



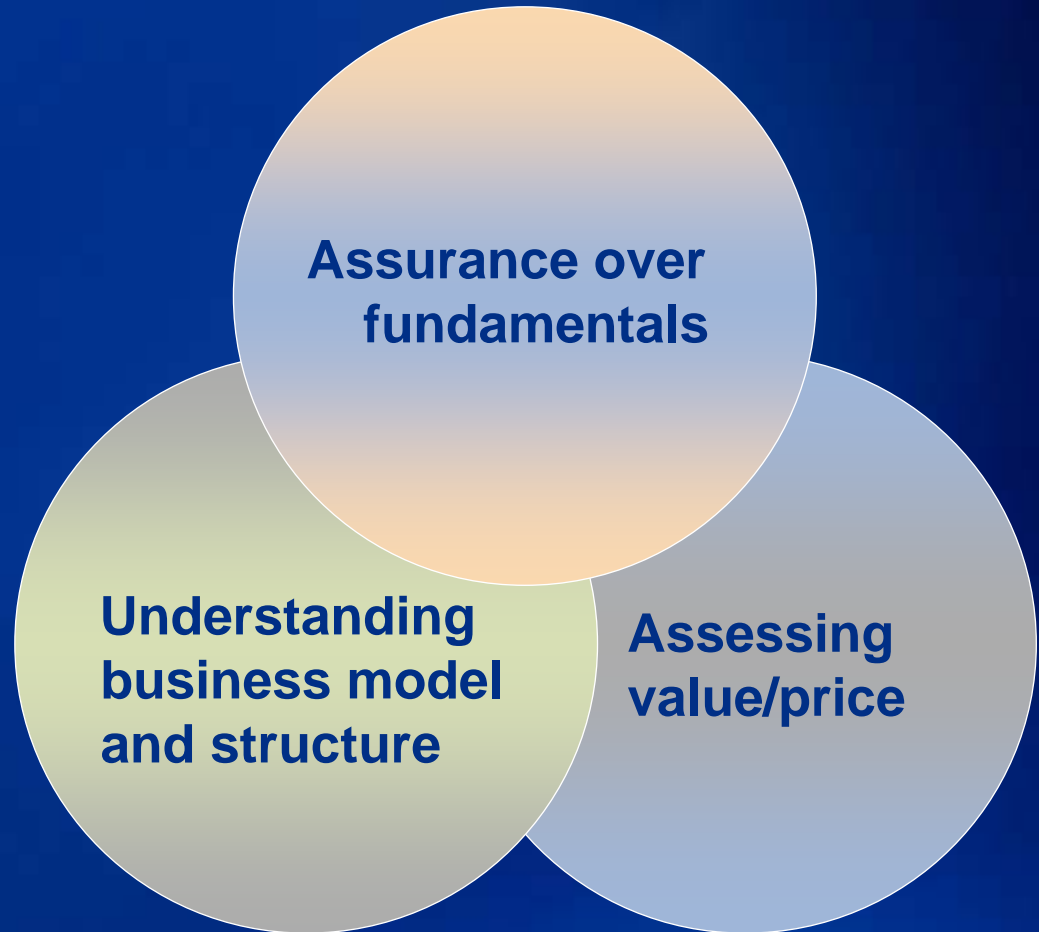
Financial Due Diligence in the new environment

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Why do Due Diligence?

- **Caveat Emptor**



- **Russia vs. West**

Financial Due Diligence

- the familiar challenges still relevant

- **Unfamiliarity with DD process - reluctance to disclose**
- **Unofficial business practices**
- **Limitations in financial reporting and auditing**
- **Evolving taxation and legal system**

Financial Due Diligence - the new environment

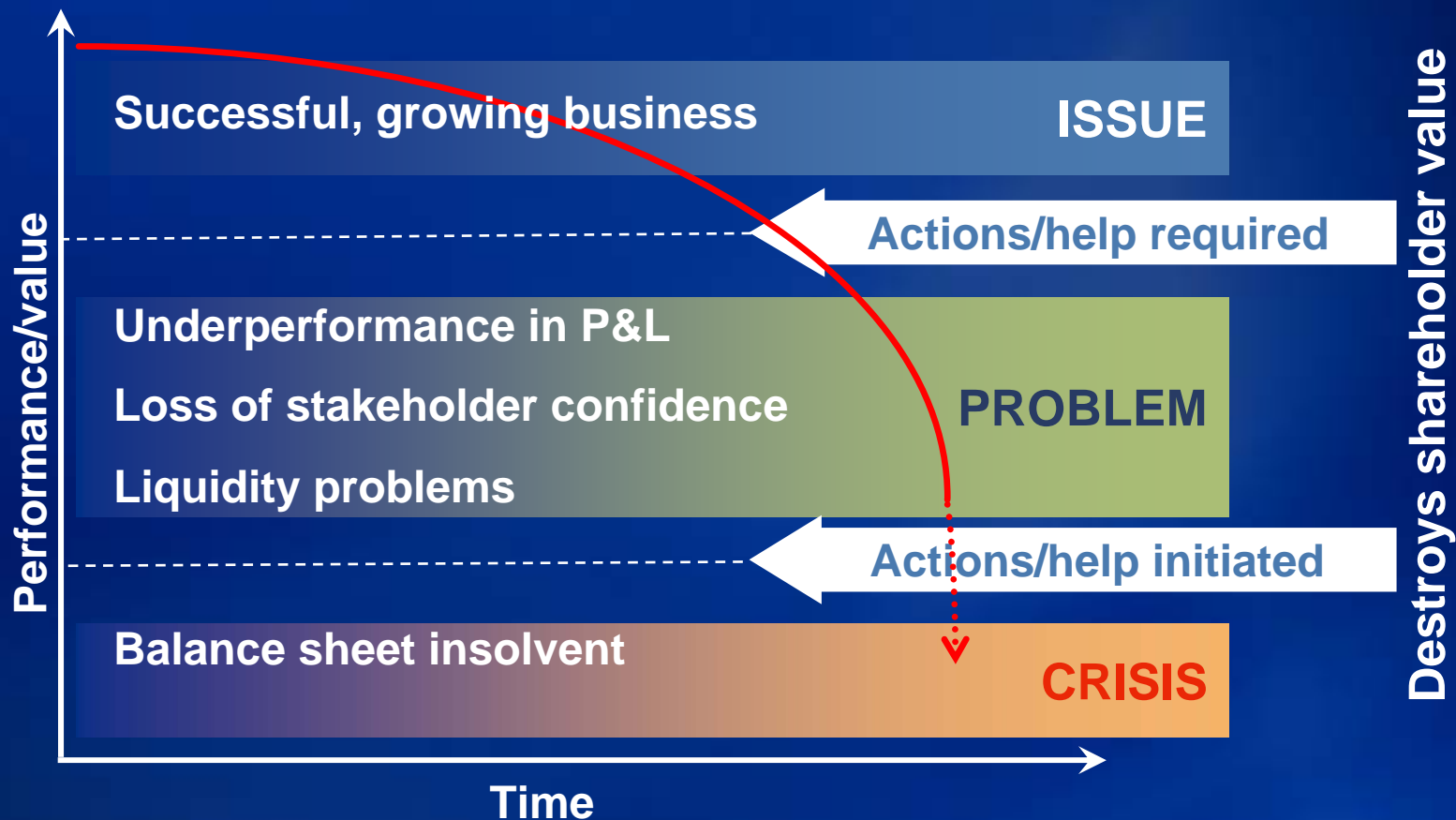
Key features

- Buyers' market
- Distressed sales
- Collapsed equity prices
- Debt defaults
- Uncertainty,
low forward visibility

Impact on M&A, DD

- Falling valuations
- M&A volume drop-off (buyers waiting)
- Accelerated deal processes
- Change in DD focus
- Short-term position, controls
- Counterparty risks
- Market, commercial DD
- Less reliance on projections

Financial Due Diligence - the distress curve



Financial Due Diligence

- areas of focus in distress



Outlook

- **First half of 2009 could see:**
 - increased distress
 - many defaults and restructurings
 - valuations falling further – and bottoming out?
 - banks and creditors becoming active in promoting M&A solutions as they digest valuation adjustments
 - non-core asset disposals
 - Private Equity and consolidators beginning to move in

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