

Russia's economy continues to be constrained by structural bottlenecks and a tight policy mix, as well as by existing Western sanctions and threat of new ones. The majority of M&A will likely continue to be driven by domestic transactions, with foreign investment in Russia remaining depressed amidst ongoing uncertainty due to sanctions.

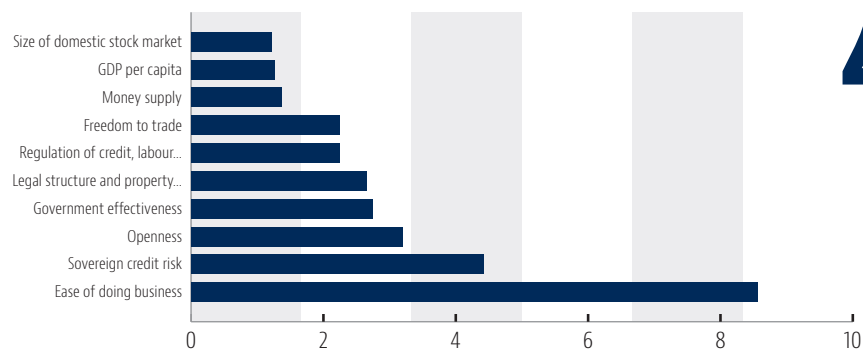
SUMMARY OF KEY DRIVERS (AVERAGE 2019-2022)

| | Russia | Global |
|---|--------|--------|
| GDP growth (% annual) | 1.4 | 2.8 |
| Stock market capitalization (% of GDP) | 38 | 97 |
| Money supply (% of GDP) | 44 | 111 |
| Trade (% of GDP) | 42 | 45 |
| Ease of doing business (World Bank, DTF score, higher=better) | 77 | 77 |
| Legal structure (Fraser Institute) | 2.7 | 6.6 |
| Freedom to trade (Fraser Institute) | 2.2 | 7.4 |

Source: Oxford Economics

RUSSIA – TRANSACTION ATTRACTIVENESS INDICATOR (10 = best performer)

Overall score
2.9



Source: Oxford Economics

The Transaction Attractiveness Indicator is an overall score calculated using a weighted average of the 10 factors included in the chart above. The score reflects the attractiveness of a country's current environment for M&A and IPO activity on a scale from 0 to 10. It's based on past transaction activity in that country and data on key economic, financial and regulatory factors that drive M&A and IPO activity, such as a country's sovereign credit risk, level of trade restrictions and ease of doing business rating by the World Bank. Because many of these factors change slowly over time, a country's current score is a strong indicator of whether it will have the right features to attract transactional activity in the future.

RUSSIA – M&A AND IPO TRANSACTIONS

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|--------------|--------------|-------------|-------------|-------------|--------------|--------------|
| Total M&A transactions (US\$bn) | 24.4 | 34.5 | 11.7 | 12.3 | 10.8 | 23.1 | 26.7 |
| % of Global M&A transactions | 0.7 | 1.2 | 0.3 | 0.4 | 0.5 | 0.9 | 0.9 |
| Domestic (US\$bn) | 15.7 | 17.0 | 6.7 | 8.8 | 6.6 | 14.2 | 16.4 |
| Cross-border, inbound (US\$bn) | 8.7 | 17.5 | 5.1 | 3.6 | 4.2 | 9.0 | 10.3 |
| Total volume of M&A transactions (Number of deals) | 1,620 | 1,239 | 853 | 625 | 645 | 803 | 843 |
| Domestic (Number of deals) | 1,229 | 969 | 682 | 481 | 471 | 567 | 584 |
| Cross-border, inbound (Number of deals) | 391 | 270 | 171 | 144 | 174 | 236 | 259 |
| Total IPO transactions (US\$m) | 685.4 | 486.4 | 0.0 | 0.0 | 0.0 | 200.1 | 210.0 |
| % Global IPO transactions | 0.5 | 0.2 | 0.0 | 0.0 | 0.0 | 0.1 | 0.1 |
| Domestic (US\$m) | 498.8 | 427.1 | 0.0 | 0.0 | 0.0 | 106.8 | 112.1 |
| Cross-border (US\$m) | 186.6 | 59.3 | 0.0 | 0.0 | 0.0 | 93.3 | 97.9 |

Source: Oxford Economics, Reuters

RUSSIA – FORECAST FOR THE ECONOMY

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|-------|-------|-------|-------|-------|-------|-------|
| Macroeconomic drivers | | | | | | | |
| Real GDP growth (% yoy) | 0.3 | 1.7 | 2.2 | 0.9 | 1.8 | 1.5 | 1.3 |
| CPI (% yoy) | 7.1 | 3.7 | 2.9 | 4.6 | 3.9 | 4.3 | 4.0 |
| Merchandise trade (% of GDP) | 37% | 40% | 41% | 42% | 42% | 43% | 43% |
| Financial drivers | | | | | | | |
| 10-year government bond yield (%) | 8.9 | 7.8 | 8.0 | 7.8 | 7.4 | 7.5 | 7.5 |
| Equity prices (LCU, end of year % change) | 26.8 | -5.5 | 12.3 | 19.6 | -6.7 | 6.2 | 5.0 |
| Stock market capitalisation (US\$bn) | 622.1 | 623.4 | 576.1 | 765.0 | 728.1 | 779.8 | 817.6 |

Source: Oxford Economics

IPO calculations account for the tentative Aramco listing in 2020 that has the potential to raise up to US 100 billion.