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**175 RUSSIAN CEOs SPEAK OUT ON REPUTATION,
CORPORATE GOVERNANCE AND TRANSPARENCY**

***Survey Finds Poor Reputation of Russian Business is
Hampering Business & Financial Goals***

Moscow, Russia — Only a handful of Russian CEOs believe that the reputation of Russian business is positive either at home or abroad, a new survey shows. Profits, market capitalization and the ability of Russian companies to attract investment and other external financing are hampered as a result, according to these business leaders.

A majority of CEOs blame the poor reputation of Russian business on inadequate transparency, corporate governance and shareholder protections, the Yukos affair, continued use of unethical practices, and the “reputation of several of the richest Russian business groups (oligarchs).” The CEOs said, by a margin of 63 percent to 37 percent, “oligarchs fairly deserve much of the criticism from the state and population.”

These and other key opinions of 175 Russian CEOs on corporate finance, crisis planning, governance and other reputation management practices were released today at a Moscow news conference.

The first-of-its-kind survey was conducted among CEOs of top Russian corporations such as natural resource giants Gazprom, Yukos and TNK-BP, as well as famous consumer goods and retail services firms like Alfa Bank, Pyatyorochka, Baltika and Pharmacy Chain 36.6. The CEOs who participated in the survey, including 27 from international corporations with major Russian operations, represent companies with an aggregate domestic turnover of more than \$100 billion.

Strategic consultants The PBN Company and market research firm IRG conducted the survey in cooperation with leading investment bank Renaissance Capital and investor relations specialists Taylor Rafferty.

Negative Image Reflects Reality

Fewer than one in four CEOs surveyed said that Russian business has a positive reputation at home and slightly more than one in 10 said the reputation is positive in the West. More than half of the CEOs said the overall negative reputation of Russian business matches objective reality, with one third stating that the reality is better than the perception.

In contrast, 80 percent of CEOs rated their own company’s reputation positively, and 70 percent said they had been successful in achieving their company’s strategic business objectives during the past two years.

Russian CEOs are also optimistic about the future of Russia. Two out of three CEOs said the country is heading in the right direction, with only 17 percent saying it is on the wrong track.

“Most Russian CEOs are bullish on Russia and its future with good reason,” said Peter Necarsulmer, Chairman and CEO of The PBN Company. “The economy is booming and these market leading businesses continue to grow profitably — key barometers in any business executive’s mood and outlook.”

“At the same time, CEOs understand that poor reputations stand in the way of further growth and success for their companies. In this regard, Russian CEOs are similar to their counterparts around the world — both know that image matters, not just for a CEO’s ego but for a company’s financial performance,” Necarsulmer added.

“There’s a direct link between the strength of a company’s reputation and the value of its stock for investors,” said Jeff Zelkowitz, a Principal and Managing Director of Taylor Rafferty. “People pay more for things they know and trust. America’s 10 most admired companies named in a recent Fortune poll have outperformed the S&P 500 index by more than 31 percent over the past five years.”

CEOs Slow to Improve Reputation

“While CEOs know they must improve their own company’s reputation to maximize value and access to capital, a majority have yet to adopt important corporate governance and transparency practices that will demonstrably improve not only their reputation, but external financing and market capitalization too,” said Oleg Kiselev, President and Chairman of the Board of Directors of Renaissance Capital.

Forty-eight percent of Russian CEOs surveyed said their companies have implemented International Accounting Standards in the past two years, 27 percent have recruited independent directors to their Boards, and 24 percent have implemented the recommendations of the Code of Corporate Conduct established by the Federal Commission for the Securities Market.

CEOs Responsible for Corporate Reputation

Almost three-quarters of the CEOs agreed with the statement that “reputation management is essential to achieving your company’s strategic business objectives” and almost nine in 10 said that reputation management is a “main function” of the CEO. Less than a third agreed that “reputation management is just a different word for traditional PR.”

“CEOs take corporate reputation seriously and know that it is one of their main responsibilities,” said Greg Thain, President of IRG. “They know that a good corporate reputation will increase sales, earn customer loyalty, retain quality employees and attract investors. Good corporation reputation is simply good business.”

Thain pointed to the survey findings showing that the majority of companies plan on implementing a variety of reputation enhancement activities in the next several years, including corporate social responsibility, relationship building, crisis preparation, CEO positioning and opinion research programs.

At the same time, fewer than half of the CEOs said that they are concerned about the impact of criticism from and/or conflicts with consumers, NGOs, trade unions and employees on their company’s reputation. Only two in 10 thought an environmental crisis or accident would negatively impact their company’s image, even though 39 percent said that they had prepared crisis management plans to assess reputational risk.

“This is one of the areas where Russian CEOs differ from corporate executives of international companies both in the West and in Russia,” said Necarsulmer. “Consumer,

employee and environmental activism is much more prevalent in the West and therefore have caught the attention of these CEOs. But I venture to say that Russian CEOs would do well to consider opinions and agendas of these important third parties, because they carry an increasingly big stick when it comes to influencing corporate reputations.”

Financing Plans Heighten Focus on Reputation

Sixty-three percent of the CEOs believe that company reputation has a significant influence on access to capital. Traditional bank financing remains the primary source of capital fueling Russian companies' expansion and more than 50 percent of the CEOs said they plan on relying on bank loans for external financing in the next two years. Flotations on the Russian stock market are planned by 17 percent in the next two years and on foreign exchanges also by 17 percent, which compares with 7 percent and 5 percent, respectively, over the past two years.

About the Survey

The survey was the first time so many leading Russian CEOs were questioned on issues ranging from general outlook on Russia's development to key business practices of their companies. The surveys were conducted by mail or online over the two-month period, from August through September 2004.

Most of the CEOs who participated in the survey were from open or closed joint stock companies (65%) and most were established after the fall of the Soviet Union in 1991 (62%).

About one third of the companies had sales in excess of \$400 million, one third had sales between \$100-\$400 million and one third had sales under \$100 million. Financial services companies (20%), consumer goods (16%) and IT/Telecom (12%) were the top industry sectors that took part in the survey. Almost one third of the companies obtained some or all of their assets through the privatizations of the 1990s.

About the Sponsors

The PBN Company (www.pbnco.com) is an international strategic communications consultancy serving clients worldwide from offices in Washington DC, London, Moscow, Kyiv, Riga, Almaty and Chisinau. The company designs global strategic communications strategies to help multinational companies and international organizations succeed both at home and abroad, and prepares regional companies to prosper in the global economy.

Interactive Research Group (www.intrg.com), or IRG, is a full-service market research and consulting firm which specializes in customized research on a wide array of topics, including: investment feasibility studies, market assessment, market segmentation and profiling, image positioning, distribution channels and product development research, customer and staff satisfaction, usage and attitudes studies. IRG also regularly publishes a forecast on Russia's economic prospects.

Renaissance Capital (www.rencap.ru) is the leading independent investment bank operating in the Russian financial market, serving both domestic and international clients. Since its founding in 1995, the company has raised over \$9 billion for Russian companies - more than any other financial institution - and has completed many high profile deals.

Taylor Rafferty (www.taylor-rafferty.com) is a leading international investor relations firm, helping corporate issuers with ambitions to more effectively access the capital markets. With offices in New York, London and Tokyo, Taylor Rafferty's services blend more than two decades of financial markets expertise and innovation with a methodical approach toward achieving company IR objectives.