kind with total volume amounting to \$0.79 bln, with 13 venture capital funds among them totaling \$0.19 bln).
- A separate group of the funds included in this statistics was constituted of the international funds which had made investments in Russian companies. Capital of these funds was also taken into account at valuing their investments (including made in 2012) – totally 19 funds with total capitalization volume equal to \$0.53 bln. Among them, together with the funds with good track record in the Russian market, there

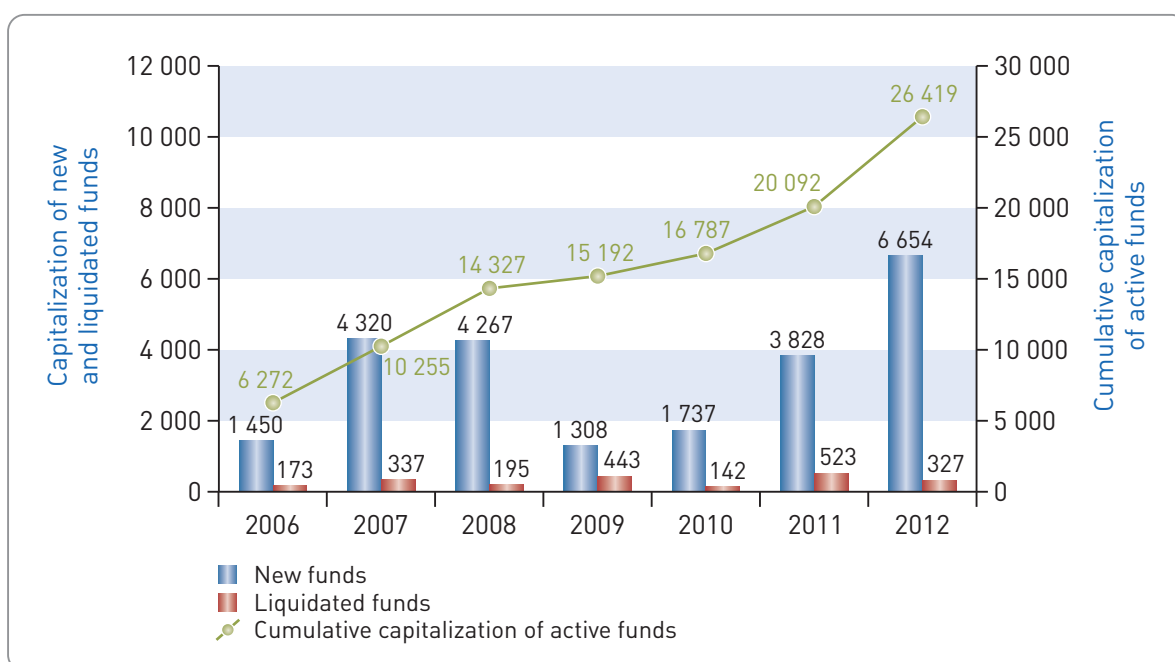
were funds that had acted as co-investors in the deals of RPEF, which at once moved to the rank of the industry leaders by the importance and volumes of its investments within the first 18 months of activity (according to data available, not less than 12% of the 2012 total investment volume included in this statistics).

- Capital of a number of funds which were closed in the previous reporting periods and were not included in general statistics by the reason of absence of reliable information on their volumes or investment activity, but, according to analysis of their work and on the base of the data given by them, were included in the 2012 statistics (5 funds with near \$0.36 bln aggregate volume).

Also, in the statistics were included 12 Russian funds which started work in the end of 2011 and were working in 2012, but there were no reliable information on their sizes and investments that they had made. Volume of these funds will be adjusted in future periods according to new information coming (all of them were venture capital funds). Additionally, estimates of volumes of several funds which were included in the statistics before were corrected on the base of newly coming information, that did not affect the whole picture of the market.

Therefore, 86 funds were involved in the analysis of size of newly attracted capital. Among them, 82 funds, which were included in the statistics by the 2012 totals, constituted net capital gain¹ in the funds market (near 6% of this number corresponded to the funds which had been formed by 2012 but earlier were not included in the statistics by different reasons), and 4 already working funds got additional tranches in 2012.

Capitalization of PE&VC funds in Russia, \$ million



¹ Not taking into account liquidated funds.

Activity on participation in capitals of acting international funds and on raising new funds continued in 2012. In particular, first closings of several new international funds, created with the RUSNANO participation, occurred. The main goal of the created funds is realization of transfer of foreign technologies in our country, and, finally, organization of products manufacturing and services rendering in the priority spheres which materially contribute to the development of the economy and human potential in the Russian Federation.

Additionally, in 2012², on the base of specialized venture fund which was created earlier by JSC RVC for dealing with international later-stage funds, a fund was created in which the Investment Venture Fund of the Republic of Tatarstan (IVF RT) appeared in a new investor capacity that had to stimulate further development of the innovation potential of the region.

The year 2012 was marked by the emergence of one more mezzanine fund – in addition to the already existed one – and it has started its deal sourcing already.

In the co-investment market, in the focus of this statistics there are, traditionally, closed-end mutual investment funds of three categories: highly risky (venture capital) investment funds (CMVF), private equity (CMPEF), and generalist (CMGIF) investment funds – in the part of regional investment funds for SMEs.

Difficulties of the analysis of the above-mentioned structures are connected with the fact that these funds are intended for qualified investors, and therefore disclosure of information on net assets value and other parameters is prohibited by law.

As a result, of the 52 CMPEFs which were acting in the end of 2012, 45 were not covered by the statistics (because of total absence of information on the funds and their activities), including 13 funds formed in 2012. The rest 7 funds were included in the statistics – either before the disclosure restrictions were introduced, or owing to availability of some indirect information on the funds and their activities in open sources – as the scale of their work favored for their presence in public and informational media.

On the other hand, for the CMVF, the balance of the funds included in the statistics was rather opposite: of 64 funds which worked by the end of 2012, 52 were taken into the statistics. This number includes near 30 CMVF created with the JSC RVC participation or working with its expert support (regional venture investment funds for small enterprises in scientific and technical sphere, created by the Ministry of economical development of the RF (MED) jointly with regional administrations in the context of realization of the programs of private-public partnership), several funds, created with the RUSNANO participation and destined for investing in Russian companies, and some other CMVFs which were included in the statistics before they had gained the statute “for qualified investors”. At the same time, net asset value of the last mentioned funds was standing stock-still at the level which corresponded to the moment of granting them this statute that brings some error in the total market statistics.

² http://www.rusventure.ru/ru/investments/foreign_funds/rvcivfrt.php

As concerns the regional investment funds for SMEs which have the form of CMGIF – there were 3 such funds by the end of 2012 (Belgorod Oblast, Orenburg Oblast, and the Republic of Mordovia). One of them (in Belgorod Obl.) was formed in 2012 and was included in this statistics along with the others in spite of the fact that information on its net asset value was confidential.

This way, in the statistics were included only near 50% of CMPEF and CMVF which were active in the market and had the statute “for qualified investors”. At the same time, even approximate estimation of input of their investment activity results in the total statistics is very sufficient from the qualitative point of view, and particularly at the analysis of investments attracted for development of innovative early-stage companies.

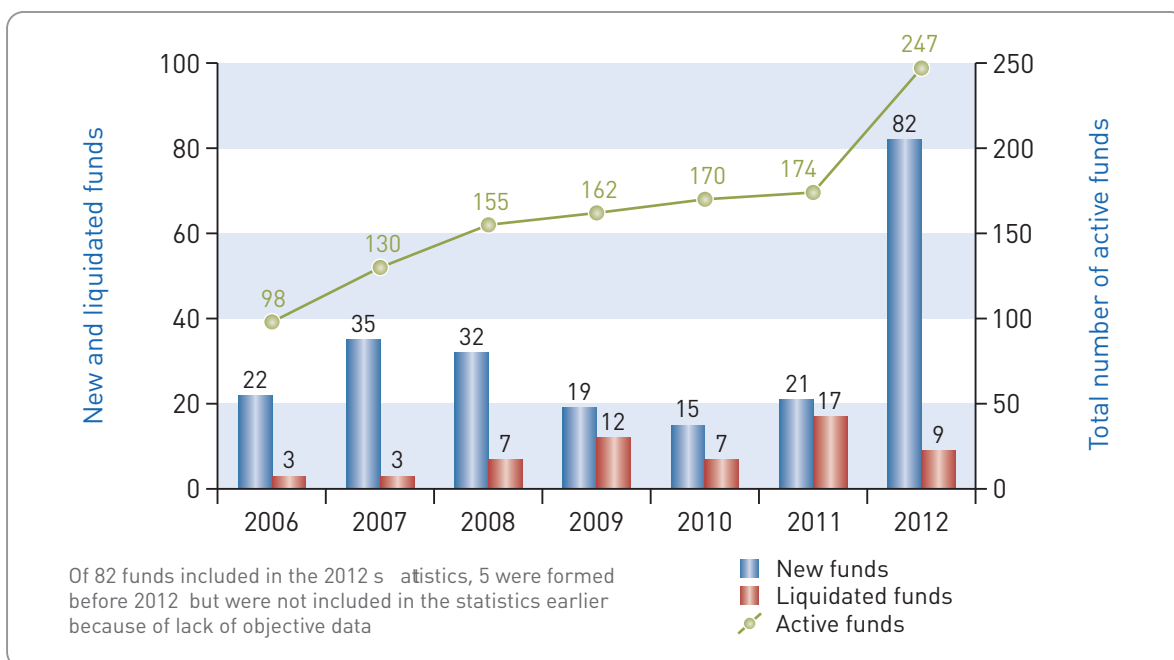
On the whole, it’s not possible yet to evaluate, even approximately, volume or level of investment activity of the majority of emerged in the recent years CM PE&VC funds destined for qualified investors, and because of this such funds cannot be included in the statistics for the time being. The group of funds of indicated categories that were not included in the statistics in the view of protection of information caused by formal reasons, composes a sort of “blank spot” on the PE&VC market. This is rather disappointing matter that prevents from making an unbiased market picture, as one may suppose that aggregate volumes of the financing which was made by totally “invisible” for statistics funds constitute a value that can have an impact on the main characteristics and balance of forces within the PE&VC industry.

By the totals of 2012, 9 funds were excluded from the statistics, among them – the funds that terminated their work at the formation stage having realized only intermediate closings; the funds having terminated their life cycle; and the funds which left from public informational space, didn’t reply to any request within already existed contacts, and the investment activities of which was not registered during recent reporting periods. Taking this into account we may state that capital outflow from the market made up near \$0.32 bln that was almost one quarter smaller than the analogous figure of 2011.

Therefore, total number of the funds acting on the Russian market, aggregate information on the activities of which is presented in given statistics, amounted 247, with a considerable input (almost 3/4) in the growth of funds’ number, relatively 2011, made by venture funds mainly aimed at the information-communications technologies sector (ICT).

Essential point of the given statistics is that – in correspondence with the adapted industry branch classification of EVCA used in this Review – the funds which are targeted at real estate and development, i.e. invest in construction projects and objects (business-centers, residential developments, etc.) are not included in the statistics. At the same time, the statistics includes investments in the companies rendering engineering and architecture services, manufacturing building materials and executing construction works.

Number of PE&VC funds in Russia

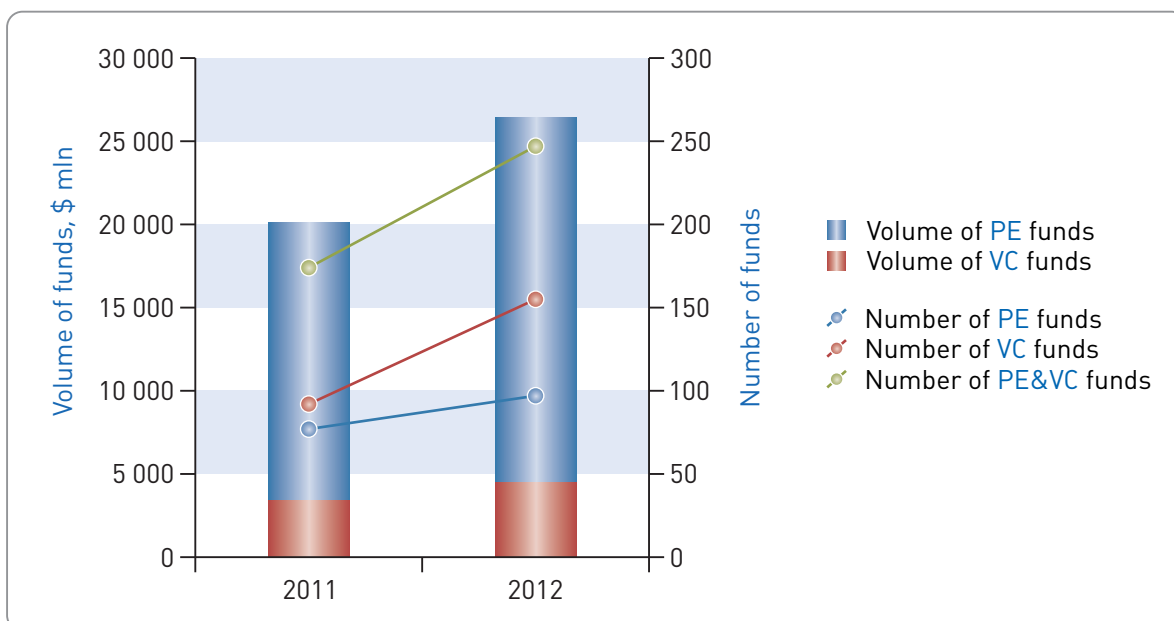


According to existing estimates, the number of acting on the Russian market venture capital funds (aimed mainly at early-stage companies) the activity of which is being examined in this research was equal to 155 by the end of 2012 (further – VC funds) that more than one and a half higher than the number (92) of taken in the statistics private equity funds (further – PE funds). The balance of VC funds' and PE funds' number in 2011 – 1.25.

As regards the cumulative capitalization, the picture is reverse: by total volume, PE funds many times (near 5 times) exceed the analogous parameter for VC funds (correspondingly, near \$21.86 bln against \$4.55 bln). At the same time, the balance of aggregate volumes of PE and VC funds did not change relative to 2011 (near 5.8).

When grouping funds by categories, you should take into account the fact that, sometimes, in portfolio of the funds positioning themselves as PE funds the proportion of venture capital may reach several tens of percents.

Number and volume of PE and VC funds



Number and volume of PE&VC funds

	2011		2012	
	Volume of funds, \$ mln	Number of funds	Volume of funds, \$ mln	Number of funds
PE funds	16643	77	21863	92
VC funds	3449	97	4557	155
Total	20092	174	26420	247

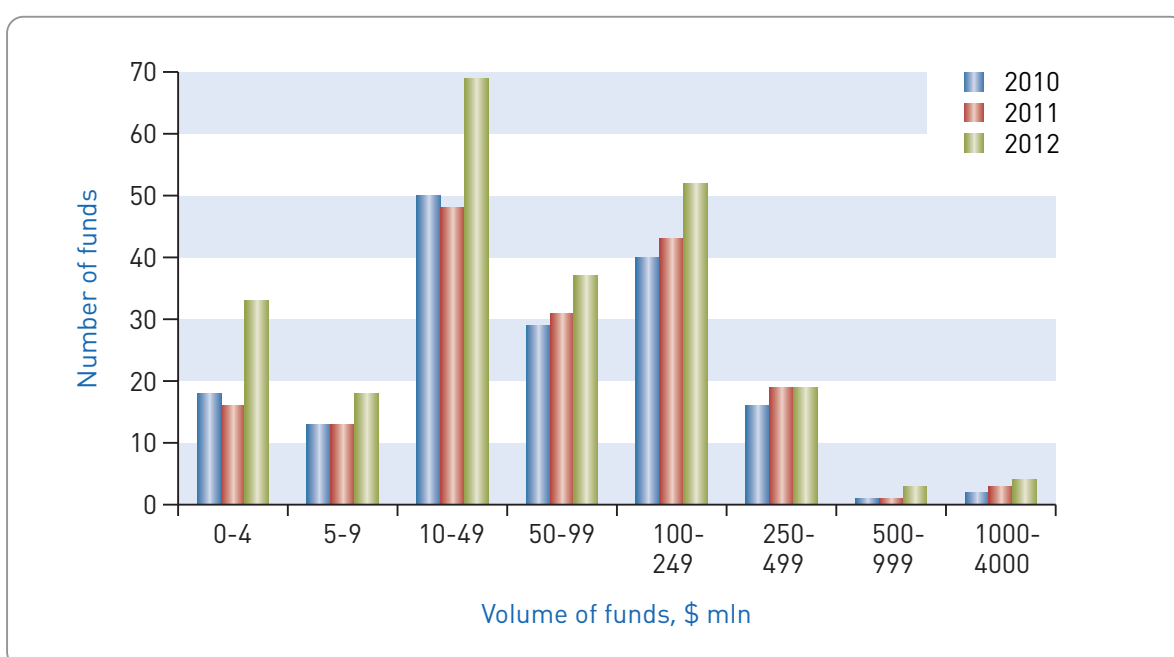
Evaluation of distribution of number and cumulative capitalization of funds by different funds' size ranges, which was observed in statistics in post-crisis 2010–2012 period, is of some interest.

It's necessary to note that in this distribution were not included 12 funds with unknown sizes which were included in the 2012 statistics (but this doesn't create sufficient error by the reason that all these funds were the early-stage ones with little supposed volume). At that, the funds, capitals of which were estimated on the base of their investment volumes, were included in the sample for calculating distributions.

There was positive dynamics in the funds' distribution by "weight categories" in all ranges in 2010–2012. The highest increase of funds' number as against 2010 was registered in the segment of funds with capitalization up to \$5 mln (twice), that corresponded to seed and early stage funds. The biggest number of funds was concentrated in the \$ 10–49 mln and \$ 100–249 mln capitalization ranges. Increase of funds' number was recorded also in the "heavyweight" fund segment.

According to estimates available, there is a number of funds with considerable capitalization level (\$500 mln and more) on the market additionally to the mentioned ones, but in the number of cases there is lack of correct information on such funds' sizes, or major share of funds is destined for investments in foreign assets. In such cases, as a rule, the fund size was estimated on the base of investments made in Russian companies, if the data were available.

Number of PE&VC funds by volume of capital



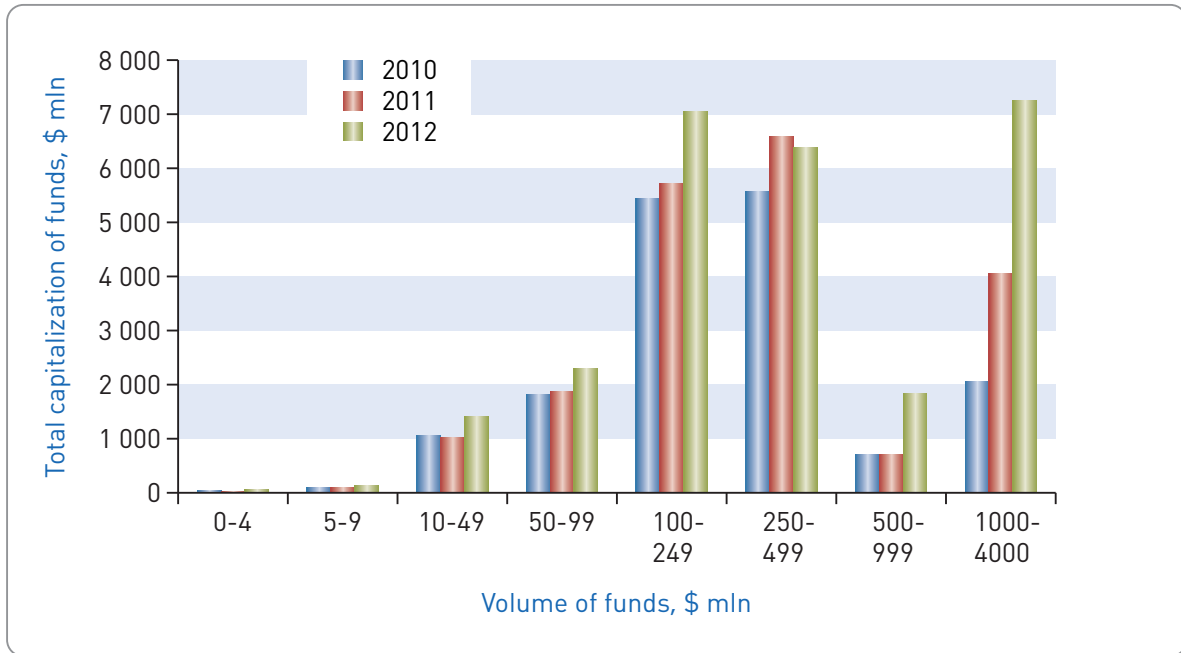
Number of PE&VC funds by volume of capital

Volume of funds, \$ mln	2010	2011	2012
0-4	18	16	33
5-9	13	13	18
10-49	50	48	69
50-99	29	31	37
100-249	40	43	52
250-499	16	19	19
500-999	1	1	3
1000-4000	2	3	4
Total:	170	174	235

Analysis of distribution of aggregate funds' volumes by capital ranges shows that by the end of 2012 near a fourth part of total cumulative capitalization related to the medium capitalization funds – from \$250 mln to \$499 mln. Almost one half of total cumulative capitalization volume was concentrated in the "heavyweight" funds segment (more than \$1 bln) and in "welterweight" range (\$ 100–245 bln). Input of "light heavyweight" funds with \$ 500–999 mln volume of capital is relatively insignificant (near 7%), and first of all by the reason of their small number. If to adhere further to the professional box terminology, it may be stated that

totally the ranges from the "fly-weight" (by \$5 mln) to the "lightweight" (\$ 50–99 mln) which mainly correspond to VC funds, included in average near 15% of cumulative capitalization volume during several recent reporting periods (it should be taken into account that some VC funds surmount the \$100 mln level and enter into more capital-intensive ranges). It should be noted that the average value of relative input of early-stage funds in aggregate investment volumes, which were being documented within recent years, amounted to near 15%.

Cumulative capitalization of PE&VC funds by volume of capital



Cumulative capitalization of PE&VC funds (\$ mln) by volume of capital

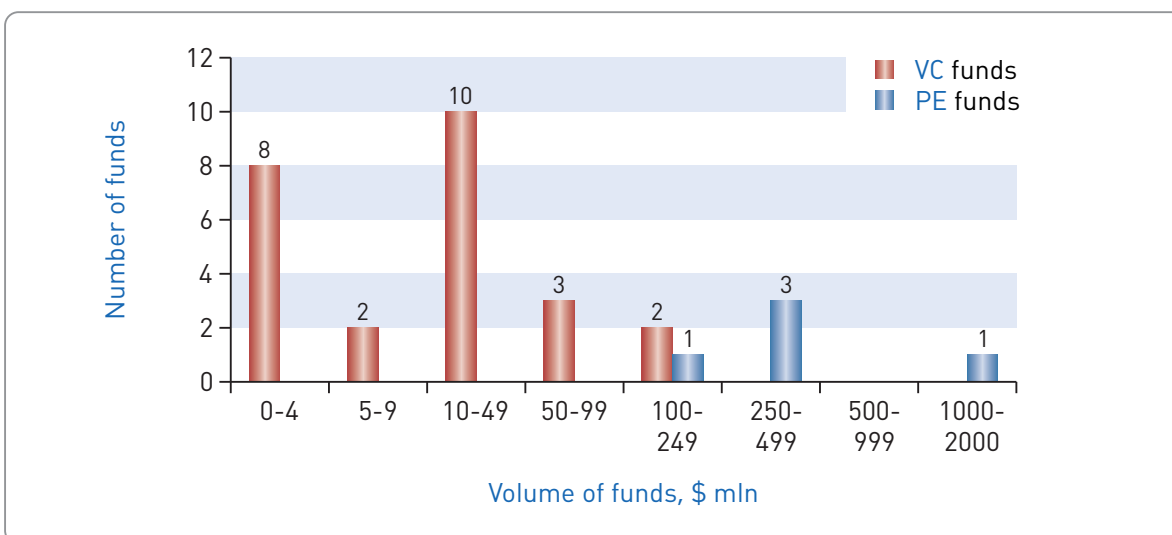
Volume of funds, \$ mln	2010	2011	2012
0-4	43	33	55
5-9	96	95	131
10-49	1051	1031	1407
50-99	1821	1879	2301
100-249	5449	5712	7056
250-499	5577	6592	6379
500-999	700	700	1836
1000-4000	2050	4050	7255
Total:	16787	20092	26420

Analysis of the group of 30 new (2012) funds with known size (we remind that the funds, capitalization volume of which was valued on the base of their investment volume, were not included in this number) shows that near a third of the capital growth was provided by only

6 funds (all of them with capitalization volume higher than \$100 mln, with more than 80% of these funds' number falling at PE funds). Additionally, approximately a third of the capital growth corresponded to recapitalization of RPEF.

For new funds of 2012 with known size, the \$100 mln figure has become a boundary between VC and PE funds.

Number of new funds with known capitalization volume, 2012

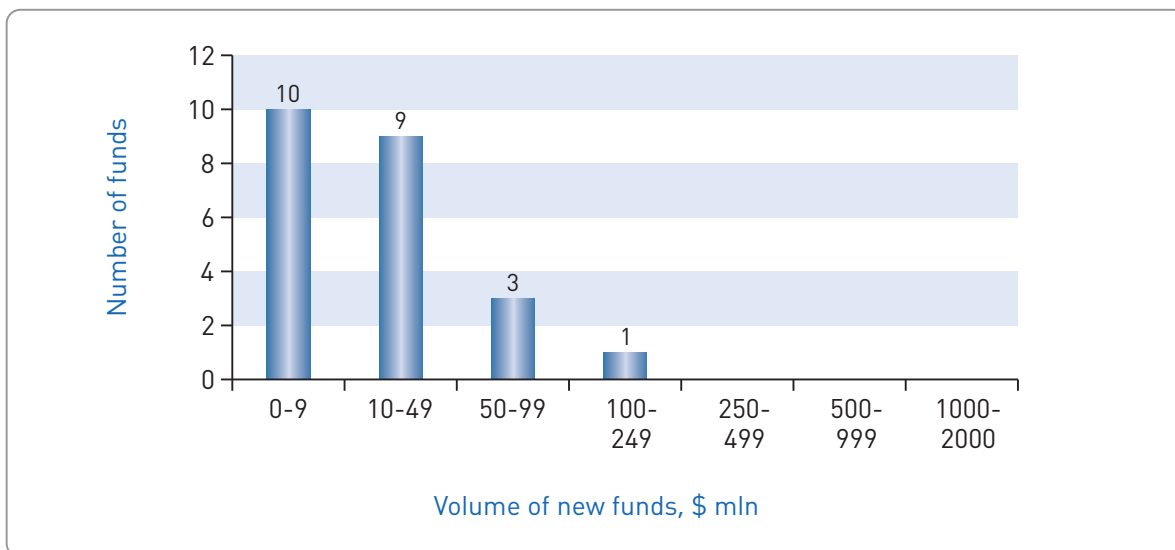


Of the 30 new funds with known size, 23 ones are the first funds of management companies and only 7 funds – the second and the follow-on. At the same time, the main activity in the first funds' creation was demonstrated by the "venture capital" management companies (19 of 23 first funds belong to the segment of funds with capitalization level up to \$50 mln).

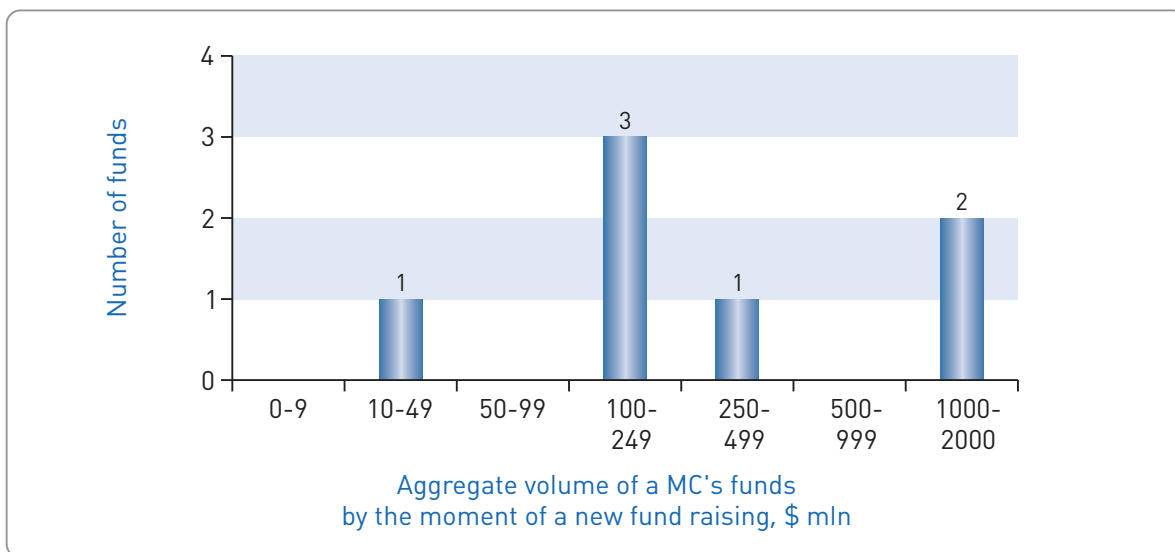
By their turn, the second and the follow-on funds have been raised mostly by the management companies with total volume of capital under management generally bigger than \$100 mln (6 of 7 funds) by the moment of new fundraising. This fact supports the thesis that in present complicated environment the task of raising considerable funds is within the range only of professional highly-experienced management teams having success stories in their track records.

Taking into account current situation, one of the approaches to creating funds with considerable bulk of accumulated capital is raising funds for concrete projects which are of interest of prospected investors of the fund.

Number of new first funds with known capitalization volume, 2012



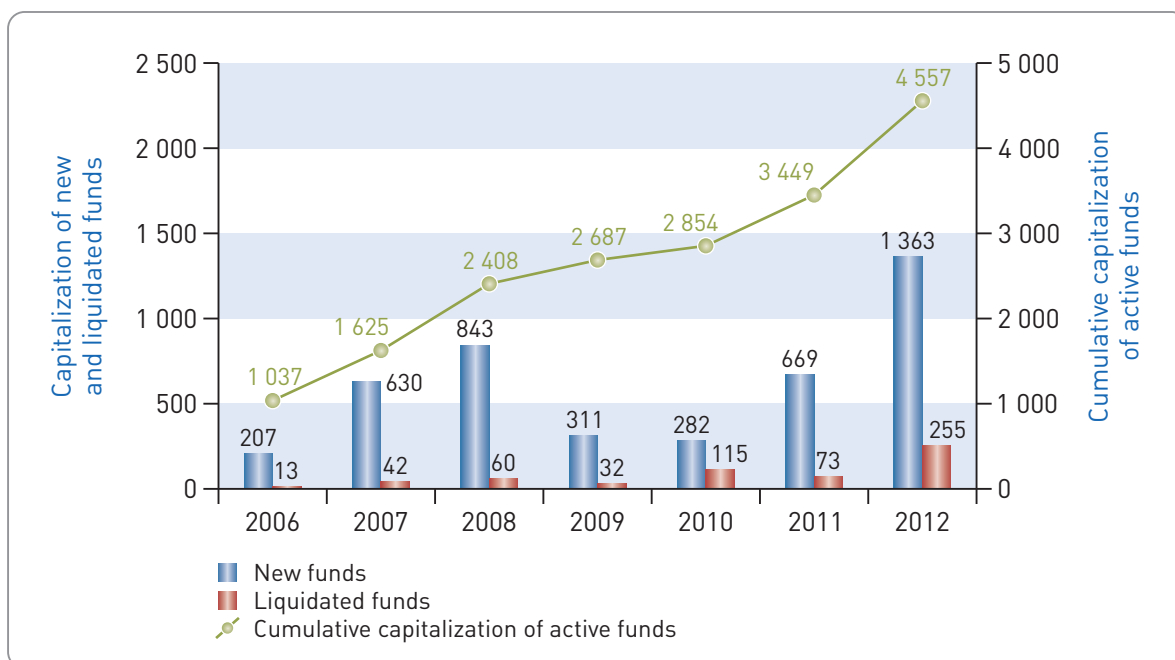
Number of new second and follow-on funds with known capitalization volume, 2012



According to the 2012 totals, it's possible to speak that the VC market has demonstrated considerable growth, both with relation to number and volumes of funds (by the way, rather remarkable values were demonstrated in early stage investments also; see the section "Investments by stages"). Thus, cumulative capitalization of VC funds increased by a third as compared to 2011 – from \$3.4 bln to \$4.5 bln.

As a whole, cumulative capitalization of VC funds was growing progressively within recent years, with certain slowing down only in the crisis for the industry year 2009. However, in 2012, the venture capital gain surmounted pre-crisis levels (having come to more than \$1 bln).

Capitalization of VC funds, \$ mln



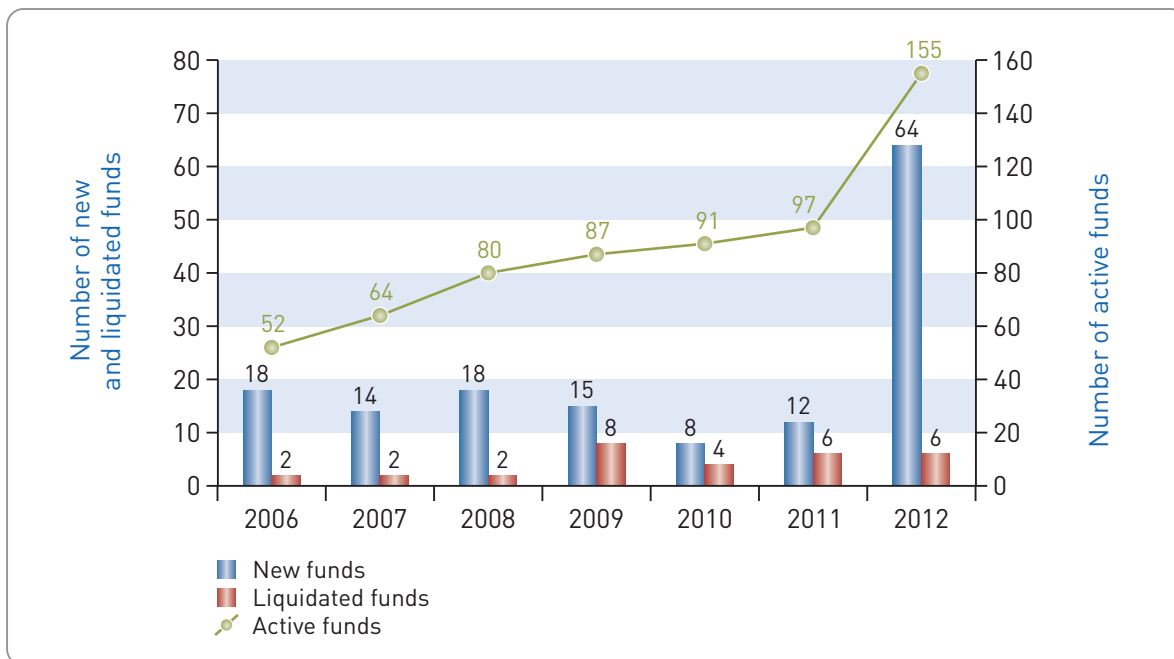
Attracts attention the explosive growth of VC funds' number. The growth is obvious even if considering some methodic peculiarities of gathering information for the statistics. In particular, there were cases of including the funds launched in 2011 (in the second half of the year, especially) in the 2012 statistics, as corresponding information on their main parameters and investment activity arrived. Additionally, in the statistics were included several international VC funds which participated in the investments in Russian companies (such funds were included in the statistics of cumulative capitalization of the funds within the volume of executed investments).

The main input in the growth of VC funds' number was done by the funds aimed at investing in Internet projects – near 90% of total number of the funds included in the statistics.

The range of industry branch preferences of VC funds which appeared on the Russian market from the end of 2011 and during 2012 was wide enough – from numerous "traditional" early-stage funds investing in Communications and Computer related industries to the funds materially focusing on search for developments in real sector.

An interesting phenomenon in the VC market in 2012 was the appearance of several niche funds, the branch preferences of which included, e.g., education area or investments in bank and payment products as promising investment opportunities.

Number of VC funds

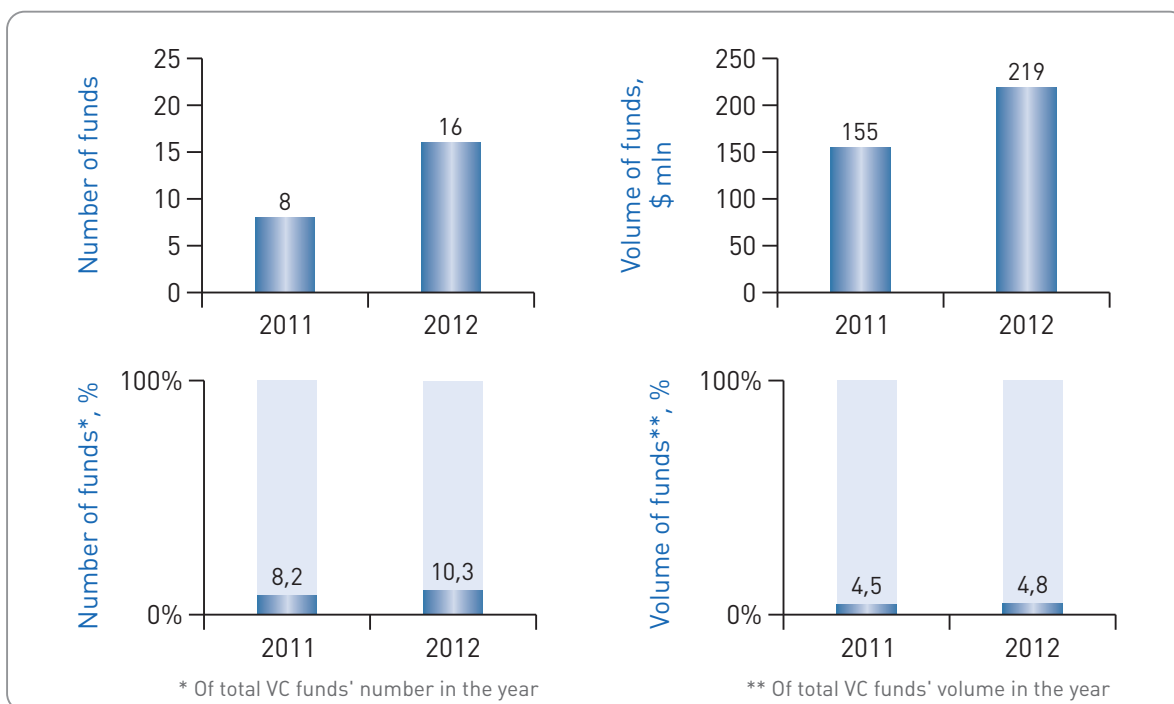


An increase of number and volumes of seed funds has become a positive tendency of recent years; the year 2012 has not become an exception. It's necessary to note that evaluation of volumes and number of seed funds is partly subjective, as many funds which position themselves as "venture" simultaneously invest in start-up and early stage companies as well as in seed stage, providing financing both to start-ups and the projects at the stage of idea. The funds which positioned themselves as "seed" were included in the given statistics first of all. Taking this into account, there were no less than 16 seed funds acting in the Russian market by the end of 2012 (one of the funds invested in foreign companies, too) with total capitalization volume equal to \$219 mln. As against 2011, the number of seed funds which were included in the statistics increased twice, with the funds' capitalization volume having grown by 1/3 (\$64 mln).

Private seed funds constitute 68% of the total volume and 69% by number; seed funds with the state participation – 30% and 12%, correspondingly; the corporate ones – 2% and 19%.

Business accelerator structures, which can invest their own funds and attract capital from partner VC funds, actively work with seed-stage companies, also. Business accelerators in a certain sense compete with seed funds, often intercepting the most interesting projects when they do their first steps. A number of business accelerators, possessing their own accumulated financial resources for investments, position themselves as funds and business accelerators simultaneously.

Number and volumes of seed funds, 2011–2012



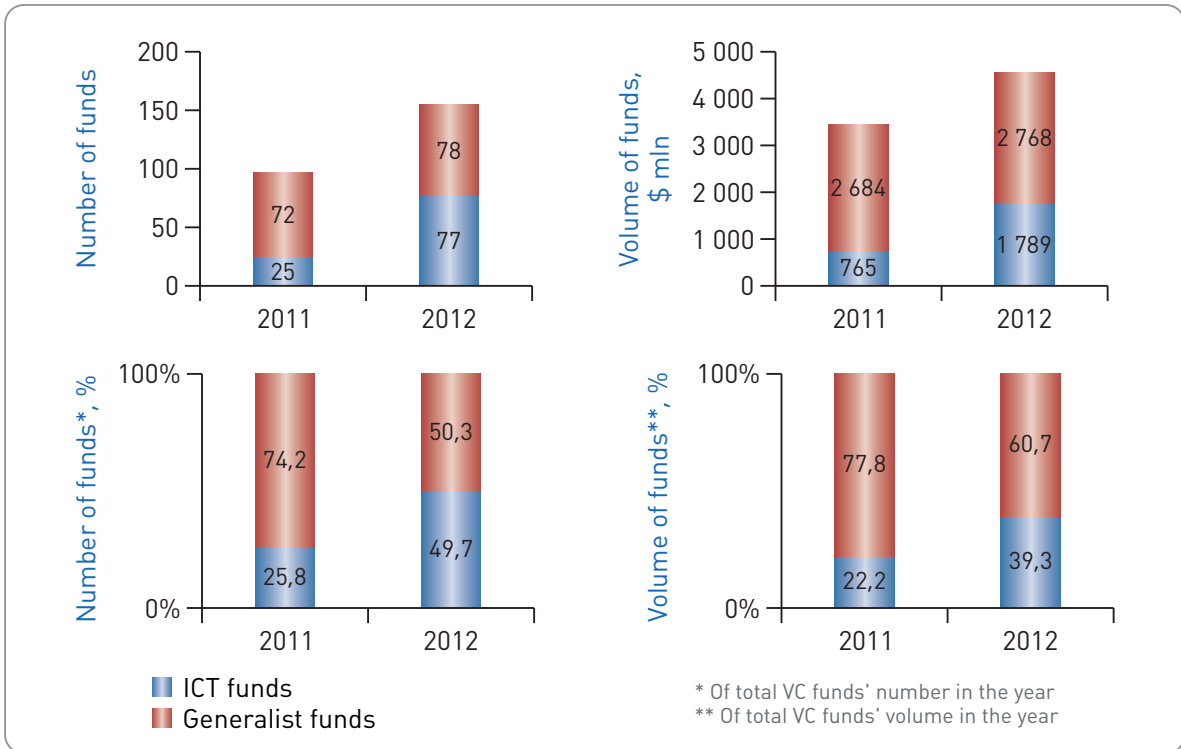
From the branch preferences point of view, the acting on the market VC funds may be conditionally divided into two groups: the funds strictly focused on investments in the companies of ICT sector (including Communications and Computer related branches) and generalist funds, often gravitating to the real sector (and at the same time they may have some ICT companies in their portfolios).

By the end of 2012, the relative number of funds investing in ICT sector in the total number of VC funds had grown almost twice in comparison with previous reporting period. At that, the balance of funds' number in both above-named categories was near 1:1.

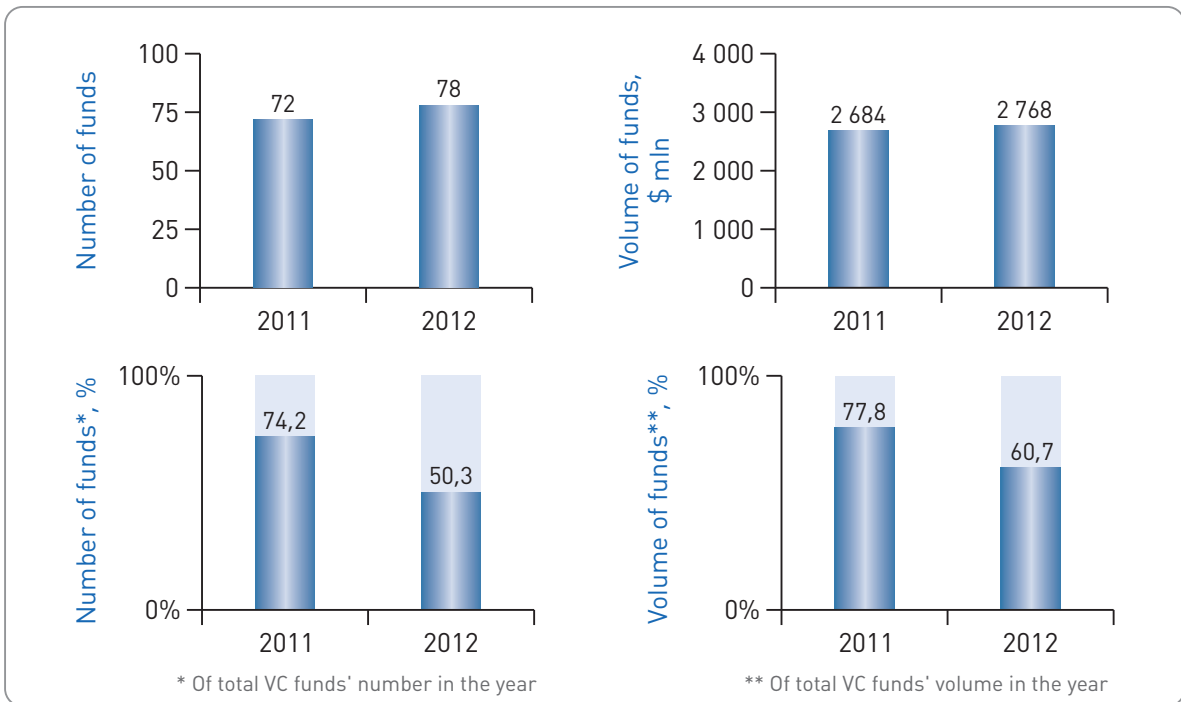
At the same time, the share of generalist VC funds prevailed by aggregate capitalization (near 60% of total VC funds' volume), however the share of VC funds in ICT sector showed a growth tendency, having increased since 2011 almost by 15% by the end of 2012.

It should be noted that there are some funds in the market that position themselves as PE funds and whose branch preferences also totally belong to Internet-projects and infrastructure of communications. At the same time, they have early-stage companies in their portfolios.

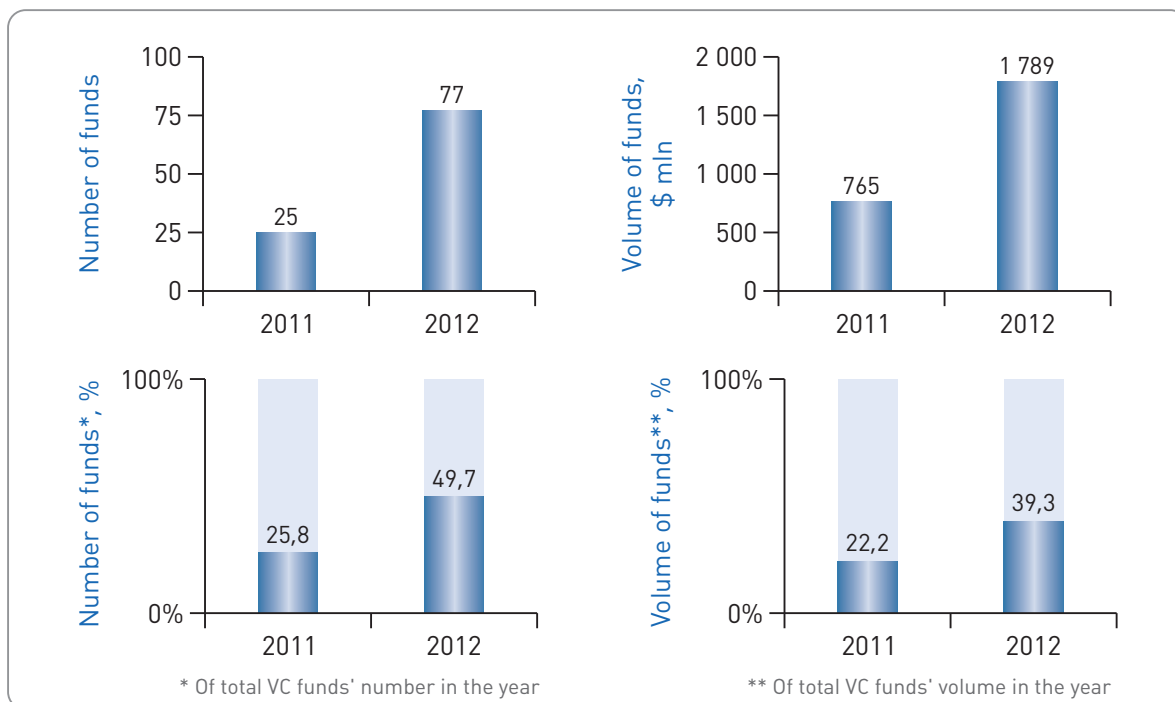
Number and volumes of VC funds of ICT sector and generalist funds



Number and volumes of VC generalist funds



Number and volumes of ICT sector's VC funds

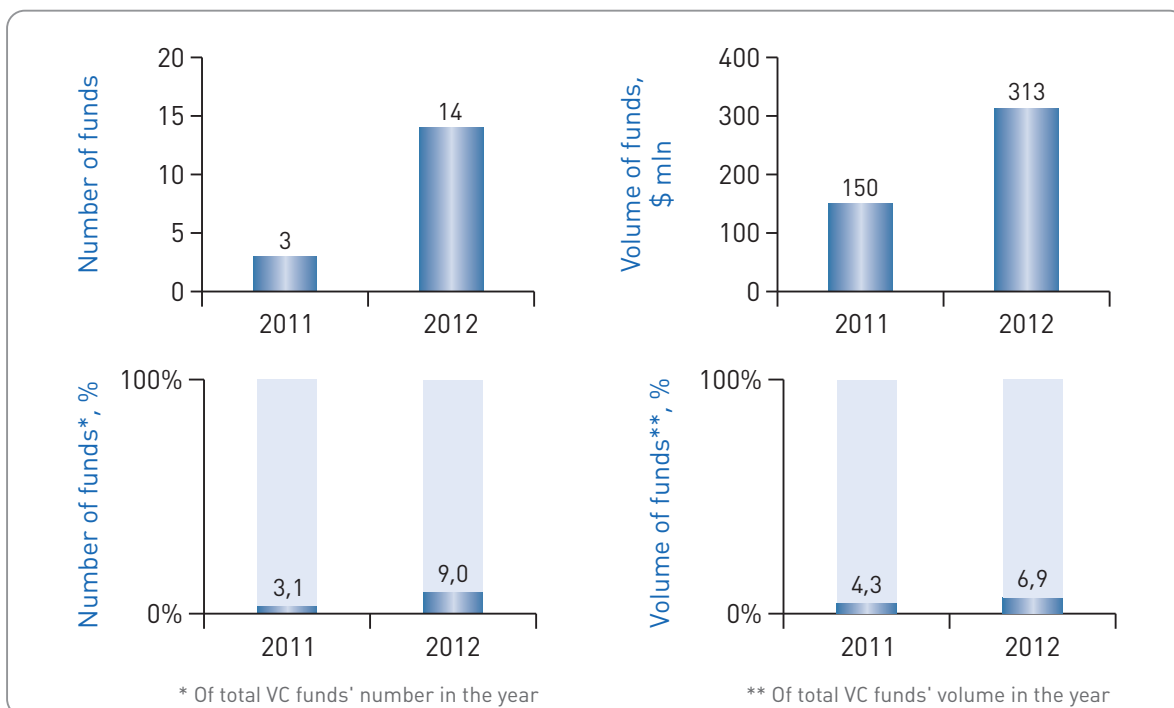


A special theme that has been publicly discussed and investigated recently, is the current situation and prospects for the future at the corporate VC market. So, in the review "Corporate venture funds in Russia" it is noted that "... today companies, and particularly with state participation, practically are not motivated to corporate venture funds creation"³. This thesis has been supported by the 2012 market statistics. On the one hand, there were positive dynamics of number and aggregate volume of the funds which were formed by large financial structures and the ICT sector's companies (85% of included in the statistics venture corporate fund's number and 2/3 by volume belonged to private ICT companies, and the rest funds of this class were created by large financial structures). However, the total number of corporate venture funds is still relatively small. In 2012, there were announced the plans of only one state corporation on participation in creation of a VC fund focused on investments in high-tech projects of incorporated companies (prospected volume of the fund may reach 4 bln rub., with a potentiality to finance up to 200 projects within 10 nearest years).

Some characteristics of corporate funds that have been recently created is that their drive for speedy fixation of income is not such pronounced as that of "classic" VC funds. At the same time, the corporate funds' tasks are not only financing of promising projects aimed at development of underlying business, but also creation of associated services and products, creation of some kind of ecosystem, that supposes a long working period.

³ Корпоративные венчурные фонды в России 2013: состояние и перспективы. – М.: НП «Клуб директоров по науке и инновациям», 2013.

Number and volumes of corporate venture funds



By the end of 2012, 45 funds with aggregate cumulative capitalization volume near \$1.67 bln were included in the statistics of public venture funds and venture funds created within the frames of private-public partnership. At the same time, the increase of volumes and number of the funds as against 2011 was relatively small (near \$50 mln and 6 funds). Additionally, the shares of the funds of this kind in the total VC funds' statistics by the named parameters were lower in 2012 in comparison with the preceding reporting period.

However, the concerned segment of venture funds, undoubtedly, will develop in the future both qualitatively and quantitatively. In particular, JSC RVC is planning to realize a model of investing⁴ in which the right to manage the JSC RVC assets through the created with private capital participation (together with Seed Fund) micro-funds with up to \$5 mln volume is delegated to some specially selected venture partners with good track record. Private investor will make investment decisions. It's critical that for the funds creation a legal form of investment partnership, which is more flexible and available in comparison with closed-end mutual investment funds, will be used.

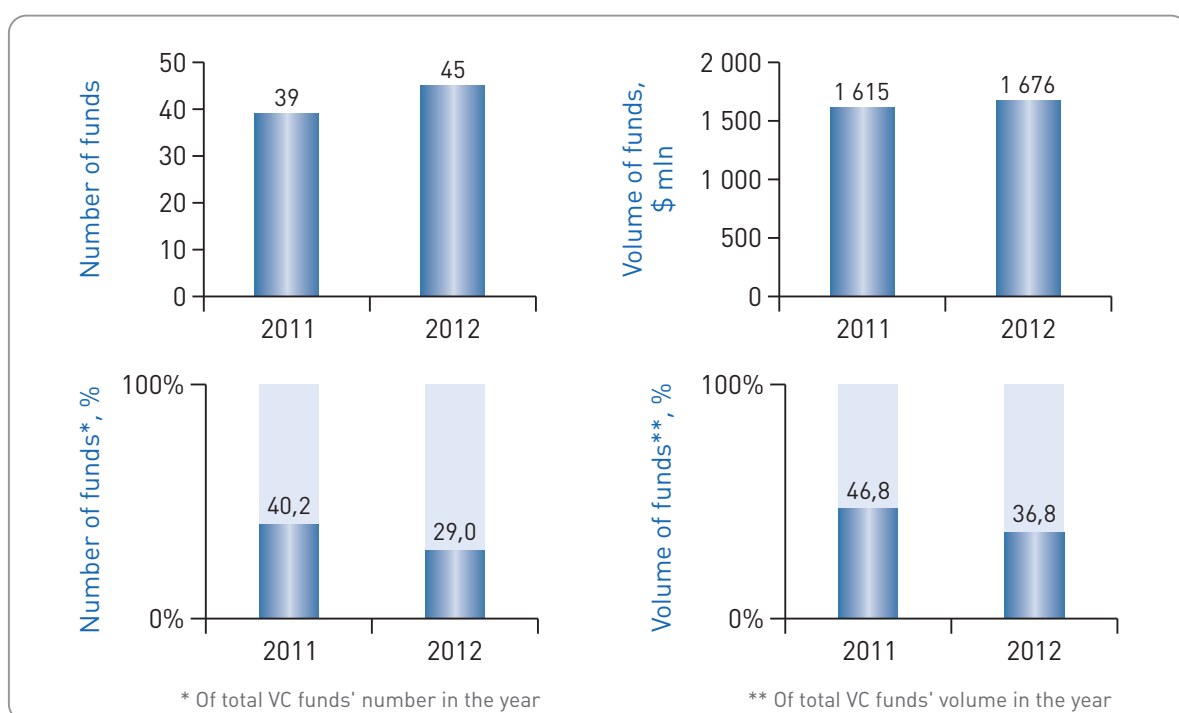
In one of the funds that were created in 2012 with state support, an approach is used when the investment decision is being made by private investor, too, and the fund joins later on. One more instrument of support in this fund will be giving investment loans at very low interest (approx. 8%) that is very attractive proposition, especially for the companies that are preparing to IPO.

⁴ <http://v3.rbcdaily.ru/2012/05/02/media/562949983718930>

Agency for Strategic Initiatives has announced its plans on a fund creation, also. The fund's focus – social internet projects. The mechanisms of private-public partnership will be involved here, too, and the total fund's volume may average 1 bln rub. in the result. As it was for the above mentioned models, the investments will get only the companies which have managed to attract means from private investors.

In 2012, the Law on investment partnerships was under active improvement, in spite of the fact that it was passed in 2011 and put in force from January 1, 2012. The matter is that the market participants find out a number of deficiencies and shortcomings in the instrument.

Number and volumes of public VC funds and the VC funds created under private-public partnership



In general, according to the 2012 results, it may be stated that in the PE&VC industry a considerable qualitative and quantitative potential has been accumulated.

Concerning the quantity, sufficient number of different (by sizes, branch preferences, and capital sources) funds should be noted, as well as material capital inflow in the later-stage funds. It's important for the majority of the funds to realize their announced plans instead of becoming "sleeping" funds on the market.

As to quality, the implementation of new approaches and forms in the sphere of investment instruments calls attention, as well as continuation of efforts on attraction considerable amounts of the foreign investors' capital in Russian companies (that is especially important

against the background of the world economy instability). These hopes are connected first with the increase of deal flow with the RPEF participation (by the end of 2012⁵, the total deal volume including participation of RPEF, with necessary preparation work having been done, averaged near \$2.5 bln; by-turn, input of foreign investors in these deals amounted to \$ 4.5–5.5 bln).

Besides the active beginning of RPEF activity, plans on creating venture corporate funds with state-owned companies participation, and continuation of the started in 2011 marketing of new technological fund under management of one of the biggest PE funds' management companies, a number of other significant events has been noted in the industry.

Thus, in the nearest time, one of the best-known and very successful management companies is expected to create the second VC fund that may become a largest technological fund at the post-Soviet space. Though, it should be noted that considerable part of activity of the first fund of this management company falls at the investments in foreign companies.

A number of events which characterize development of the innovative infrastructure took place in 2012, too. There was placement of the RVC Seed Fund companies⁶ at the IPOboard informational-trading ground of MICEX-RTS stock exchange with the aim to attract more capital for subsequent growth (IPOboard – a new web-ground which will serve as an instrument for attraction investments by non-public innovative companies). Additionally, a portfolio company of the RVC Infrastructure Fund – JSC “Center for innovation technologies EurAsEs”, the main goal of which is rendering consulting services through the whole cycle of commercialization of technologies: from technological audit to attracting finances for commercialization of technologies and high-tech products possessing a sales potential at the economic space of the EEC member countries, started working.

How exactly the potential accumulated by the PE&VC industry will be realized – will be shown by the 2013 statistics.

The funds' cumulative capitalization volume increased almost by 1/3 in 2012 as against 2011. By the end of 2012, total capital aggregated in the funds acting on the Russian market reached \$26.4 bln by size.

⁵ <http://prime.ria.ru/banks/20121217/757804805.htm>

⁶ <http://www.rusventure.ru/ru/press-service/news/detail.php?ID=11534>

Classification of management companies

At classification of management companies (MCs) by aggregate volume of funds under their management the following was taken into account: the processes of funds termination and raising of the new ones; including in the statistics the number of funds the size of which had not been disclosed and was, in particular, accounted within their investment volume; corrected information on current capitalization of the funds under management which has arrived from a number of companies.

On the base of information available it may be stated that by the end of 2012 the number of MCs working in the PE&VC area at the territory of the Russian Federation increased sufficiently and reached 186 (compared to 120 in 2011). Main contribution in the growth of MCs' number was made by the companies which had VC funds under management up to \$50 mln by size.

By the criterion of cumulative capitalization of PE&VC funds under management they may be apportioned into three groups.

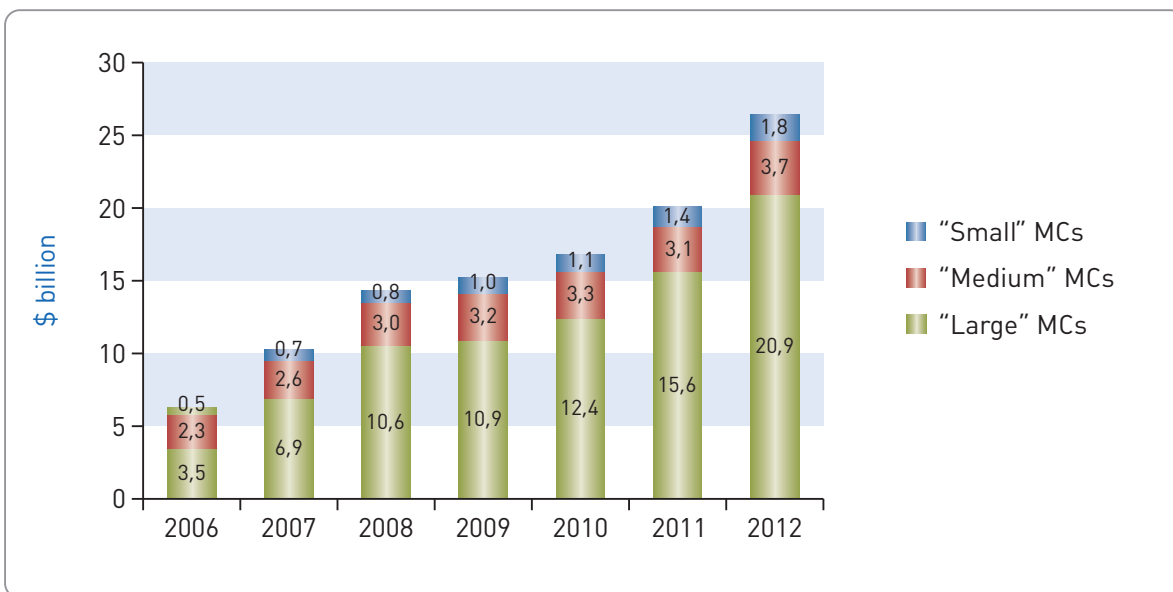
Number of MCs attributed to the 1st, most capital-intensive group (size of funds under management from \$151 mln to \$4000 mln) has grown considerably and amounted to 40 MCs (34 MCs in 2011). Capital growth in this group was determined by raising new funds by the companies which have been present in the market already (that, in particular, caused transition of MCs to more "heavy-weight" category) as well as follow-on tranches in before existed funds. MCs of this group have aggregated capital under management to the amount of \$29.910 bln. In 2012, investments of the funds of this group were focused at the later-stage companies. The volume of individual investments of these funds varied in the limits from \$10 mln to several hundred of million dollars in one company. As in the previous years, the MCs of this group provided the bulk of total cumulative capitalization growth of the funds (more than 80%). In 2011, the similar parameter was equal to 60% (in 2010 – 85%, 2009 – 53%, 2008 – 85%).

The number of MCs of the 2nd group which work with the funds of "medium" capitalization (\$51 mln – \$150 mln by size) also increased relative to 2011 and totaled 40 MCs. The number of these companies was determined both by appearance on the market of new MCs and by transition of MCs in more "heavy-weight" category. Total volume of capital under management of the "medium" MCs amounted to \$3.720 bln. Absence of clear preferences concerning the stages of investee companies was typical for the funds of this group. Deal volumes varied in the \$ 3–15 mln limits.

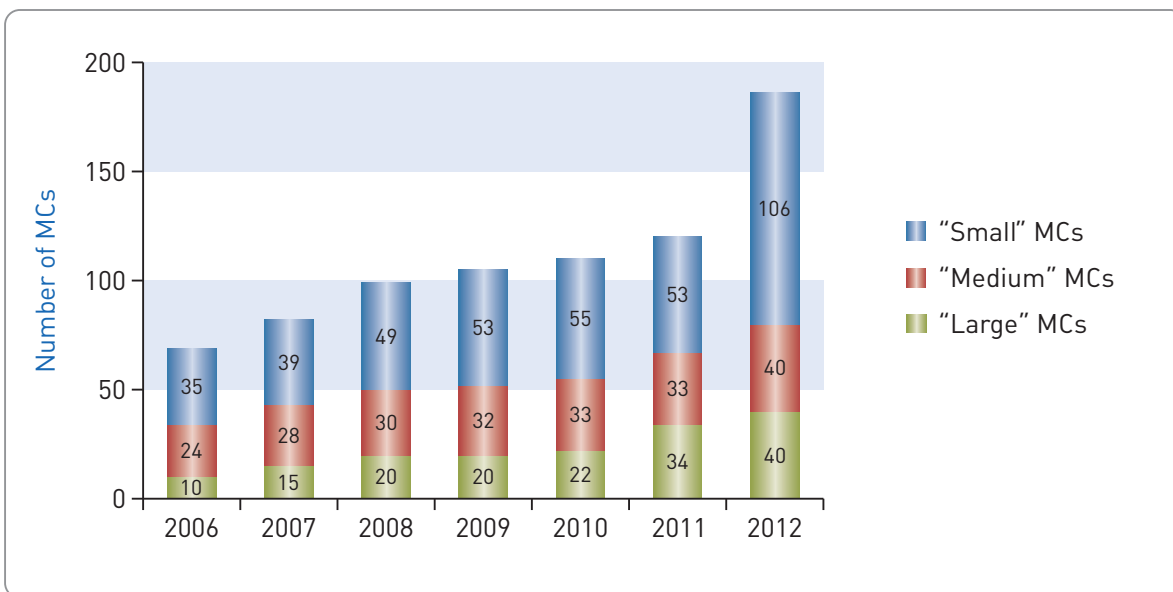
The 3rd group of MCs of "small" capitalization funds (\$5–50 mln by size) traditionally included the majority of MCs – 106 (53 in 2011). In this group, the main growth of the MCs number was connected with the emergence of many VC funds on the market, especially the funds with capitalization by \$5 mln. The number of MCs that terminated their work in connection with funds' liquidation or removal from the Russian market has had practically no effect on the MCs number in this group. Total volume of capital under management in this category was equal to approx. \$1.789 bln in 2012. As a rule, deal sizes in this group ranged from several tens of thousands to several millions of dollars.

Therefore, by the end of 2012, positions of the MCs of “heavy-weight” category strengthened even more as regards aggregate volumes of capital under management (the volume increased by 1/3 as against 2011). By-turn, segment of the “small” capitalization MCs demonstrated twofold growth of the MCs number.

Capitalization of fund management companies (MCs)



Number of MCs by capitalization of funds under management



In 2012, aggregate capitalization of the funds under the “heavy-weight” MCs' management increased by 1/3.

At the same time, the number of MCs in the “small” capitalization sector has grown sufficiently (twice as much).

Investments by industry branches

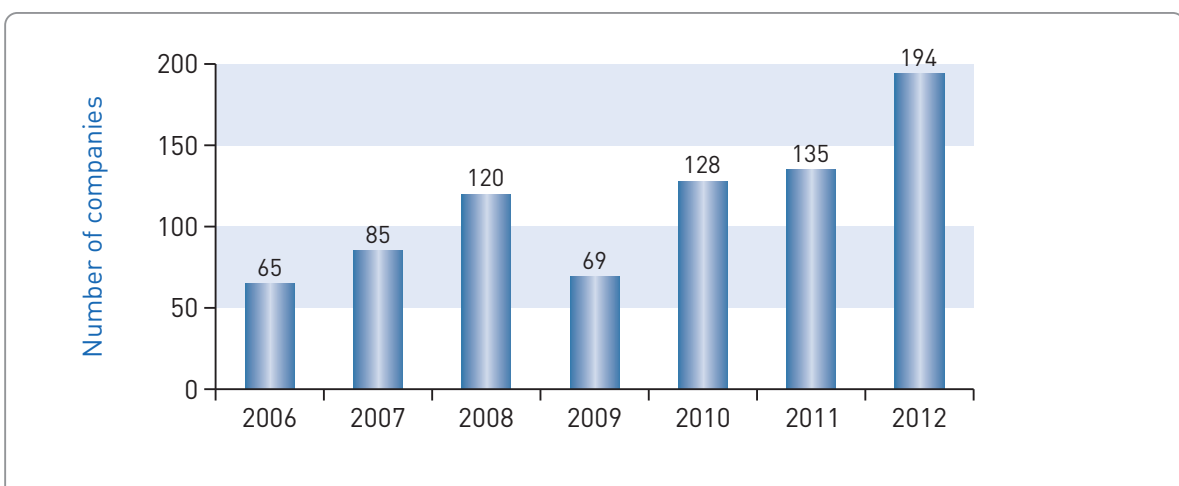
The totals of 2012 show that the positive dynamics of investment volumes and investee companies' number that was manifested by the Russian PE&VC market in 2011, remained and intensified in the reporting period.

Analysis of the data which had arrived from different sources (polls and questionings of representatives of management companies, summary data from the institutes of development, open publications in periodical press and internet, expert estimations) allow establishing the fact that PE&VC funds have made investments in no less than 194 companies. For the indicated number of financed companies there were confirmed data on the main parameters – investment volume, industry branch, stage of company's development, and region (further – “documented investments”). Additionally were analyzed such parameters as inception date, presence of follow-on investments, number of work places in a company, etc. Information on volumes of 49 investment more, including investments in 46 early-stage ICT companies and 3 later-stage companies, was either not available or their size was not evaluated with a reliability sufficient for their inclusion in total investment statistics. Although, the magnitude of their expected aggregate volume doesn't seriously affect the total picture of documented investments' market distribution by the main parameters.

Further (if not specified differently), the number of the investments made should be interpreted as the number of investee companies rather than the number of separate investment deals. Therefore, the total number of financed companies in the Russian market, the facts of making investments in which were revealed in the course of 2012 investigation, came to 243 (in 2011 – near 150), and 49 deals of this number were with unknown volume. This is a record of some kind, giving evidence of the investor's activity in the reporting period, on the one hand, and characterizing degree of increase of market transparency – on the other hand (especially it was manifested in ICT sphere).

It's necessary to note that the above-mentioned 243 companies do not include the companies financed by the Investment Venture Fund of the Republic of Tatarstan (IVF RT) in 2012 (near \$62 mln volume of financing in 126 portfolio companies).

Number of financed companies, 2006–2012

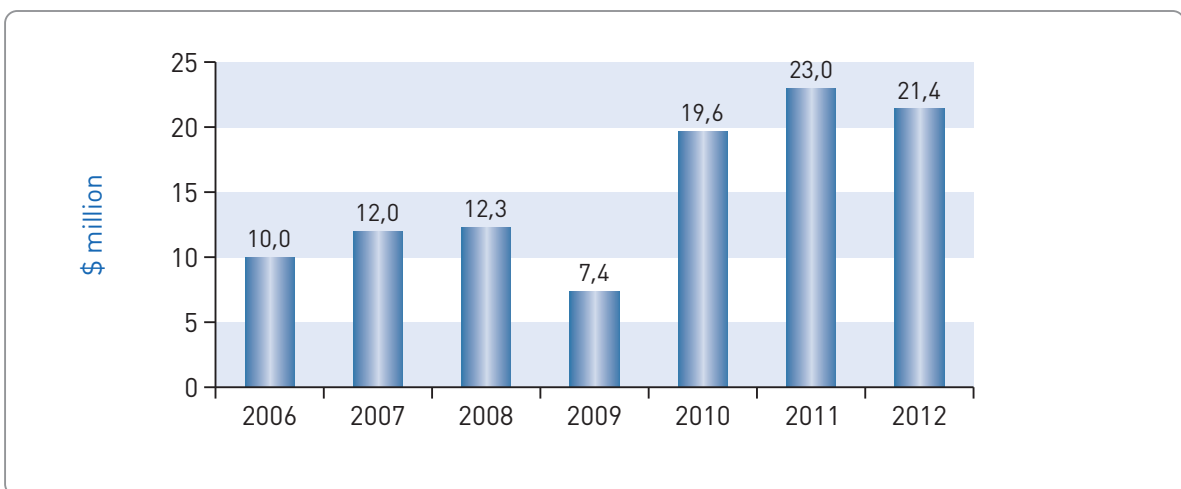


In 2012, investment activity was registered in all industries included in the classification used in this Review. The total documented investment volume directed by investors in the companies acting in the Russian market made the biggest amount for more than ten-year history of observations in the context of the investigation being conducted – near \$4.15 bln⁷.

Almost 2/3 of total documented investment volume was provided by investments in 12 companies to the amount of \$ 100–250 mln and one large investment equal to more than \$600 mln. To a great extent it was supported by a number of large investments realized with RPEF participation with attraction of foreign investors' capital: according to available information on the investments with known volume – a third or more of the total 2012 documented investment volume.

Average investment size by the 2012 totals came to \$21.4 mln (approx. by 6% less as against 2011), that was determined first by considerable growth of seed, start-up, and early-stage investments. A trend to continual increase of average investment volume is traced with the exception of critical for the industry year 2009, when mean value of investments decreased considerably: \$10 mln in 2006, \$12 mln in 2007, \$12.3 mln in 2008, \$7.4 mln in 2009, \$19.6 mln in 2010, and \$23 mln in 2011.

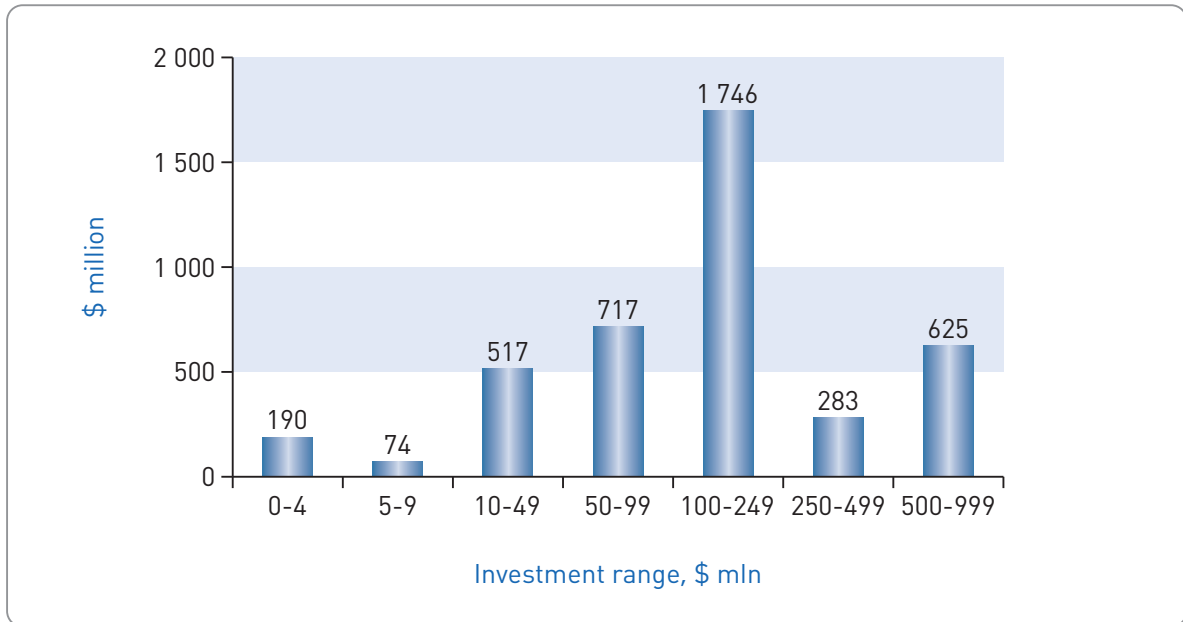
Average investment volume, 2006–2012



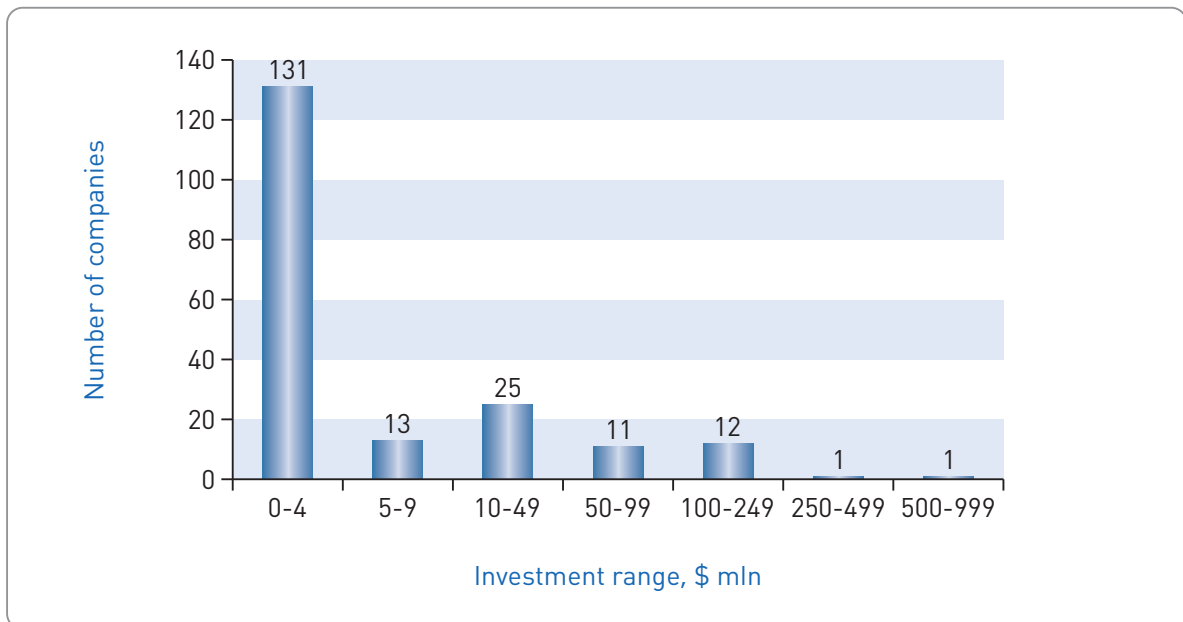
The most numerous (144 financed companies) were the investments up to \$10 mln by volume each, at the same time, contribution of this segment to total investment volume amounted to near 6% only.

⁷ As it was noted before, this statistics doesn't include the information on investments in the real estate and development spheres, i.e. in specific construction projects and objects (business centers, residential developments, etc.).

Distribution of aggregate investment volumes by the investment ranges, 2012

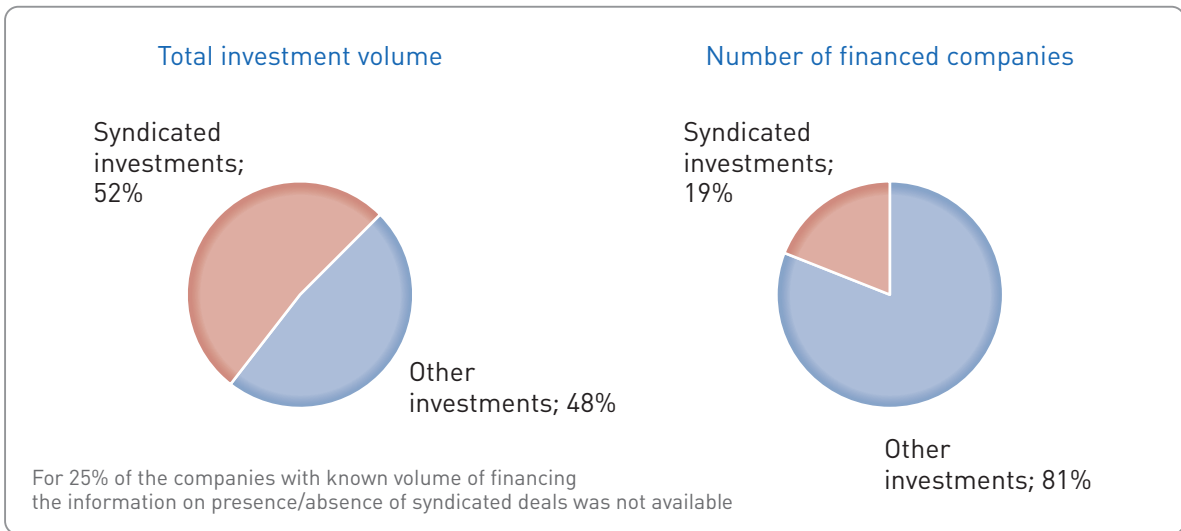


Distribution of number of financed companies by the investment ranges, 2012



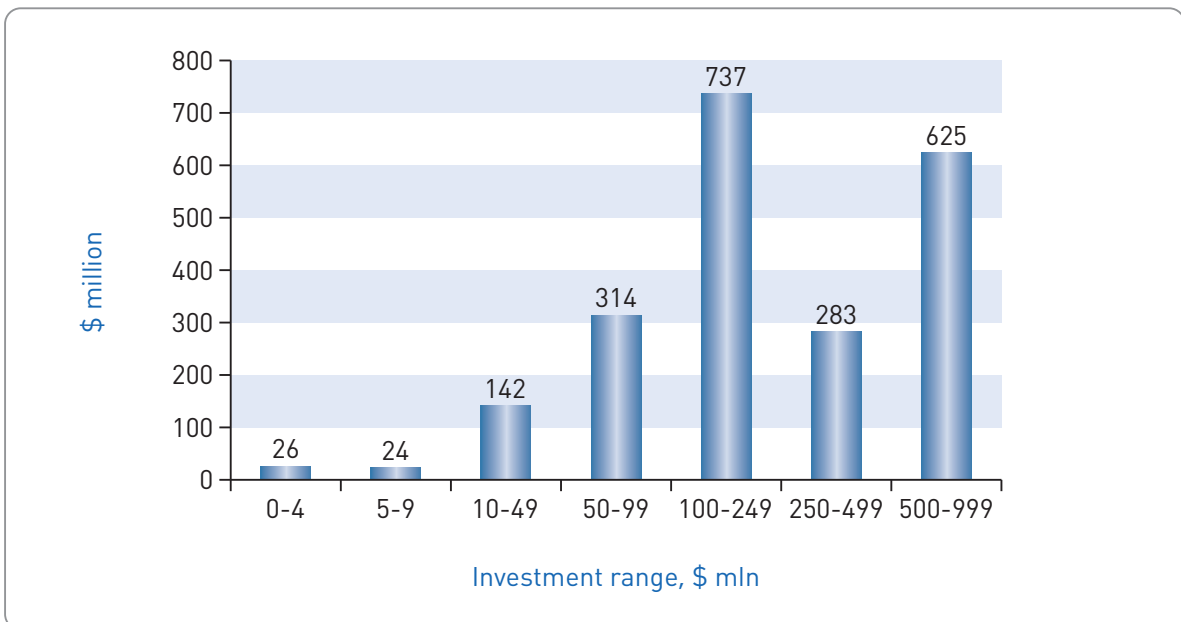
In the course of investing in 194 companies, there were made 243 deals. The number of companies that got syndicated investments was equal to no less than 38 (19% of total number of the companies with known investment volume), with almost half of total investment volume (near \$2150 mln) falling at syndicated deals. The mentioned percentage for number and volumes of syndicated investments may be evaluated somewhat higher, because for 25% of the companies with known volume of financing the information on presence/absence of syndicated investments was not available.

Share of syndicated investments, 2012

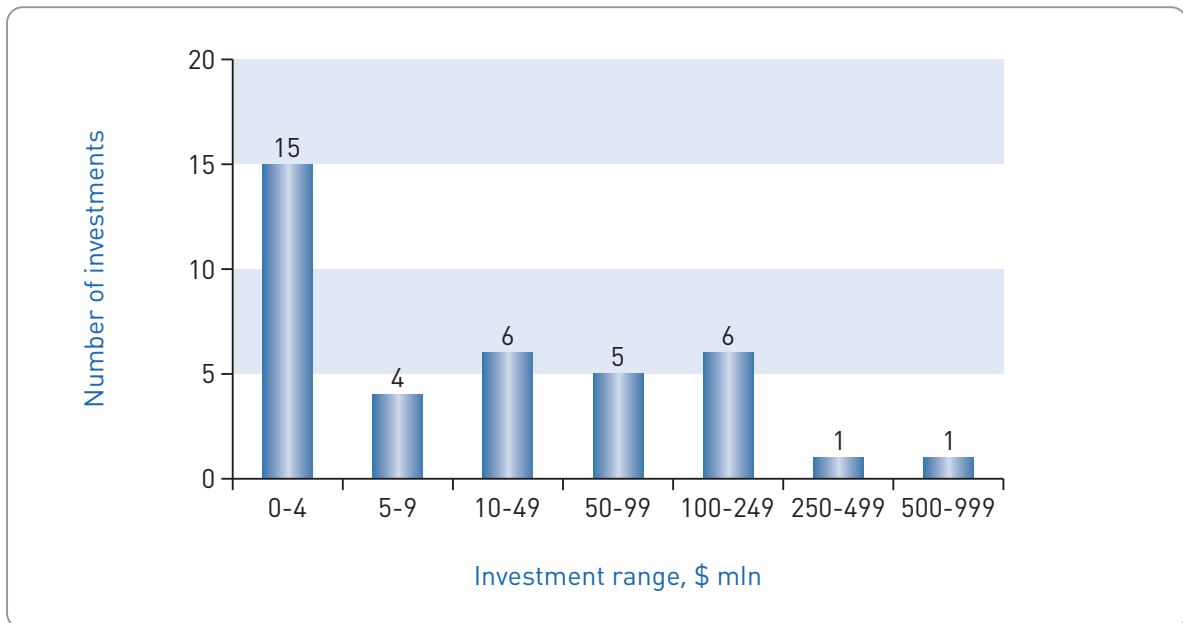


The number of co-investor funds that participated in syndicated deals ranged from 2 to 5 (not taking into account one complex deal, in which participated near 15 investors of different categories); at the same time, 2/3 of syndicated investments were made with participation of 2 co-investors.

Distribution of syndicated investment volumes by the investment ranges, 2012

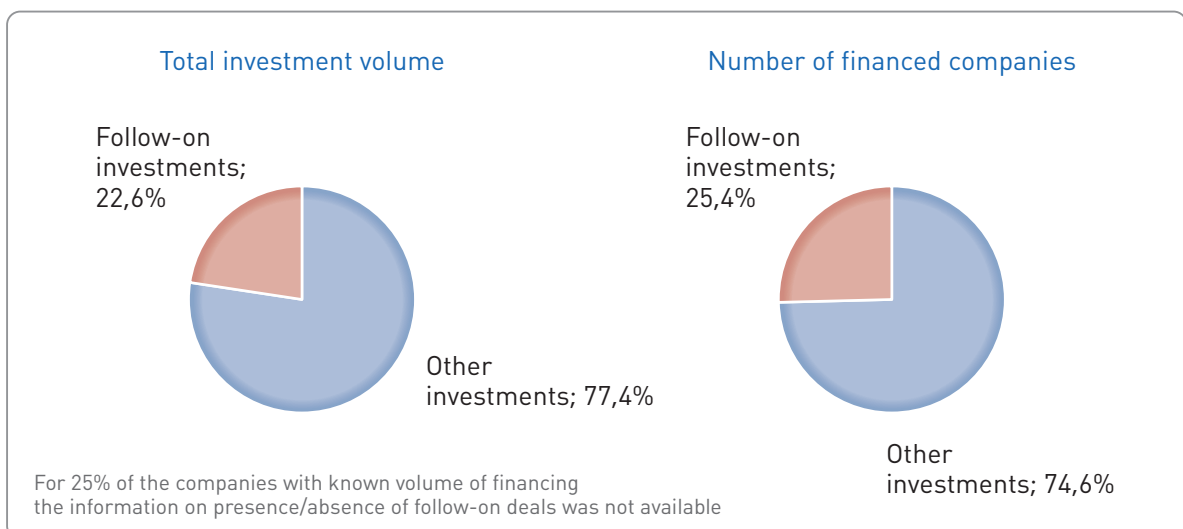


Distribution of number of syndicated investments by the investment ranges, 2012

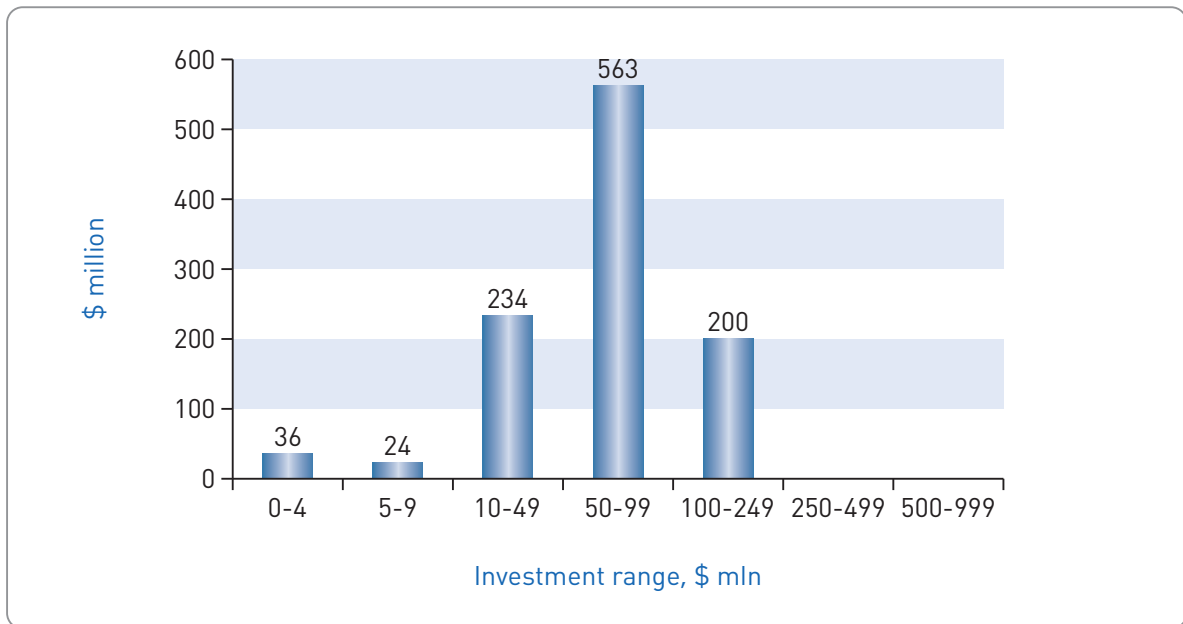


As regards the industry branch preferences, the biggest number of syndicated investments (almost 70%) was documented in ICT sector, near 8% fell at Financial services industry (near 25% of total syndicated volume), and 5% were related to Medical/Health care branch (the rest investments of this category were related to Energy, Transport industries, etc.). By the estimates available, investments with RPEF participation take 15% by number and almost 70% by volume among the aggregate parameters of syndicated deals.

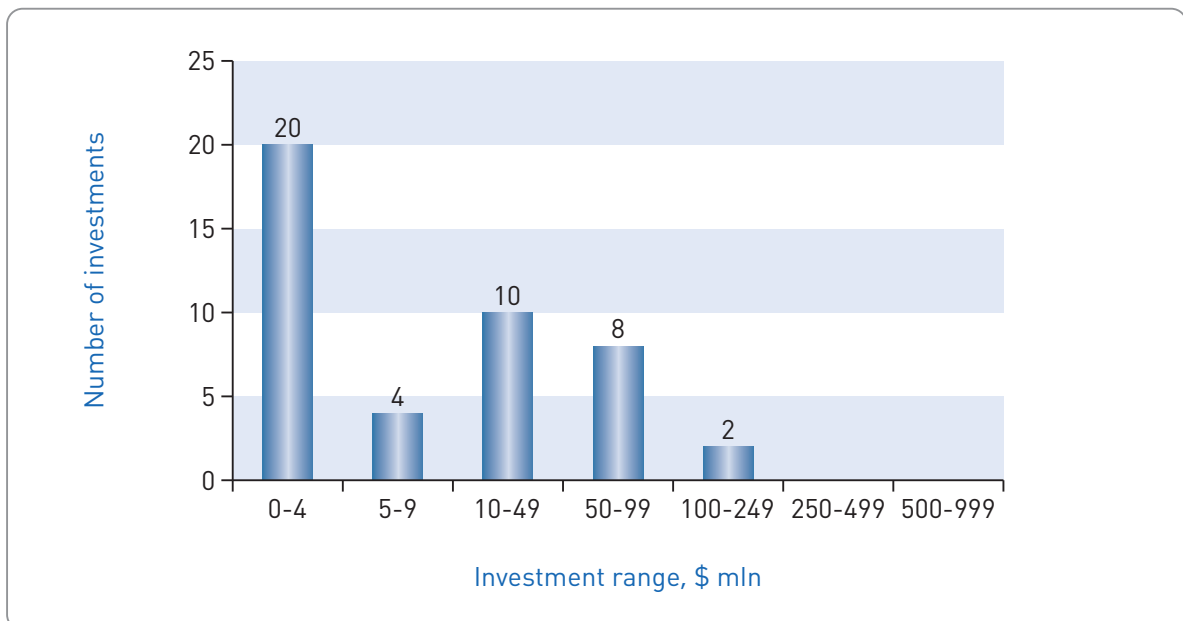
Share of follow-on investments, 2012



Distribution of follow-on investment volumes by the investment ranges, 2012



Distribution of number of follow-on investments by the investment ranges, 2012



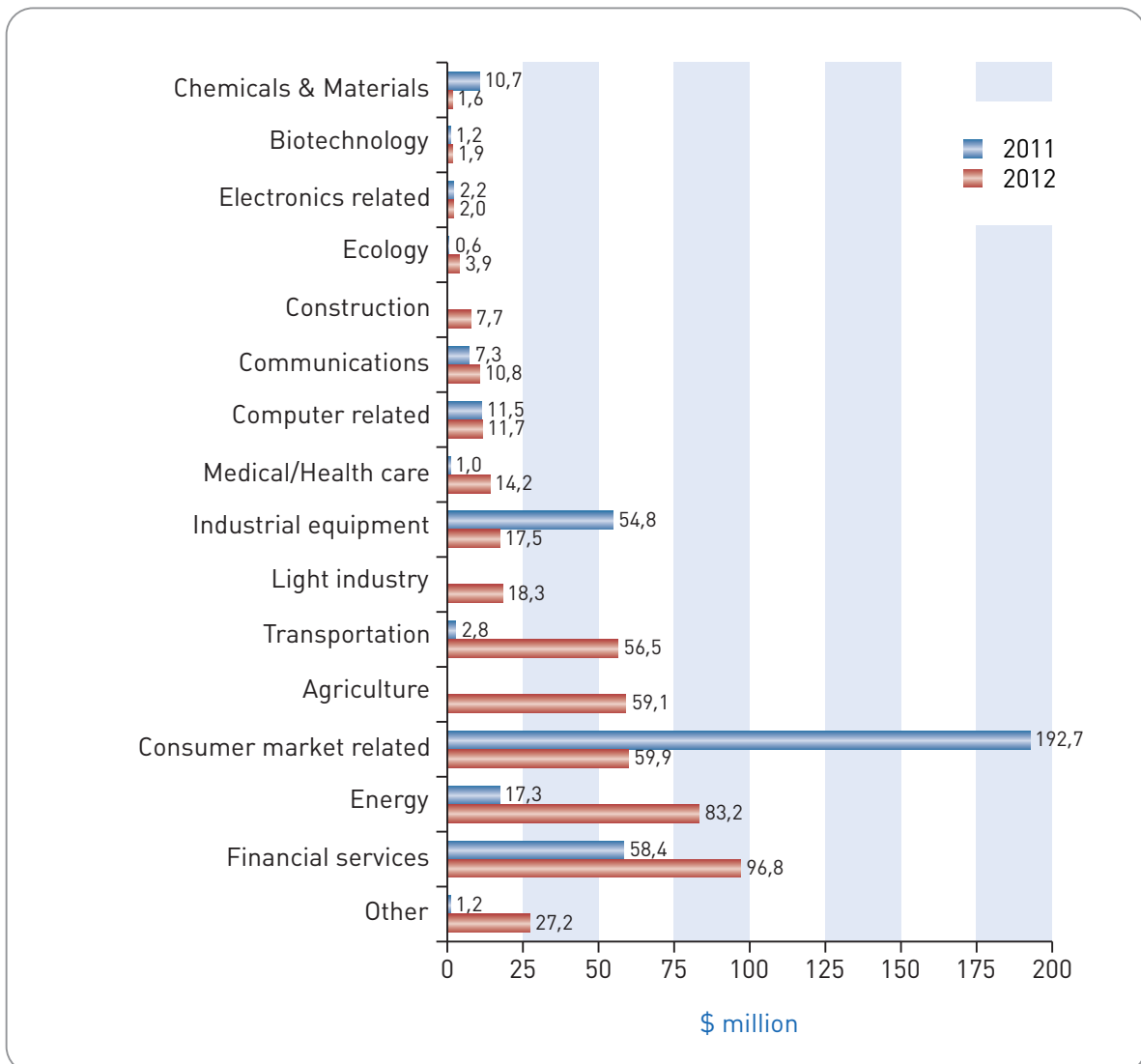
According to data available, share of the companies having got follow-on investments (additional investment rounds) on the PE&VC market came to near 23% (44 companies) of total number of financed companies (with known investment volume) with volume of these investments making near a quarter of total documented investment volume (approx. \$1056 mln). Near 3/4 of both number and volumes of documented follow-on investments were registered in ICT sector.

At the same time, the indicated share of number and volumes of follow-on investments may be estimated slightly higher (no less than 30–35% by number and 40–45% by volume) owing to the fact that for 25% of the companies with known volume of financing the information on presence/absence of follow-on investments was not available.

The highest average values of documented investments among all industries were registered (in the diminishing order) in Financial services, Energy and Consumer market branches (near 97, 83 and 60 million dollars, correspondingly). The lowest ones – in Electronics related, Biotechnologies and Chemicals & Materials industries (2.0, 1.9 and 1.6 million dollars, correspondingly).

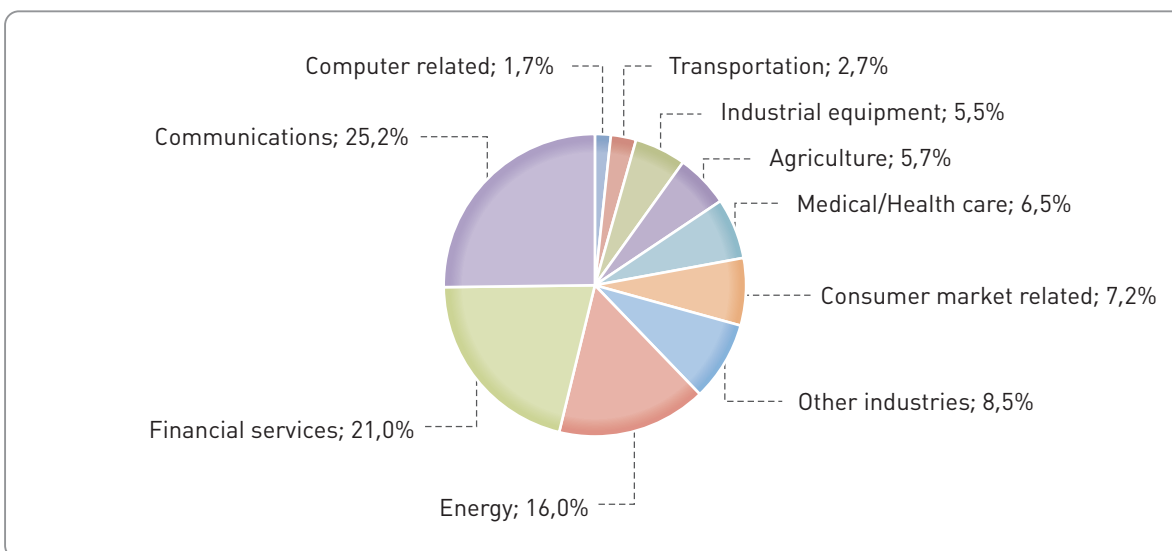
Comparison of industries – leaders by investment volumes in the 2007–2012 period – shows that their composition is relatively permanent, and even the industrial crisis of 2009 and following period of restoration have not affected it. Exception to this is two recent years when the branches of Industrial equipment and Energy joined the battle for leadership, but mainly due to registration in them a number of isolated big-volume deals.

Distribution of average investment volumes in the companies by industries, 2011–2012

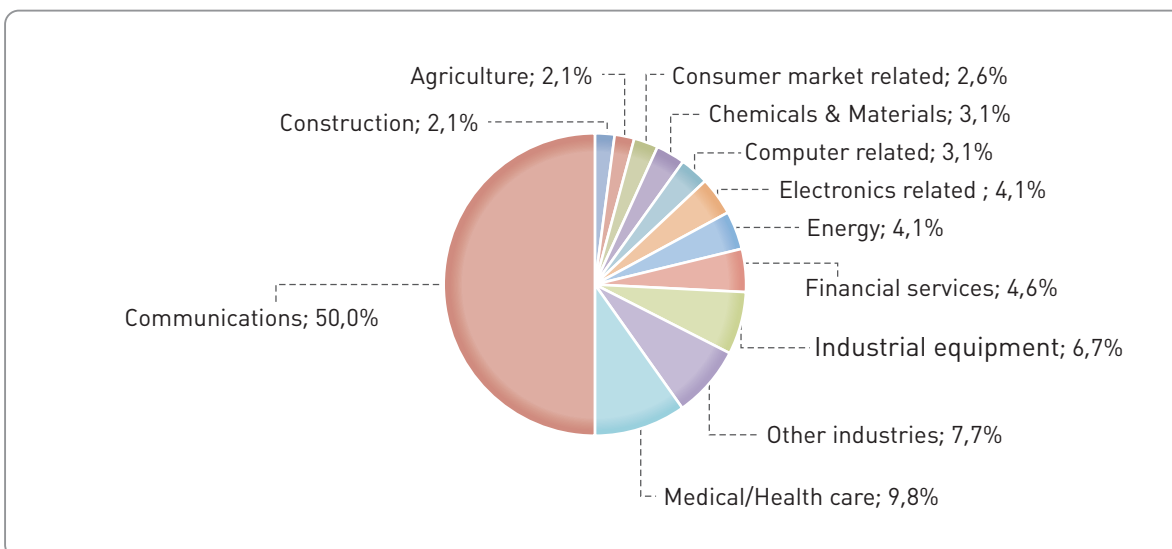


In general, the most attractive for investors spheres during a number of recent years have been, changing each other, Consumer market, Communications and Computer related (traditionally united within the frames of this investigation in ICT (information and communication technologies) sector), and Financial services industries.

Distribution of investment volumes by industries, 2012



Distribution of number of financed companies by industries, 2012



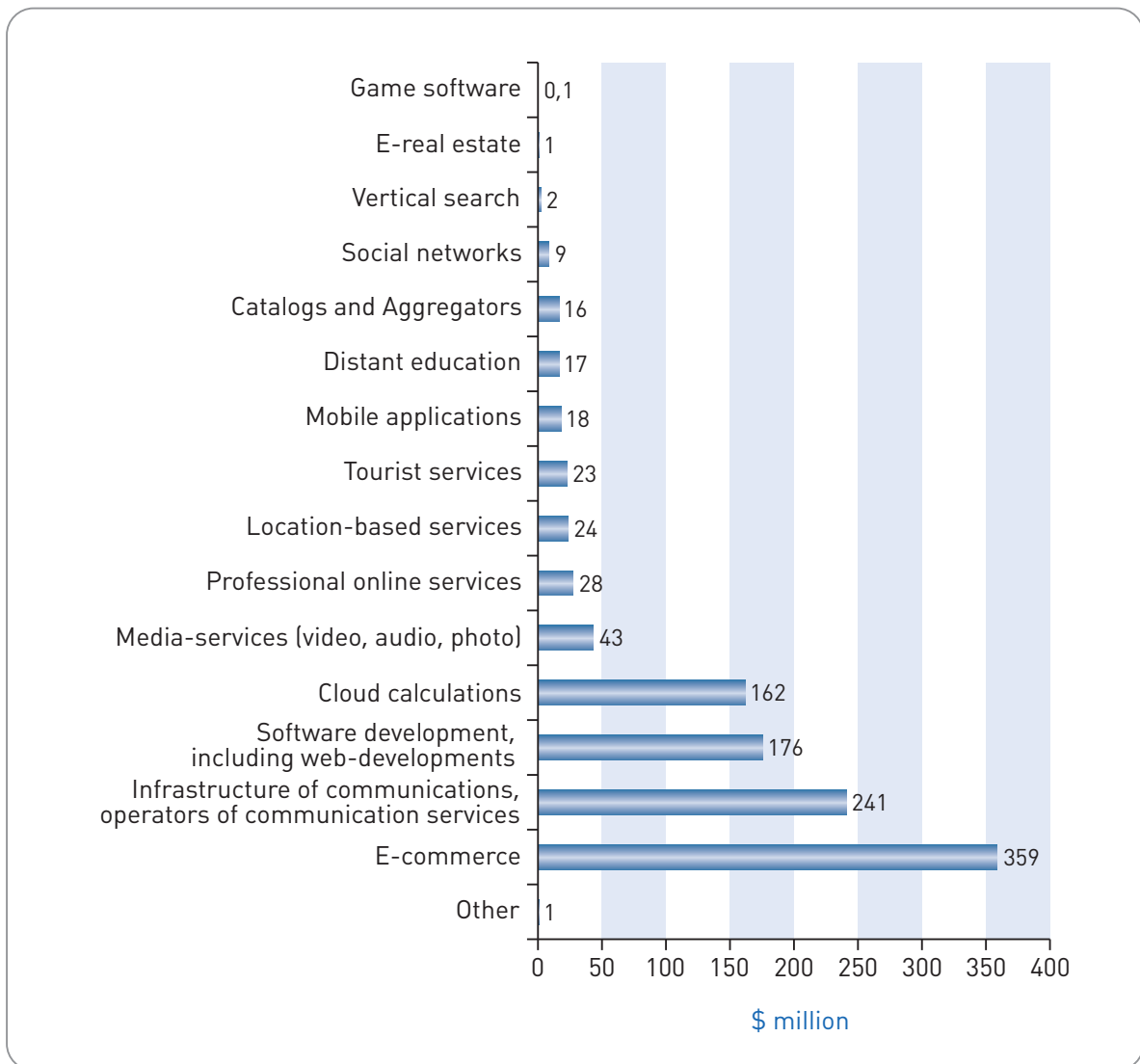
Distribution of aggregate annual investment volumes by leading industries, 2008–2012

	2008	2009	2010	2011	2012
Consumer market related	596	240	292	1541	299
Financial services	312	80	842	233	871
Computer related	267	96	1062	560	1071
Industrial equipment	61	3	94	493	266
Energy	75	28	101	138	665

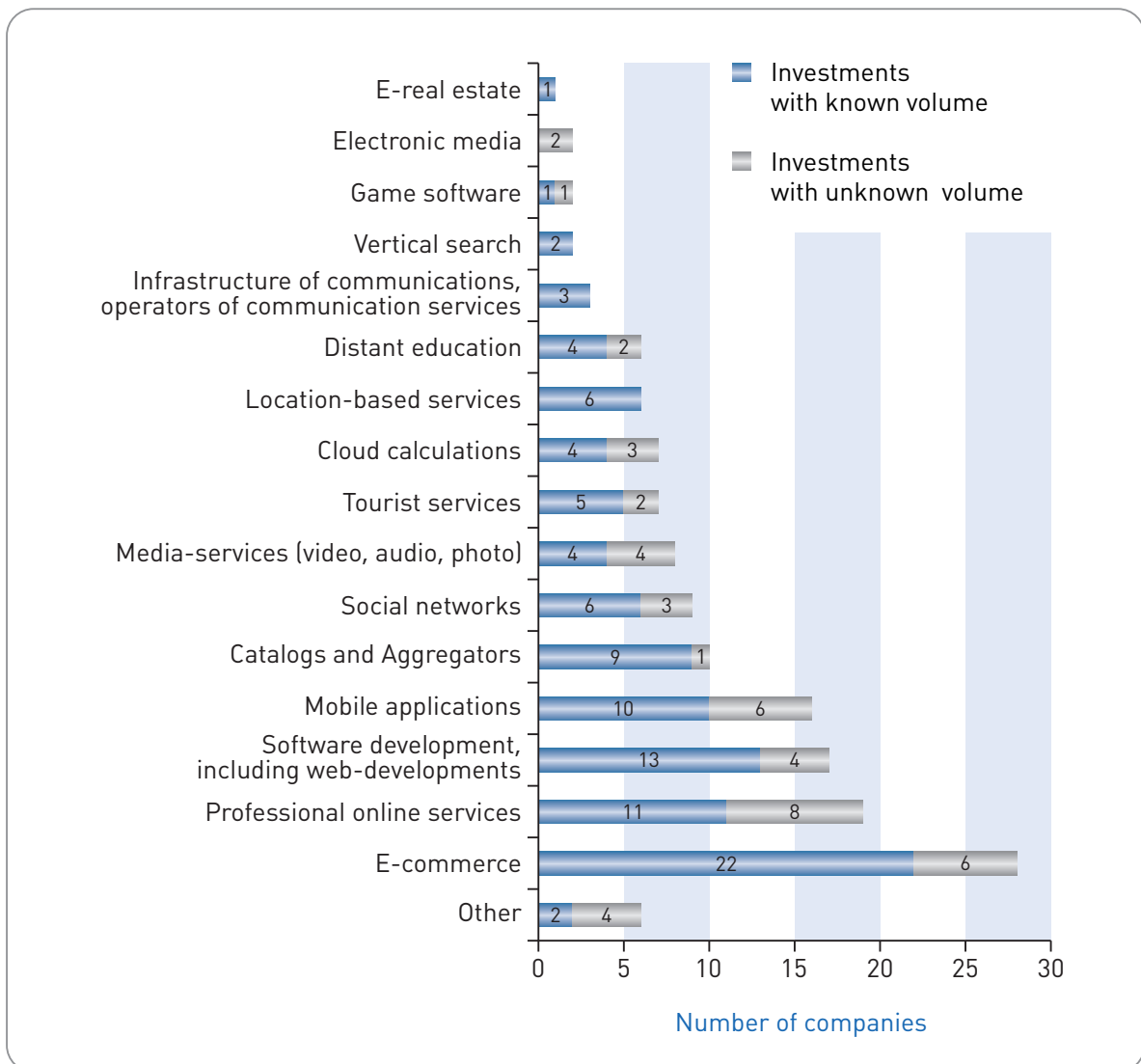
In 2012, the biggest volume of invested capital was accumulated in ICT sector. The total investment volume in the companies of this sector made up a considerable value – \$1.11 bln or near a quarter of total documented investment volume. For comparison: in 2011 the investment volume attracted in ICT companies was 2 times smaller (approx. \$0.56 bln or 18% of total investment volume, 66 deals).

The ICT sector led also by number of financed companies (near a half of their total number – 103). This number doesn't include 46 investments with unknown volume from the sector under review, although their branch identity is mirrored at the graph of distribution of the number of financed ICT sector companies.

Investment volumes by ICT sector branches, 2012



Number of financed companies by the ICT sector branches, 2012



Attractiveness of the ICT sector companies, and first of the software and internet projects spheres, is formed of several factors, for example – relatively low expenditures for product launch or practically total absence of manufacture or technology risks that are typical for the real sector companies.

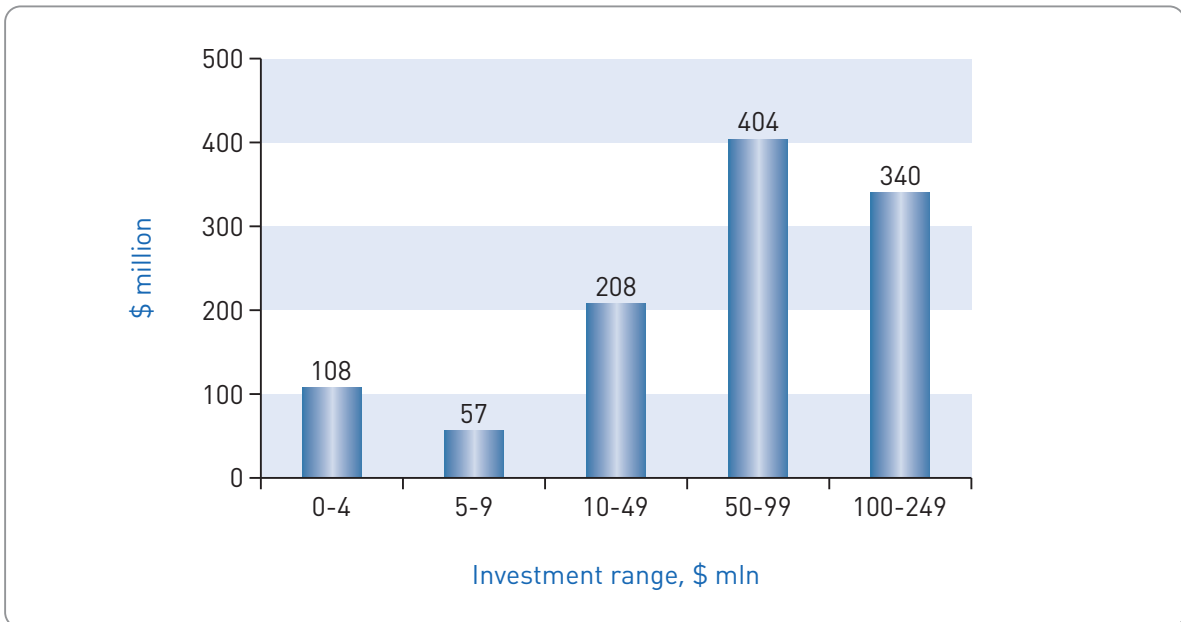
In general, whereas Russian internet market has already become a leader in Europe from quantitative point of view, it possesses significant growth potential in the part of quality of infrastructure available, level of development, activity and numerousness of users' media.

Such high activity of investors in ICT sphere allows reviewing a number of related parameters.

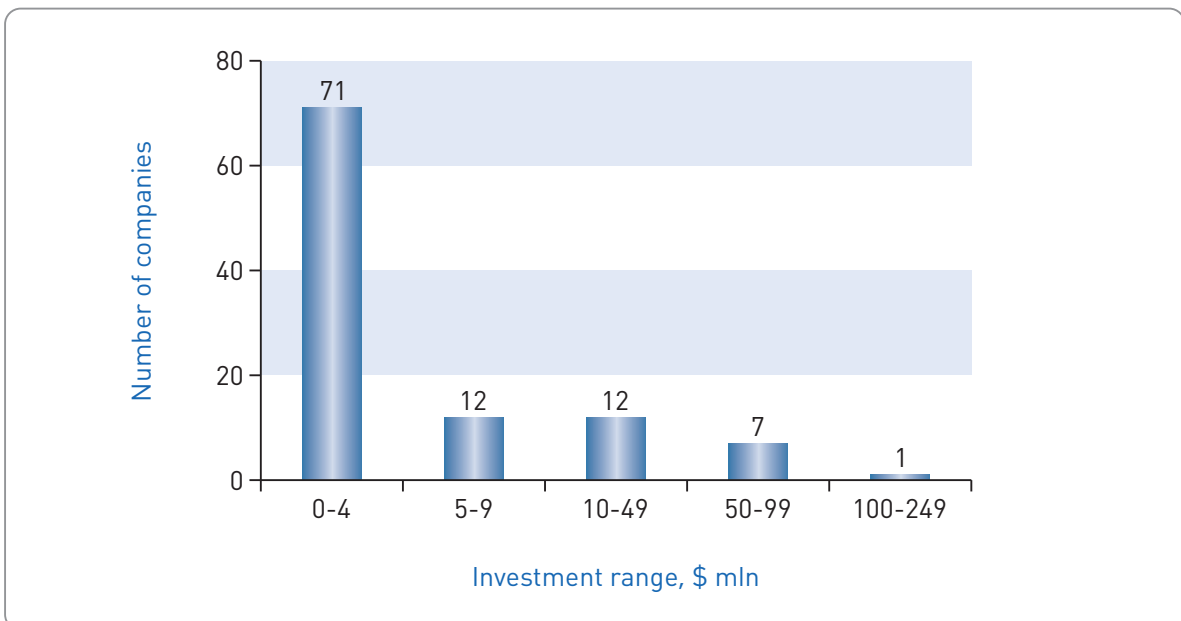
The analysis of "thin" branch structure of the deals in ICT sector shows that in 2012 the leaders by investment volume were spheres of E-commerce (22 investments with known size – with

aggregate volume near \$359 mln or 32% of total investment volume, and 21% of financed companies number in ICT sector) and Infrastructure of communications (3 investments with known size – with \$240 mln aggregate volume, 21% and 3%, correspondingly); the companies from the areas of Software development (documented investments to the total sum near \$176 mln) and Cloud calculations (total investment volume near \$162 mln) round out the top three with small gap between each other.

Investment volumes in ICT sector by the investment ranges, 2012



Number of financed companies in ICT sector by the investment ranges, 2012

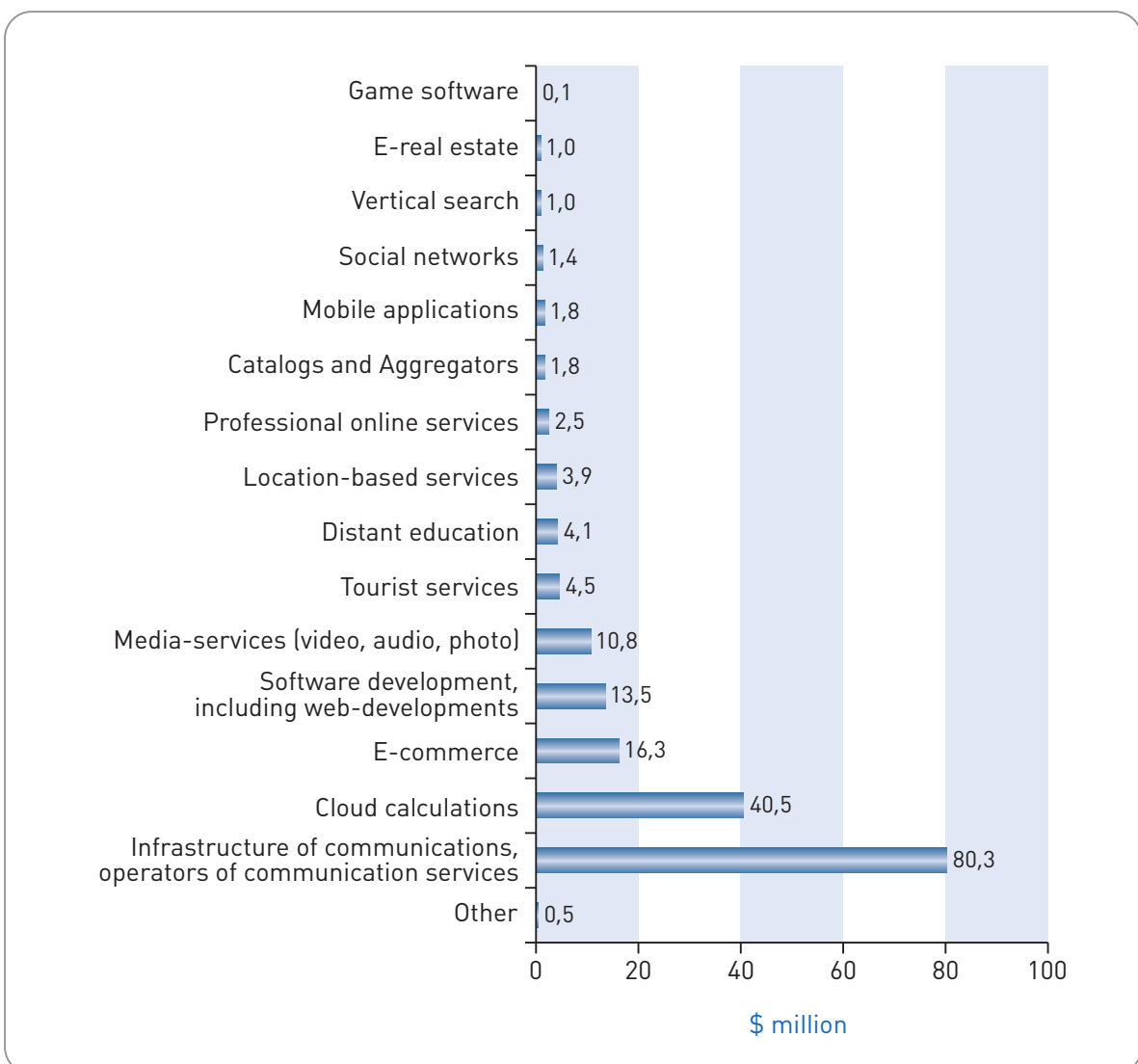


It should be noted that a part of the Cloud calculation investments was attributed to the sphere of Professional online services.

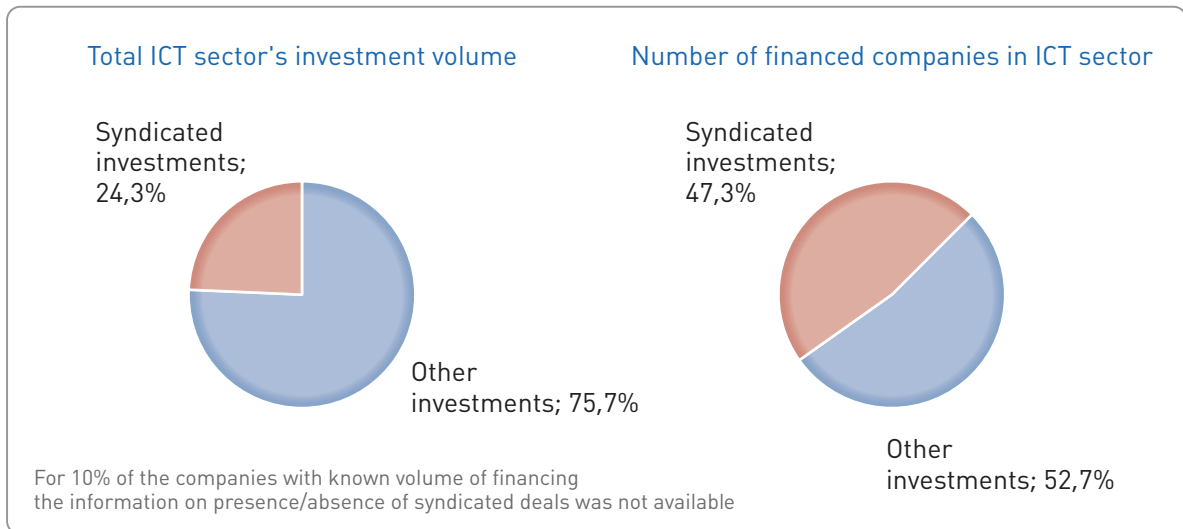
In aggregate, at the group of leader industries in ICT sector for financed companies with known investment volumes fell approx. 83% of total investment volume and 40% of total number of the companies that got financing in ICT sector in 2012.

As regards the range of prices, the investments up to \$5 mln by volume prevailed by number – almost 70% of total deals' number. The main input in total investment volume in ICT sector (36%) was provided at the expense of the deals of higher price range (\$ 50–100 mln).

Distribution of average investment volumes by the ICT sector branches, 2012

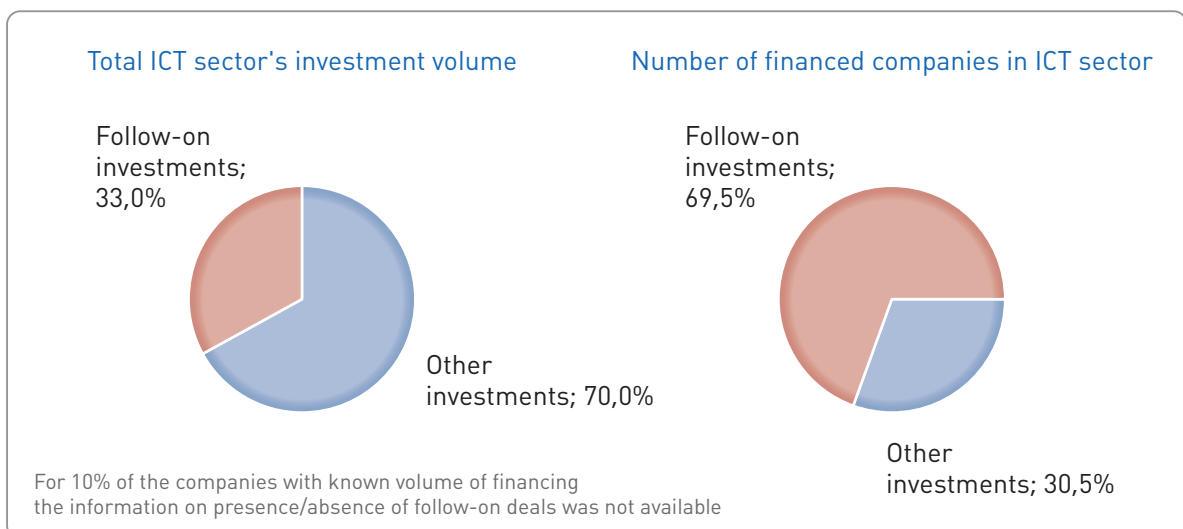


Share of syndicated investments in ICT sector, 2012



Unit weight of investments in the seed and early-stage companies in the total volume of documented investments in ICT sector is relatively small (approx. 23%) in comparison with the later-stage companies, nevertheless their input in total number of financed companies is crucial – near 77%.

Share of follow-on investments in ICT sector, 2012

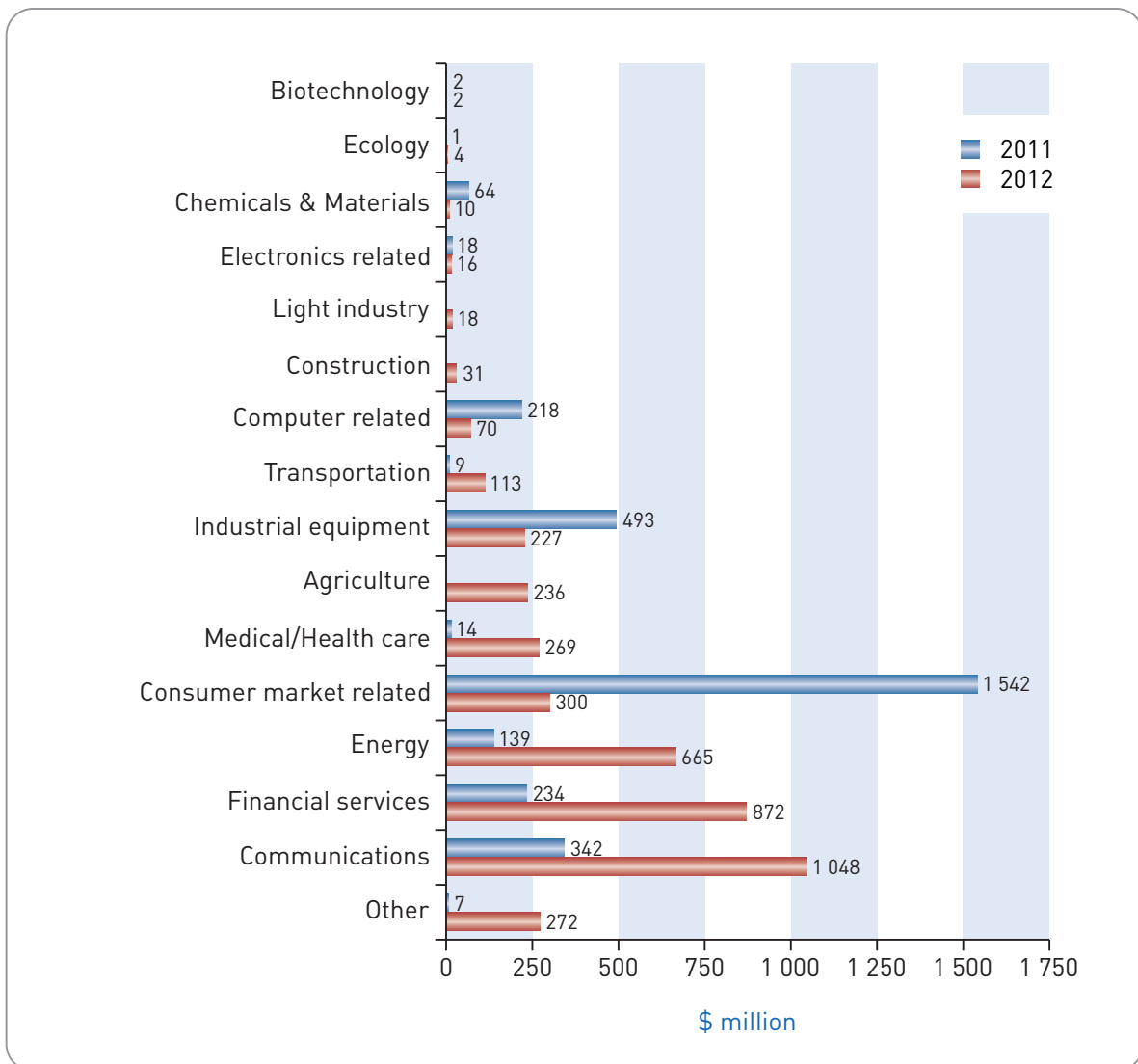


Share of syndicated investments in ICT sector among the investments with known volume averaged near 25% of total number of financed companies with known investment volume in this sector, at the same time, the volume of syndicated deals amounted to near 47% of total investment volume in ICT sector.

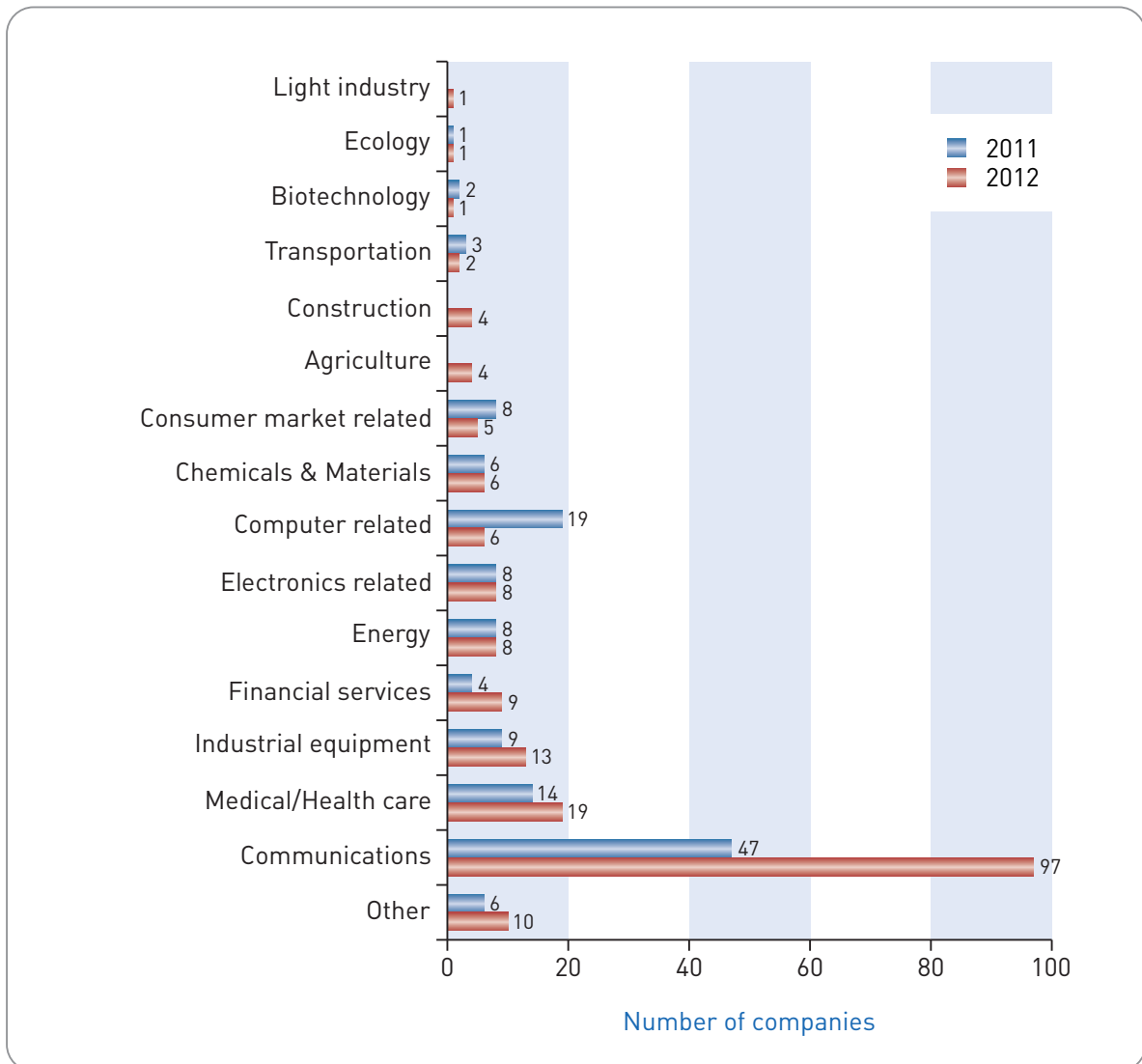
Proportion of follow-on investments among the investments with known volume came to near 33% of total investments' number in ICT sector, with almost 69% of total investment volume in this sector relating to follow-on investments.

The biggest average values of the ICT sector investments were documented in the spheres of Infrastructure of communications (near \$80 mln), Cloud calculations (approx. \$40 mln) and Electronic commerce (near \$16 mln).

Investment volumes by industries, 2011–2012



Number of financed companies by industries, 2011–2012



In the nearest future, the most promising in ICT sector will become the projects focused on different niches: from financial services to processing big volumes of data.

Investments in ICT sector made by public funds (excluding data on IVF RT which were not included in total PE&VC funds' statistics) and the funds created within the private-public partnership frames, made near 18% of total number and 3% of total investment volume in this sector.

In the 2nd place by aggregate investment volume after ICT sector the Financial services sector was situated with \$871 mln result or near 21% of total volume of the investments documented in 2012 (9 documented investments or near 4.5% of total financed companies' number). According to estimations available, no less than a half of total investment volume documented in this sector fell at the investments made by RPEF with attraction of foreign investors' capital. At the same time, the deals with RPEF participation accounted for only 22% of total deals' number in the Financial services branch. This contributed to returning the branch to leading positions after temporary retreat in 2011 (to the 4th place), with almost fourfold increase of investment volumes in comparison with preceding reporting period

when aggregate investment volume totaled \$233 mln, and more than twofold increase of the documented investments' number (4 in 2011). Average investment volume in Financial services branch amounted to \$96 mln. The targets of investments in this branch were rather manifold in 2012: from banks and collector agency to electronic trading system and major Russian stock exchange.

The 3rd place was occupied by the Energy industry branch (\$665 mln), but its ascent was caused first by one large infrastructure investment in one of the branch companies which was made with RPEF participation also (the share of the investment in the total documented investment volume in the branch – more than 90%). Taking into account these peculiarities, it may be stated that total investment volume has grown almost 5 times in comparison with 2011 (near \$140 mln) with the total deals' number in the branch keeping the same – 8 deals in 2012.

From the point of view of financed companies' number, the three leading industries look in a different way, although leadership of the ICT sector is being undoubted during all recent years (furthermore, the number of documented investments increased more than 2.5 times as against 2011 – from 47 to 103). In the 2nd place by investments number was situated Medical/Health care sector which was progressively developing during all recent years in spite of relative decrease of the parameters in 2011 (deals' number almost by half surpassed the number of investments in 2011 and came to 19). The 3rd place belonged to Industrial equipment branch (13 financed companies).

In the 4th place by aggregate investment volume situated Consumer market. This industry branch, although having demonstrated a reversion by investment volume to post-crisis values of 2010, when the investments totaling \$292 mln were documented (in 2012 – approx. \$299 mln that is incommensurable with 2011 values – near \$1.5 bln owing to one large deal), keeps closeness to the leading three. At the same time, the number of documented investments decreased 2 times relative to the two preceding years (up to 5 deals).

The companies attributed to the "Other" category in the industry branch classification by aggregate investment volumes (near \$271 mln) were in the 5th place by the end of 2012. This category included investments in wholesale trading companies, companies selling tickets to performing arts presentations, etc.

The 6th place by investment volumes belonged to Medical/Health care branch. It should be underlined that this branch has grown sufficiently in comparison with recent reporting periods not only quantitatively but also qualitatively. The first thesis is illustrated by impressive growth of main parameters: the deals' volume in the branch grew more than 5 times as against 2010 (and more than 20 times relative to 2011 when some recession was observed in the branch). The second thesis is supported by the fact that high activity in the branch was demonstrated both by VC funds focused on the R&Ds in the spheres of medical preparations and equipment and large PE funds (including the RPEF participation) invested in medical services companies (including laboratories, clinics and even a manufacturer of medical diagnostic reagent kits). At the same time, if the input of these companies by investment number accounted only for 15% of total investments' number in the branch in question, by aggregate investment volumes it accounted for more than 90%. In general, investors very positively evaluate the prospects of Russian medical services market taking into account their being in demand regardless of emerging economical conjuncture.

It should be mentioned that in correspondence with the classification used in the Review, investments in the companies, for example, working in the area of new medicines design, were attributed to Medical/Health care branch rather than to Biotechnologies as it used in some other investigations. At that, number and volumes of the investments which are being attributed by number of side experts to Biotechnologies and are included in the present investigation in Medical/Health care, in 2012 totaled not less than 15 investments and near \$14 mln by aggregate volume.

The 7th and 8th places by investment volumes were shared with small gap between Agriculture and Industrial equipment branches. This fact is remarkable in respect of both industries. Agriculture branch demonstrated impressive growth against the background of preceding periods – near \$236 mln against approx. \$52 mln in 2010 (in 2011 there were no investments documented), with the number of investments increased by 1 relative to 2010. There are certain hopes for further increase of activity in the given branch connected with the presence on the market both specialized funds focused on agriculture and infrastructure funds having been created in recent years. The potentiality of developing agriculture market is being highly evaluated by the major PE industry players.

By-turn, the number and volumes of investments in Industrial equipment registered in 2012 give the hope that the peak values of investment volumes that was demonstrated in 2011 due to one large syndicated investment were not accidental. In 2012, the aggregate investment volume in this branch totaled near \$226 mln or 5% of total investment volume (as against approx. \$493 mln and 15%, correspondingly, in 2011), with the investment number having grown by 1/3 (13 against 9 in 2011). It's important to note that of 13 investments in 2012, 9 Industrial equipment investments were made in early-stage companies.

Transportation industry branch was situated in the 9th place with the \$113 mln total (2 documented investments) that surpasses the 2011 values many times (\$8.5 mln, 3 investments); at that, both investments were related with postal services and delivery.

The rest industries accounted for near 2% of 2012 total investment volume in aggregate. By number of financed companies they corresponded to 13% of total number of the companies.

It's significant that the indicated group of outsiders includes, in addition, some of the most science-intensive branches of real economy sector: Electronics related, Chemicals & Materials and Biotechnologies.

Following the Transportation branch (not taking into account Computer related branch which is united with Communications to form the ICT sector) by total investment volumes the Construction branch is situated (near \$39 mln, 4 financed companies). In 2011, there were no investments documented in this branch.

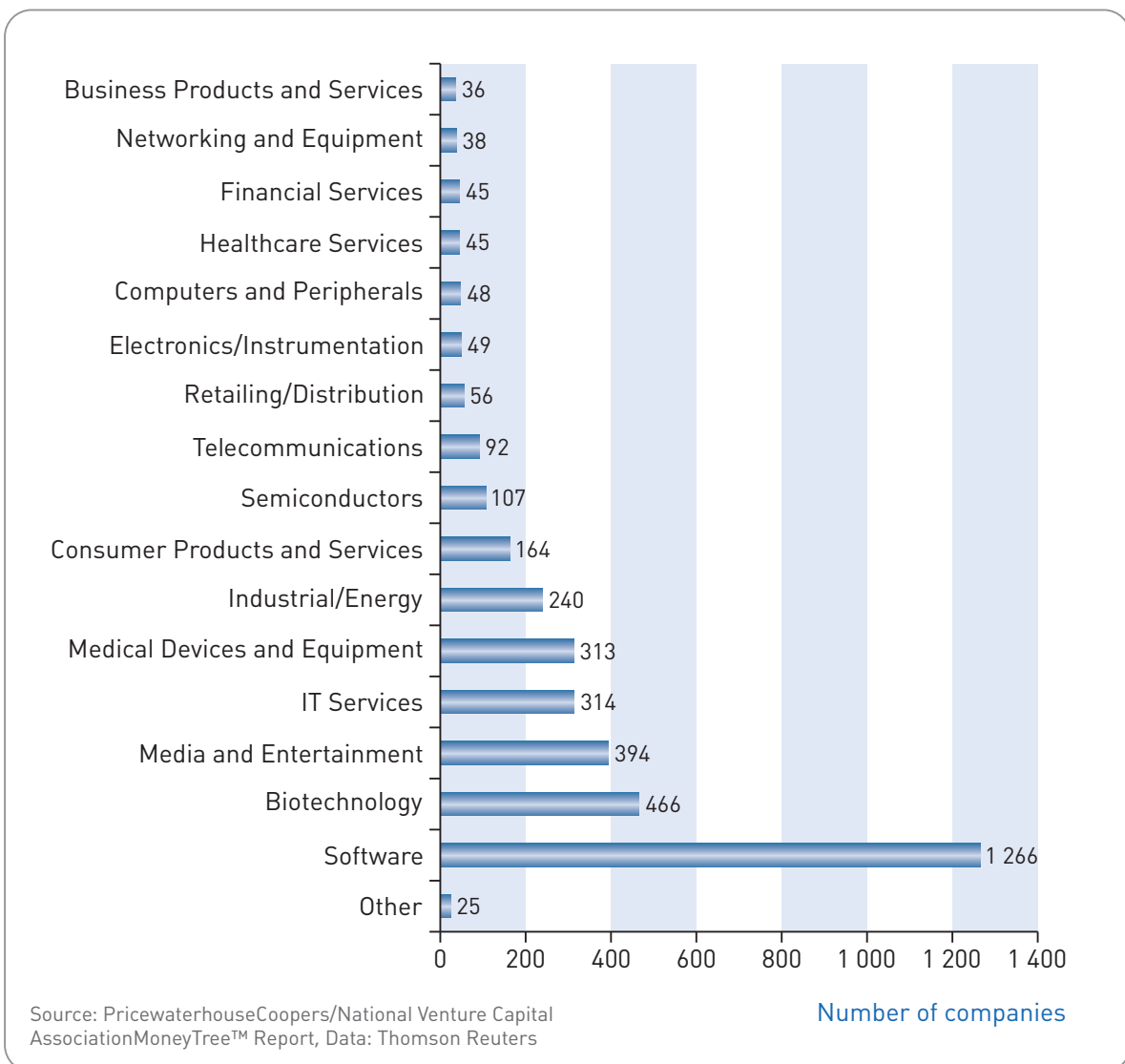
Construction is followed by Light industry with \$18.3 mln result (in 2011, there were no investments in this branch, also).

Electronics related branch has maintained the aggregate investment volumes at the 2011 level (near \$16 mln in 2012 against \$17 mln in 2011). Number of documented investments coincided with the value of previous reporting period (8 financed companies), with all the companies being financed at early stages.

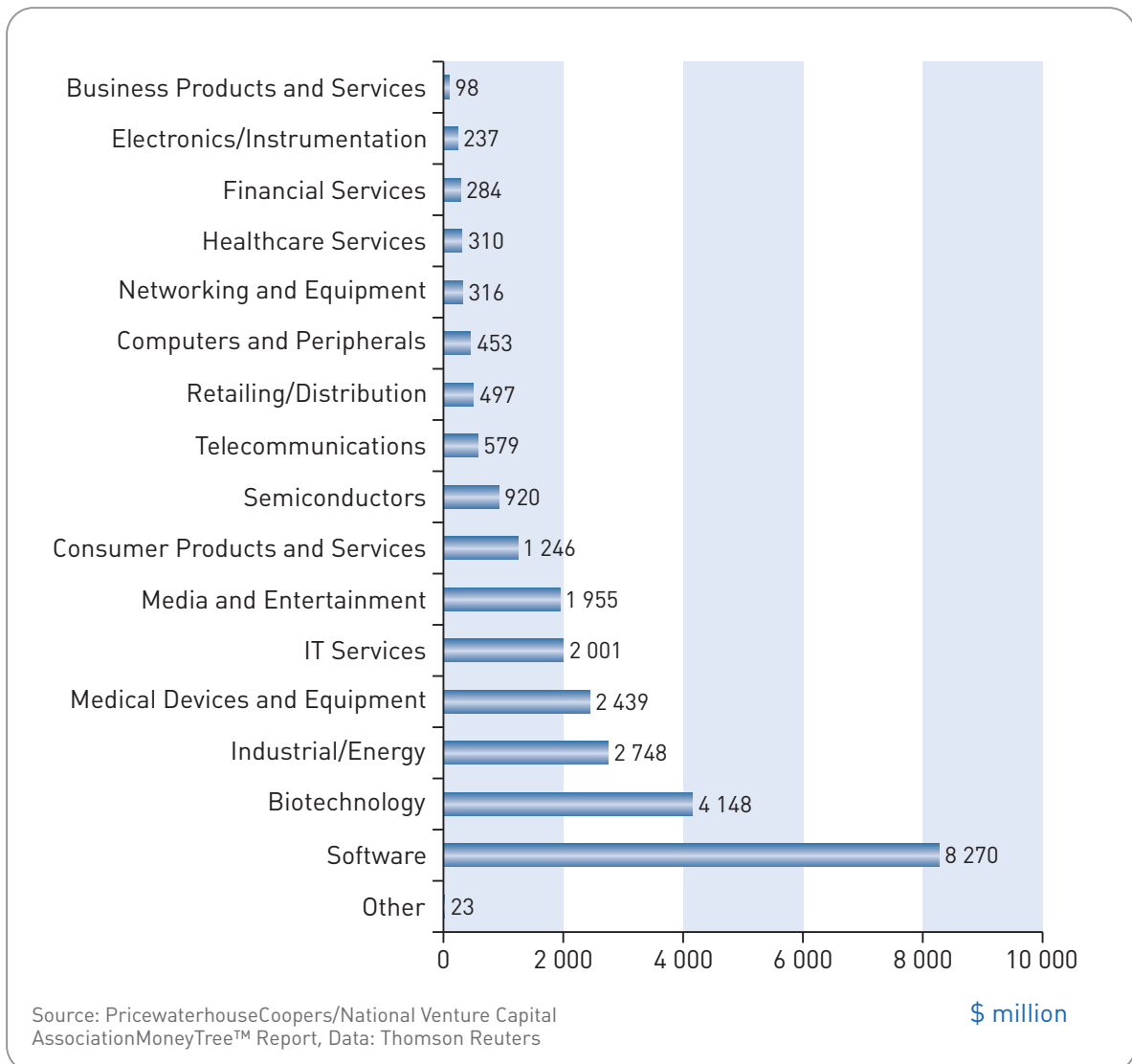
The industries of Chemicals and Materials, Ecology and Biotechnologies close the file of branches by aggregate volumes of documented investment with the totals \$9.8 mln, \$3.87 mln and \$1.9 mln, correspondingly. At the same time, as it was noted before, a number of investments which in some other investigations were attributed to Biotechnologies, in correspondence with the terminology used in the present Review was included in Medical/Health care (first, it concerns the projects in the sphere of development of new medical preparations and technologies). If to transfer several early-stage deals from Medical/Health care to Biotechnologies branch according to its treatment in the other investigations (development of medicinal agents, etc.), the aggregate investment volumes in it, by the 2012 totals, would come to \$16 mln (16 investments). To the volumes indicated 17 companies should be added which were financed by IVF RT in 2012 to the amount of \$0.22 mln.

Ecology has demonstrated its largest aggregate investment volume within the whole period of observations. One may believe that its investment parameters will continue growing, that is caused, first, by work of several investment funds targeted at CleanTech sphere.

Number of financed companies by industry branches in the USA, 2012

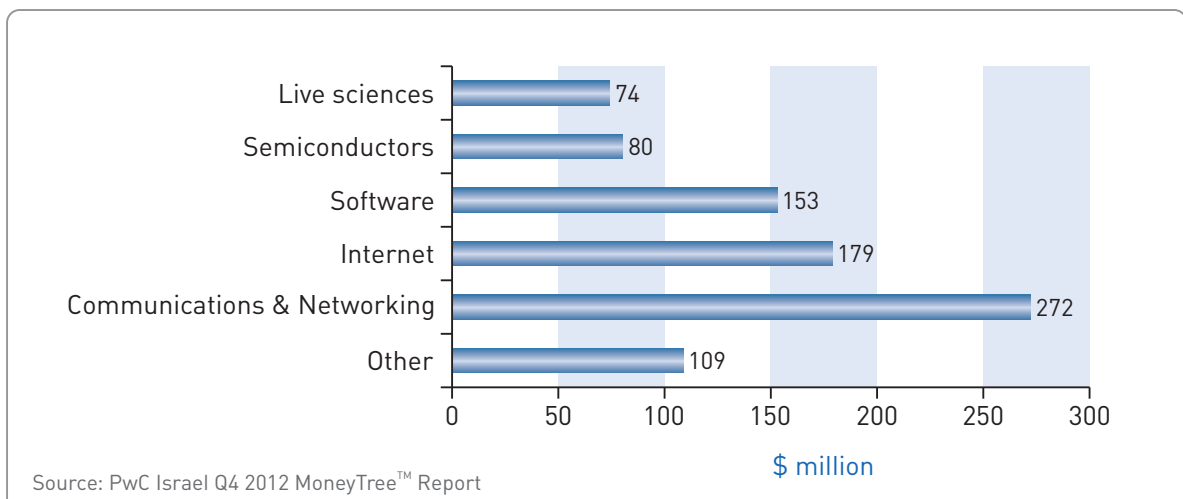


Investment volumes by industry branches in the USA, 2012



In the light of given data on investments in high technologies in the Russian market, comparison of investment volumes in the science-intensive spheres with the best known world VC markets represents a great interest.

Investment volumes by industry branches in Israel, 2012



Thus, in the USA in 2012, the biggest investment volumes were documented in Telecommunications and Software branches – near \$8.7 bln (more than 1300 financed companies) that was twofold more than total 2012 investment volume in Russian PE&VC market. In the 2nd place were Biotechnologies with the \$4.1 bln total volume of financing (more than 450 investments). Industrial/Energy branch occupies the 3rd place – \$2.7 bln in 240 companies.

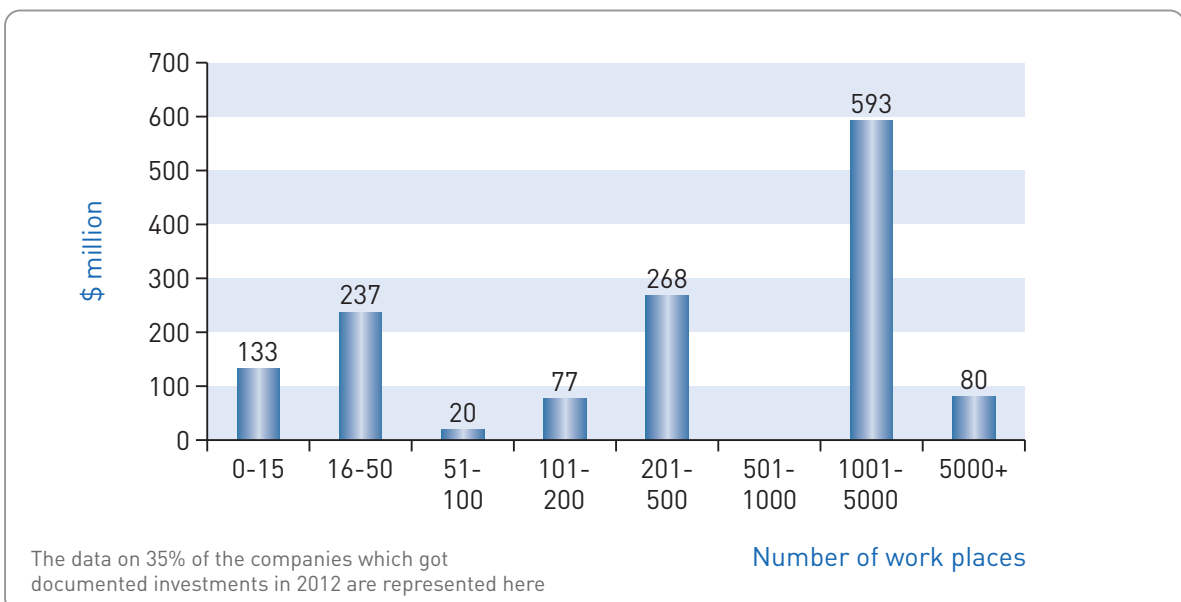
By-turn, according to the 2012 totals, aggregate investment volume in Russian ICT sector surpassed the analog parameter of the Israel VC market almost twice. But in Israel, aggregate investment volumes in high-tech branches of Semiconductors and Life sciences sufficiently higher than the Russian values.

The subject of the large PE funds attraction to work with high-tech companies was actual again in 2012. Thus, one of the biggest and respectable PE funds, which had been working in the Russian market for a long time, signed an agreement with Skolkovo Foundation on probable co-investing in selected promising projects of the Foundation.

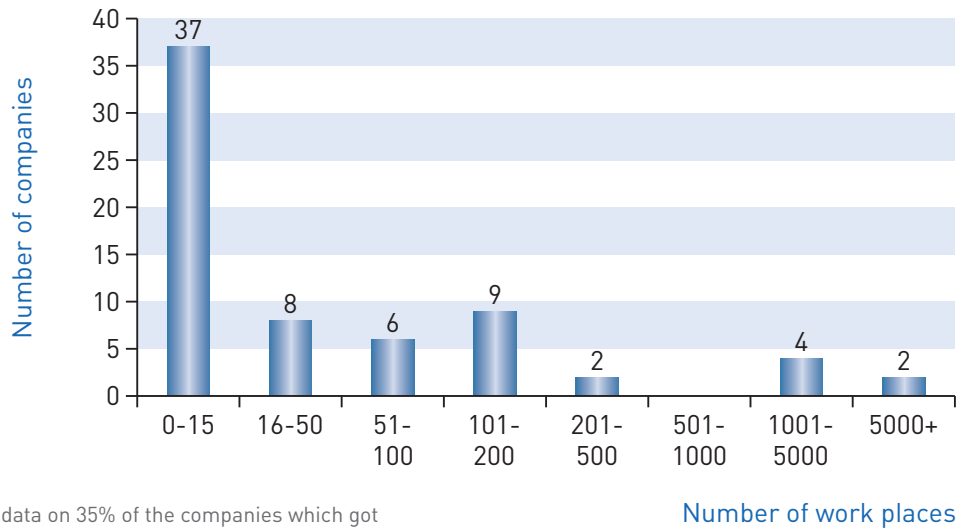
Analysis of work places' distribution in the companies which got investments in 2012 (there is data available for 35% of the companies where the investments were documented) shows that the most capacious by this parameter were the companies of Consumer market and Financial services spheres.

Distribution of work places in companies by investment ranges evidences that the majority of financed companies were the small ones having up to 15 persons in staff, at the same time the investments received were not bigger than \$5 mln (that is quite explainable taking into account the ICT sector's leadership both by number and volume of deals).

Aggregate investment volumes by work places' number, 2012



Number of financed companies by work places' number, 2012



Number of financed companies by work places' number and investment ranges, 2012

Number of work places	Investment range, \$ mln								Total
	0-1	2-4	5-10	11-50	51-100	101-250	251-500	501-1000	
0-15	19	9	3	6	0	0	0	0	37
16-50	2	2	0	2	2	0	0	0	8
51-100	3	2	1	0	0	0	0	0	6
101-200	0	1	6	1	1	0	0	0	9
201-499	0	0	0	1	0	1	0	0	2
500-999	0	0	0	0	0	0	0	0	0
1000-4999	0	0	0	1	1	1	1	0	4
5000	0	0	0	2	0	0	0	0	2
Total:	24	14	10	13	4	2	1	0	68

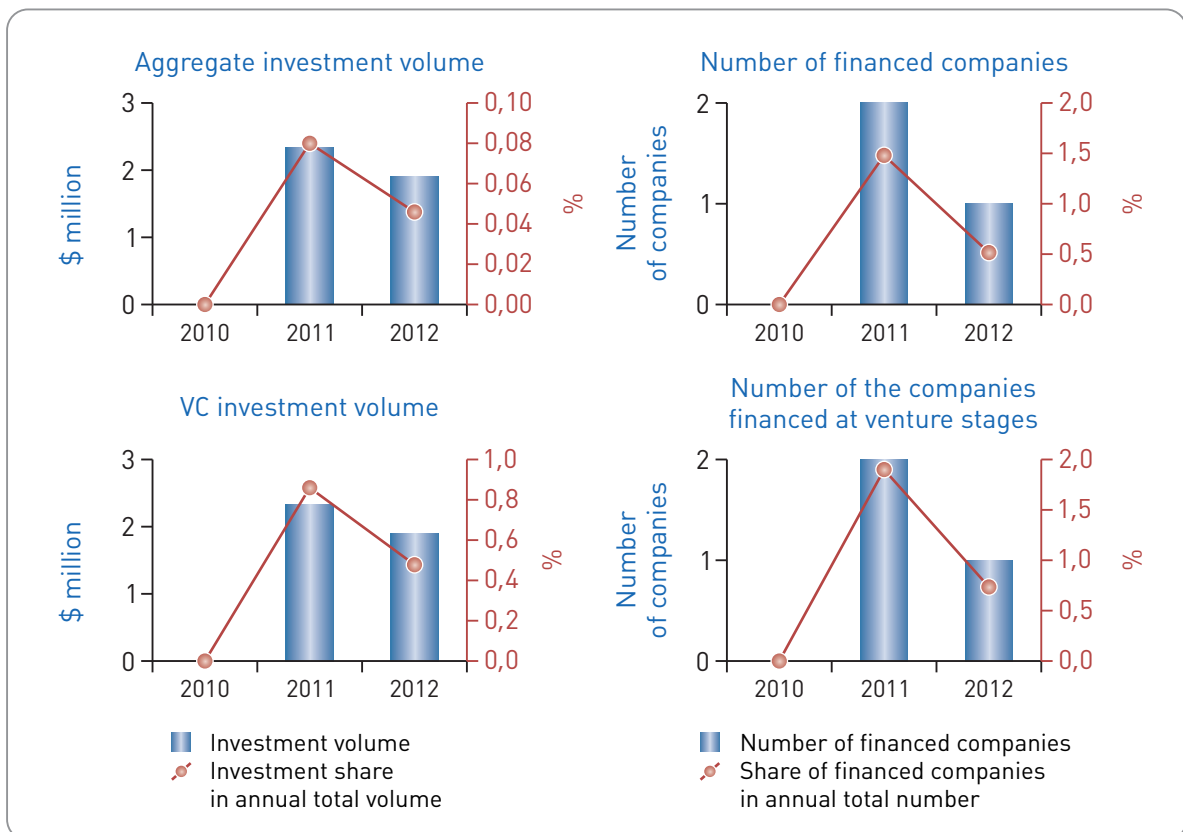
The data on 35% of the companies which got documented investments in 2012 are represented here

Investment volumes (\$ mln) by work places' number and investment ranges, 2012

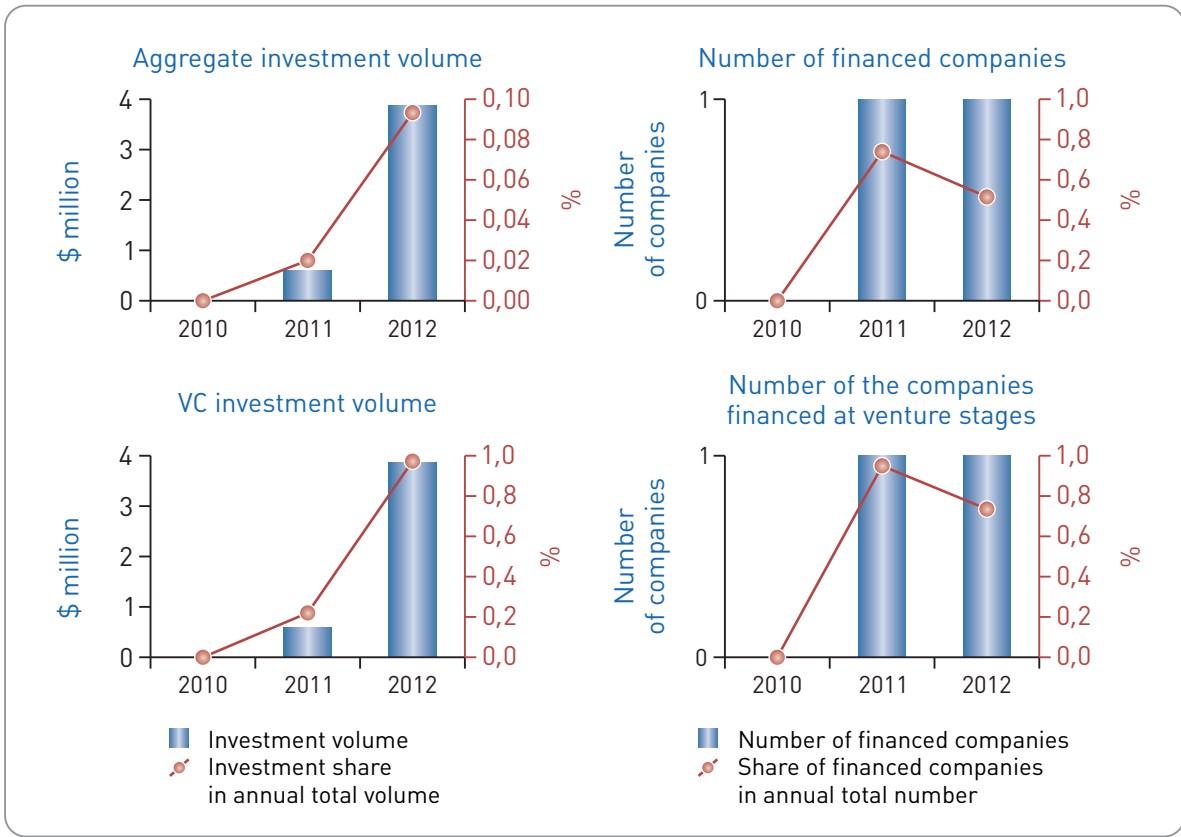
Number of work places	Investment range, \$ mln								Total
	0-1	2-4	5-10	11-50	51-100	101-250	251-500	501-1000	
0-15	10.52	5	19.4	98	0	0	0	0	132.92
16-50	2.8	3.5	0	46	185	0	0	0	237.3
51-100	3.1	7	10	0	0	0	0	0	20.1
101-200	0	0	10	13	54.4	0	0	0	77.4
201-499	0	0	0	18	0	250	0	0	268
500-999	0	0	0	0	0	0	0	0	0
1000-4999	0	0	0	50	100	160	283	0	593
5000	0	0	0	80	0	0	0	0	80
Total:	16.42	15.5	39.4	305	339.4	410	283	0	1408.72

The data on 35% of the companies which got documented investments in 2012 are represented here

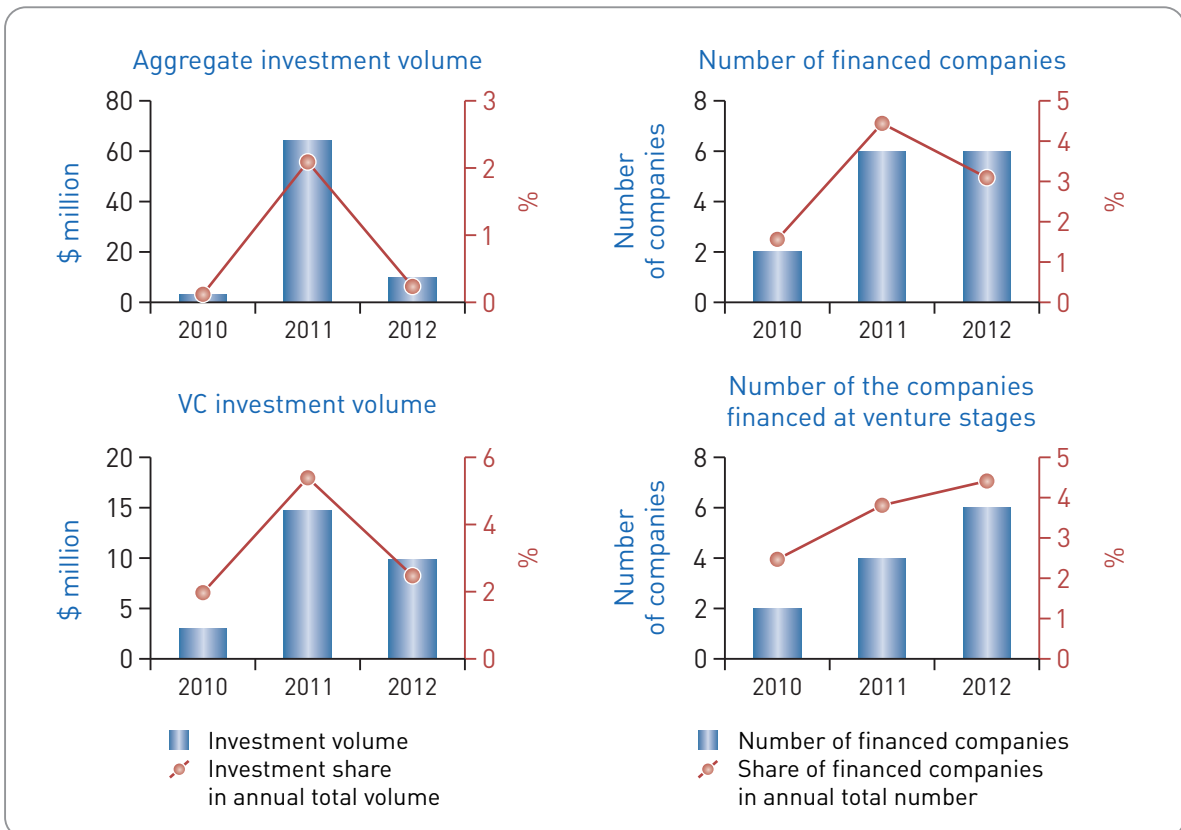
Biotechnology



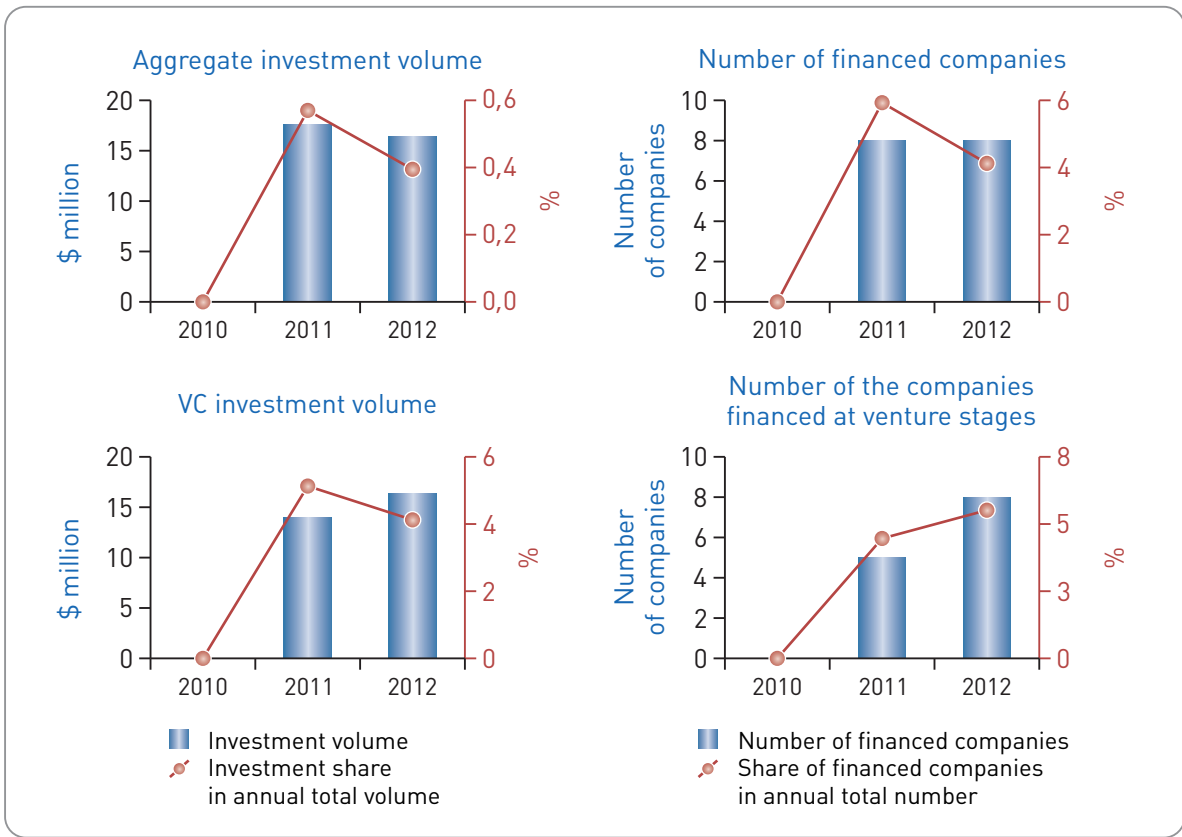
Ecology



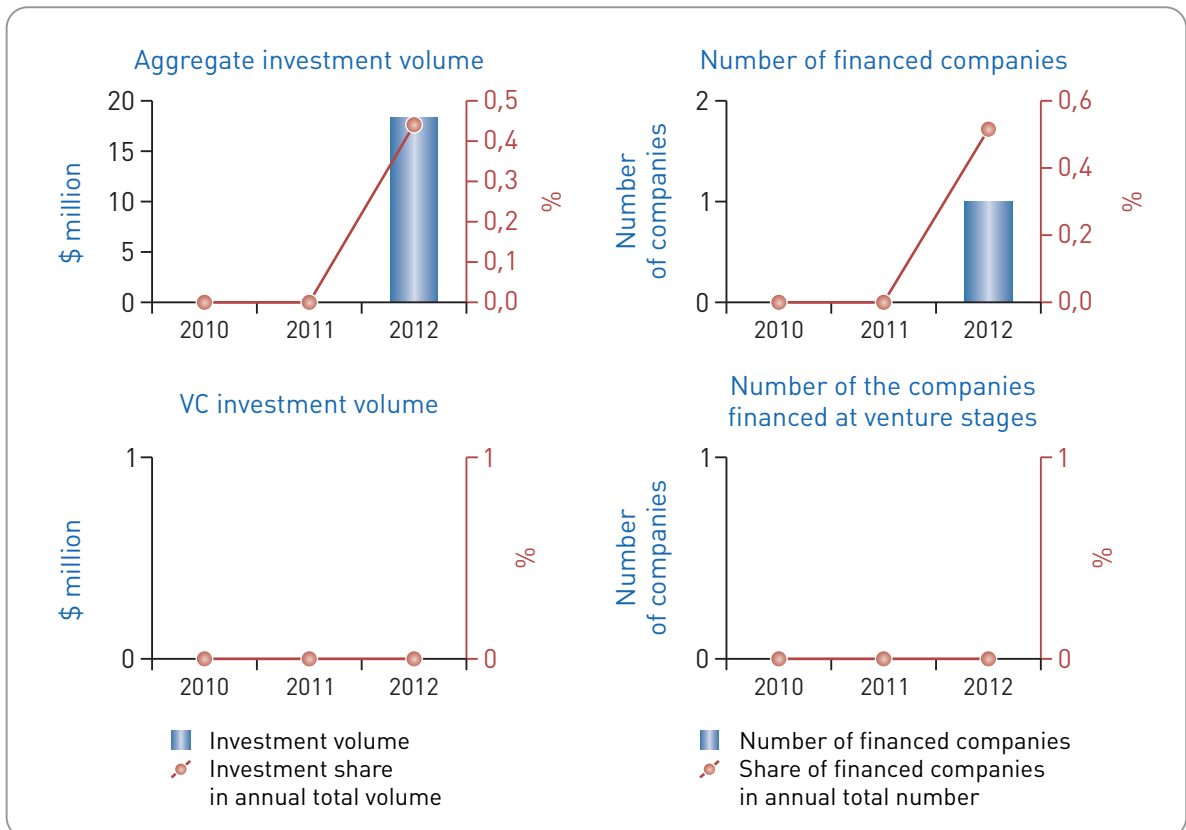
Chemicals & Materials



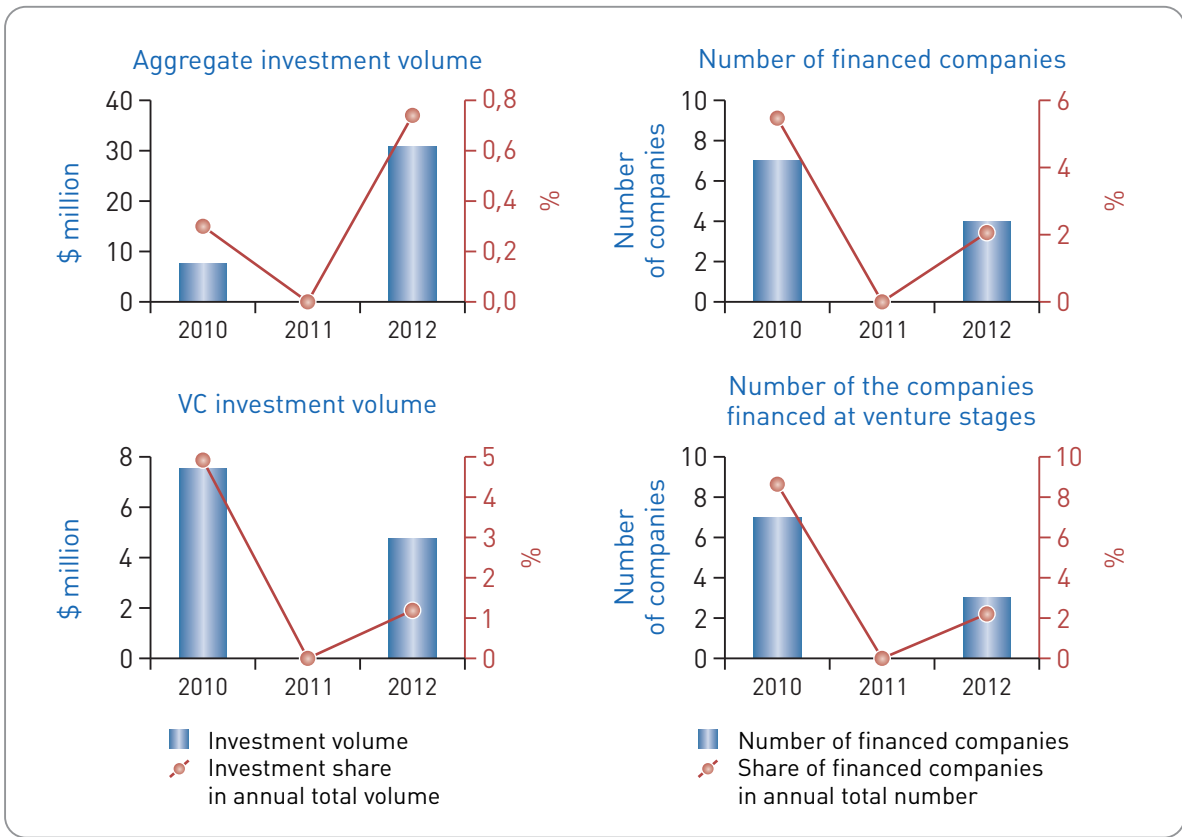
Electronics related



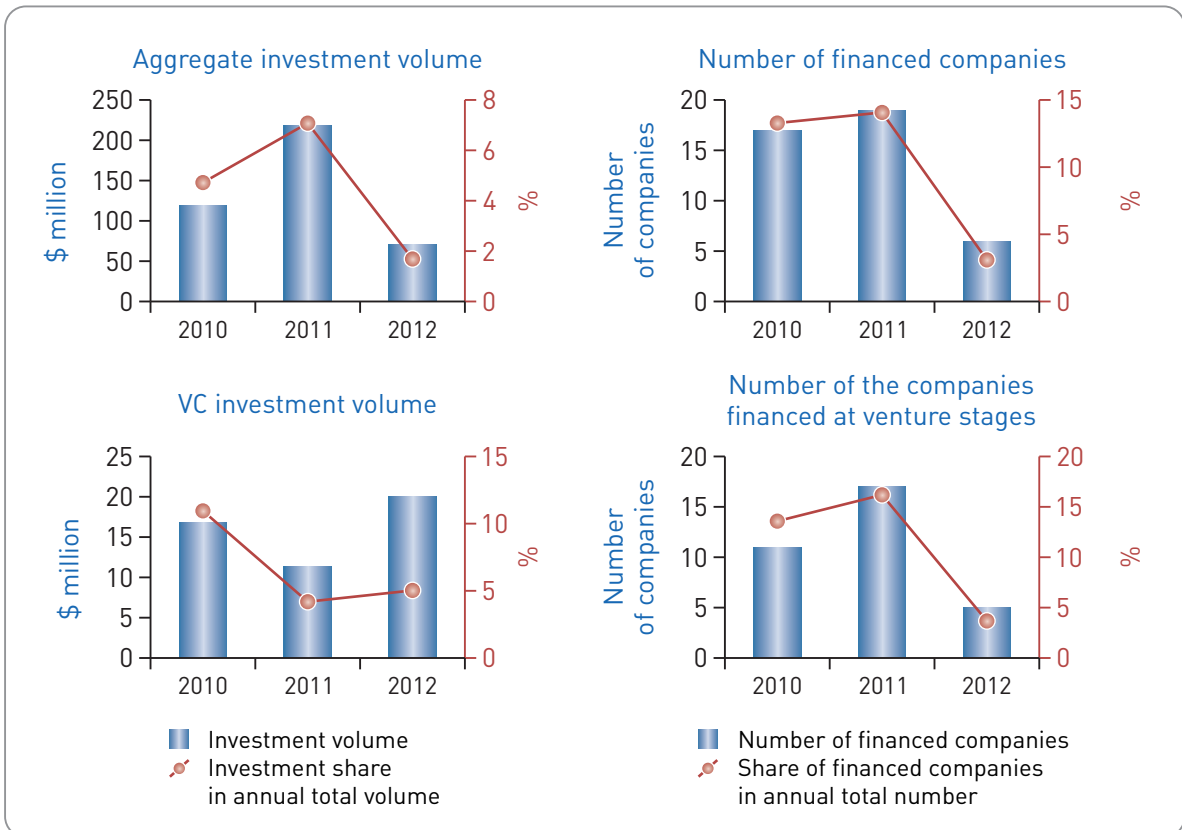
Light industry



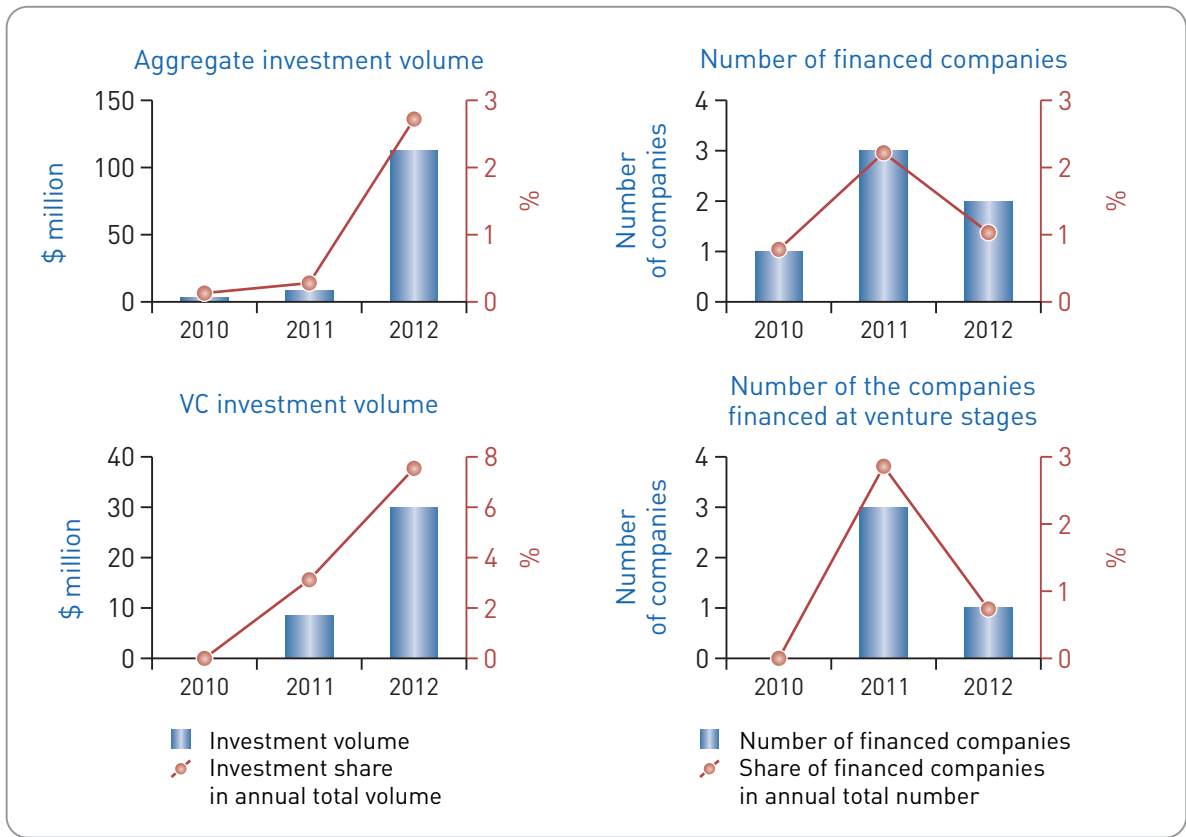
Construction



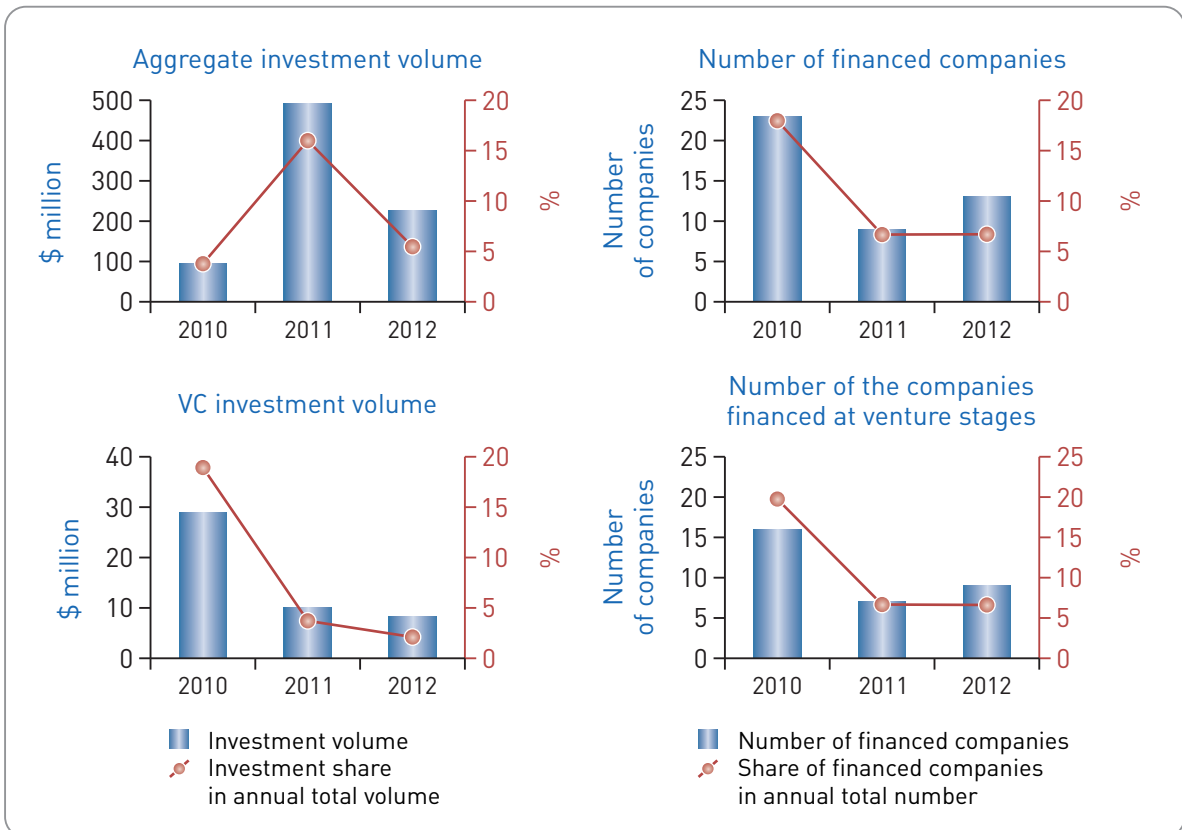
Computer related



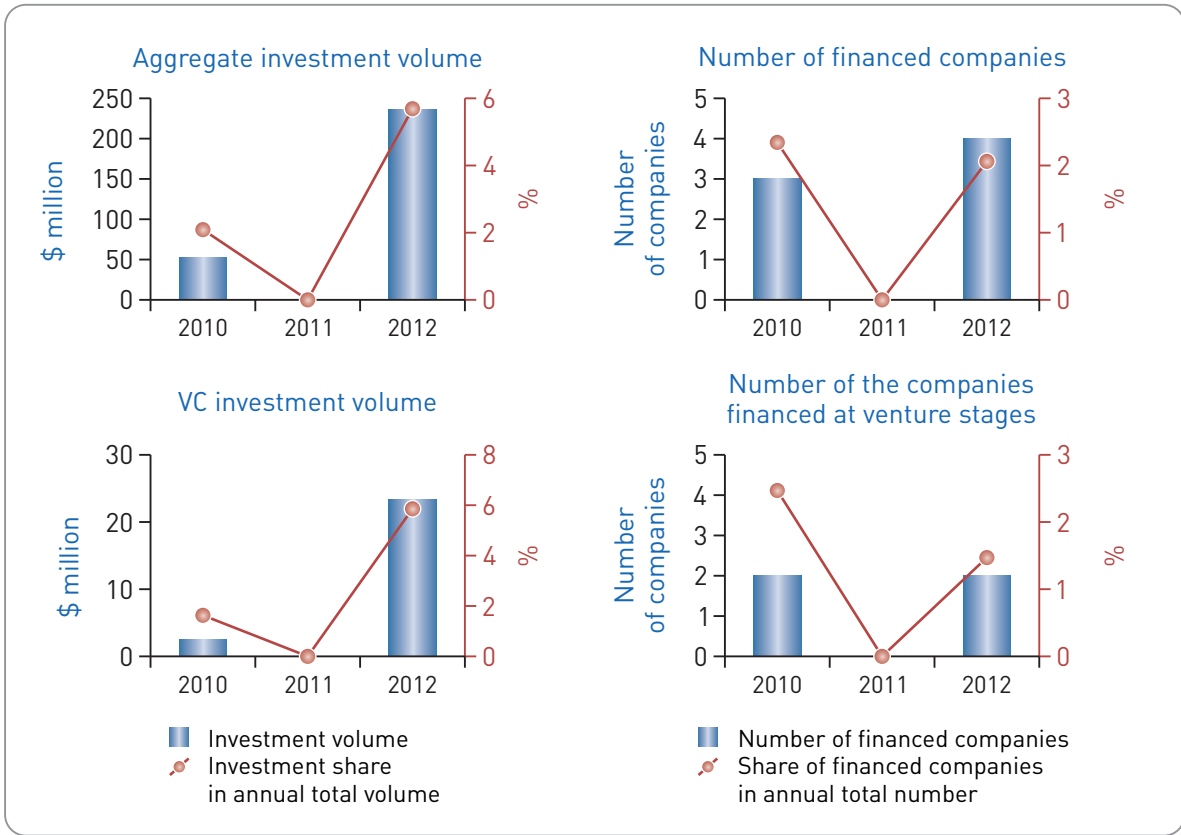
Transportation



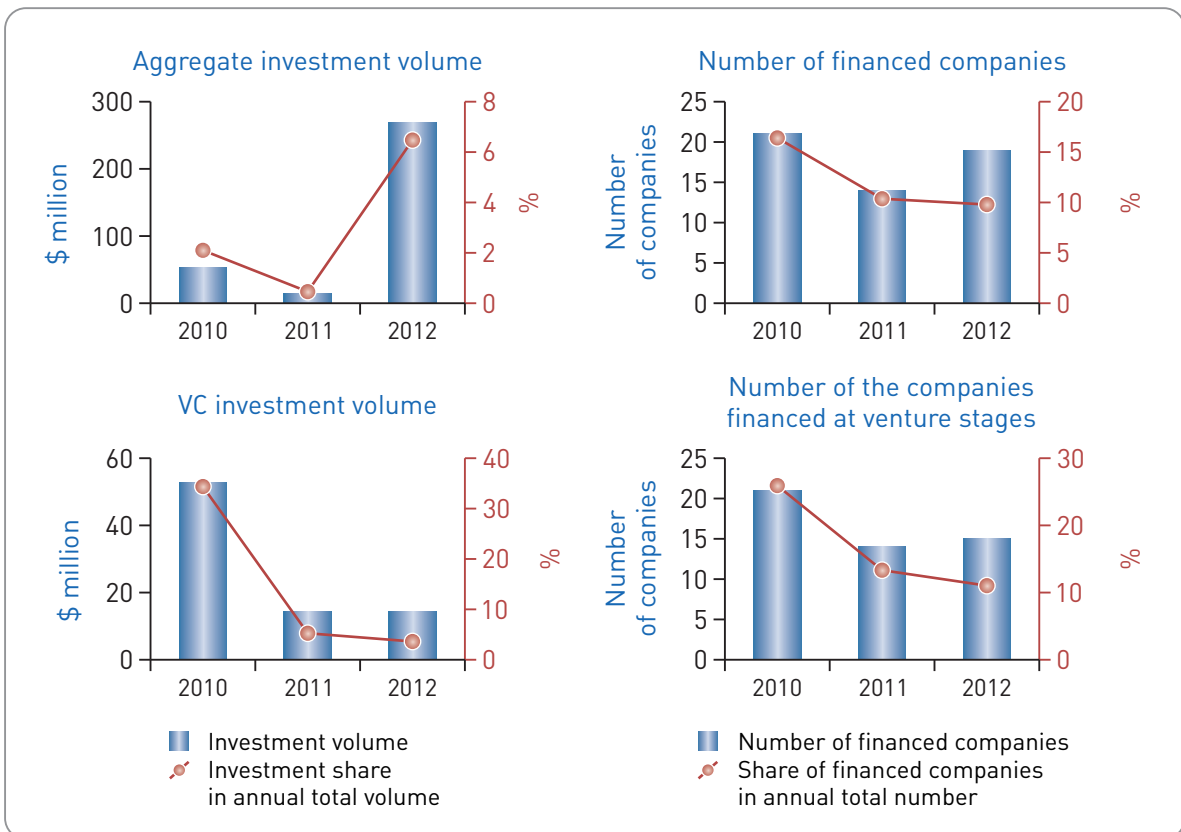
Industrial equipment



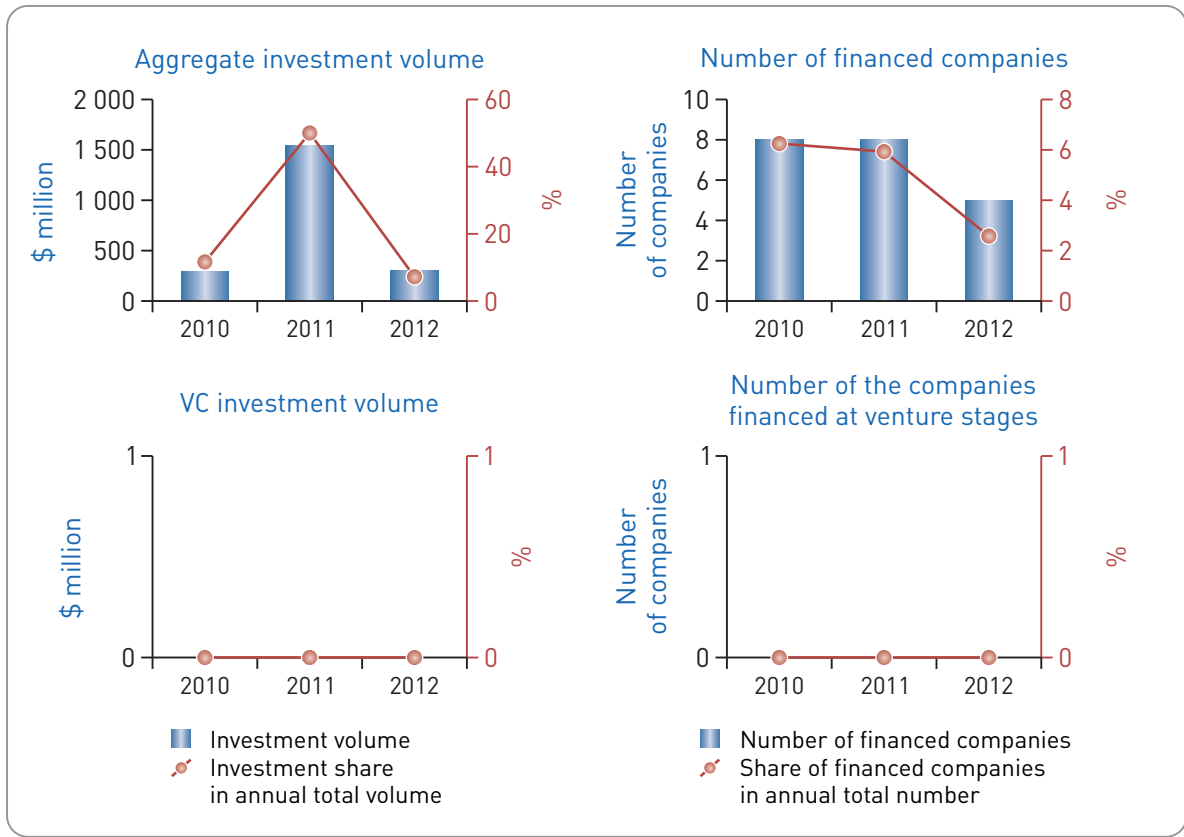
Agriculture



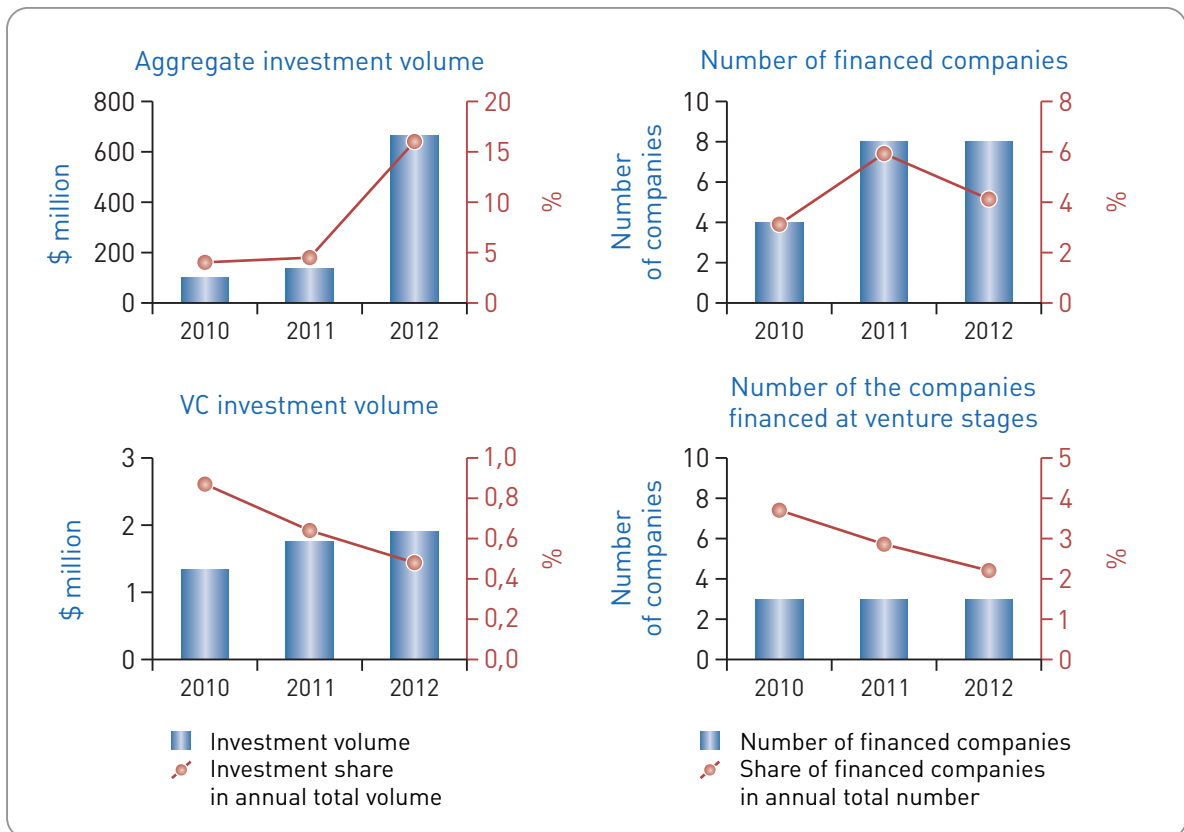
Medical/Health care



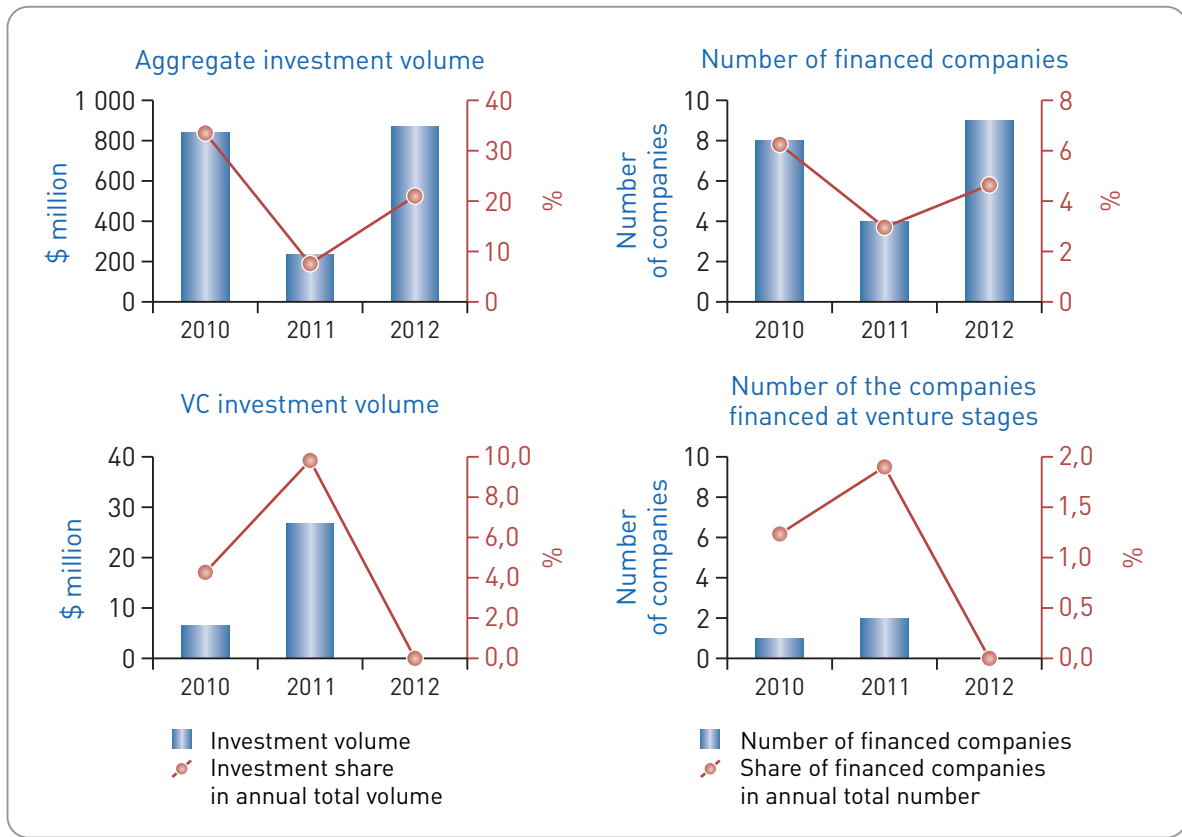
Consumer market related



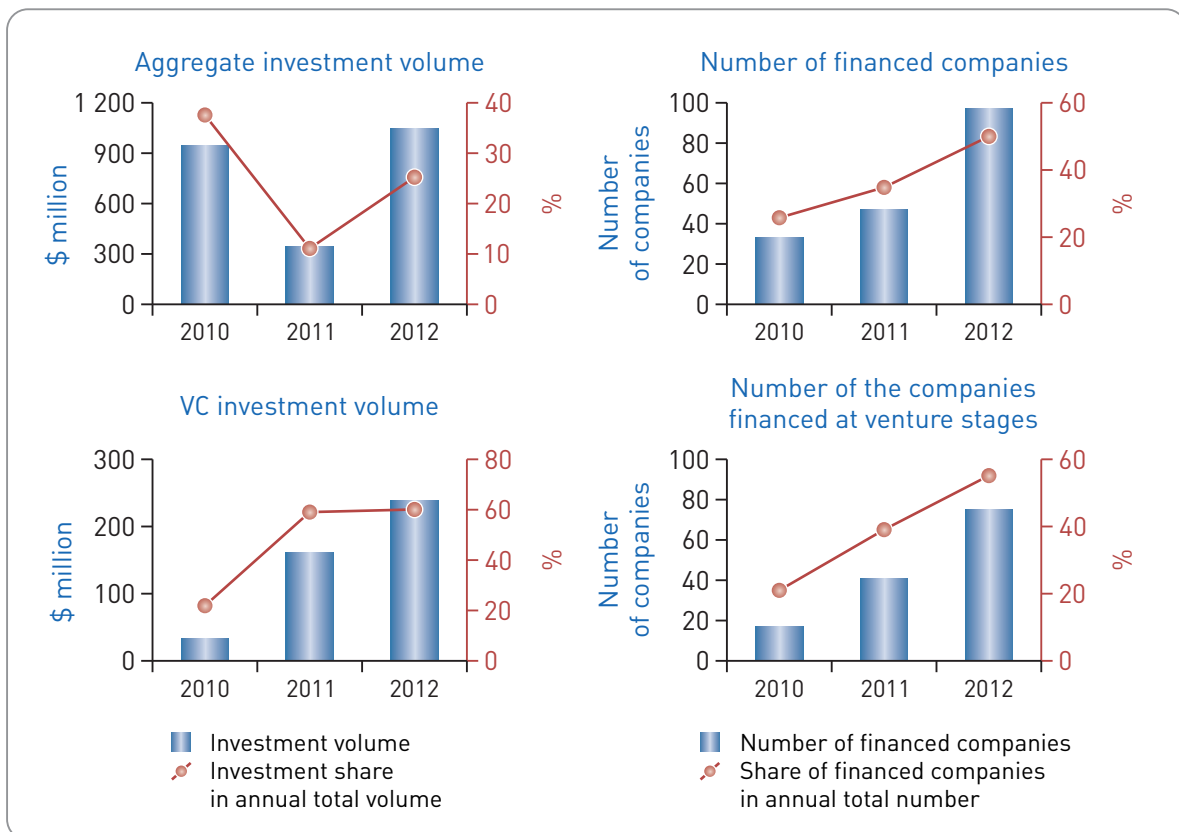
Energy



Financial services



Communications



Investment volumes by industry branches, 2009–2012

Industry	2009		2010		2011		2012	
	Amount invested, \$ mln	%	Amount invested, \$ mln	%	Amount invested, \$ mln	%	Amount invested, \$ mln	%
Ecology	0	0	0	0	0.60	0.02	3.88	0.09
Light industry	0	0	0	0	0	0	18.30	0.44
Transportation	0	0	3.37	0.13	8.50	0.28	113.00	2.72
Biotechnology	0.55	0.11	0	0	2.33	0.08	1.91	0.05
Construction	2.00	0.39	7.54	0.30	0	0	30.74	0.74
Chemicals & Materials	2.35	0.47	3.02	0.12	64.38	2.09	9.84	0.24
Agriculture	2.50	0.49	52.50	2.09	0	0	236.33	5.69
Industrial equipment	3.16	0.62	94.93	3.78	493.12	15.99	226.89	5.46
Electronics related	13.63	2.68	0	0	17.58	0.57	16.39	0.39
Energy	28.83	5.68	101.34	4.03	138.59	4.5	665.45	16.02
Medical/ Health care	37.65	7.41	52.70	2.10	14.31	0.46	268.94	6.48
Computer related	37.93	7.47	118.62	4.72	218.36	7.08	70.07	1.69
Communications	59.30	11.68	944.92	37.57	342.22	11.10	1047.88	25.24
Consumer market related	240.00	47.25	292.33	11.64	1541.96	50.01	299.50	7.21
Financial services	80.00	15.75	842.27	33.51	233.74	7.58	871.50	20.99
Other	0	0	0.3	0.01	7.08	0.23	271.97	6.55
Total	507.9	100	2513.84	100	3082.77	100	4152.59	100

Volume of documented investments increased in 2012 relative to 2011 by more than 1/3 and amounted to \$4.15 bln.

Investments by stages

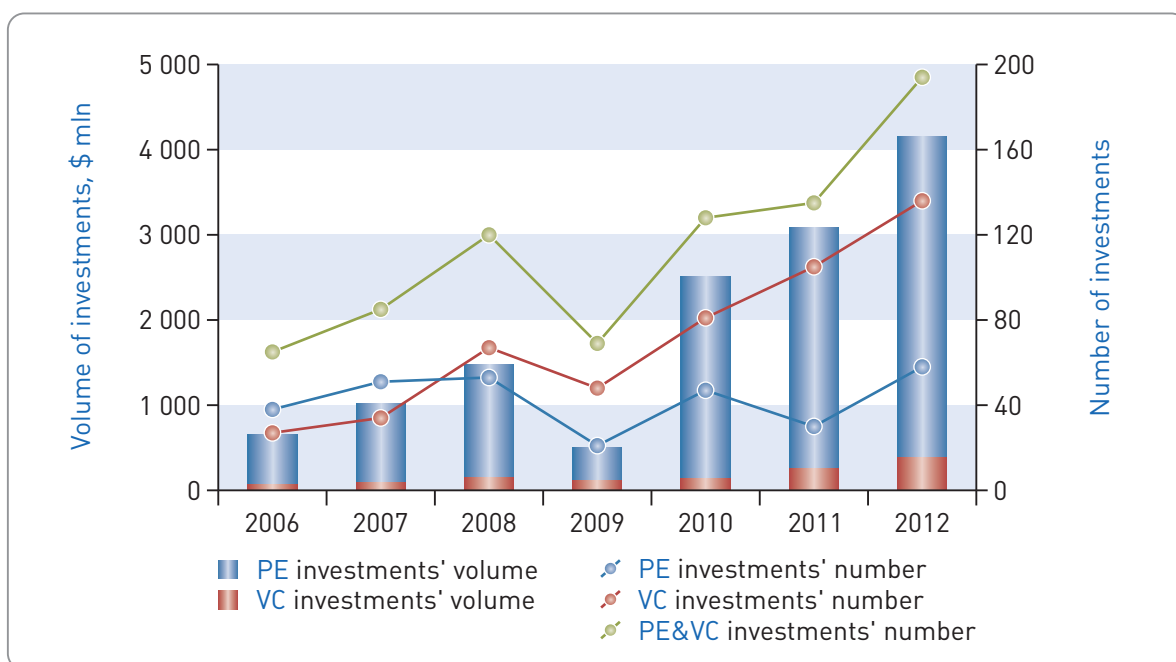
Against the background of growth of absolute market parameters – number and volumes of documented investments – relative distribution of these parameters between stages of development of financed companies has not changed significantly relatively 2011.

On the one hand, a significant overbalance by investment volumes to the "mature" stages (expansion, restructuring and later stage⁸) is traditionally observed – near 90% of the 2012 total investment volume. On the other hand, by number of financed companies the implicit leaders are still "venture stages" (seed, start-up, and other early stages⁹) – more than 2/3 of documented investments' number in the reporting period.

Therefore, it may be stated that in 2012 the percentage of VC investments in the total investment volume, as before, was at the 10% level. At the same time, over the whole period of observations (since 2003) average value of the VC investments' share in the total financed volume made near 15.3%.

Aggregate documented investment volume at the expansion, restructuring and later stages amounted to \$3754 mln in 2012 (total number of companies – 58) against approx. \$397 mln at venture stages (136 companies).

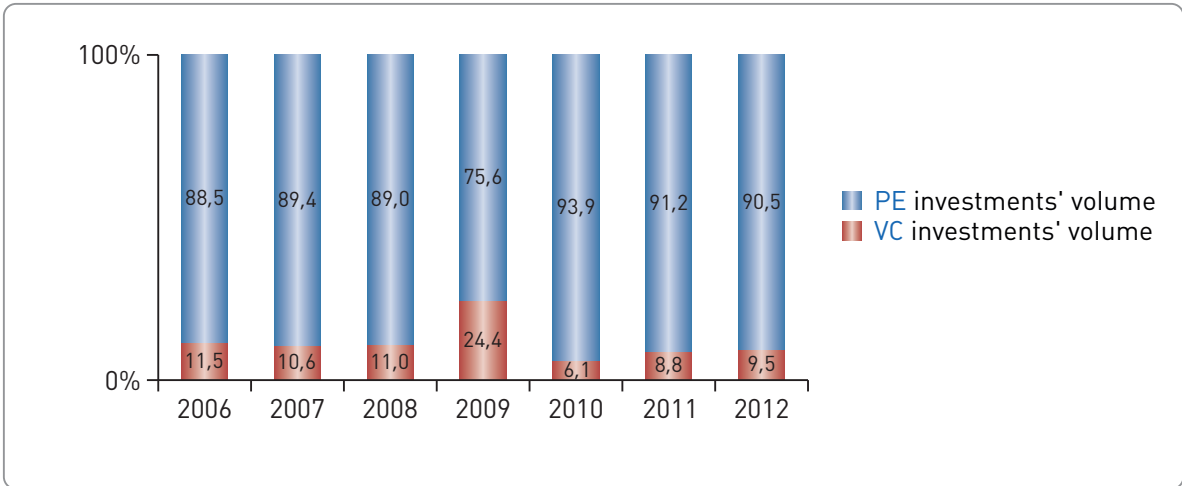
Volumes and number of investments by stages, 2006–2012



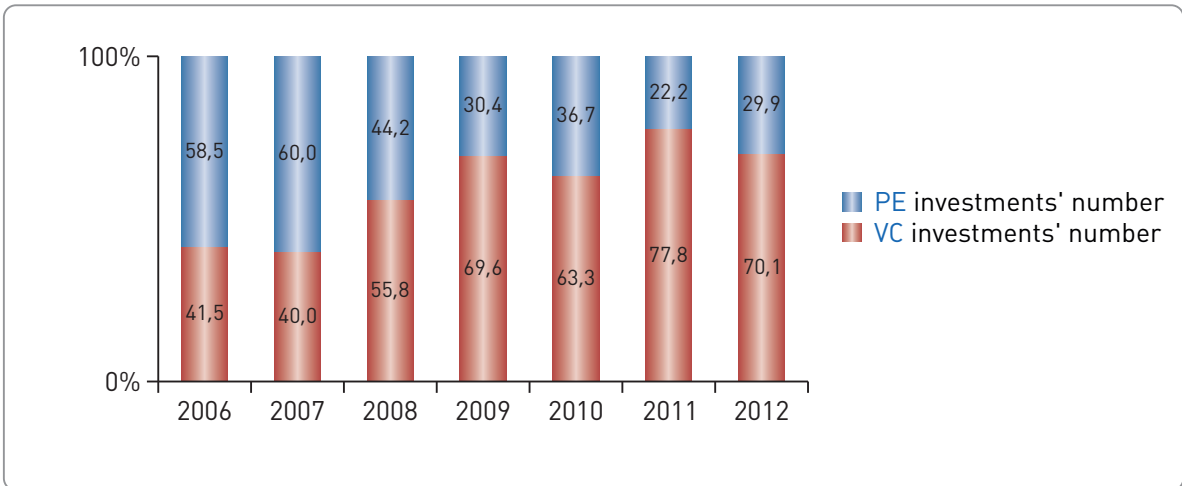
⁸ Further, the investments at indicated stages designated as "PE investments"

⁹ Further, the investments at indicated stages designated as "VC investments"

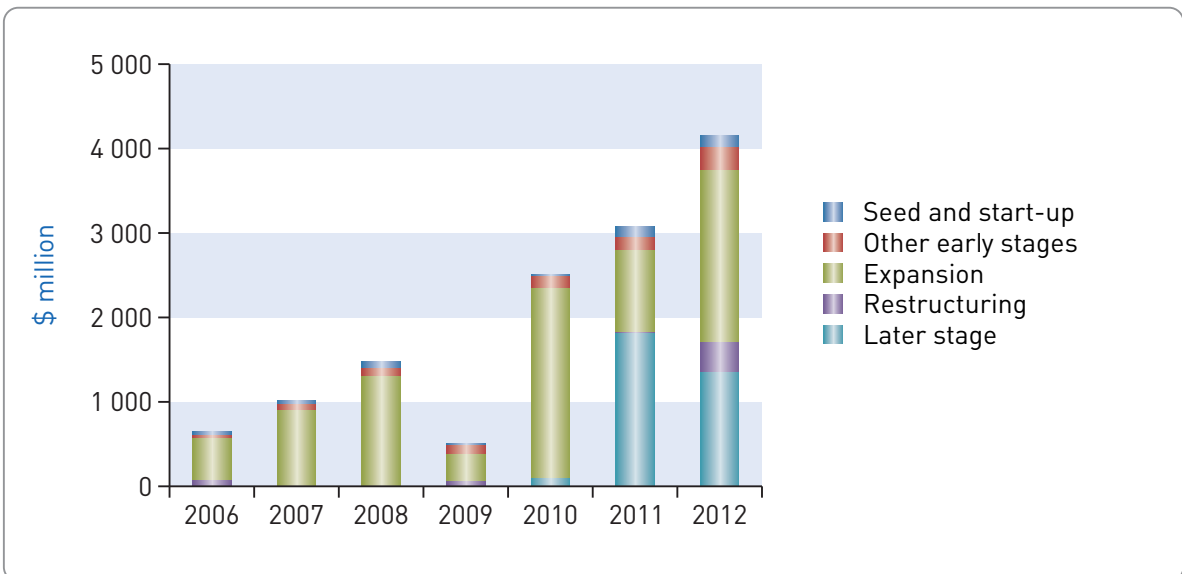
Relative fraction of PE and VC investments' volumes, 2006–2012



Relative fraction of PE and VC investments' number, 2006–2012



Distribution of investment volumes by stages, 2006–2012



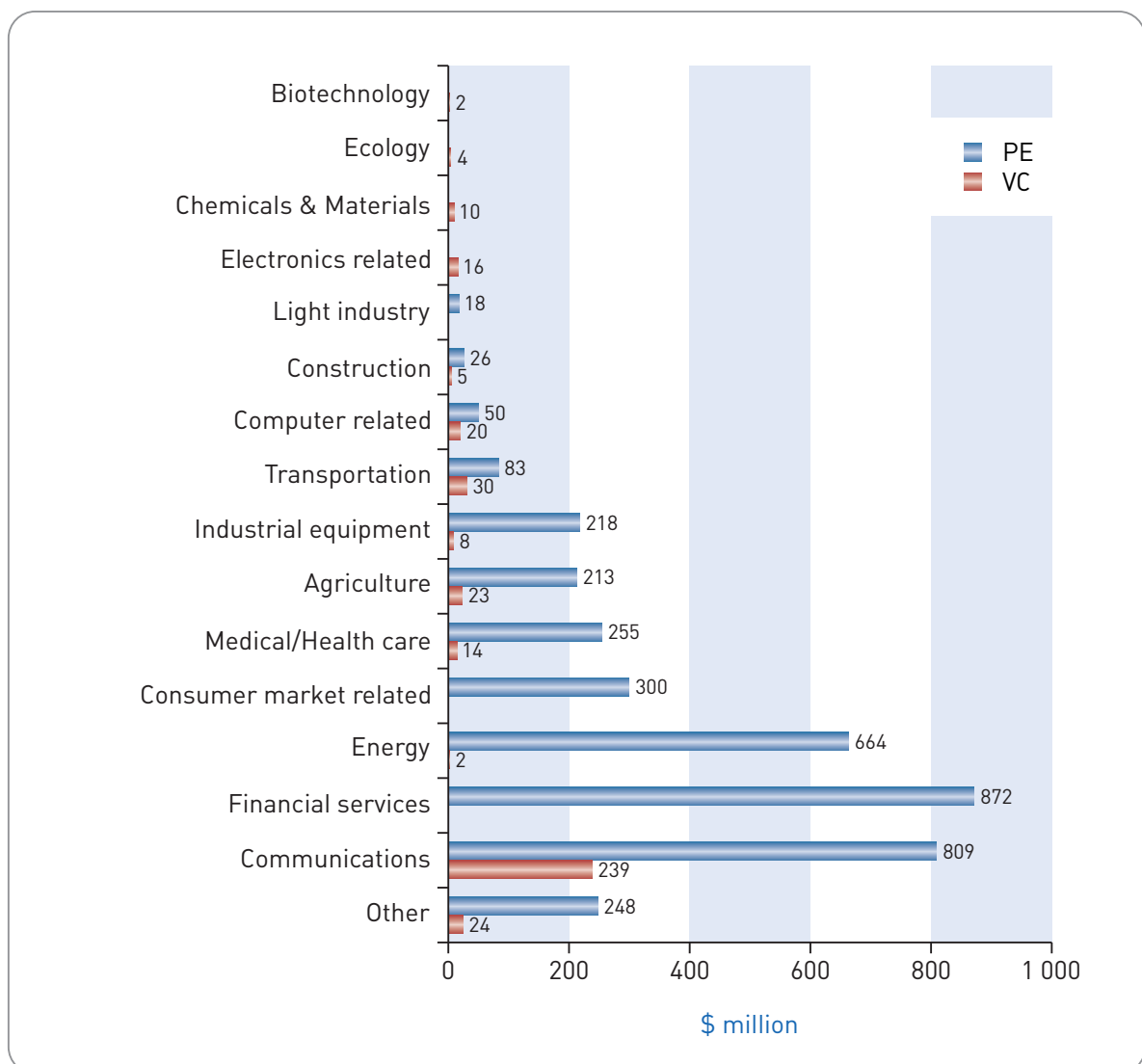
In comparison with preceding reporting period, aggregate PE investment volumes increased approx. by 1/3 (\$2.8 bln in 2011, 30 investee companies) and VC investments – almost by half (\$270 mln in 2011, 105 investee companies).

Investment volume at expansion stage was near 18% higher than aggregate investment volume at restructuring and later stages; at the same time, in 2011, investment volume at the expansion stage was 2 times smaller than aggregate volume at the restructuring and later stages. Number of the expansion stage investments more than twice surpassed the same parameter at the restructuring and later stages (40 against 18).

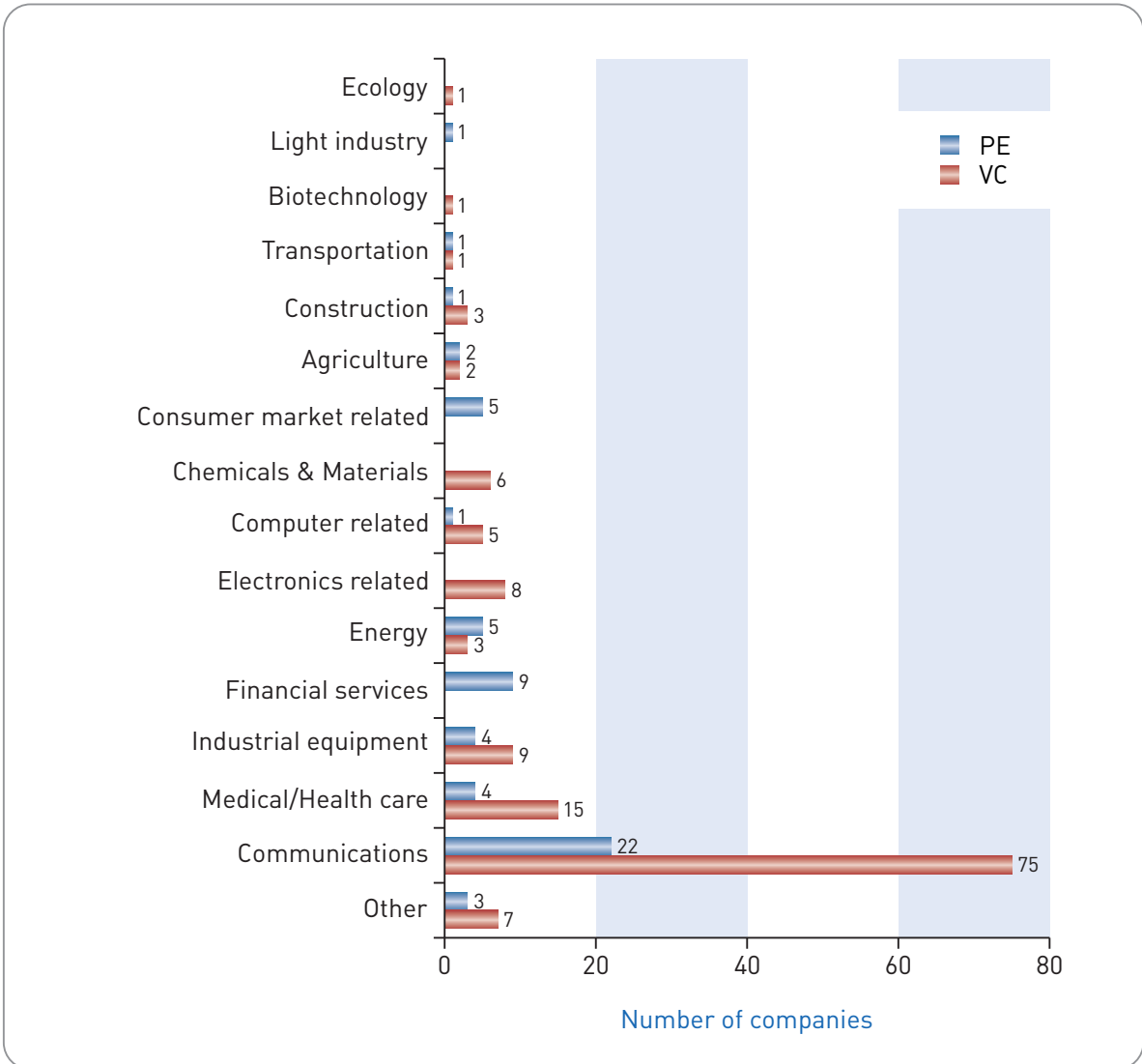
The parity by investment volumes between seed and start-up stage and other early stages which was observed in 2011 was not registered in current reporting period. Again, as it was noted before, in 2012, considerable overbalance (twofold) to the other early stages' side – \$269 mln against \$128 mln in seed and start-up – was observed.

By-turn, the investments' number at indicated stages, traditionally, demonstrated reverse correlation – 88 financed companies at seed and start-up stage against 48 at the other early stages.

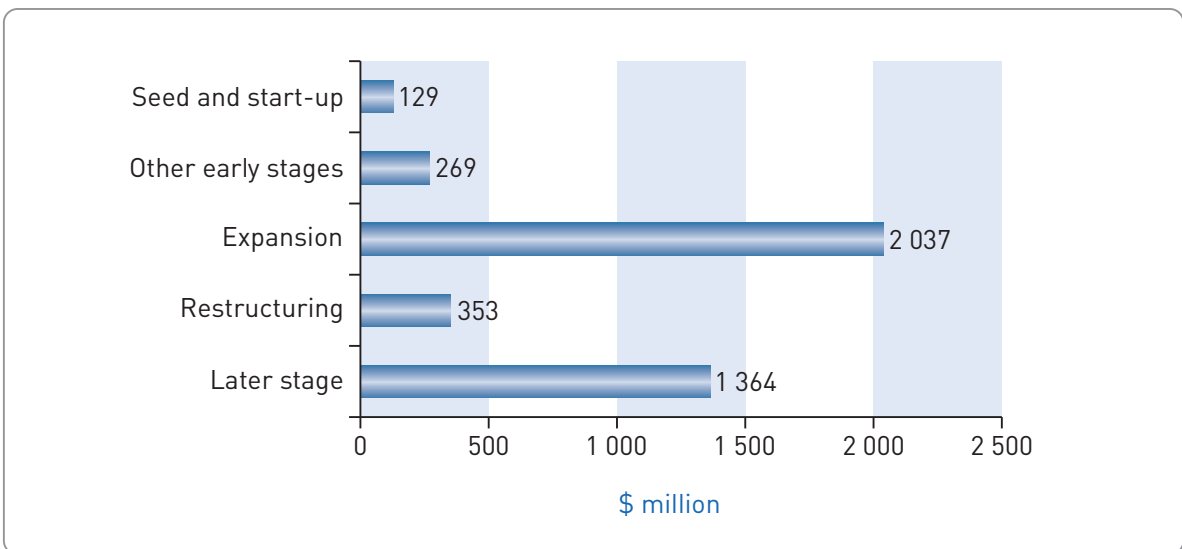
PE&VC investment volumes by industry branches, 2012



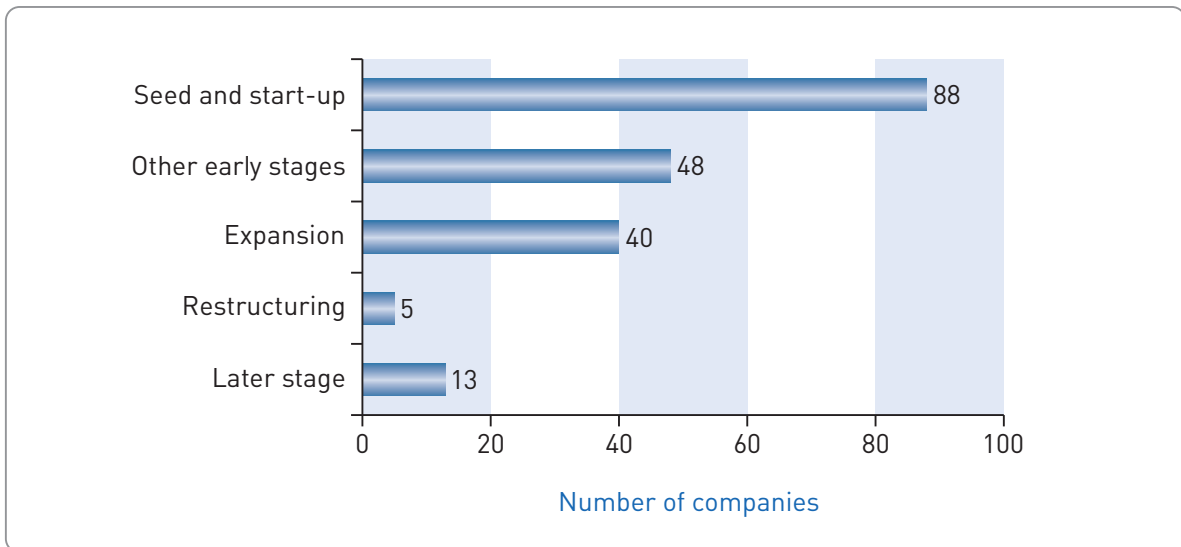
PE&VC investment number by industry branches, 2012



Investment volumes by stages, 2012



Number of financed companies by stages, 2012

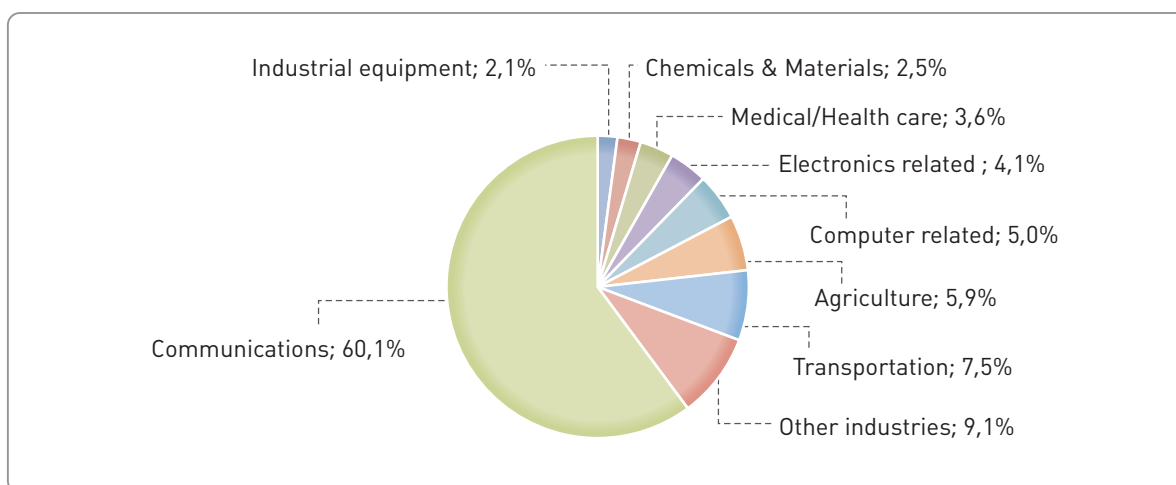


Investment volumes and number by industry branches, 2012

	VC investment volume, \$ mln	PE investment volume, \$ mln	VC investment number	PE investment number
Ecology	3.87	0	1	0
Light industry	0	18.3	0	1
Transportation	30	83	1	1
Biotechnology	1.9	0	1	0
Construction	4.74	26	3	1
Chemicals & Materials	9.84	0	6	0
Agriculture	23.3	213	2	2
Industrial equipment	8.38	218	9	4
Electronics related	16.3	0	8	0
Energy	1.91	663.5	3	5
Medical/Health care	14.3	254.5	15	4
Computer related	20.03	50	5	1
Communications	238.29	809.17	75	22
Consumer market related	0	871.5	0	9
Financial services	0	299.5	0	5
Other	24.4	248	7	3
Total	397.26	3754.47	136	58

Comparison of distributions of PE&VC investment volumes and numbers obviously shows that the main interest of venture investors was attracted by ICT sector, regarding both number and volumes of the investments. In the real sector, the highest number of financed high-tech companies was noted in the Medical/Health care branch as well as in Industrial equipment, Electronics related and Chemicals & Materials (totally 38 investments to the amount of \$48 mln, or near 67% of the number and 35% of total investment volume in the real sector companies which were financed at venture stages).

VC investment volumes by industry branches, 2012

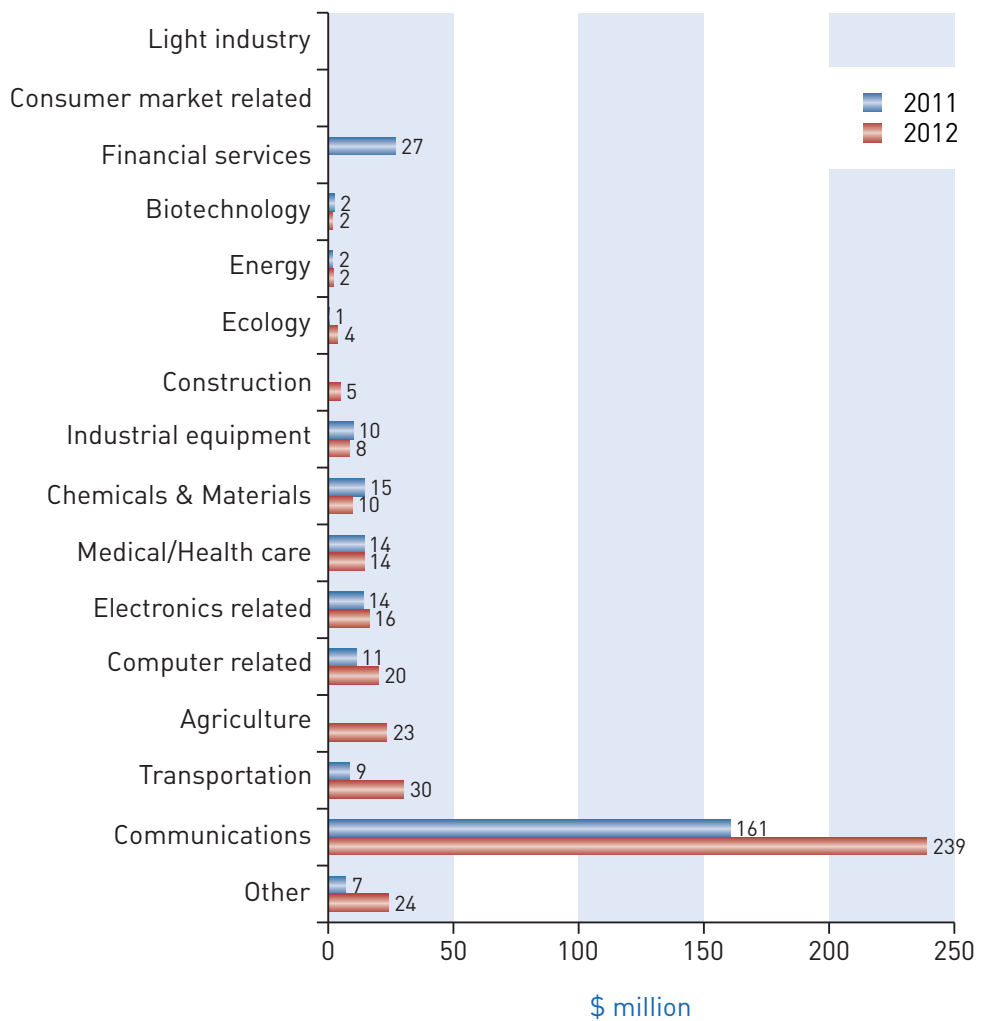


When retracing branch dynamics of VC investments in 2011–2012, one may note a leap of aggregate investment volumes in Agriculture, and similarly abrupt decrease of Financial services investment volumes. Also attracts attention increase almost by half of ICT investment volumes. At the same time, distribution of investment volumes in the other branches approximately corresponded to the 2011 values.

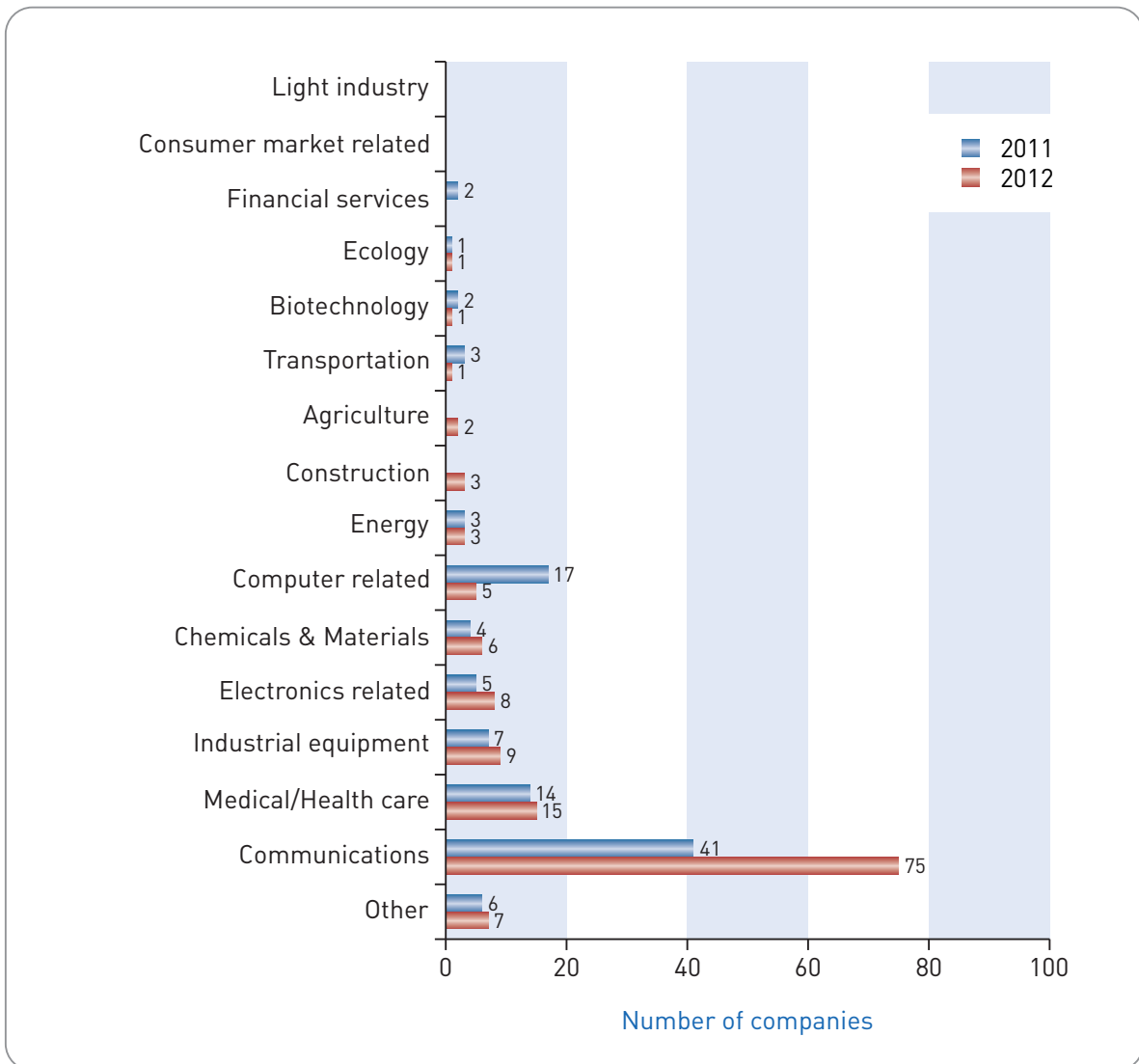
Proportion of the investments made by public VC funds¹⁰ and by the funds created under private-public partnership conditions reached almost 50% of total number of the companies financed at venture stages; at that, the percentage by aggregate volume accounted for near 25%.

¹⁰Data on financing portfolio companies by IVF RT have not been included in the presented statistics.

VC investment volumes by industry branches, 2011–2012



Number of the companies financed at venture stages by industry branches, 2011–2012



Volumes of VC investments (\$ mln) by industry branches, 2006–2012

	2006	2007	2008	2009	2010	2011	2012
Ecology	0	0.018	0.22	0	0	0.6	3,88
Light industry	0	0	4.5	0	0	0	0
Transportation	5.895	0	0	0	0	8.5	30
Biotechnology	0.37	1.981	11.43	0.55	0	2.33	1.9
Construction	24.63	0	0	0	7.55	0	4.74
Chemicals & Materials	1.72	0.261	5.83	2.35	3.03	14,68	9.84
Agriculture	0	0.96	0	0.5	2.5	0	23.3
Industrial equipment	0.55	6.059	21.1	3.16	29.03	10.12	8.39
Energy	0.08	0	0	28.83	1.34	1.75	1.91
Electronics related	5.15	0.452	4.243	13.63	0	13.97	16.4
Medical/Health care	0.5	0.113	2.44	35.65	52.71	14.31	14.4
Computer related	2.55	1.71	36.306	27.83	16.8	11.4	20
Communications	2	51.98	54.687	11.25	33.5	160.73	239
Consumer market related	0.15	0.1	0	0	6.54	26.74	0
Financial services	31.27	39.66	20	0	0	0	0
Other	0.21	5	1	0	0.3	7.08	23.96
Total	75.075	108.294	161.756	123.75	153.3	272.21	397.72

Number of the companies financed at venture stages by industry branches, 2006–2012

	2006	2007	2008	2009	2010	2011	2012
Ecology	0	1	2	0	0	1	1
Light industry	0	0	1	0	0	0	0
Transportation	2	0	0	0	0	3	1
Biotechnology	2	4	4	1	0	2	1
Construction	1	0	0	0	7	0	3
Chemicals & Materials	4	2	7	2	2	4	6
Agriculture	0	1	0	1	2	0	2
Industrial equipment	3	7	9	2	16	7	9
Electronics related	3	1	3	5	0	5	8
Energy	1	0	0	5	3	3	3
Medical/Health care	2	2	5	5	21	14	15
Computer related	2	3	13	10	11	17	5
Communications	1	8	21	17	17	41	75
Consumer market related	1	1	0	0	1	2	0
Financial services	4	3	1	0	0	0	0
Other	1	1	1	0	1	6	7
Total	27	34	67	48	81	105	136

Investments' number and volumes by stages, 2009–2012

		2009	2010	2011	2012
Seed and start-up, and other early stages (VC)	Number of investments	48	81	105	136
	Volume of investments, \$ mln	123.75	153.3	272.21	398
	Share in total investment volume, %	24	6	8.84	9.5
		2009	2010	2011	2012
Expansion, restructuring, and later stage (PE)	Number of investments	21	47	30	58
	Volume of investments, \$ mln	384.15	2360.54	2810.56	3754
	Share in total investment volume, %	76	94	91.16	90.5

Investment volumes by stages, 2009–2012

	2009		2010		2011		2012	
	Volume of investments, \$ mln	%	Volume of investments, \$ mln	%	Volume of investments, \$ mln	%	Volume of investments, \$ mln	%
Seed and start-up	13.29	2.6	21.52	0.86	129.18	4.20	129	3.11
Other early stages	110.46	21.7	131.78	5.24	143.03	4.64	269	6.48
Expansion	314.15	61.9	2257.88	89.81	979.91	31.78	2037	49.06
Restructuring	70	13.8	2.66	0.11	6.80	0.22	353	8.50
Later stage	0	0	100	3.98	1823.85	59.16	1364	32.85
Total	507.9	100	2513.84	100	3082.77	100	4152	100

In 2012, the aggregate documented VC investment volume increased almost by half as compared with 2011 and amounted to approx. \$400 mln.

Investments by federal districts

By the totals of 2012, the geographical landscape of PE&VC funds' investment activity creates integrally positive impression.

First of all, the investments were documented in the majority of federal districts (FDs), the only exclusion was North Caucasus FD (however, there are grounds to believe that the situation has to be changed in 2013).

Secondly, hopes on growth of number and volumes of the investments in South FD have been justified.

Thirdly, the analysis of the funds' regional distribution¹¹ shows that the pledge of the investment activity's growth in the regions, which were situated at the periphery of the industry before, is further continuation of regional expansion of venture funds created under the private-public partnership programs as well as of the private ones. The above mentioned increase of investment volumes and number in South FD witnesses for it. Additionally, very important is emergence in 2012 of venture funds targeted first at the investments in regional companies in North Caucasus and Far East FDs. At the same time, in the beginning, the main importance is attributed not only to the funds' growing volume but, even more, – to the facts of their emergence by itself that mirror growing interest to the venture theme in the region.

Regional distribution of PE&VC funds' sizes, \$ mln

Federal District	PE funds		VC funds	
	2011	2012	2011	2012
Central	16140	21375	2702	3833
North-West	503	488	158	158
Volga	0	0	450	400
Southern	0	0	27	27
North Caucasus	0	0	0	14
Ural	0	0	24	24
Siberian	0	0	88	94
Far East	0	0	0	7
Total	16643	21863	3449	4557

¹¹ Classification was based on the location of investee company's head office or regional preferences of specific fund. International funds which were included in the statistics as part of aggregate investment volumes in Russian companies were attributed to Central FD.

It's important to underline that the funds, attributed to Central FD on the base of information on their central offices' location first, from the branch preferences point of view are "multiregional" in the large majority, whereas the venture funds which work outside Central FD and have been created with the local authorities' support, are targeted first at the development of regional innovation potential. Therefore, taking into account some conventionality tied to methodical peculiarities of attributing funds to regions, the given distribution may serve, to some extent, a valuation of regional investment potential in the venture stage companies first of all.

Except for Central FD, it's obvious that accumulated capitalization of funds in regions is determined mainly by venture capital. By this parameter, the evident leader is Volga FD with cumulative capitalization of funds comparable with the analog aggregate values of all other regions (excluding Central FD).

Regional distribution of PE&VC funds' number

Federal District	PE funds		VC funds	
	2011	2012	2011	2012
Central	74	90	65	115
North-West	3	2	8	11
Volga	0	0	16	16
Southern	0	0	1	1
North Caucasus	0	0	3	3
Ural	0	0	4	6
Siberian	0	0	0	1
Far East	0	0	0	2
Total	77	92	97	155
The funds with unknown sizes are included in the distribution				

According to data available, the main pool – both by number and cumulative capitalization – of PE funds is located in Central FD; and insignificant part of it is situated in North-West FD (no more than 2% of aggregate volume of cumulative capitalization).

In comparison with preceding reporting period, when volumes of investments were more or less evenly distributed between the leader regions¹², in 2012, the Central FD leadership by investment volumes was especially apparent: the district surpassed by this parameter the volumes of investments that were documented in recent years (\$3649 mln in 2012 against \$1265 mln in 2011 and \$2167 mln in 2010). Additionally, Central FD returned its priority at relative share in total investment volume (near 89% in 2012 against 41% in 2011). During the last years Central FD permanently led by number of financed companies, too: on average, approx. 60–70% of total number of the companies which were financed in 2010–2012.

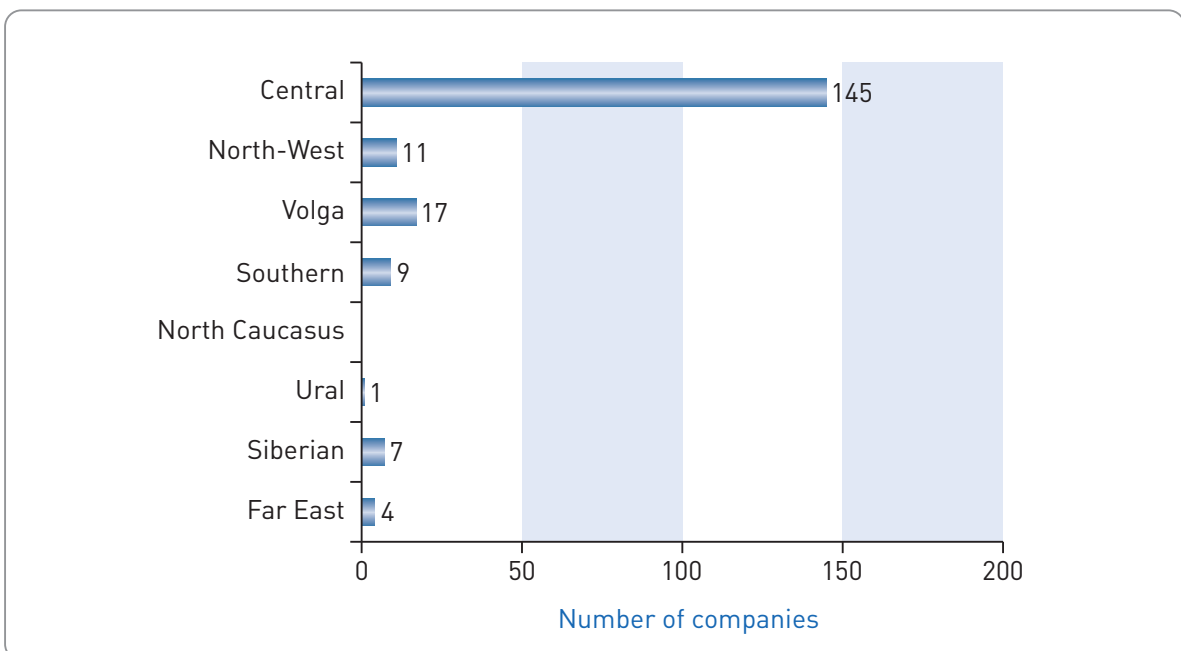
¹² Regional attribution of companies was made in general on the base of the main region of activity.

In the 2nd place Far East FD was situated, and it was not unexpected. Strong interest of investors to the region was shown as early as 2010 (when aggregate documented investment volume averaged near \$200 mln). In 2012, investments amounted to \$296 mln in aggregate were documented in Far East FD, that accounted for slightly more than 7% of total PE&VC funds' investment volume in the reporting period. These values resulted from private initiatives as well as from realization of the plans on development of the region's infrastructure within the frames of private-public partnership. All the documented investments were made by PE funds and were connected with the deals in Financial services sphere and in the areas of production or processing natural resources (documented investments' number accounts for 2.2% of their total number in 2012).

On the base of the data presented, one may forecast considerable – even in comparison with current values – growth of investment volumes in Far East FD, connected first with the plans of government on the regional infrastructure development. Thus, in particular, near 40% of the capital destined for realization of the decision on RPEF recapitalization is planned to be directed at financing the projects at Far East.

Aggregate relative share of the rest federal districts in the total 2012 investment volume accounted for only 3.8% and near 1/4 of total number of financed companies.

Number of financed companies by federal districts, 2012



As regards the variety of branch preferences, in addition to Central FD may be indicated Volga FD, where investments in different branches have been made – from Biotechnologies and Medical to Industrial equipment and Communications. This is quite explainable taking into account the just cited evaluation of accumulated potential from the point of view of venture funds' number and sizes.

Abrupt increase of deal flow in comparison with the previous periods, was registered in South FD that was directly connected with start of activity of a regional venture fund. At the same time, in the district were documented the investments in such high-tech branches as Chemicals & Materials (near a half of total investment volume), Computer related and Ecology (aggregate documented investment volume in South FD accounted for 2/3 of the analog value in Volga FD).

Regional distribution of investment volumes (\$ mln) by industry branches, 2012

Industry branch	Federal district								Total
	Central	North-West	Volga	Southern	North Caucasus	Ural	Siberian	Far East	
Ecology	0	0	0	3.88	0	0	0	0	3.88
Light industry	0	18.3	0	0	0	0	0	0	18.3
Transportation	113	0	0	0	0	0	0	0	113
Biotechnology	0	0	191	0	0	0	0	0	1.91
Construction	30.6	0	0.14	0	0	0	0	0	30.74
Chemicals & Materials	4.67	0	0.5	4.2	0	0	0.46	0	9.83
Agriculture	13	20	0	3.33	0	0	0	200	236.33
Industrial equipment	224.33	0	2.55	0	0	0	0	0	226.88
Electronics related	10.1	6	0	0	0	0	0.3	0	16.4
Energy	645.33	5.53	0.78	0	0	0	10.3	3.5	665.44
Medical/Health care	262.29	5.06	1	0	0	0	0.58	0	268.93
Computer related	62.4	0	0	7.67	0	0	0	0	70.07
Communications	1027.6	18.02	1.6	0	0	0.66	0	0	1047.88
Consumer market related	779	0	0	0	0	0	0	92.5	871.5
Financial services	260	0	35	4.5	0	0	0	0	299.5
Other	264.17	0	1.5	6	0	0	0.3	0	271.97
Total	3696.49	72.91	4498	29,58	0	0.66	11.94	296	4152.56

Regional distribution of number of financed companies by industry branches, 2012

Industry branch	Federal district								Total
	Central	North-West	Volga	Southern	North Caucasus	Ural	Siberian	Far East	
Ecology	0	0	0	1	0	0	0	0	1
Light industry	0	1	0	0	0	0	0	0	1
Transportation	2	0	0	0	0	0	0	0	2
Biotechnology	0	0	1	0	0	0	0	0	1
Construction	3	0	1	0	0	0	0	0	4
Chemicals & Materials	2	0	1	2	0	0	1	0	6
Agriculture	1	1	0	1	0	0	0	1	4
Industrial equipment	8	0	5	0	0	0	0	0	13
Electronics related	6	1	0	0	0	0	1	0	8
Energy	3	1	1	0	0	0	2	1	8
Medical/Health care	13	2	2	0	0	0	2	0	19
Computer related	4	0	0	2	0	0	0	0	6
Communications	88	5	3	0	0	0	0	1	97
Consumer market related	7	0	0	0	0	0	0	2	9
Financial services	2	0	2	1	0	0	0	0	5
Other	6	0	1	2	0	0	1	0	10
Total	145	11	17	9	0	0	7	5	194

By the early-stages' investment volumes, one of the 2012 leaders became North-West FD, in which aggregate investment volumes at the indicated stages surpassed (by 30%) the similar parameters at later stages. By the early-stage deals' number (except for Central FD) leads Volga FD – 15 deals (the closest follower – South FD – has 8 deals).

The implicit leader in VC investments is Central FD engrossing near 80% of aggregate venture investments volume and 72% of their number.

Regional distribution of investment volumes (\$ mln) by stages, 2012

Stage \ Federal district	Federal district								Total
	Central	North-West	Volga	Southern	North Caucasus	Ural	Siberian	Far East	
Seed and start-up	77.92	20.63	7.41	20.88	0	0	1.95	0	129
Other early stages	240.7	21	2.58	4.2	0	0.67	0	0	269
Expansion	1661	31.28	35	4.5	0	0	10	296	2038
Restructuring	353.4	0	0	0	0	0	0	0	353
Later stage	1363	0	0	0	0	0	0	0	1363
Total	3696.02	72.91	44.99	29.58	0	0.67	11.95	296	4152

Regional distribution of number of financed companies by stages, 2012

Stage \ Federal district	Federal district								Total
	Central	North-West	Volga	Southern	North Caucasus	Ural	Siberian	Far East	
Seed and start-up	61	4	11	6	0	0	6	0	88
Other early stages	38	3	4	2	0	1	0	0	48
Expansion	28	4	2	1	0	0	1	4	40
Restructuring	5	0	0	0	0	0	0	0	5
Later stage	13	0	0	0	0	0	0	0	13
Total	145	11	17	9	0	1	7	4	194

Investment volumes by federal districts, 2009–2012

Federal District	2009		2010		2011		2012	
	Volume of investments, \$ mln	%	Volume of investments, \$ mln	%	Volume of investments, \$ mln	%	Volume of investments, \$ mln	%
Central	343.23	67.58	2167.5	86.22	1265.06	41.04	3696.4	89.02
North-West	120	23.63	50.12	2	1234.21	40.03	72.9	1.76
Volga	35.65	7.02	24.02	0.96	511.24	16.58	44.9	1.08
Southern	4.59	0.9	2	0.08	2	0.06	29.5	0.71
North Caucasus	0	0	0	0	0	0	0	0
Ural	1.73	0.34	56.65	2.25	6.69	0.22	0.6	0.01
Siberian	2.7	0.53	13.45	0.53	58.77	1.91	11.9	0.29
Far East	0	0	200.1	7.96	4.8	0.16	296	7.13
Total	507.9	100	2513.84	100	3082.77	100	4152	100

In 2012, as it was in previous periods, the highest investment activity showed the regions of the European Russia.

The share of Central FD in aggregate investment volume accounted for approx. 89%.

Exits

Exits from investee companies remain, as before, so to speak “count goods”, at least those of them which have been published. Increase of exits’ flow may be expected in the nearest years, especially with participation of VC funds which have formed relatively large portfolios recently (solely the created with the JSC RVC participation funds have got more than 100 portfolio companies). However the main question – who will exit and by which way – is still on the agenda. Although some variants of divestitures, e.g. by public placement, become more and more accessible year by year, that is determined by development of corresponding infrastructure in the Russian market.

On the base of data available it may be stated that exiting activity of investors (at least its “visible” part) remained at the 2011 level. Totally, there were documented 27 exits from portfolio companies. At that, the funds realized exits 35 times.

Distribution of exit ways by number is quite traditional: sales to strategic investor – 12 companies (more than 40% of total number of exited portfolio companies) and sales to financial investor – 9 companies (near 1/3 of exits) are the leaders.

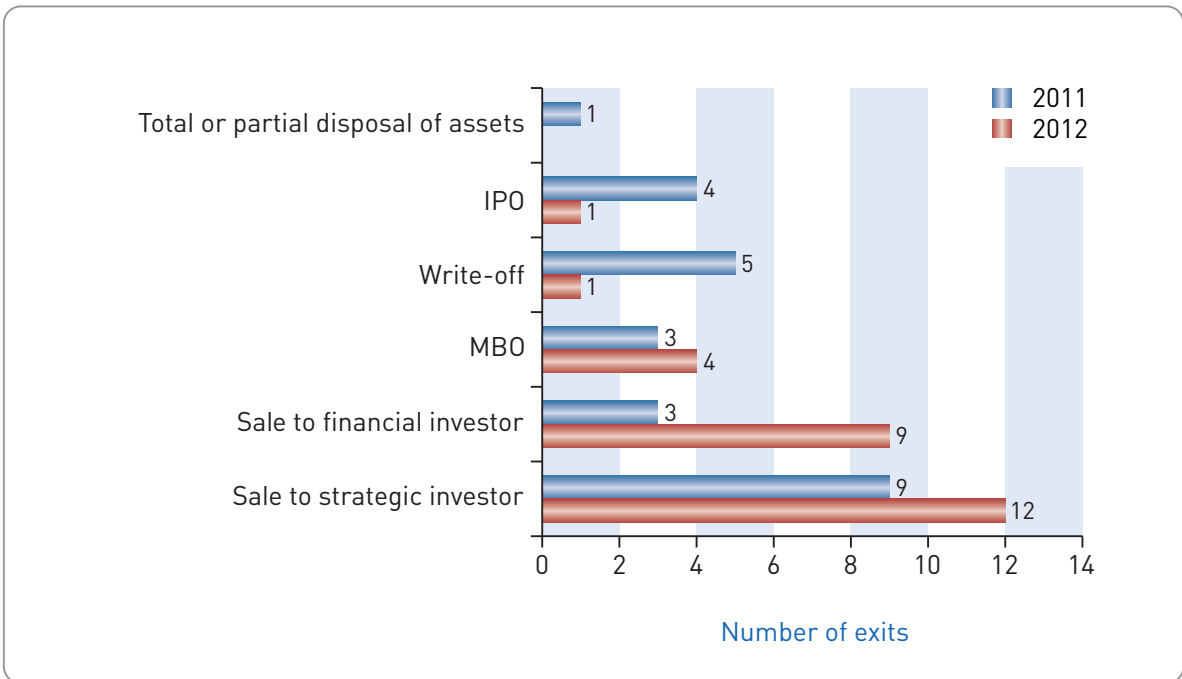
Management buy-out as an exit way was preferred by 4 companies (near 15% of the companies exited by investors).

There is an undoubted success – exit of large Russian PE funds through an IPO from a company working in the area of software design. Though it should be noted that this IPO took place in a foreign stock exchange.

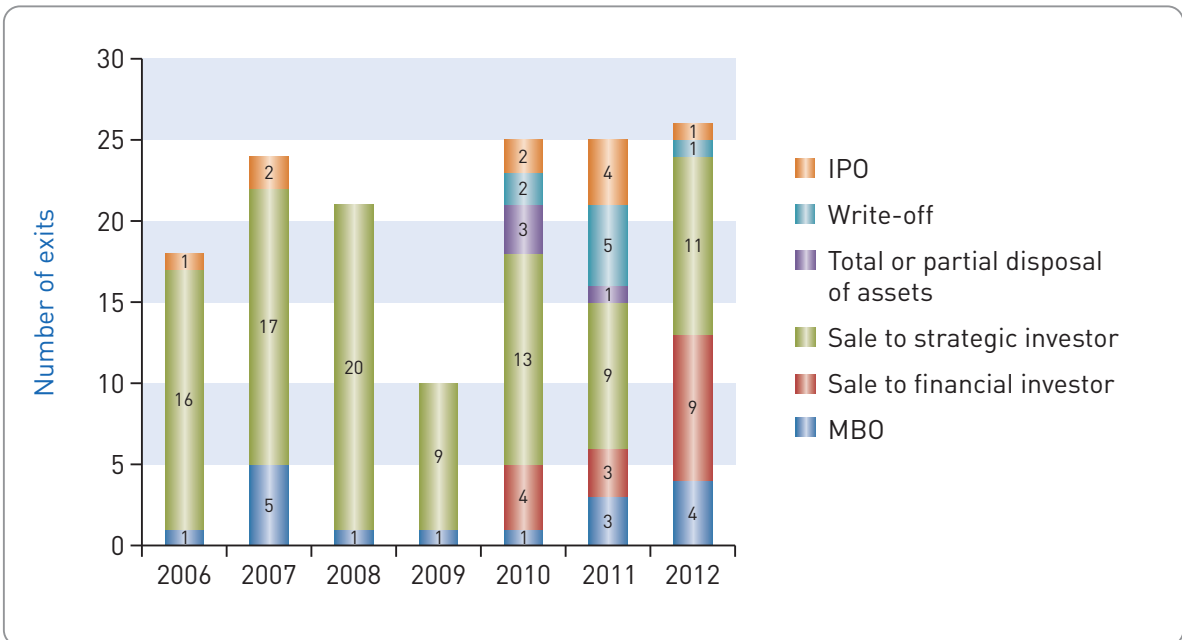
Also, one write-off was registered in 2012.

The divestitures were mainly documented from the companies which belonged to ICT sector and Consumer market branch (more than 40% of the companies exited by investors in 2012).

Ways of exits from portfolio companies, 2011–2012



Distribution of exit numbers by exit ways, 2006–2012



Number of exits by industry branches, 2012

Exit way	Industry branch									Total
	Financial services	Communications	Consumer market related	Transportation	Computer related	Electronics related	Chemicals & Materials	Industrial equipment	Other	
Total or partial disposal of assets	0	0	0	0	0	0	0	0	0	0
IPO	0	0	0	0	1	0	0	0	0	1
Write-off	1	0	0	0	0	0	0	0	0	1
MBO	0	0	0	0	1	1	0	1	1	4
Sale to financial investor	2	4	0	1	1	0	0	1	0	9
Sale to strategic investor	1	5	4	0	0	0	1	0	1	12
Total	4	9	4	1	3	1	1	1	2	27

Ways of exits from portfolio companies, 2009–2012

Exit way	2009		2010		2011		2012	
	Number of deals	%	Number of deals	%	Number of deals	%	Number of deals	%
Total or partial disposal of assets	н/д	н/д	3	12	1	4	0	0
IPO	н/д	н/д	2	8	5	20	4	1
Write-off	0	0	4	16	3	12	4	1
MBO	н/д	н/д	н/д	н/д	0	1	15	4
Sale to financial investor	1	10	1	4	3	12	33	9
Sale to strategic investor	9	90	13	52	9	36	44	12
Total	10	100	25	100	25	100	27	100

Venture capital funds created with participation of Ministry for Economic Development of the Russian Federation (MED) and Russian Venture Company (JSC RVC)¹³

By the end of 2012, there were acting 21 regional venture funds of MED (RVF MED), the activities of which was being realized during several last years with the JSC RVC expert support. Total number of the companies which received investments in the reporting period to the amount of near \$43 mln was equal to 21 (compare with 15 in 2011). Thus, the aggregate investment volume has raised by 70% approximately (\$25 mln in 2011). To a great extent it was connected with the activity of one of the South FD's funds. It is significant that the majority of documented RVF MED investments were made in seed and early stage companies (excluding a company which was financed at the expansion stage; on two more companied the stage information was unavailable). The total volume invested by RVF MED from the beginning of their investment activity constituted approx. \$170–175 mln. Thus, according to estimates available, somewhat more than one half of the capital accumulated in the RVF MED system was invested (near \$300 mln) by the end of 2012.

Management companies of the RVC funds which were created in the form of closed-end mutual venture investment funds (CMVF RVC) had under management the capital totaling to near \$630 mln in aggregate. In 2012, average deal volume of these RVC funds was slightly higher than of RVF MED: according to data available, 19 companies (against 15 in 2011) totally had got near \$43 mln of investments (that is comparable to the 2011 year's value – near \$45 mln). In 2012, the JSC RVC investments were more evenly apportioned between stages in comparison with the investments of RVF MED. Relative volume of JSC RVC investments in venture stage companies accounted for near 60%. The other investments were directed to the expansion stage companies (near 36% of total investment volume of these funds), and the rest investment volume fell at the restructuring stage. At the same time, distribution of number of the financed companies was explicitly aimed at the early stage in 2012 (almost a half of financed companies).

Comparative analysis of branch preferences of RVF MED and CMVF RVC in 2012 shows that in respect to investment volumes the indicated funds concentrated their principal investment efforts in rather broad industrial areas; at the same time, the branch spectrum of investee companies was different. It should be noted that the branch coverage of RVF MED was always broader than the same of CMVF RVC (so, in contrast to CMIF RVC, the RVF MED funds backed the companies in such areas as Agriculture, Biotechnologies, Ecology, and Computer related).

In 2012, the 1st place in branch distribution of RVF MED investment volumes was occupied by ICT sector (almost 40% of aggregate investment volume of these funds) – in the preceding reporting period the leader was Industrial equipment branch. Industrial equipment was positioned in the 2nd place (also near 15% of total investment volume), and in the 3rd place Chemicals & Materials branch was situated (near 10%) in 2012.

¹³ Information on the funds presented in this section is included in total statistics on PE&VC funds contained in this Review.

Focus of the CMVF RVC branch preferences also underwent changes in comparison with 2011. In the recent reporting period, the main share in the total documented investment volume (near 40% against 75% in 2011) fell on ICT sector. In the 2nd place Electronics was situated – slightly more than 20% (in 2011, the 2nd place by investment volumes was occupied by Medical/Health care branch with the 10% result). The 3rd place – Energy, that accounted for 13% of total investment volume in the reporting period.

In 2012, active work of RVC cluster funds continued. Totally, the aggregate target volume of 3 RVC cluster funds made up \$180 mln. It's important that taking into account the practices of the Russian VC market work, the cluster funds were created in the form of limited liability companies which – by the number of experts' opinion – represented more flexible structure as compared to the widespread form of the closed-end mutual investment funds.

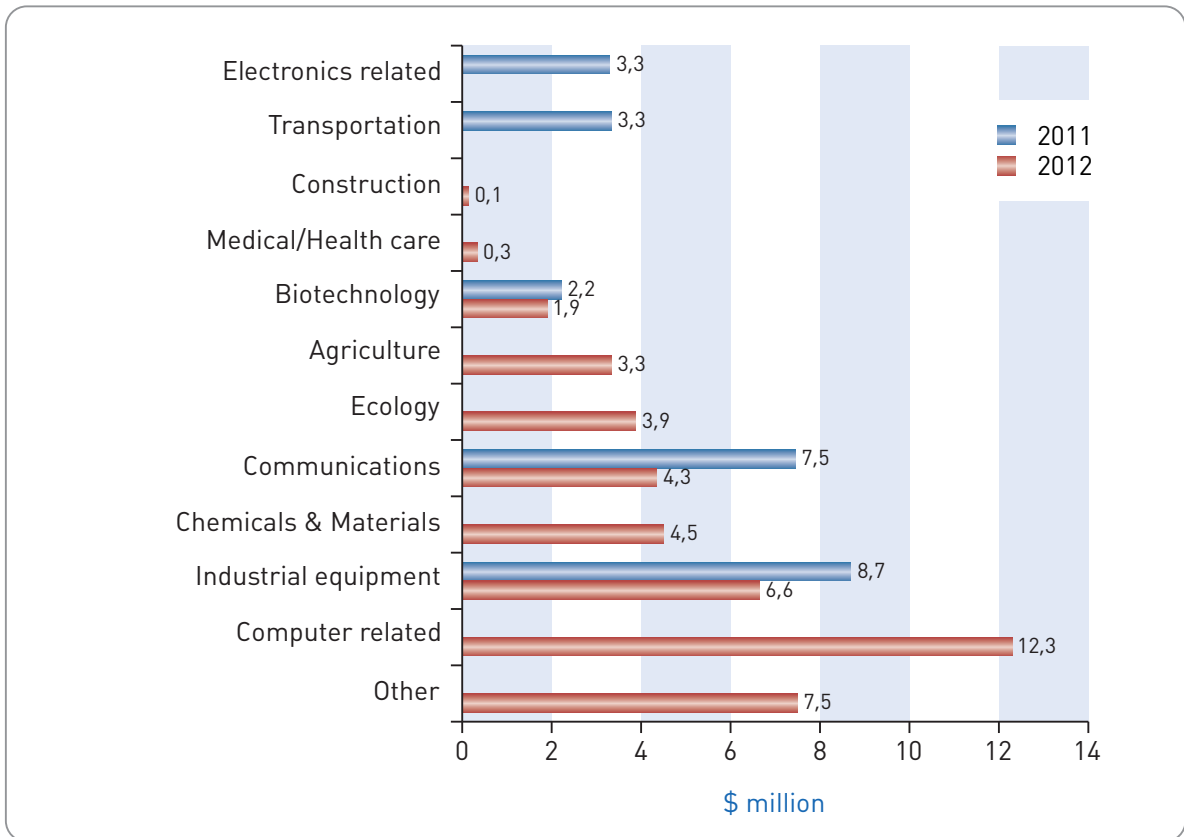
The cluster funds, having made the investments in 27 portfolio companies in 2012 (37 in 2011), provided material increase of the venture stage deals. Being inferior to CMVF RVC and RVF MED by total investment volume more than 2 times (near \$21 mln), by number of investments the cluster funds by 1/3 surpassed the analog parameter of the indicated funds. At that, near 85% of the cluster funds' deals (both by number of financed companies and investment volumes) were made in the seed and start-up companies (near 90% in 2011). Average cluster funds' investment volume in 2012 (near \$0.8 mln) was more than twofold smaller than the analog parameter's value of RVF MED and CMVF RVC (\$2.04 mln and \$2.26 mln, correspondingly).

Main volume of the JSC RVC cluster funds' investments in 2012 corresponded to Medical/Health care sector (almost 60%). The 2nd place by total investment volume was taken by the companies belonged to ICT sector (almost 15% of aggregate investment volume of the funds under consideration). The 3rd place was shared by the Industrial equipment, Energy and Chemicals & Materials branches (near 22% of total cluster funds' investment volume).

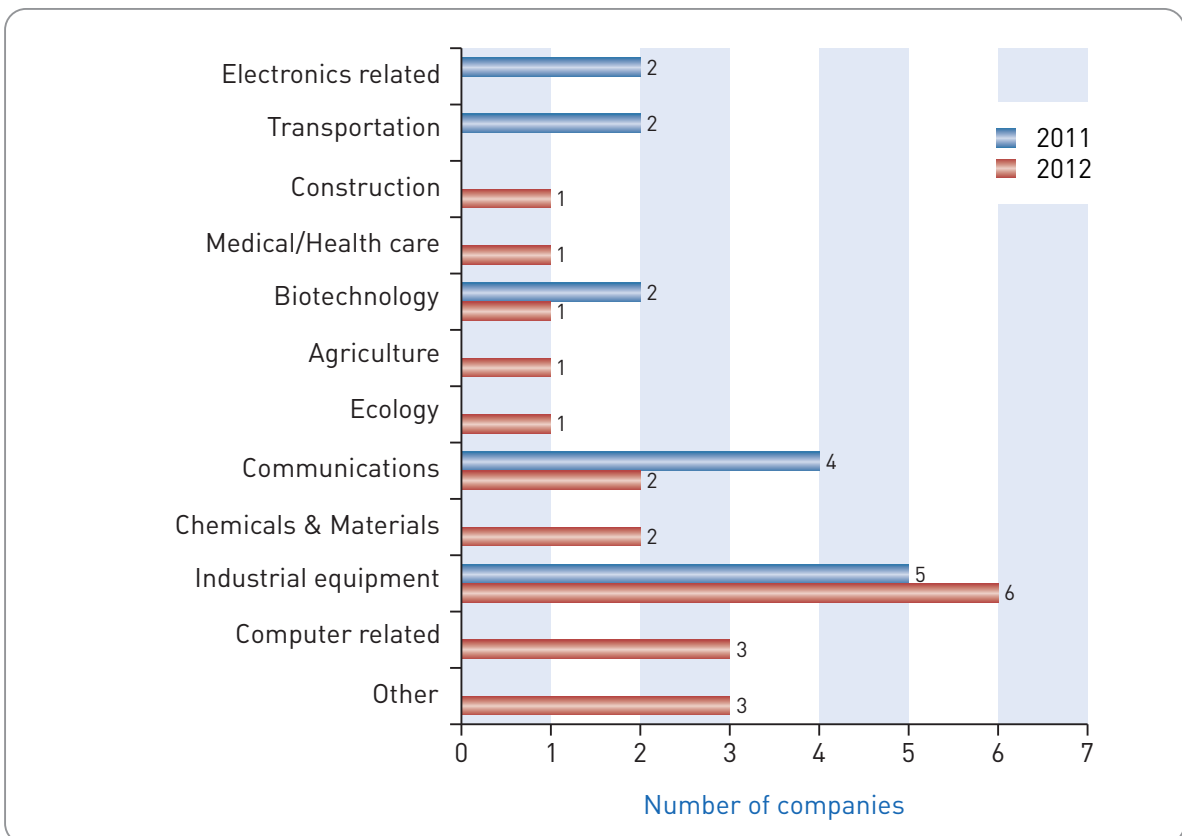
Like it was in the previous period, regional preferences of the three groups of the funds mentioned were different, as judged by the investment volumes, may be excluding the leader region. Thus, the main investment volume of CMVF RVC and RVC cluster funds (near 84% and 78%, correspondingly, of aggregate investment volume for each group of funds that was approximately close to the analog 2011 value) fell on Central FD, though, for their part, RVF MED, like in 2011, manifested the highest activity in South FD (55% of total RVF MED investment volume). The 2nd place by RVF MED aggregate investment volumes was won by Central FD (near 24%), and by the investments received from CMVF RVC – North-West FD (near 13%). As regards the branch preferences of the RVC cluster funds, the 2nd place by aggregate investment volumes belonged to Volga FD (near 15%). In the 3rd place by regional preferences (by investment volumes) of the funds' groups under consideration were: for RVF MED – Volga FD (near 13%), for CMVF RVC – Volga and Ural FDs (near 1.5% both), for RVC cluster funds – Siberian FD (near 4%).

Cluster funds of JSC RVC, having made investments in 27 portfolio companies in 2012, provided sufficient input in the total number of investments at venture stages.

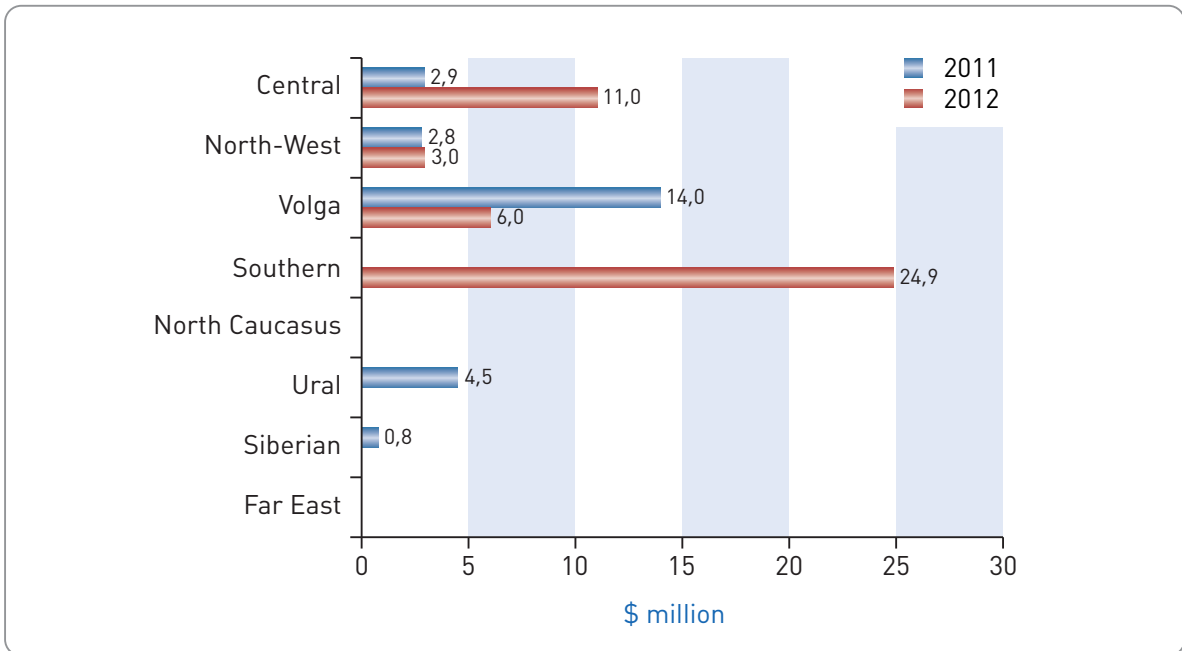
The RVF MED investment volumes by industry branches, 2011–2012



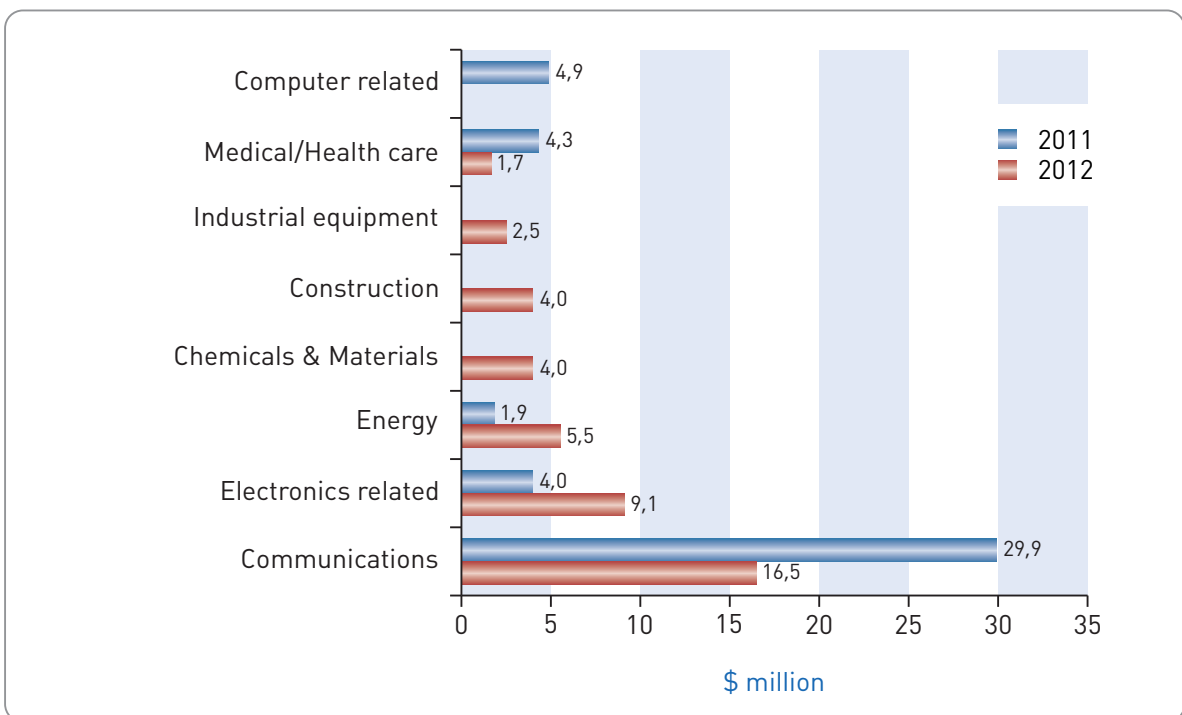
Number of the companies financed by RVF MED by industry branches, 2011–2012



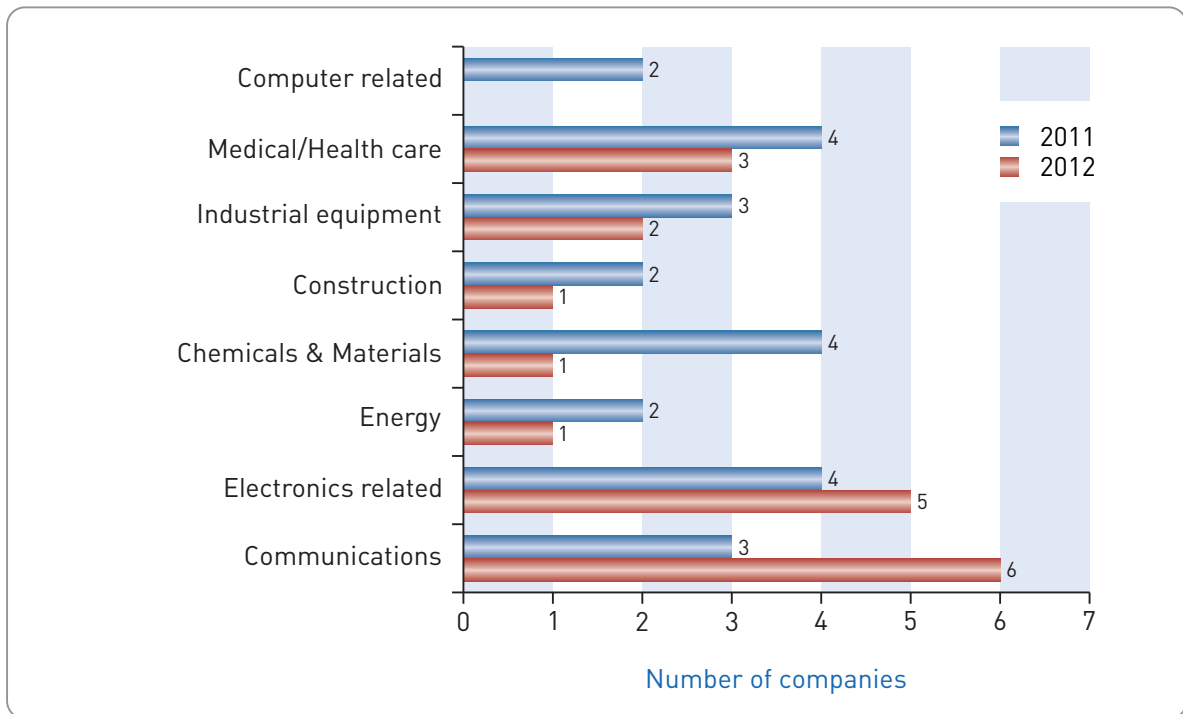
The RVF MED investment volumes by federal districts, 2011–2012



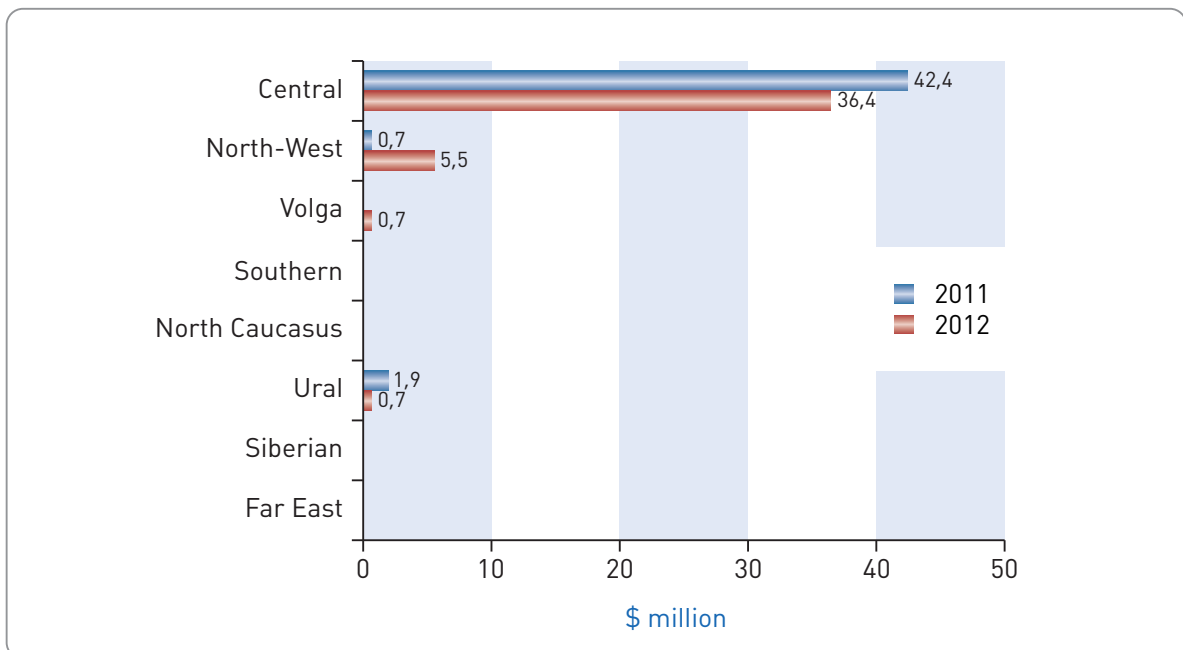
The CMVF RVC investment volumes by industry branches, 2011–2012



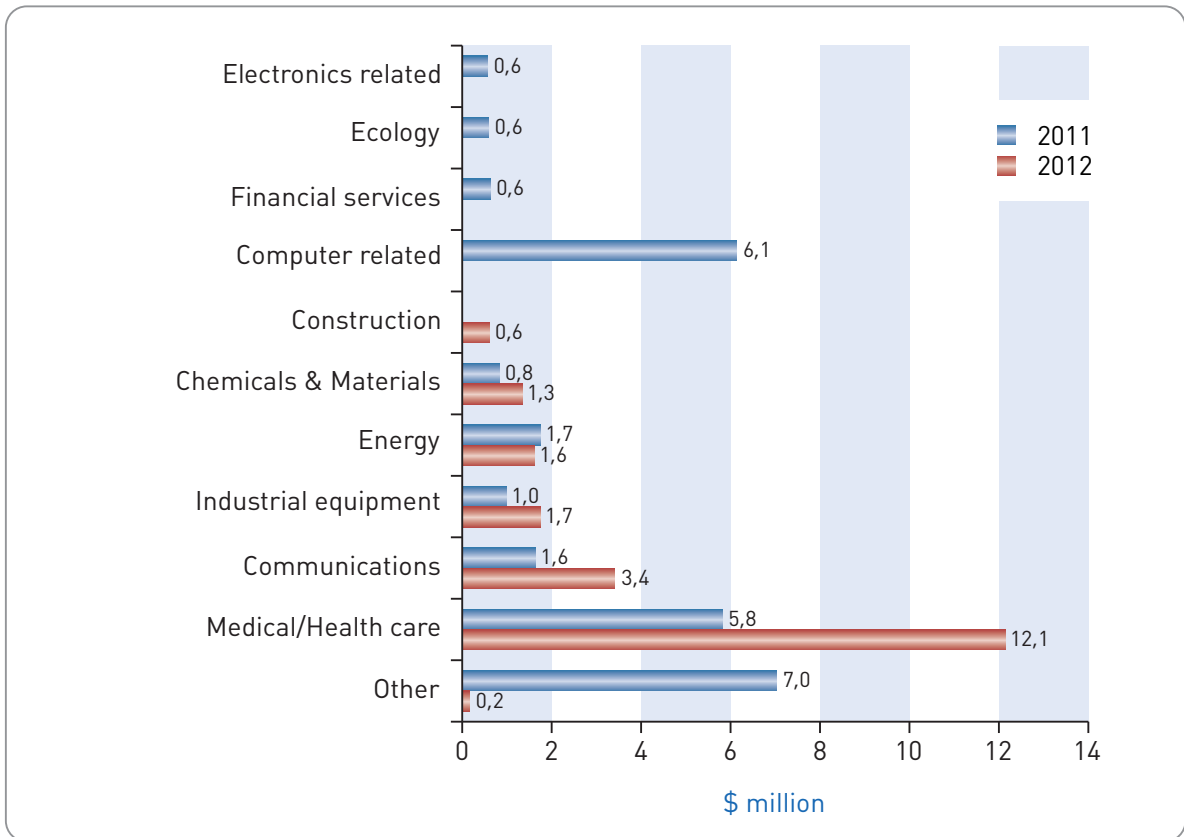
Number of the companies financed by CMVF RVC by industry branches, 2011–2012



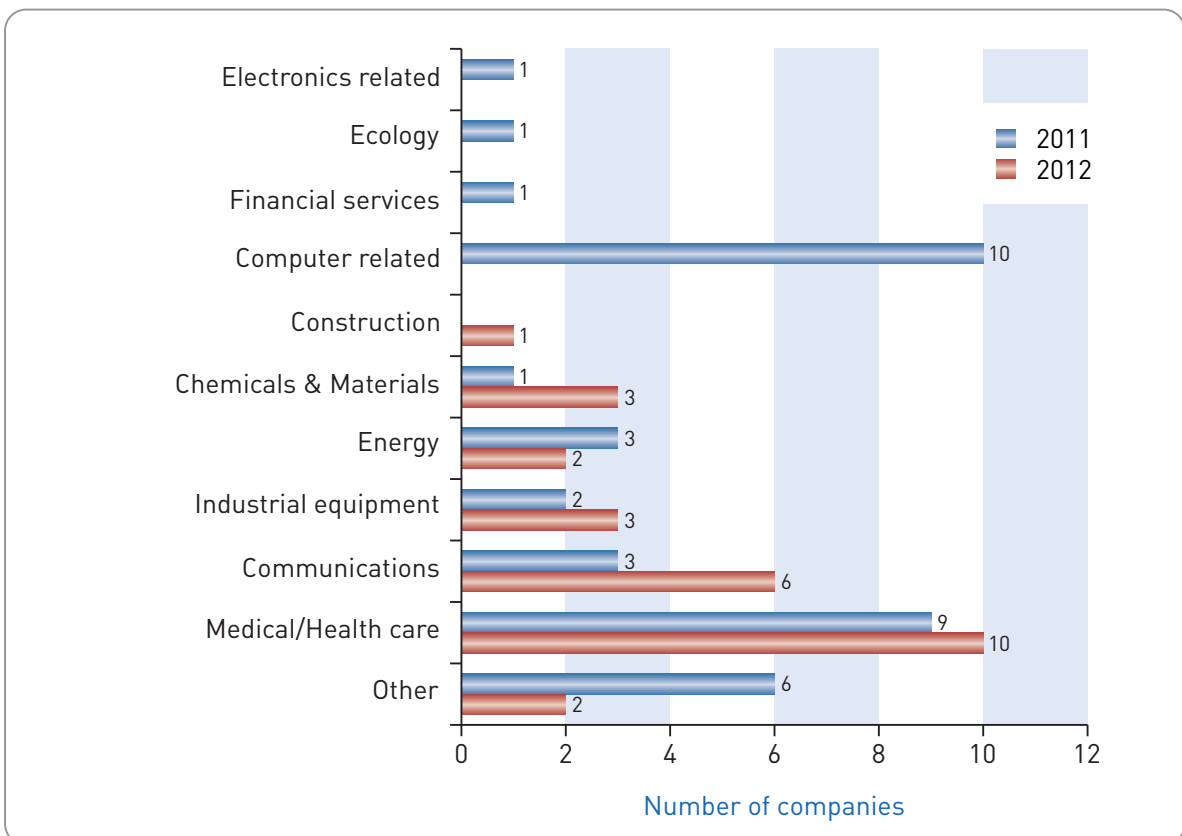
The CMVF RVC investment volumes by federal districts, 2011–2012



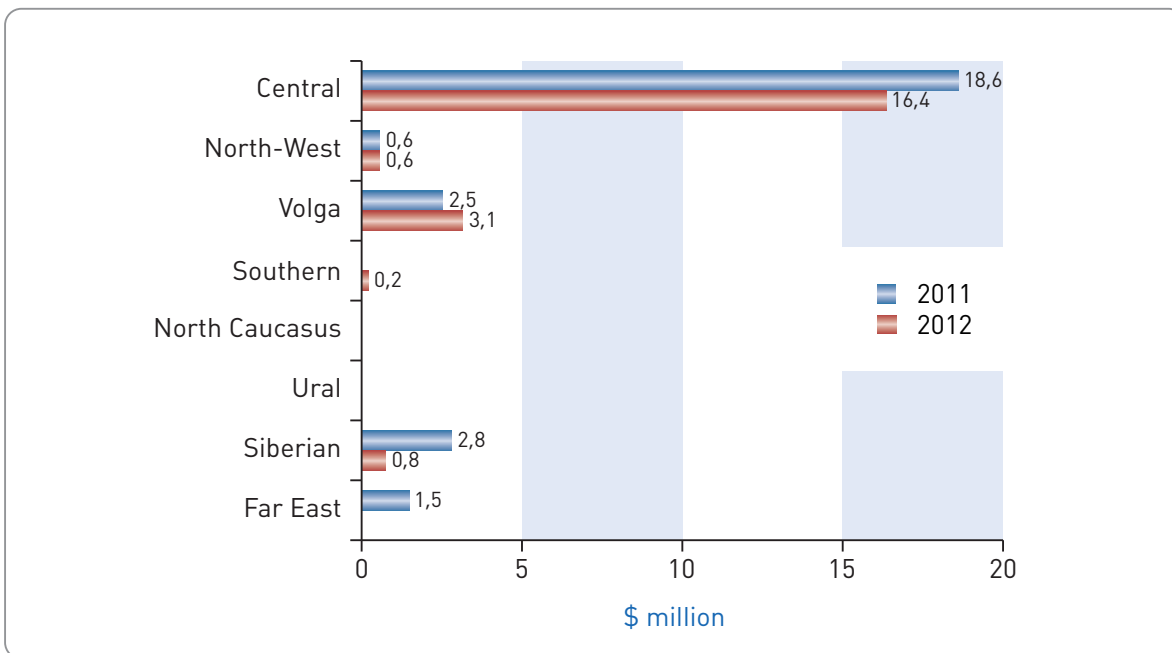
The cluster RVC funds investment volumes by industry branches, 2011–2012



Number of the companies financed by the cluster RVC funds by industry branches, 2011–2012



The cluster RVC funds' investment volumes by federal districts, 2011–2012



Conclusion

During recent years, the Russian private equity and venture capital market maintained stable positive dynamics both in respect to the processes of new funds raising, and volumes and number of the realized investments.

In spite of certain decrease of activity which was registered in 2009, the Russian PE&VC market manifested a satisfactory margin of safety and an ability to speedy recovery. It's confirmed by the growth of main market indices registered by the 2012 totals.

In spite of influence of the continuing world economy crisis, according to the RVCA data, total number of the funds acting on the Russian market has grown by more than 50% since 2008 and now is equal to 247. At the same time, cumulative capitalization of PE&VC funds increased and surpassed the \$26 bln mark.

Average investment volume has increased in recent years, too (from \$12.3 mln in 2008 to \$21 mln in 2012).

Total volume of investments with known size in 194 Russian companies made by PE&VC funds in 2012 averaged near \$4.1 bln in comparison with approx. \$1.5 bln 2008 (120 financed companies with known investment volume).

Important role in this onward motion has been played by the government's activity on development of the infrastructure for investment processes support. For example, one may note creation of the Russian Private Equity Fund (RPEF) in 2011 with the record for Russian market size of committed capital to the amount of \$10 bln. One of the main tasks of the Fund – attraction of foreign investments in the leading companies of the most high-growth sectors of the Russian economy that mirrors the positive estimations of the Russian PE market outlook. In 2012, RPEF made a number of major deals with sufficient inclusion of the foreign investors' capital (share of aggregate investment volumes with RPEF participation in the total documented investment volume accounted for no less than 35% in 2012).

Attracts attention the impressive growth of aggregate sizes and number of VC funds as well as volumes of the investments made by them within the recent two years. Thus, the aggregate VC funds' size, in comparison with 2011, has grown more than by \$1 bln and averaged near \$4.5 bln in 2012, with the number of VC funds came to 155. Cumulative volume of VC investments of the funds amounted to approx. \$400 mln. In this sum were included the investments of closed-end mutual venture investment funds (CMVF RVC), cluster funds of JSC RVC, and regional venture funds of the Ministry for Economic Development of the Russian Federation (RVF MED), the activities of which was being realized during several last years with the JSC RVC expert support.

In the whole it may be stated that a considerable potential has been accumulated in the Russian PE&VC industry. The next issue of the Russian private equity and venture capital market Review 2013 will be devoted to analysis of the process of this potential realization in the nearest future.

Dynamics 2007–2012

Total capitalization of the funds acting on the Russian PE&VC market and being included in the Database of the RVCA Executive Directorate:

- 2007 – \$ 10.26 bln
- 2008 – \$ 14.33 bln
- 2009 – \$ 15.20 bln
- 2010 – \$ 16.80 bln
- 2011 – \$ 20.10 bln
- **2012 – \$ 26.40 bln**

Number of working funds:

- 2007 – 130
- 2008 – 155
- 2009 – 162
- 2010 – 170
- 2011 – 174
- **2012 – 247**

Volume of capital attracted:

- 2007 – \$ 4.32 bln
- 2008 – \$ 4.27 bln
- 2009 – \$ 1.31 bln
- 2010 – \$ 1.74 bln
- 2011 – \$ 3.82 bln
- **2012 – \$ 6.65 bln**

Number of management companies acting at the territory of the Russian Federation and being included in the Database of the RVCA Executive Directorate:

- 2007 – 82
- 2008 – 99
- 2009 – 105
- 2010 – 110
- 2011 – 120
- **2012 – 186**

Total volume of documented investments in Russian companies:

- 2007 – \$ 1018 mln
- 2008 – \$ 1472 mln
- 2009 – \$ 508 mln
- 2010 – \$ 2514 mln
- 2011 – \$ 3078 mln
- **2012 – \$ 4152 mln**

Total number of financed companies (with known investment volume):

- 2007 – 85
- 2008 – 120
- 2009 – 69
- 2010 – 128
- 2011 – 135
- **2012 – 194**

Average deal size:

- 2007 – \$ 12.0 mln
- 2008 – \$ 12.3 mln
- 2009 – \$ 7.4 mln
- 2010 – \$ 19.7 mln
- 2011 – \$ 23.0 mln
- **2012 – \$ 21.4 mln**

Expansion, restructuring, and later investment stages remain the leaders by investment volumes:

- 2007 – \$ 909 mln (51 invested companies)
- 2008 – \$ 1311 mln (53 invested companies)
- 2009 – \$ 384 mln (21 invested companies)
- 2010 – \$ 2361 mln (47 invested companies)
- 2011 – \$ 2811 mln (30 invested companies)
- **2012 – \$ 3754 mln (58 invested companies)**

Volume of documented seed and start-up investments:

- 2007 – \$ 42 mln
- 2008 – \$ 68 mln
- 2009 – \$ 13 mln
- 2010 – \$ 22 mln
- 2011 – \$ 129 mln
- **2012 – \$ 129 mln**

Volume of documented other early stages investments:

- 2007 – \$ 66 mln
- 2008 – \$ 94 mln
- 2009 – \$ 110 mln
- 2010 – \$ 132 mln
- 2011 – \$ 143 mln
- **2012 – \$ 269 mln**

Number of the companies financed at seed and start-up and other early stages:

- 2007 – 34
- 2008 – 67
- 2009 – 48
- 2010 – 81
- 2011 – 105
- **2012 – 136**

Sale to strategic investor – the most popular way of divestment:

- 2007 – 71% of divestments
- 2008 – 95% of divestments
- 2009 – 90% of divestments
- 2010 – 52% of divestments
- 2011 – 36% of divestments
- **2012 – 42% of divestments**

Methodology

In the present PE&VC market Review, the data on more than 180 funds included in the Database of the RVCA Executive Directorate were taken under consideration.

The following sources were used at preparation of the materials:

- Information from the questionnaire survey of the funds acting at the Russian Federation territory;
- Conversations with the Russian PE&VC industry experts and professionals in the interview-by-phone format and during personal meetings;
- The RVCA Executive Directorate Database;
- Open sources.

On the base of the information being collected on the funds, a detailed portrait of each fund was compiled by the following parameters: the source and size of capital; the investments made by industry branches, stages and regions; divestments.

All the efforts were made in order to collect the information either by each portfolio company or in generalized form as a percentage by each category within the whole portfolio.

The information on the contained in the Database of the RVCA Executive Directorate financial institutes that acted in accordance with the PE&VC fund classic scheme and positioned themselves on the market correspondingly, is included in the Review.

At calculation of cumulative capitalization of the funds were considered:

- Aggregate volumes of the last (or intermediate) closings (or net asset value for closed-end mutual PE&VC investment funds) of the funds acting in the Russian market, with no taking into account the investments made by them and included in the RVCA Executive Directorate Database.
- Capitalization of large transnational funds which invest in several countries was evaluated at the level of the amount of investments which were made only in the Russian companies. The year of inception was considered the year of making the first investment at the Russian Federation territory.

A fund is considered to be a Russian one if it works permanently in the RF (has a head office or a representation) with not less than a half of its capital having been invested in the companies working in the Russian market.

The funds which are targeted at real estate and development, i.e. invest in construction projects and objects (business-centers, residential developments, etc.) are not included in

the present statistics. At the same time, the statistics includes investments in the companies rendering engineering and architecture services, manufacturing building materials and executing construction works.

The capital raised is understood to be: the volumes of final or intermediate closings of new funds (or net asset values of closed-end mutual PE&VC investment funds), additional tranches arrived to the funds created before, as well as capital of transnational or Russian funds (for the funds with unknown size) which was taken into account within the volume of investments in the companies acting on the Russian market.

In this investigation, the RUSNANO investments in its portfolio companies were not taken under consideration.

Information on activities of the Investment Venture Fund of the Republic of Tatarstan in the field of financing portfolio companies was not included in the statistics, also.

Documented investments are regarded as the investments with known volume in the companies acting in the Russian market. At that, the following parameters – industry branch, stage of company's development, and region – are having been identified for the mentioned investments.

Venture stages of company development are: seed, start-up and other early stages.

In the present Review, VC investments are understood to be acquisition of equity of a company at seed and start-up and other early stages of development. Besides, business-angel investments as well as ones of the investment companies are not considered. The VC investments, related to the Medical/Health care branch according to the present classification, are included in Biotechnologies sector by the classification of a number of other investigations.

When the collected data were processed, some intermediate results were rounded upward to integer. As a result, some total figures discrepancy is possible.



Russian Venture
Capital Association (RVCA)

P.O.B. 33, St. Petersburg, 194156, Russia

Phone: +7 (812) 326 6180

Fax: +7 (812) 326 6191

www.rvca.ru rvca@rvca.ru