

RUSSIA PRIVATE EQUITY REVIEW 2016

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Guides – By **Evgeny Zelensky** and **Justin Vaughan**

A look ahead to which sectors might be most active in the remainder of 2016.

2015 was another turbulent year for the Russian economy, with low oil prices and currency fluctuations adding pressure to an already difficult climate in which to do business. The headwinds have eased slightly with the modest resurgence in the oil price to almost US\$50 a barrel in Q2 2016.

However, the economic sanctions, the effect of Brexit and the risk of further currency movements continue to dampen investor interest. Nevertheless, there remain opportunities for those with capital and a clear appreciation of the legal environment within which the target company operates.

In this issue we review deal activity over Q4 2015 and H1 2016 and look ahead to which sectors might be most active in the remainder of 2016. We discuss the significant investments that State-owned Chinese funds have made in Russia in the last 12 months as part of China's "One Belt, One Road" strategy, and the proposed partial privatisation of State assets announced by the Russian government. As highlighted in our previous issue, we consider that the TMT sector will remain one of the most active in the Russian economy in 2016.

We expect that the remainder of this year will also be characterised by opportunistic acquisitions, often in conjunction with other investors. Our second article analyses the potential challenges that private equity investors may face in Russia and how to limit these risks in the context of such joint ventures. For investors unfamiliar with the Russian market, the assistance of a local partner can be indispensable, and as some international private equity investors exit Russia this creates opportunities for others to step into their shoes.

We discuss the various contractual protections that investors can negotiate to mitigate structural, management and exit risks, among others. The final article of this issue considers the current regulatory climate in Russia and highlights some key areas of which investors should be aware. These include recent developments in data protection regulation and laws relating to ownership of interests in mass media, investments into "strategic" Russian companies and the enforceability of non-compete obligations.

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