

Solving the Most Complex DR-Related Corporate Action Ever: A Case Study



THE BANK OF NEW YORK MELLON



We enabled the most complex corporate action to date involving depositary receipts and played a fundamental role in the broad restructuring of Russia's energy sector.

We partner with our clients to give them the competitive edge they need to outperform.

Restructuring Russia's Energy Sector in a Three-Year Transaction

In 2006, the Russian government decided to break up the giant energy consortium RAO Unified Energy Systems of Russia (UES) into 25 new subsidiaries. As depositary for the majority of the existing UES DRs, The Bank of New York Mellon was selected to play a fundamental role in the restructuring.

Turning One Company Into 25

Before its restructuring, UES owned more than 70 energy companies and more than 40 power plants; owned approximately 70% of Russia's installed electric capacity, 96% of its high-voltage grid and over 70% of its transmission lines; and employed 577,000 staff.

When UES decided to undergo a wholesale restructuring, it turned to The Bank of New York Mellon's Depositary Receipts Division because of its extensive global experience in managing corporate actions implications of depositary receipts.

Adding Value and Delivering Solutions

Prior to the restructuring, UES had two depositary receipt programs: a sponsored program with another depositary bank and an unsponsored program with The Bank of New York Mellon. At the time of the restructuring, our program accounted for over 80% of the value of the two programs combined.

The scale and scope of this reorganization was unprecedented.

We were integral to the successful completion of UES's reorganization.

The successful completion of UES's reorganization was divided into two stages:

Phase I:

A Reorganization on an Unprecedented Scale

In the first stage of the reorganization, completed in September 2007, two subsidiaries, known as OGK-5 and TGK-5, were spun off from UES, giving investors who held UES DRs three choices: new DRs belonging to the spin-off companies; local Russian shares; or a cash-out option.

Phase II:

In the second stage, the remaining new companies were spun off from UES. UES ceased to exist after its merger with another Russian energy entity, FGC UES. In this phase, DR holders had four options for each of the new spin-off companies: Regulation S DRs; 144A DRs; local Russian shares; or a cash-out option.

The scale of this reorganization was unprecedented. In Phase II alone, 96 options resulted in the processing of more than 3,500 investor elections. We executed over 2,000 individual local share deliveries in Russia, equating to 317 billion shares. Investors who chose to "cash out" required us to sell 71 billion shares on their behalf, a process that was ongoing into 2009.

Working with volumes of this magnitude can pose significant transaction risk, and to mitigate this, we designed and implemented an industry first, an automated capture and reconciliation solution that offered seamless processing.

Setting New Standards for Teamwork

To facilitate this unprecedented restructuring, our teams in Moscow, New York and London directed extensive collaboration, coordination and planning with investors, relationship managers, lawyers, agents, financial intermediaries, another depository bank, clearing systems, stock exchanges and issuers. We were able to do this because of our extensive professional experience and because of The Bank of New York Mellon's strength as a financial organization.

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The Bank of New York Mellon congratulates

the following RAO UES spin-off companies on the successful establishment of their global depositary receipt (GDR) programs. We are pleased to serve as their depositary bank.



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Who's helping you?


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