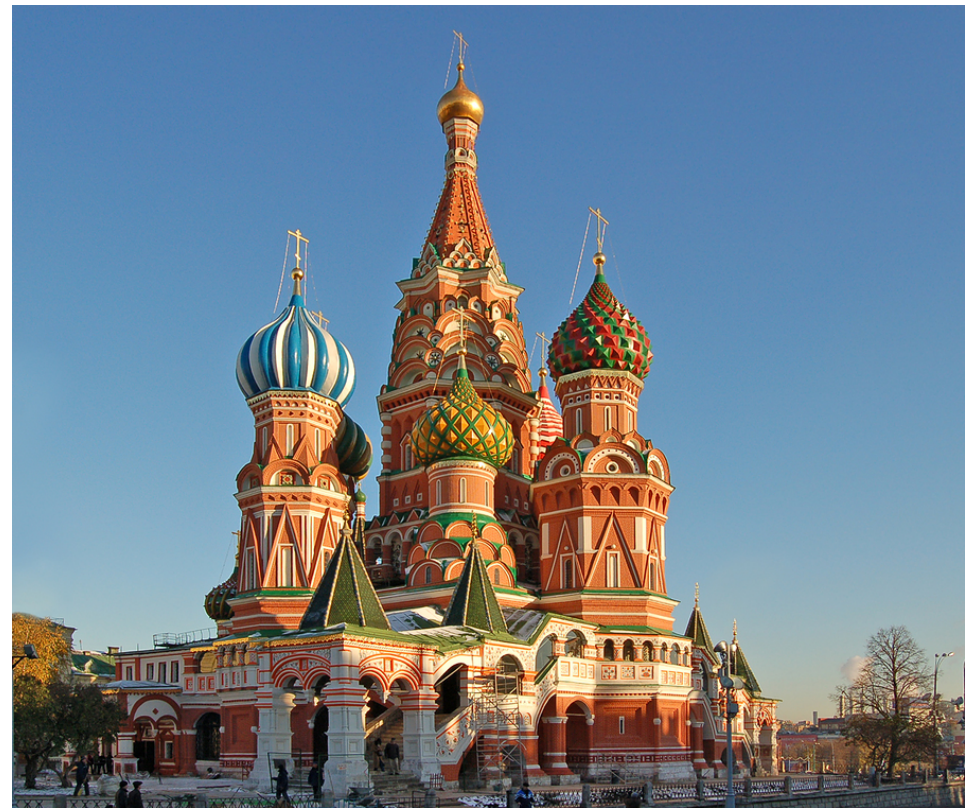




HI CAPITAL MEZZANINE FUND

February 2013



Hybrid Investments Capital (HI Capital) is the only Russian mezzanine investment fund created for the purpose of exploiting investment opportunities, naturally arising in the Russia and CIS developing markets.

Currently, HI Capital team is the most professional in structuring and execution of mezzanine finance deals. For the last 12 months we “closed” 10 deals for the total consideration over 300 MUSD and we are planning to increase this figure to 500 MUSD in short term.

We provide our funds and advisory services for M&A, MBO, LBO deals as well as project finance and corporate debt restructuring.

Our advantages:

- **Powerful team** of top 25 analysts with strong origination which gives short implementation time of quality deals
- **Positive positioning** in the market comparing to “aggressive” PE funds and conservative banks
- **Constant flow of quality deals.** Currently, there are 100 companies under general consideration and 50 companies in the short list, which can result in 10 potential deals
- **High target return** of 20%- 30% IRR with risk, pledged by companies’ shares, personal owners’ sureties, and in some cases liquid assets.

Mezzanine finance in our performance has justified itself in current economic conditions. For less than two years since establishment we exited three deals with IRR not less than 26% in USD:

Our exits are:

- Mosoblpharmacy pharmacy chain LBO by A5 pharmacy chain, which led to establishment of a #1 player in terms of pharmaceutical sales volumes and number of pharmacies in Russia.

Received IRR – 45,3%



- Financing for business development of the regional consumer retail chain, which led to doubling of the chain’s revenue in two years, significant strengthening of its market positions due to increase in a number of stores by 2,5 times.

Received IRR – 26%

- LBO of oil & gas company, which was previously owned by oil & gas Russian majors and now is one of the leading independent oil and gas producers in Orenburg region.

Received IRR – 33%

Our investment approach

Key priorities:

- ability to serve debt
- potential for value increase

Industry:

- not industry specific
- industry expertise in oil and gas, retail, metals and mining

What we like about the company:

- established business
- good revenue growth potential
- high operating efficiency
- low and medium leverage:
 - Debt/EBITDA < 5X,
 - EBITDA/Interest > 1,5X
- management track record

Downside protection:

- companies' shares
- personal sureties
- in some cases assets/
mortgage of the company

Upside protection:

- put option, secured by the company's shares and personal sureties of the beneficial owners

Common mezzanine financing terms:

- deal size – 20-30 MUSD
- current interest rate – 10-12% p.a. in USD
- target IRR – 20 - 30%
- term of investments – 3 years

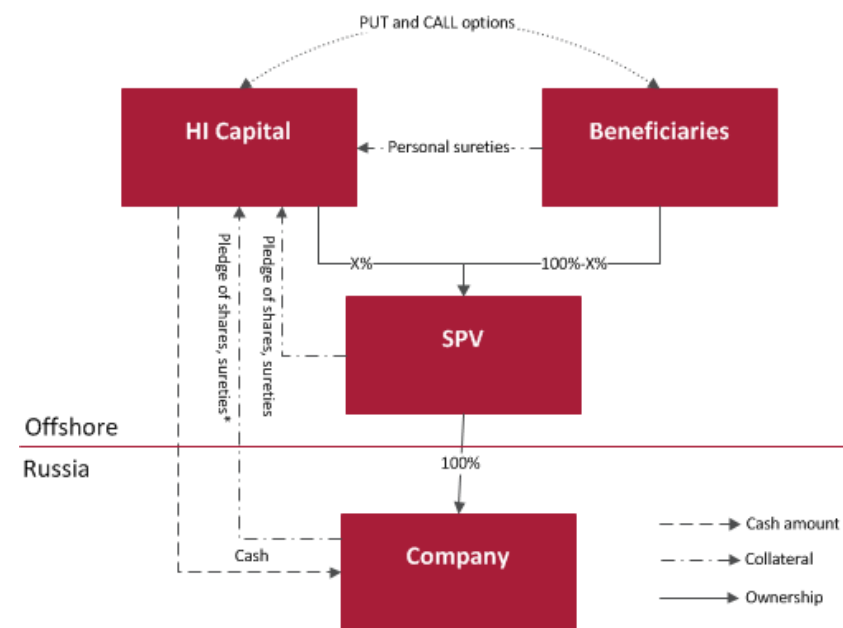
Further conditions:

- Fund's control over utilization of proceeds and the company's day-to-day operations

Applicable law:

- transaction documents – English law
- pledge of assets in Russia
- sureties – Russian law
- guarantees – Russian and English laws

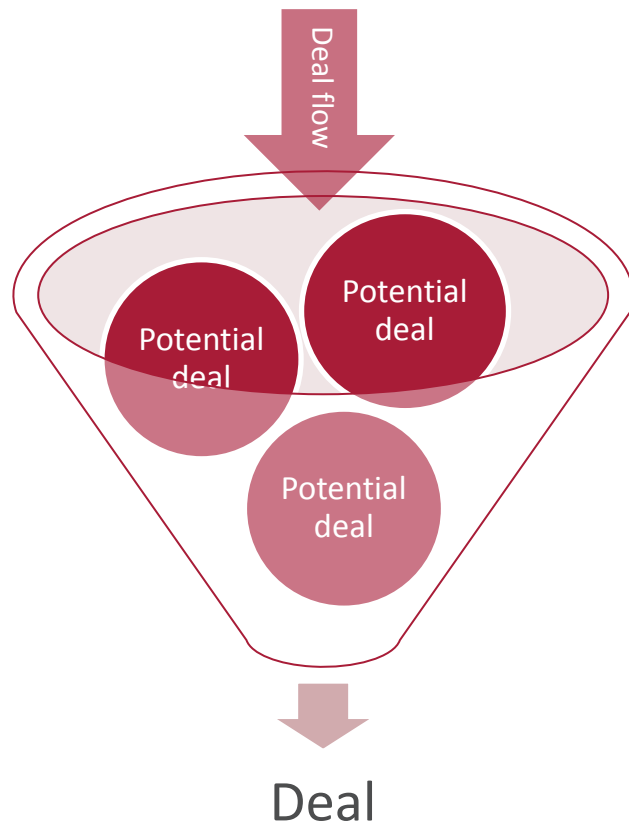
COMMON DEAL STRUCTURE



**In some cases pledge of liquid assets/mortgage of the Company*

SOURCES:

- | | |
|-----------------------|-----------------|
| 1. Clients themselves | 3. Funds |
| 2. Investment banks | 4. Banks |
| | 5. Own contacts |



1. Origination

- Project early revise
- Security request
- Short term sheet

2. Working group (2-3 meetings)

- Legal, risk and analytical departments
- Detailed term sheet is approved

3. Investment Committee

- Presentation of the deal
- Approval of the deal

4. Due diligence

5. Closing

6. Monitoring

As bank credit remains expensive and public capital markets are strained for medium sized and small companies private equity investments are becoming more popular for Russian companies:

	1H 2011	1H 2012
Sum of deals, MUSD	711+	2 720+
Number of deals	15	28
- number of exits	9	9

Source: www.allequityfunds.com

Further at this time both entrepreneurs and funds have matured to the more sophisticated forms of financing such as mezzanine instrument.

Mezzanine financing better addresses current uncertainty issues:

- i. while decreasing slightly the appetite for return (20-30% IRR) in comparison to that of equity investors, mezzanine finance providers are better secured, taking as a collateral companies' shares, personal sureties and in some cases liquid assets; obtain current interest payments; and have a clear exit potential through put option exercise.
- ii. meanwhile for companies mezzanine finance instrument is a true source of capital when it has an articulated development strategy but credit limits are drew down and PE is too expensive for the company.

Difference between Russian and European mezzanine

	Russian Mezzanine	European Mezzanine
Upside	20% – 30% IRR	14%-18% IRR
Downside ticket	10%-14%	8%-12%
Upside Protection	<ul style="list-style-type: none"> Put option secured by personal sureties 	None
Downside protection	<ul style="list-style-type: none"> Companies' shares Personal sureties In some cases liquid assets/mortgage 	<ul style="list-style-type: none"> Companies' shares
Exit strategy on upside	Put / Call Option	Depends on Private Equity exit
Sponsor deals	None	Most
Arrangement fee	2%	None
Investment SPV	Cyprus	Luxemburg / Holland
Competition	None	Many Mezzanine Funds / Bank's flexibility
Company's management Financial Education	Very few financial experienced managers => Advantage in negotiation process	Mature financial education of companies' managers
Transparency	Audit by International firms	Audit by International firms

HI CAPITAL MEZZ ONE FUND

- First closing: 2Q 2011
- Investment period: 4Q 2012
- Fund closing tenor: 2Q 2015
- Target size: 200 MUSD
- Total invested amount: > 300 MUSD
- Average IRR: 24%
- Average interest rate: 11%
- Average project implementation period: 3 months

Exits:

Mosoblpharmacy
Pharmacy chain




95 MUSD

April 2011

IRR – 45,3%

Undisclosed
Retail




30 MUSD

June 2011

IRR – 26%

Undisclosed
Oil&gas



57 MUSD

June 2012

IRR – 33%

Current portfolio:


36,6
Pharmacy chain



36.6


July 2011

Undisclosed
One of the largest farm equipment dealer in Russia



April 2012

Undisclosed
The leading Russian recruitment agency




May 2012

Rusant Ltd
The antimony producer and supplier



June 2012

Undisclosed
One of the leading Russian pharmaceutical producers



August 2012



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