

Expanding Opportunities

Annual Report 2007



russ·invest
investment
company

Alexander Petrovich Bychkov
President – General Director
of OJSC «IC RUSS-INVEST»



Dear shareholders!

Progressive economic development of our country has created favourable conditions for investment activities. For several years, Open Joint-Stock Company «IC RUSS-INVEST» has been successfully using the existing situation to increase the value of its assets. From 1999 to 2007, the annual average growth rate of «IC RUSS-INVEST» assets value stood at 36.42%. Thus, the Company has maintained a leading position among Russian investment companies. For the sixth year in a row, OJSC «IC RUSS-INVEST» has kept a leading position among the top five largest Russian investment companies in terms of equity and reserves.

In 2007, the Company managed to show a positive financial result and to accumulate sufficient liquid capital for the implementation of long-term investment projects in view of world financial market instability. From 1999 through 2007, the annual average growth rate of «IC RUSS-INVEST» equity and reserves was 34.16%. The constant activity of the «IC RUSS-INVEST» team has made an increase of shareholders' equity possible during the times of emerging from the crisis in the world financial system. The accumulated stock for the previous years of activity allows the company to maintain steady growth and to take advantage of the emerging investment opportunities.

In its activities, the company management relies on a premium combination of risk, liquidity and profitability of economic operations. In order to provide balanced development, the Company has taken measures to diversify its operations. In recent years the Company has been working successfully in the area of corporate financing and consulting, has been developing mutual investment funds and has been increasing the turnover of clients' operations.

The Company management is striving to balance the company's equity and reserves growth and the regular payment of dividends with the aim of enhancing the company's investment appeal. In connection with this, despite a slump in financial results for 2007, the Board of Directors has decided to recommend an annual shareholders meeting to pay out the dividends on accumulated profits from the past years. We perfectly understand the motivation of our shareholders and we are trying to maintain high standards of corporate management with regard to regular dividend payments. We are aware that the maximum possible profit within the limits of certain investment priorities must lead not only to the company's growth, but must also be followed up with regular payment of dividends.

The Board of Directors of OJSC «IC RUSS-INVEST» would like to thank the shareholders for their understanding, trust and support and will do everything possible in order to provide reliable protection of their interests and the growth of their asset values.

In 2007, the Company managed to show positive financial results and to accumulate sufficient liquid capital for the implementation of long-term investment projects in view of world financial market instability.

*President –
General Director
of OJSC «IC RUSS-INVEST»*



**Alexander Petrovich
Bychkov**

(born in 1961, graduated from the Department of Economics of M.V. Lomonosov Moscow State University, has the degrees of Doctor of Economics and Master of Business Administration (University of Chicago Graduate School of Business, USA).

Share in the authorized capital of the Society – 0.17916%.

*The Board
of Directors
of OJSC «IC RUSS-INVEST»*



**The Chairman of the Board
of Directors:
Anatoly Alexandrovich
Porokhovskiy**

(born in 1943, graduated from the Department of Economics of M.V. Lomonosov Moscow State University, currently is a professor, Doctor of Economics, and the Head of Political Economy of the Department of Economics of M.V. Lomonosov Moscow State University).

Share in the authorized capital – 0.000007%.



**The Deputy Chairman
of the Board of Directors:
Georgiy Alexandrovich Sumin**

(born in 1961, graduated from the Moscow Institute of Economics and Statistics, and is currently the executive director of CJSC «PRTs»).

Share in the authorized capital – 0.001%.

Management Board of OJSC «IC RUSS-INVEST»



**Alexander Petrovich
Bychkov**

(born in 1961, graduated from the Department of Economics of M.V. Lomonosov Moscow State University, has the degrees of Doctor of Economics and Master of Business Administration (University of Chicago Graduate School of Business, USA), currently is the President – General Director of OJSC «IC RUSS-INVEST»).

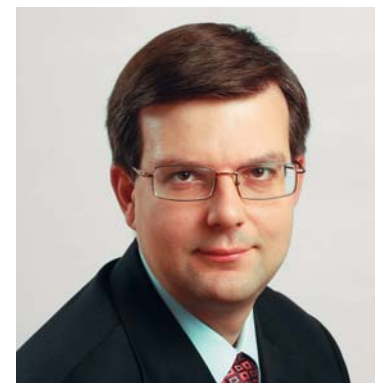
Share in the authorized capital of the Society – 0.17916%.



**Alexander Telmanovich
Arutyunyan**

(born in 1959, graduated from the Department of Economics of M.V. Lomonosov Moscow State University, has a PhD degree in Economics and Master of Business Administration (Eastern College, USA), currently is the Senior Vice-President – Deputy General Director and head of the Stock Market Department of OJSC «IC RUSS-INVEST»).

Share in the authorized capital of the Society – 0.0102%.



**Vladimir Yurievich
Alenichev**

(born in 1973, graduated from the Moscow Lenin Pedagogical State University and the GSIB of the Academy of National Economy under the Government of the Russian Federation, has a degree of master of business administration and currently is the Vice-President – Deputy General Director and Head of the Corporate Finance Department of OJSC «IC RUSS-INVEST»).

Does not hold shares in OJSC «IC RUSS-INVEST».

Members of the Board of Directors



**Lyubov Ivanovna
Goncharenko**

(born in 1957, graduated from the Moscow Finance Institute, currently is a professor, PhD in Economics and the Head of «Tax and Taxation» department in the Finance Academy under the Government of the Russian Federation).

Share in the authorized capital of the Society – 0.000015%.



**Lidiya Fedorovna
Kapranova**

(born in 1953, graduated from the Moscow State Law Academy, currently is a lawyer of the City of Moscow Bar Association).

Share in the authorized capital of the Society – 0.0022%.



**Svetlana Mikhailovna
Teplyashina**

(born in 1971, graduated from the Moscow Engineering and Construction Institute and Finance Academy under the Government of the Russian Federation, currently is the First Vice-President – Deputy General Director, Head of the back office of OJSC «IC RUSS-INVEST»).

Share in the authorized capital of the Society – 0.01149%.

Members of the Board of Directors



**Tatyana Mikhailovna
Tipunina**

(born in 1947, graduated from the Moscow Aviation University, currently is the Deputy General Director of OJSC «Berezka v Luzhnikah».

Does not hold shares in OJSC «IC RUSS-INVEST»



**Alexander Telmanovich
Arutyunyan**

(born in 1959, graduated from the Department of Economics of M.V. Lomonosov Moscow State University, has a PhD degree in Economics and Master of Business Administration (Eastern College, USA), currently is the First Vice-President – Deputy General Director and head of the Stock Market Department of OJSC «IC RUSS-INVEST»).

Share in the authorized capital of the Society – 0.0102%.



**Alexander Petrovich
Bychkov**

(born in 1961, graduated from the Department of Economics of M.V. Lomonosov Moscow State University, has the degrees of Doctor of Economics and Master of Business Administration (University of Chicago Graduate School of Business, USA), currently is the President – General Director of OJSC «IC RUSS-INVEST»).

Share in the authorized capital of the Society – 0.17916%.



**Elena Nikolayevna
Babko**

(born in 1955, graduated from the All-Union Extramural Institute of Technologies, currently is the leader of the shareholder relationships team of CJSC «PRC»).

Share in the authorized capital of the Society – 0.0003%.

Audit commission of OJSC «IC RUSS-INVEST»

Galina Konstantinovna Trofimova –

Head of the Audit Commission (born in 1945, graduated from M.V. Lomonosov Moscow State University, currently is a Professor of Social Sciences department of the Moscow State University of Railway Engineering (MIIT)).

Nadezhda Genadievna

*Overall compensation amount,
paid to persons, members
of the management board of the Company,
in 2007 was 2,810 thousand Rubles.*

Vishevskaya –

member of the Audit Commission (born in 1965, graduated from the State University of Management, currently is an Associate Professor of the «Tax and Taxation» department in the Finance Academy under the Government of the Russian Federation).

Elena Vladimirovna Shaikina –

member of the Audit Commission (born in 1962, graduated from the Moscow K.A. Timireazev Agricultural Academy, Ph.D. in Economics, currently is Associate Professor at the «Statistics» department – of the K.A. Timireazev Russian State Agrarian University.

Auditors of OJSC «IC RUSS-INVEST»

CJSC «KPMG» is authorized by the Ministry of Finance of the Russian Federation to fulfil audit activities. License No. E003330 of January 17, 2003 is issued for a term of three years.

Address: 119019, Moscow, 11 Gogolevskiy Boulevard.
Tel.: (495)-937-4477.

«Baker Tilly RUSSAUDIT» is authorized by the Ministry of Finance of the Russian Federation to fulfil audit activities. License No. E006075 of June 24, 2004 is issued for a term of five years.

Address: 129085, Moscow, 95 Mira Avenue.
Tel.: (495)-788-0906, (495)-217-2329.

Registrar of OJSC «IC RUSS-INVEST»

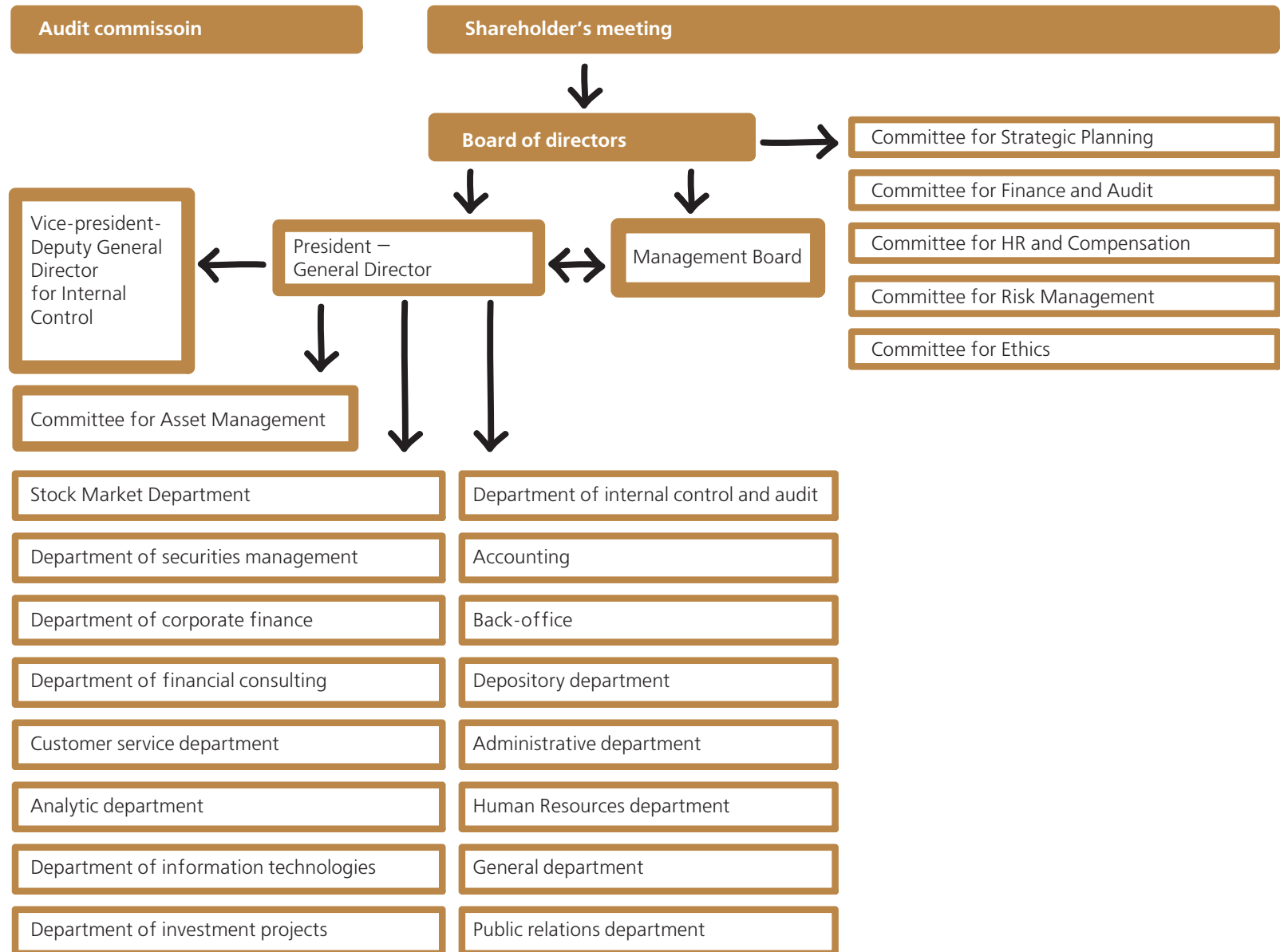
CJSC «PRC», the Federal Service for Financial Markets license No. 10-000-1-00293 of January 13, 2004, for register maintenance activities with unlimited term of activities.

Postal address and shareholders reception:
117452, Moscow, 28B Balaklavskiy Avenue.
Tel.: (495)-318-1434. Fax: (495)-318-1434.

Shareholders of OJSC «IC RUSS-INVEST»

As of January 1, 2008, the shareholders register of OJSC «IC RUSS-INVEST» included 2,244,028 shareholders. Of these, 150 are legal entities. Their share in the authorized capital of the Society is 60.20%.

Company organizational structure



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Biography pages

OJSC «IC RUSS-INVEST» received the status of listing agent in the sector of innovative and growing companies on the (MICEX) stock exchange

The Open Joint-Stock Company «Investment Company IC RUSS-INVEST» was established on December 3, 1992 as a voucher investment fund. On January 29, 1993 the Russian Federation issued license No. 58, which authorized the investment fund to operate on the stock market. After that, the license was prolonged on May 10, 1995 and on March 15, 1996. The Russian State Property Committee registered prospectuses of stock emission on February 1 and September 1, 1993.

The Open Joint-Stock Company «CIF RUSS-INVEST» was reorganized in the form of Open Joint-Stock Company «Investment Company IC RUSS-INVEST» because of new Russian legislation requirements regulating joint-stock companies, investment funds, and the stock market as well. On December 30, 1999 the Federal Commission for Securities Market of Russia issued our Company a broker – dealer license No. 000-02275-110000 (valid for three years). On December 2002, the company received an unlimited brokerage – dealership license and a depositary license (valid for three years).

In March 2004, the Federal Commission for the Securities Market of Russia issued the Company a financial consultancy licence. In December 2005, the Company was issued an unlimited license for depositary activities as well as a license for asset management (valid for three years). In November 2006, the Company received a license to act as a stock broker on commodity futures and options transactions in stock trading.

On November 8, 2006, OJSC «IC RUSS-INVEST» received a license from the Federal Service for Financial Markets to act as a stock broker on commodity futures and option transactions in stock trading (license No. 906, valid through – November 8, 2009).

In 1999, OJSC «IC RUSS-INVEST» became a member of the National Associations of Stock Market Professionals (NAUFOR). Later (in 2001) the Company became a member of the stock market section at the Moscow Interbank Currency Exchange (MICEX) and joined the Russian Trading System in 2002 (RTS) with trade regime. Now, the company is a shareholder of the CJSC «Stock exchange RTS» and a member of the CJSC «Stock exchange MICEX».

Following the results of 2007 IC RUSS-INVEST was awarded the best in the small/mid cap category as a Company with the Best Corporate Governance Practices by technical criteria in the 2008 edition of Investor Relations Global Rankings. The 10th annual IR Global Rankings is a result of a comprehensive technical review of 160 registrants from 32 countries. The evaluation criteria are based on an internationally recognized methodology which is transparent and widely available. In July 2007, the Consortium of the Russian institute of directors and «Expert RA» rating agency – «RID – Expert RA» – raised the rating of corporate management of the OJSC «Investment Company RUSS-INVEST» up to level NRKE 7+ – «Advanced practice of corporate management» on the national rating of corporate management scale.

Operations with investment instruments on futures and options market with high yield and controlled risk have allowed OJSC «Investment Company IC RUSS-INVEST» to expand the range of services and to retain its place among the leaders in the Russian investment market.



The activities of the Board of Directors

The Board of Directors of OJSC «IC RUSS-INVEST» focuses attention on the company's future development. During the accounting period the Board of Directors examined and discussed in detail the implementation of the OJSC «IC RUSS-INVEST» strategic plan for 2005-2007. Special attention was given to the company's business development tasks. Also the Committee for Strategic Planning has developed a strategic plan for 2008-2010.

The Board of Directors and the Management Board receive direct help from the Board of Directors committees in defining the development strategy and the implementation of specific tasks. Currently, the Company has five acting committees of the Board of Directors: the Committee for Finance and Audit, the Committee for Human Resources and Compensation, the Committee for Strategic Planning, the Committee for Risk Management and the Committee for Ethics.

In order to control the Company's operations, the Board of Directors has regularly reviewed the reports of the Presidents of the Committees of the Board of Directors, the President – General Director and the Heads of Company's departments. One of the main functions of the Board of Directors is to approve the financial-economic plan and the Company budget for the next financial year. It should be noted that the budget and economic plan for 2007 were fully implemented. The budget and the economic plan for 2008 have been drawn up with a budget surplus and forecast the generation of profits for the following year as well.

The Board of Directors pays significant attention to the improvement of the corporate governance system. In 2007, the «Regulation on settlement of corporate conflicts of OJSC «IC RUSS-INVEST»», «Social declaration of OJSC «IC RUSS-INVEST»», changes and additions to the Regulation on Board of Directors of OJSC «IC RUSS-INVEST», as well as the new edition of the Regulation on committee for finance and audit of the Board of Directors of OJSC «IC RUSS-INVEST» were approved.

It should be noted that all the decisions of the General Meeting and the Board of Directors as of the end of the accounting year were implemented. According to the decision of the General Meeting of shareholders in 2007, the Company started the payment of dividends for the year 2006.

Special attention was given to the company's business development tasks. Also, the Committee for Strategic Planning has developed a strategic plan for 2008-2010.



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Company development strategy

Within the framework of the current strategic plan of OJSC «IC RUSS-INVEST» for 2005-2007, the Company has focused upon the development of existing lines of business, aspiring to sustain financial stability, to increase its own capital, to increase creditworthiness, to diversify the business and to provide an increase of its efficiency.

Practically all the targets set have been successfully reached. Besides existing business lines, the Company has started active REPO operations (Repurchase agreements), derivative operations, registered and launched three new mutual investment funds, (currently there are five under the management of OJSC «Management Company RUSS-INVEST»). In the second half of 2007, OJSC «IC RUSS-INVEST» created an international subsidiary for entering the international capital market and for providing access to the international stock market. The Company has continued to improve its organizational structure and has developed the network of departments and branch offices within the limits of OJSC «Management Company RUSS-INVEST».

Considerable attention has been given to increasing the Company's credit rating and the level of corporate management. OJSC «IC RUSS-INVEST» has received a credit rating from the Fitch agency, while the National Rating Agency and RID increased the national credit rating and the national rating of corporate management up one notch. The Company shares have been listed on the RTS exchange market where they have been placed in the «B» listing. Hence, during the last year after the start of trading on the exchange market, the price of IC RUSS-INVEST shares has increased sharply, as a result of which the Company has entered the list of 500 largest Russian companies by capitalization level (173rd place) according to the data provided by the «Expert RA» rating agency.

Practically all indicators on which the implementatin of the strategic plan is evaluated have been met. Within the framework of the latest strategic plan, the target of increasing the value of net assets from 3026.7 to 3770 million Rubles has been set. In reality, the value of net assets of OJSC «IC RUSS-INVEST» at the end of 2007 stood at 4213.7 million Rubles, with an increase of 39.2%. In all from 2000 to 2007 inclusive, the internal rate of return was equal to 37.2% p.a. (excludung taxes and dividends). By way of comparison, the internal rate of return of RTS index for the same period was 37.9% p.a. Due to

*Net assets of OJSC «IC RUSS-INVEST»
at the end of 2007 stood at 4213.7
million rubles and increased by 39.2%
for the period from 2000 to 2007*

Until recently the level of actual expenses has been quite low in the Company, compared to leading investment companies in Russia, and it is necessary to maintain this standard.

OJSC «IC RUSS-INVEST's» such high operational results, according to «Expert» magazine, we have entered the top five of the fastest growing Companies in Russia.

The Board of Directors of OJSC «IC RUSS-INVEST», at the end of 2007, approved the new strategic plan for 2008-2010 which stipulates the Company transformation into a compact, highly efficient, diversified, international investment group, combining effective asset management with the provision of a wide range of financial services based on a vast branch network.

With this goal the Company **must resolve the following issues** within the next three years:

- To maintain the high financial value of the Company based on efficient capital management;
- To increase the growth rate of equity and reserves compared to competitors;
- To cooperate actively with international and national rating agencies in order to maintain and increase the current credit rating and corporate management;
- To increase the client base significantly, focusing mainly on corporate clients;
- To develop new business lines.

The most **appropriate strategy for achieving the goals we have set** is to grow OJSC "RUSS-INVEST" rapidly by combining a start-up and development plan for international financial holdings with a strategy for diversifying business and income in various economic and geographic markets.

Therefore, the Company needs to create and maintain its competitive advantages. First of all, such advantages include cost leadership among our peers. Until recently, the level of actual expenses has been quite low in the Company compared to leading investment Companies in Russia, and it is necessary to maintain this standard. Secondly, it is necessary to distinguish the investment services provided and to focus on those services which the Company can render to the highest standards, at the lowest actual price. Thirdly, we plan to create a cohesive team, comprising highly skilled professionals and loyal specialists who share the same corporate culture and are able to achieve the goals we have set constructively.



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The Russian capital markets in 2007 and the investment strategy of the Company

Market of Fixed Income Instruments

For the Russian market of securities, the year 2007 can be divided into two periods: a period of relative stability, a gradual decrease of expenses, of growing volume of primary placements before the mortgage crisis in the USA, and the period of collapse of quotations, the leaving of non-residents, and the general fall in demand after the crisis. As a result, the profitability on the market of Ruble corporate bonds increased at the end of the year (Figure 1)

From the second half of August the state of affairs on the debt market sharply worsened. The market was facing a serious test, when, after a strong inflow of foreign capital into Russia in 2006 to the first half of 2007, it became a hostage of the global liquidity deficit. The problem was aggravated by the deficit of liquidity on the world markets, conditioned by the credibility gap among the biggest banks. As a result, this caused an uncontrollable growth in the value of funds in the entire world, which because of quite deep integration in the world financial system, could not ignore the Russian market. Issuers faced huge difficulties in placement and refinancing.

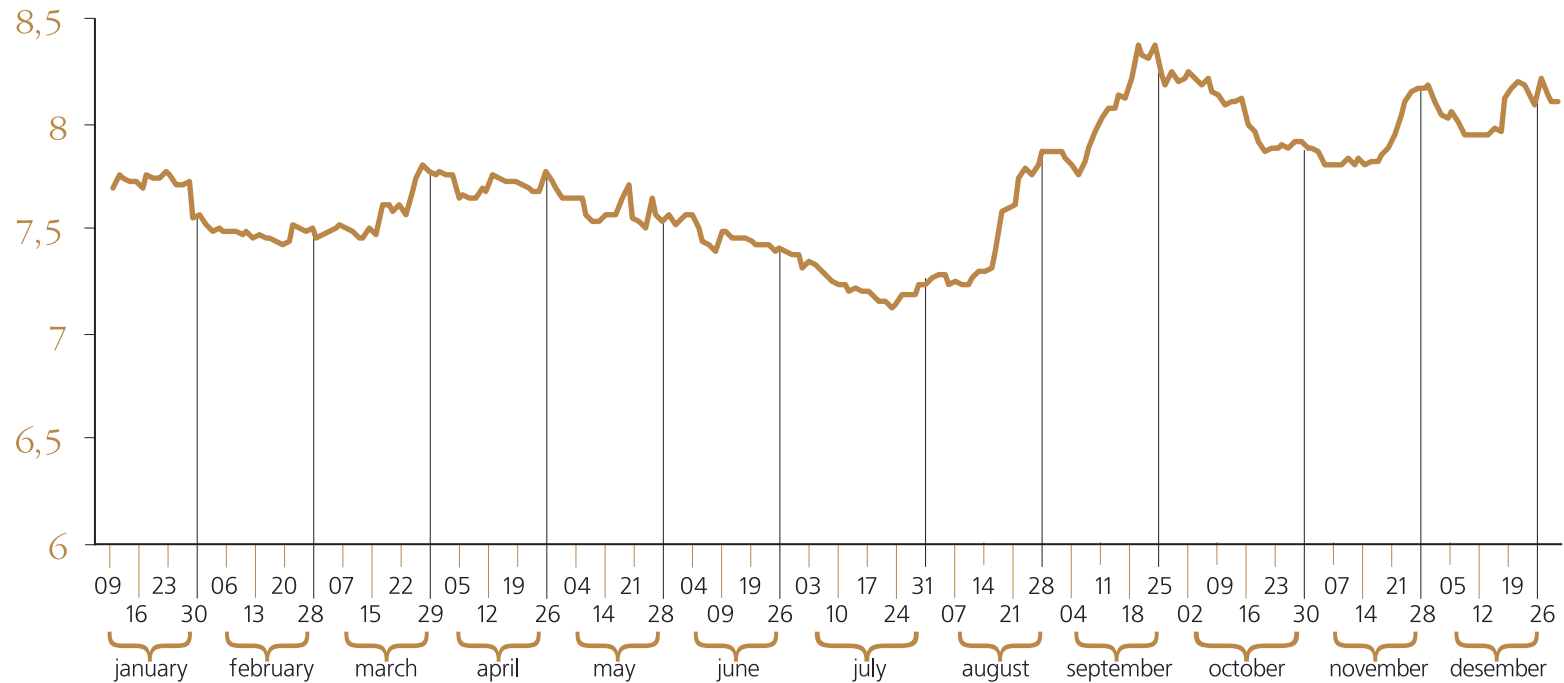
The first sign of the approaching crisis was seen in the sudden growth of money market rates. The rates jumped to already forgotten levels – more than 6% (before that they varied in the range of 3% – 4%, sometimes approaching the level of 4.5%). Further, the rates remained steadily high – in the range of more than 6.5%, sometimes reaching 9–10%.

The mortgage crisis in the USA, after which followed the decline of the global monetary liquidity, had quite a strong negative impact on the internal Russian market. First of all, many western investors, who had placed their resources in Russia, decided to leave, on the one hand, due to concern about the price collapse, and on the other hand, they were trying to preserve their monetary position. Secondly, the credit crisis on the international monetary market dra-

The market was facing a serious test, when after a strong inflow of foreign capital into Russia in 2006 – the first half of 2007, it became a hostage of the global deficit of liquidity. The problem was aggravated by the deficit of liquidity on the world markets



Figure No. 1. The Dynamics of Effective Weight Average Yield According to RUX-CBONDS Index in 2007 (% p.a.)



Source: **Rux-Cbonds**

matically restricted the opportunity of attracting funds, including Russian financial institutions. As a result, the stock market and practically the entire Russian credit market, as a whole, ended up without two major funding resources. For the stock market this led to the sale and the depreciation of securities quotation, while for the credit market, to the limitation in crediting and the growth of borrowing rates.

In the least comfortable conditions were the liquid issues, which had been in demand by non-residents for a long time. At the same time, on the heels of non-residents, Russian investors revised their attitude towards risks, which was seen in their hasty exit from the most risky issues, primarily, in the third echelon.

The Ruble market of fixed income instruments was facing an unstable balance in the course of secondary trading, a lack of sufficient demand for the new issues

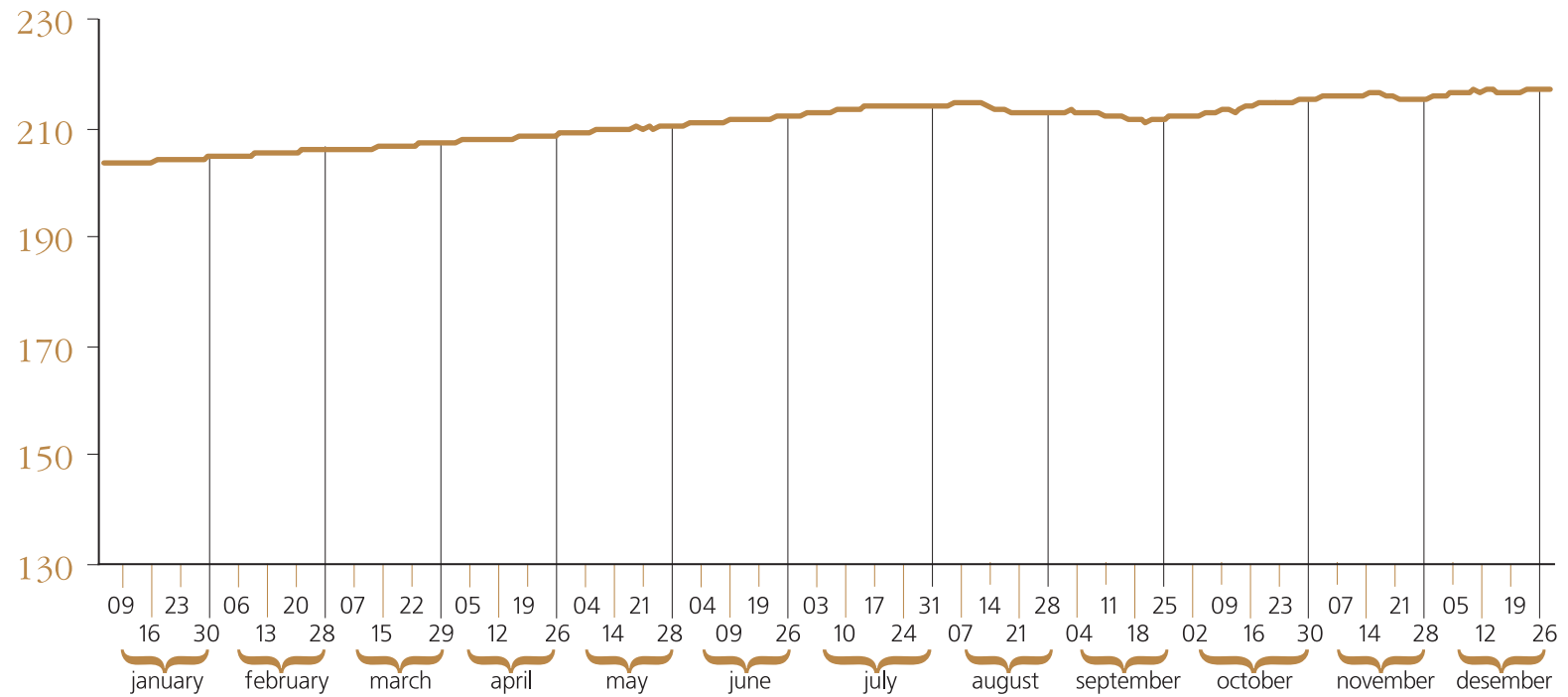
The Ruble market of fixed income instruments was facing an unstable balance in the course of secondary trading, a lack of demand for new issues (excluding state financed institutions), shaken trust in «third echelon» loan issuers, opportunities of refinancing decreased significantly.

Besides that, the status of the Ruble fixed income market was impacted by a failure to meet the inflation forecasts, which reached 11.9% instead of the expected 8% annually. As it turned out, control over internal factors was not sufficient to keep prices at planned levels. State intervention in 2007 in the market pricing of Russian treasuries (OFZ – coupon bonds) also had a significant impact on the market. Major purchases, which brought the yield of federal securities to new levels, significantly decreased the interest of investors in federal bonds as a market instrument, which had a negative impact upon the demand for OFZ in turn.

The first to react to the signs of change on the market was the primary market, the volume of which suddenly reduced, and still remains insignificant. The growth rates of the Ruble corporate bond market dropped practically to zero. In autumn, four issuers of the financial sector came out, representing the state structures (VTB-24, Russian Agricultural Bank, Gazprombank and VTB-Leasing). The issuers attracted approximately 64 billion Rubles on the market. Even though these placements had more of a nonmarket character, the dynamics of the primary placements of the corporate sector did not look that negative in October-November. At the same time, if one considers not only the volume of redemptions, including offers as well, then, in reality, money outflow from the Ruble corporate bond market continued during the fourth quarter. In this way, it is possible to state the reduction of the real volume of the corporate Rouble debt market. Based on the increase during the first half of 2007, the RUX-CBONDS index grew from 203.41 points to 217.19 points (an increase of about 6.8% (Figure 2)).

During the second half of 2007, the premiums of corporate issue to the risk free curve (OFZ) increased. Moreover, the increased yields were followed by growing spreads between echelons. On average, spreads of most liquid bonds of the third echelon to OFZ increased by 300 b.p., while for blue chips – a little over 40 b.p., for the second echelon about 80 b.p. Apart from this, the growth of the banking sector yields should be noted because of their dependence on the vulnerability of the world capital markets. The growth spread was 240 b.p., on average, mainly as a result of growing yields on bonds issued by commercial banks specializing in consumer credits. Thus, yield growth on the market took place not only on the basis of price decline,

Figure No. 2. The dynamics of RUX-CBONDS index in 2007 (points).



Source: **Rux-Cbonds**

but on the establishment of higher bond coupons for the next coupon periods, when the issuers fulfilled offers. On average, the bond spreads increased in the range from 70 to 180 b.p., depending on the echelon. (Table 1)

In general, 2007 was a stress test for the Russian debt market. It is worth highlighting once more the main factors which impacted the bond market:

Table No. 1. Ruble Bonds: the rate dynamics for 2007 (% annually)

	dec 2005	dec 2006	dec 2007	Change from year to year, b.p.
Corporate bonds	10,4	9,5	10,2	70
Blue chips	7,1	6,7	7,3	70
Second echelon	9,5	8,4	9,9	140
Third echelon	12,3	11,7	13,6	180
Sub-federal and municipal bond	7,5	7,2	7,4	90
State bonds	6,6	6,3	6,1	-20

Source: **Ministry of Finance of the Russian Federation**

In general, 2007 was a stress test for the Russian debt market. It's worth underlining once more the main factors, which impacted the bond market:

- The situation on the world markets (first of all, debt markets and the markets of mortgage securities).
- Falling short of inflation forecasts.
- The state of the monetary market (the liquidity of the financial system).
- The dynamics of the macroeconomic indicators.
- The state of commodities markets.
- Political events (parliamentary and approaching presidential elections).
- Absence of defaults, despite analyst expectations and the general market condition.

In such a way, as the world market situation improved and the biggest international investors on the internal debt market returned, in 2008 the successful placement of planned bond issues are possible as well as the optimistic development of the Russian debt market.

Share market

Last year was not an easy one for investors. In order to earn they had to trade actively, and to change their former strategies. Despite the negative background, which impacted upon the world stock market, the Russian market managed to adapt to new conditions of instability, while in the second half of the year it regained lost ground and grew as a result. The RTS (Russian Trade System) index added 19% during one year. The MICEX SE (MICEX Stock Exchange) Index showed more modest results by adding 11.54%.

The investment results of the Russian stock market look ambiguous in 2007. On the one hand, the stock market grew as a whole. The RTS index grew to the level of 2295 points by the end of the year, though on the home stretch it adjusted downwards slightly. Still, having said that, its growth from the beginning of the year was approximately 19 percent. (Figure 3)

Of course, let's not forget, that RTS is a foreign exchange currency index. But even if we subtract depreciation of the dollar to the Ruble (about 6.5 %) from the index growth, we will receive quite an increase of 12.5%. Nevertheless, the RTS index surpassed the inflation rate. Moreover, Russian index holds up well on the world background. The RTS results are comparable to the dynamics of «NASDAQ» index, as well as to the stock exchange indices of Taiwan, Singapore, Mexico and Australia. It is true that China, Hong Kong, India, Brazil and South Korea went further ahead, but let's hope that after all, in 2008, the Russian market will approach the leaders and take a decent place among them.

However, if we delve into details, we find that this year has brought investors a lot of disappointments. The main disappointment is oil and gas stocks. A few years ago they were the traditional growth engines of the Russian stock market, but, in 2007, the trend changed. Almost during the entire year, oil and gas shares showed negative dynamics. During the year it seemed that prices of oil and gas shares would display a good growth on the backdrop of unexpectedly high oil prices.

Nevertheless, growth did not take place. According to MICEX information, from the beginning of the year until December 26, only two stocks on the list of the most visible oil Companies managed to leave behind the RTS index in Ruble currency. These are «Gaspromneft» (+27%) and «Gasprom» (+13%). The other oil companies ended the year not simply below the market, but in a deficit. This way, «Rosneft» stock lost 5%, «LUKOIL» – 9.5%, «Uralsvzinform» – 12.4%, and the worst indicator was shown by «Surgutneftegas».

Last year was not an easy one for investors. In order to earn, they had to trade actively, and change their former strategies.

Figure No. 3. RTS dynamics in 2007



Source: **RTS**

Despite the modest indicators of growth on the Russian stock exchange indices for 2007, it is possible to point out a range of liquid assets, which provided profitability above the market average.

Possibly, the disappointment of the investors who had too high expectations in the former years was a major factor. The second possible factor was the ambiguous conception of the Russian authorities concerning the oil and gas sector, the obvious tendency of increasing government ownership in oil and gas companies and the high rates of natural resources extraction tax.

The second disappointment of the year were the unconvincing results, shown by those companies which went through the so called «national IPO» (Initial Public Offering). The first such representative IPO was carried out in 2006 by «Rosneft» and 2007 became the first full year of its securities circulation on the market. In 2007, the biggest IPO became the stock placement of Sberbank and VTB.

«Rosneft» and «Sberbank» equities traded on the secondary market with a relatively high placing price, but «VTB» stocks aggressively depreciated in one month after the placement and could not restore itself completely. Frankly speaking, the Bank was lucky from the financial point of view, yet its image suffered. The shares were placed at the beginning of May at the peak of a favourable conjuncture and at a high price, yet as early as two-three months before the «VTB» IPO interim forecasts for this event were more than reserved. Placed at 13.6 Kopecks per share, quite soon the bank published unfavourable financial results, which caused the first wave of price drops.

Possibly the situation could have improved, if problems had not appeared on the world markets, mostly impacting the banking sector. Sales of VTB equities continued, and they kept market prices of these stocks at a lower level than the placement price, in spite of the growth wave from December. In 2007, quite weak performance was felt in the Mutual Funds sector. The growth of the summary index of mutual funds price dynamics significantly dropped behind the yield dynamics of the stock index. The slight movement upwards at the end of the year did not compensate investors the noticeable downfall from the beginning of the year.

Despite the modest indicators of growth on the Russian stock exchange indices for 2007, it is possible to point out a range of liquid assets which provided profitability above the market average. It is clear that only those who worked independently on the market, for example, through the Internet, could take advantage of the successful market situation of separate shares. Among the leaders, first of all, it is worth marking the «AutoVAZ» shares. The information that an agreement with «Renault» had been reached concerning the purchase of the blocking package, led to the culmination of a long price appreciation of the factory and according to the end of year results, the usual «AutoVAZ» shares increased in price by 174.8%.

According to the standard deviation index of monthly profitability, the Russian stock exchange market is less risky than in Turkey, but more volatile than China's and India's.



The second result is «Severstal». The company shares increased during one year to more than 80 percent, and this in the conditions when the dream of the company management to become an international leader by merging with «Arcelor» did not come true. The next leader is the Mining and Metallurgical «Norilsk Nickel» shares. A share-part of the growth should be related to the consequences of a tough process of division of shares between former partners: Potanin and Prohorov. The financial disputes between them added a high rate to the company securities interest from the investment community.

And two more leaders: MTS (Mobile TeleSystems), which rose during one year by 65.8 %, and «Rostelecom», which rose in price by 45.3%. The shares of «Gaspromneft», rose by approximately 27.6 percent. (Figure No. 4).

The current state of the Russian stock exchange market is characterized by the following features. **First** – the period of heavy growth of the share market has passed, the stage of maturity characterised by the following features has arrived:

- High volatility of share prices;
- Address demand for assets;
- The growth of IPO and SPO volumes;

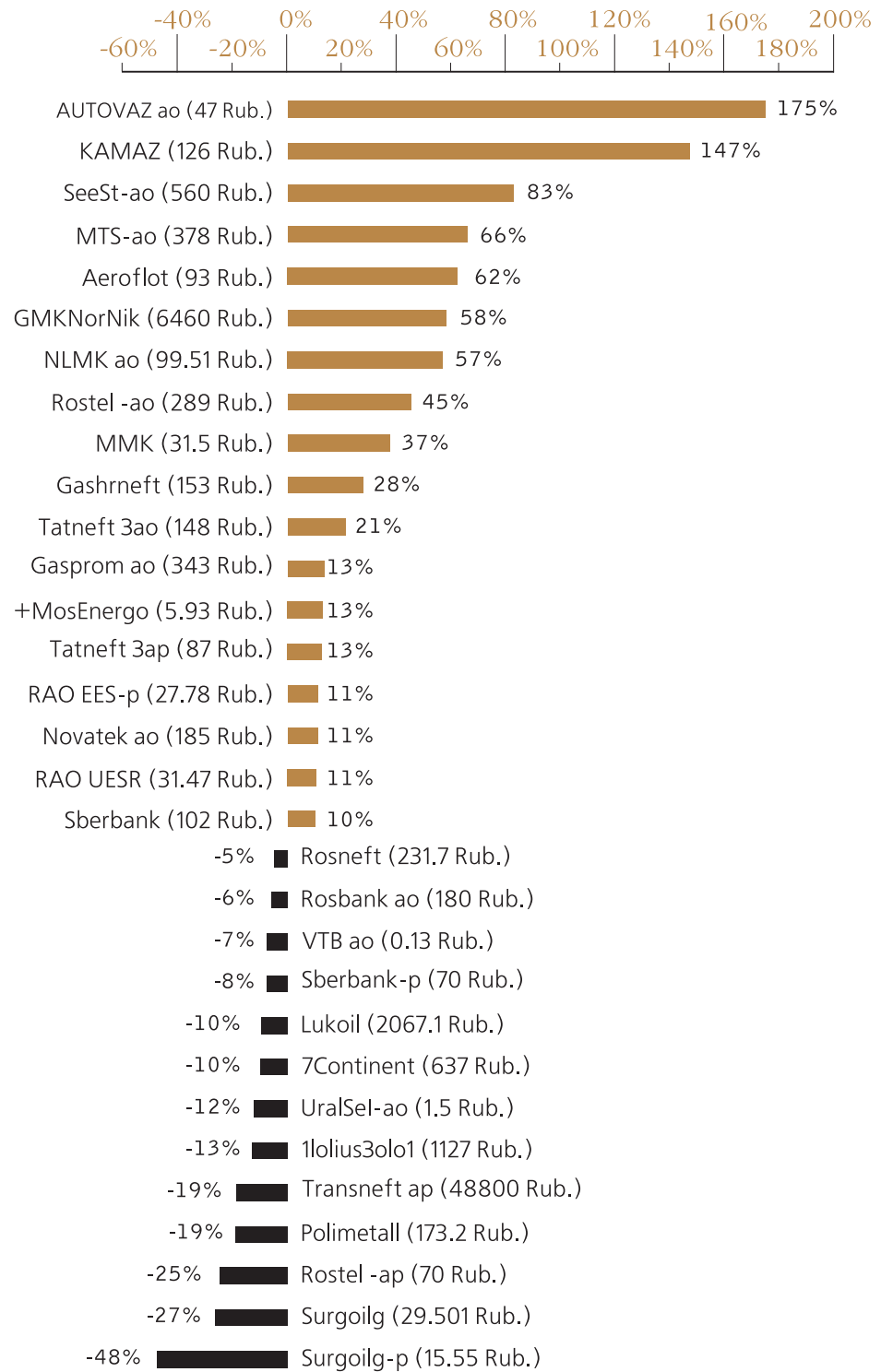
Therefore, the concentration of 90% capitalization and the trade turnover in 10 issuers puts the Russian stock exchange market under increased volatility. (Figure No. 5). According to the standard deviation index of monthly profitability, the Russian stock exchange market is less risky than in Turkey, but more volatile than in China and India. The share of the financial sector in the capitalization of the Russian market has increased for 2007 from 9.2 to 15.2%.

Second – today, the state of affairs of the raw materials market create conditions for the inflow of portfolio investments into Russia.

Third – the main problems of the Russian stock exchange market will persist. These are:

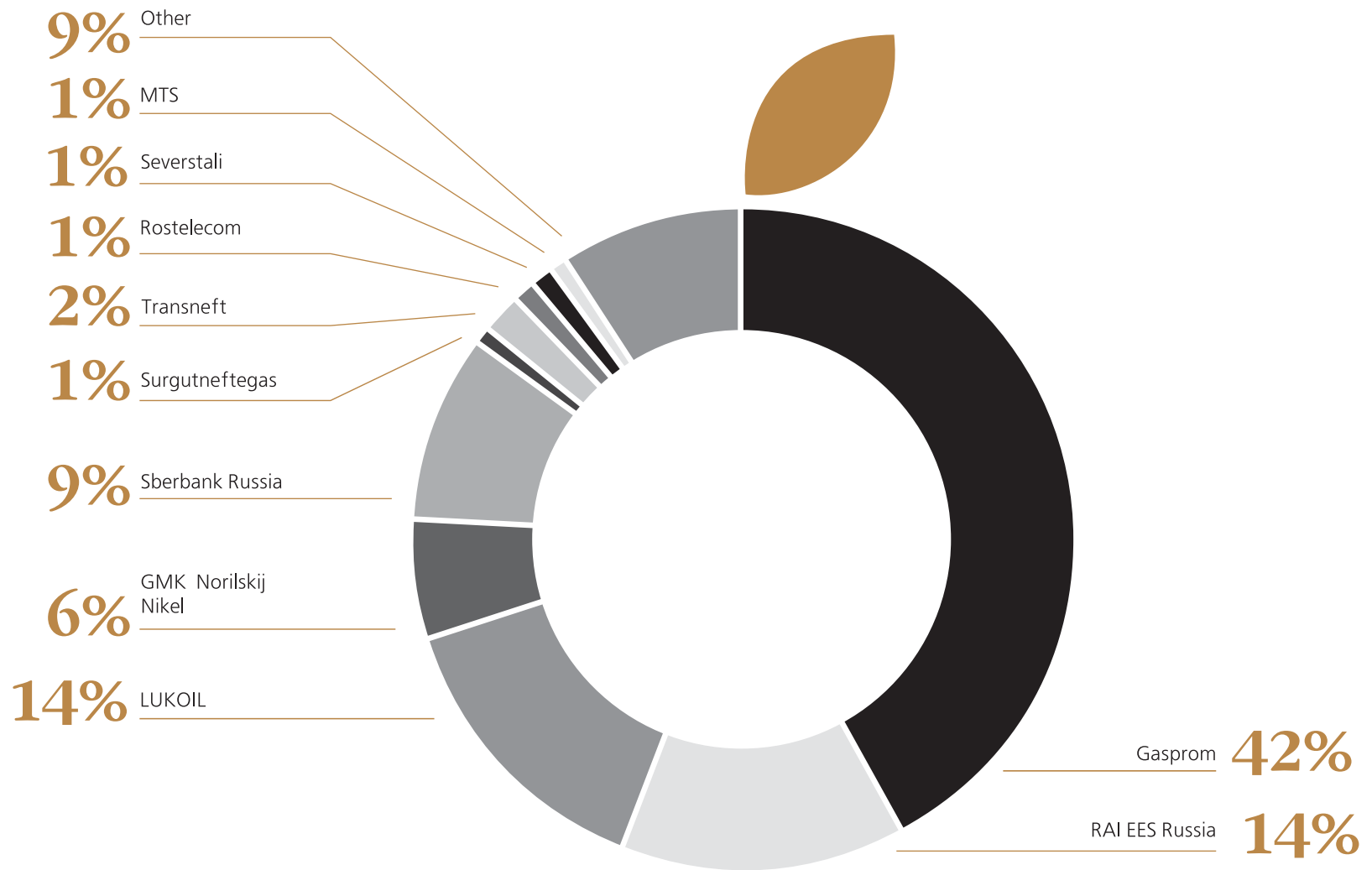
- Low free float (about 30%) and comparatively small number of companies on the board (therefore, in Russia 4.5 times less than in China and 16 times less than in India);
- Concentration of trade turnover (up to 70% stock turnover is shared by 3 companies);
- Capitalization concentration (the oil and gas sector is sharing more than half of the entire capitalization market).

Figure No. 4. The dynamics of the Russian stock prices in 2007



Source: MICEX,
OJSC «IC RUSS-INVEST» evaluations

Figure No. 5. The share of separate issuers in the turnover structure on the Classical market of OJSC «RTS» in 2007



Source: **RTS**

Fourth – the undervaluation of the Russian shares compared to other developing markets has reduced. Therefore, in 2005-2007, the premium in the undervaluation of Russian companies compared to similar companies on the developed and developing markets, according to basic market ratios, has reduced significantly. According to Price-to-Earnings ratio, the Russian corporate sector looks more expensive compared to Brazil and Turkey, while according to Price-to-Book Value ratio, does not have premium to the Korean and Czech markets.

Fifth – in 2005-2007, a leading growth of the corporate stock segment was observed, which seriously competes with the stock market at the expense of investor funds.

Sixth – there was a weak development of risk hedging instruments on the stock market.

Seventh – the increase of population's investment activity and the growth of mutual funds (MF) is another specific feature in Russia. As a result, the growth in the amount of private individual accounts on the MICEX in 2007 reached 95.4% (a total of 388.6 thousand accounts). The increase in the number of mutual funds shareholders in the 1st half of 2007 was already at 31.6% (a total of 342 thousand shareholders). The population is an active participant in major IPOs. We can see that 115 thousand people became shareholders of NK «Rosneft», 131 thousand people became co-proprietors of «VTB», 30 thousand people invested in «Sberbank» shares. The effort to attract the population's savings means good prospects for capitalization growth of the managing companies and MFs under their management. The numbers speak for themselves. The number of managing companies increased in 2007 – by 12.5% (a total of 207 companies). The increase in the MF quantity was 53.2% (a total of 948 MF). The total MF assets increased in 2007 by 77.5%. Meanwhile, the reserve for capital growth in MFs is huge in Russia. Only 0.4% of Russians own shares, while in the USA this number makes 40%, in Germany – 29%.

The amount of managing companies increased in 2007 by 12.5% (a total of 207 companies).

Western investment funds still play an important role in the overall demand on the Russian stock exchange market. But for now they are mainly hedge-funds and funds oriented towards specialized investors with a low capitalization level. Their influence can increase several times in the event that the resources of global pension funds and major funds of the global management companies come to the Russian market.

Looking into the future it is necessary to note that there is a slight chance that in the next few years there will be an impressive price growth for Russian «blue chips».



This year, most attention was riveted on the instability of the American economy, which threatened to go into recession in 2008, as well as on the global liquidity crisis which exploded and periodically continued to attract attention. With all these problems we have entered 2008 successfully. Considering the difficult situation, it is possible to expect that the coming year can be as difficult for the Russian market as the previous one. The situation in the USA's economy shall keep investors in suspense. In 2008 we shall see again the write-offs of the main financial institutions, related to sub prime problems that shall undermine the interest of investors for the financial and banking sectors. However, our company sees the reserves in the market support, on the basis of potential growth implementation in the energy and telecommunications sectors, and in the oil and gas sectors.



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Financial-economic activities in 2007

The Company's place in the sector

The steady growth of the real disposable income of the population and of industrial production, investment activities in the real sector of the economy and the safety of state finances, stimulates advanced capital market development in Russia. The development of the investment sector is characterised by an increase in prices for practically all financial instruments, and market capitalization, as a result, keeps increasing. The Russian financial market significantly increased liquidity, even though it is inferior to the leading world markets. The market risk reduced sharply because of economic growth in the country. A group of professional security market players has formed, so it lowers the credit and the operational risks.

The sector of financial and investment brokers has been developing in Russia over recent years with growing rates. This sector is represented by licensed investment companies, investment funds, commercial banks, insurance companies and pension funds. The improvement of the macro-economic situation has lead to the acceleration of the financial market development in Russia. According to FSFM information, at the end of 2007, the number of issued licenses for brokerage activities was 1433, dealer activities – 1394, for securities trust management activities – 1113.

Economic growth favoured the increase of the real disposable income of the population. According to the results of 2007, the growth of the real disposable income exceeded 10%. The growth of the real disposable income, as well as corporate and organizational profits favoured further growth of gross capital accumulation in the economy and investments in securities. This situation had a positive impact upon the activities of investment and management companies in Russia and stimulated the system of collective investment development. The growth of the investment potential of pension funds, insurance companies and commercial banks is also connected with growth in the population's savings level. At the end of 2007, there were 253 Private pension funds (PPF) in Russia, and the pension reserves made up more than 472.3 billion Rubles. Investments in commercial bank shares amounted to 629.6 billion Rubles at the end of 2007, which is 61% higher compared to the end of 2006. However, 85% of them are estimated as portfolio investments. Considering the growth rates of banking assets in Russia at the level of 40-45% last years, as well as the low share of the banking system assets compared to the scale of

According to the results of 2007, the growth of real disposable income of the population exceeded 10%.

Table No. 2. The position of OJSC «IC RUSS-INVEST» among other investment companies

Index	2002	2003	2004	2005	2006	3 Q. 2007
1. Total turnover	77	67	62	40	53	63
2. Stock exchange turnover	40	35	47	28	44	54
3. Turnover by dealer operations	47	26	20	12	18	33
4. Assets	5	7	7	9	14	20
5. Own capital	2	3	2	2	2	3
6. Net profit	1	3	2	3	3	N/a

Source: **National rating agency**

* for the third quarter of 2007

the economy, the aforementioned investor categories prefer to play an active role in the growth of investment resources in the mid-term. Therefore, the share of the banking assets to GDP is a little more than 52% in Russia, while in developed countries this index is 3-5 times higher.

Despite an increase in activity from the leading market operators in Russia, some quantitative characteristics of the financial intermediates sector worsened in 2007, which reflected the fact of the sector's peak development. However, the growth takes place alongside an increase in leading market operators' activity, while the number of new companies on the market is practically the same.

A high level of monopolization remains a distinctive feature of the investment sector. According to nine months of 2007, 91.04% of total turnover was shared by 20 leading investment companies in Russia (at the end of 2006 – 83%), 93.6% of profits (at the end of 2006 – 76%) and 70.2% of the assets of all investment companies (at the end of 2006 – 71.8%). Thus, the value of the investment companies assets increased within nine months of 2007 by 21.2%, compared with the results of the end of 2006 and reached 365.9 billion Rubles, even though most of the investment companies, as before, represent Moscow and the Moscow Region.



Despite the growth in investment activities in Russia, some quantitative characteristics of the financial brokers sector worsened in 2007, reflected in the sector peak development.

Under these conditions, the main strategic goal of OJSC «IC RUSS-INVEST» is to preserve, and, if possible, to increase its market share. According to the National rating agency data (NRA), at the end of the third quarter 2007, OJSC «IC RUSS-INVEST» had 1.3% of the assets and 7.1% ownership capital of the 100 biggest investment companies in Russia. Table 2 includes information about the place of OJSC «IC RUSS-INVEST» among other investment companies during 2002 – third quarter of 2007 year.

During the past year our Company has managed to maintain its leading position. The enhancement of financial strength of professional participants within the last few years has made the task of attracting free financial resources and expanding the client base a difficult one. Nevertheless, the dynamics of the company have allowed us to improve our position on the stock market and to regain leadership in such indicators as yield and volume of capital ownership. Still, it is necessary to take into account that up until now the Company has not managed to increase its share in trade turnover, which puts the task to increase the client base one of paramount importance. The benefits of OJSC «IC RUSS-INVEST» are the comparably high level of financial reliability and the presence of a reserve for the growth of the brokerage services. The positive financial results achieved by OJSC «IC RUSS-INVEST» during recent years have been highly estimated by Fitch, a leading international rating agency. In February 2007, Fitch Ratings confirmed the OJSC «IC RUSS-INVEST» ratings, the forecast for RID (rating of issuer default) and long term rating – is «Stable». In November 2007, Fitch Ratings confirmed the OJSC «IC RUSS-INVEST» ratings, the long term RID at «B» level, the national long term rating «BBB- (BBB minus)» and the short term RID «B». The forecast for the long term RID and the national long term rating – is «Stable».

It is worth noting that only 6 companies among the Russian non-banking financial organizations have received a Fitch rating (Table. 3).

One of the main competitive advantages of the company is the volume of capital and the stability of our financial situation. OJSC «IC RUSS-INVEST» looks positive against the backdrop of other investment companies, which have a much wider client base. In order to preserve its place, the company needs to develop further lines of business, to introduce modern technologies and methods of management, to improve rates, to develop and offer our clients new investment products and services.

Table No. 3. Fitch rating of Russian non-banking financial organizations

Issuer	Long term RID* issuer default rating in foreign currency	Prognosis accord- ing to interna- tional rating	Short term RID* in foreign cur- rency	Rating accord- ing to national scale	Prognosis ac- cording to the national rating
Renaissance Capital	BB-	Stable	B	–	–
IC RUSS- INVEST	B	Stable	B	BBB-(rus)	Stable
VKM-Leasing	CC	Negative	C	–	–
VTB-Leasing	BBB+	Stable	F2	–	–
URALSIB Leasing Company	B+	Stable	B	–	–
Rosagroleasing	BBB	Stable	F3	AA+(rus)	Stable

Source: **Fitch Ratings**

* – RID – rating of issuer default

The Company operations on the stock exchange market

During the last operational year we have carried out active operations with Russian corporate bonds, equities, derivatives and other financial instruments. The bulk of operations was carried out on the main Russian stock exchange markets, such as MICEX, RTS and the Saint Petersburg stock exchange. In 2007 OJSC «IC RUSS-INVEST» became a member of the derivatives market at MICEX and started carrying out operations on the foreign capital markets.

In actively trading actively Russian equities, the Company has maintained its position among the top 50 biggest MICEX stock operators. At the same time, the unfavourable market situation with sudden intensification of global risks had an impact on the operational results in the given direction during the first half of the year. Despite this, the Company has managed to reverse the situation and has received profits from the operations (see Table No. 4).

Table No. 4. The structures of OJSC «IC RUSS-INVEST» gross income in 2007 (By types of financial instruments), in thousands of Rubles

Revenue item	2005	2006	2007	Changes compared to 2006, %
Operations with shares	330 214	337 688	298 949	-11,5%
Operations with corporate bonds (including ACI)	152 706	161 101	136 822	-15,1%
Operations with derivatives instruments	0	0	- 17 697	
Interest income for depositary operations	3 802	1 041	323	-69,0%
Revenue from participation in other organizations (dividends etc.)	18 295	6 473	20 589	+218,1%

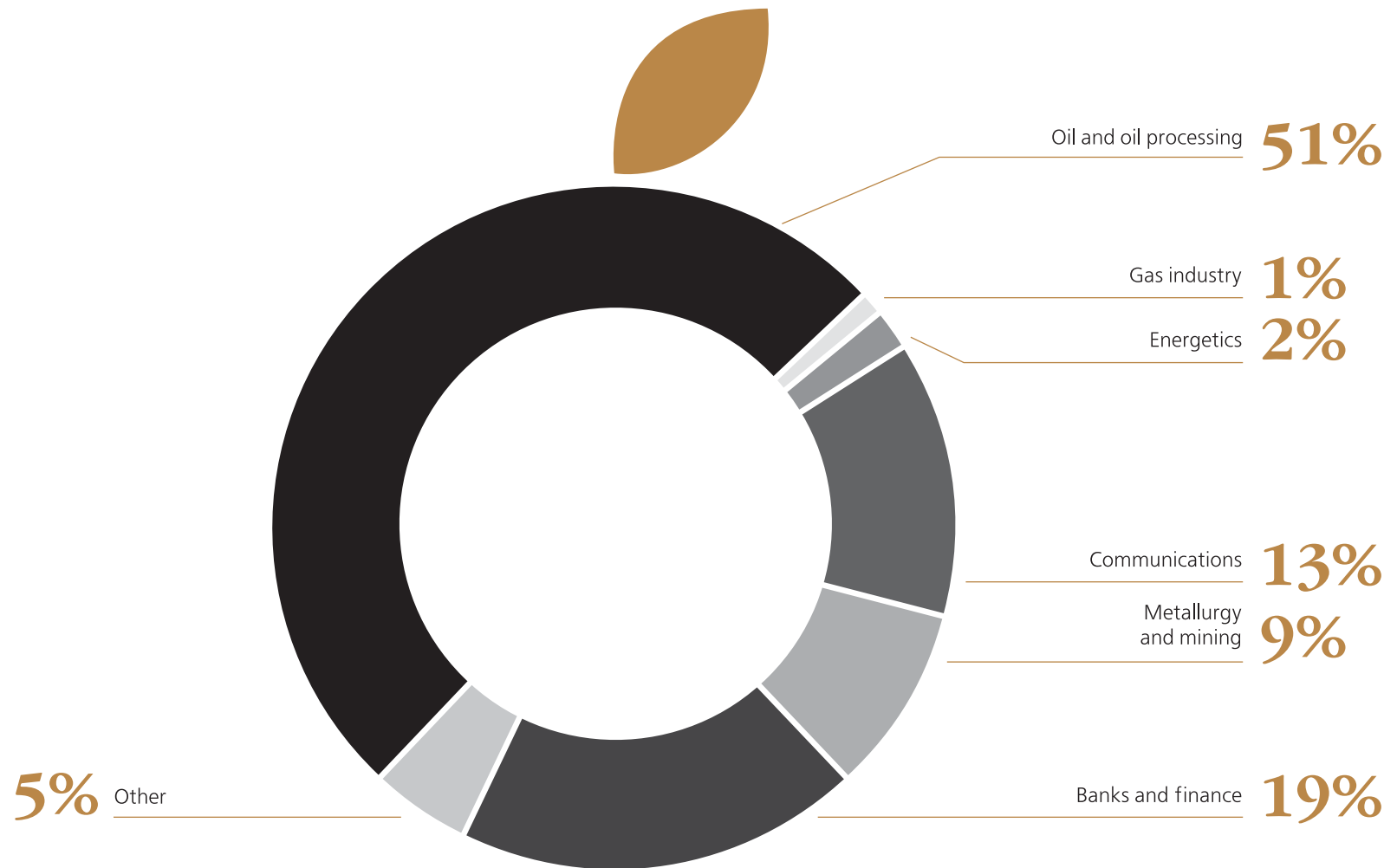
Source: **OJSC «IC RUSS-INVEST»**.

The company has continued growing operations with corporate bonds. In addition, it was included twice in the list of the top 50 largest MICEX bonds operators on the secondary market. The regular money market operations (deposit, REPO) were carried out with the goal of short term placement of the temporary free funds in order to preserve high liquidity and use the Company's assets more efficiently.

OJSC «IC RUSS-INVEST», as a clearing firm of the RTS futures and options market section, not only served its clients, but also carried out dealing operations with derivatives. The aforementioned operations were used, first of all, for the hedging purposes. This hedging led to the negative impact of derivative operations on financial results. Such hedging facilitated the limit of potential losses on the spot equity market during the period of a sudden price fall.

According to the adopted Company strategy for long-term development, we seek to keep the diversified structure of assets, represented in Figure No. 7, in order to lower the market risk as much as possible.

Figure No. 6 Share portfolio structure for the end of 2007



Source: OJSC «IC RUSS-INVEST»

Brokerage and Depositary Services

During 2007 OJSC «IC RUSS-INVEST» continued the activities of broker client service, by providing access to all main Russian trade areas. In addition, the Company concentrated most attention on the service of legal entities. According to the end of year results, the aggregate turnover, carried out in the fulfillment of contracts for broker service on the securities market, increased by 3.2 times (15.2 million Rubles.).

For 2007, the volume of depositary clients increased 1.5 times. Added to this, the depositary division provides a clear and modern implementation of the technical and the program software.

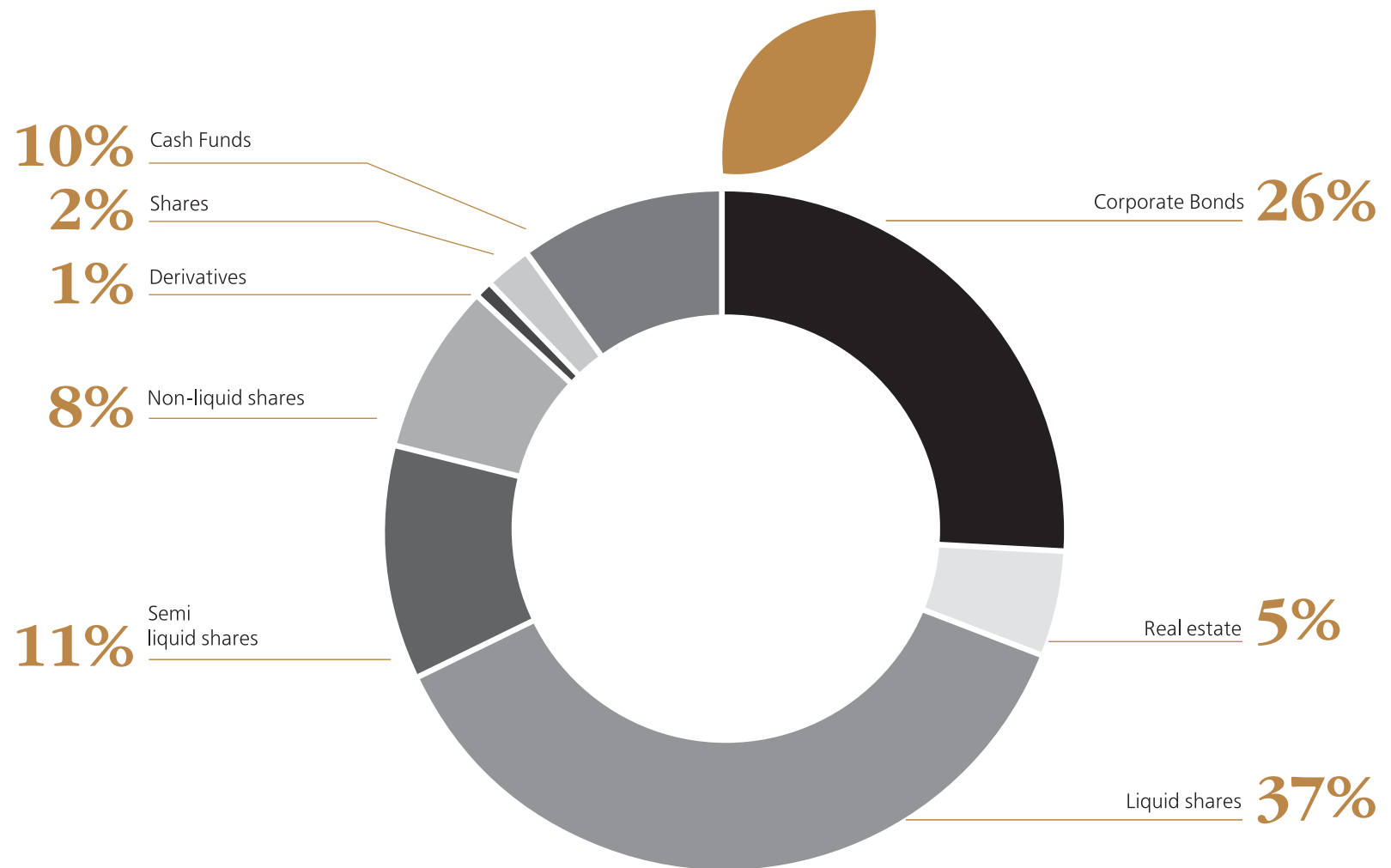
In 2007, clients were provided a range of new services, which significantly increased the investment possibilities of activities on the stock exchange market:

- MICEX futures and options market;
- The training center;
- The compilation of the client investment portfolio;
- One time analytical seminars;
- Sale of services from the company's Internet web site.

In the future, the Company plans to expand the list of rendered services with the aim of attracting new clients (the access to foreign markets, marginal crediting, and trade from a united account). When dealing with clients, the Company pays primary attention to its professional reputation, individual approach and target advertising.

During 2007 OJSC «IC RUSS-INVEST» continued the activities of broker client service, by providing access to all main Russian trade areas. In addition, the Company concentrated its main attention on serving legal entities.

Figure No. 7. OJSC «IC RUSS-INVEST» Assets Structure at the end of 2007



Source: OJSC «IC RUSS-INVEST»

Corporate Finance and Consulting

The company successfully operated in the area of corporate finance and financial consulting in 2007, paying special attention to Ruble fixed income instruments and the financial consulting of clients to attract new capital by IPOs in equities and corporate bonds.

In 2007, IC RUSS-INVEST took part in 20 large bond syndicates together with leading banks and i Russian investment companies within primary placement of Rouble fixed-income instruments.

From January to December 2007, OJSC «IC RUSS-INVEST» participated as a joint underwriter, as well as Leading Organizer in the following major syndicates organized for primary placement of corporate Rouble bonds (Table No. 5):

Considering that starting from the middle of 2007 the situation on financial markets, including the debt market, started to change sharply for the worse, the company began to actively promote the services of offers execution and refinancing of current debts.

In terms of business development, the Company worked out a plan of cooperation between stock market professionals with mutual involvement in the placement of bond loans, having the PUT-option scheme, stipulating that IC RUSS-INVEST buys such bonds at auctions and sells the previous ones on the secondary market. Such a scheme has been repeatedly used in practice with success.

In 2007, «IC RUSS-INVEST», dealing as an agent, successfully provided offer execution of the JSC «Moscow Leasing Company» corporate bond first issue. This issue had been successfully placed in SFR MICEX in July



**Table No. 5. The participation of OJSC «IC RUSS-INVEST»
in syndicates of bonded loans in 2007**

№	Issuer (Status «IC RUSS-INVEST»)	Issue volume	Contractor / Head of syndicate	Relations
1	Lenenergo, 2 (Co-Underwriter)	3 000 000 000	Alfa Bank, VTB	Contract
2	Rybi nsk cable factory, 1 (Co-Underwriter)	1 000 000 000	The international Moscow Bank, VTB 24, TransCreditBank	Contract
3	KVPO-Finance, 1 (Co-Underwriter)	1 000 000 000	ALOR Invest	Contract
4	Tiumenenergo, 2 (Co-Underwriter)	2 700 000 000	CB Agropromcredit, co-organizer – Deutsche Bank	Contract
5	APK Arkada, 3 (Co-Underwriter)	1 200 000 000	IC East Capital, Sobinbank	Contract
6	Russian oil, 2 (Co-Underwriter)	1 000 000 000	Russian Funds, AKB SOYUZ	Contract
7	Zhilsotsipoteka-Finance, 2 (Co-Underwriter)	1 500 000 000	TransCreditBank	Contract
8	EESK, 2 (Underwriter)	1 000 000 000	CB Agropromcredit	Contract
9	Tomsk-Invest, 1 (Co-Underwriter)	500 000 000	IC East Capital	Comfort letter
10	Permenergo, 1 (Co-Underwriter)	1 000 000 000	CB Agropromcredit, Deutsche Bank	Contract
11	OGK-6, 1 (Co-Underwriter)	6 000 000 000	IMB, Rosbank	Contract
12	SGC TGK-8, 1 (Underwriter)	3 500 000 000	IC Capital and Raiffeisenbank	Contract
13	TGK-4, 1 (Co-Underwriter)	5 000 000 000	Gasprombank	-
14	UTK, 5 (Co-Underwriter)	2 000 000 000	JSB Sviaz-Bank, Deutsche Bank, VTB	Contract
15	TGK-10, 1 (Co-Underwriter)	3 000 000 000	Raiffeisenbank, IC Troika Dialog	Contract
16	Kubanenergo, 1 (Co-Underwriter)	3 000 000 000	Alfa-Bank	Contract
17	Tattelecom, 4 (Underwriter)	1 500 000 000	International Moscow Bank (IMB)	Contract
18	ITERA FINANCE, 1 (Co-Underwriter)	5 000 000 000	Gasprombank	Contract
19	NSH-finance (Leading Joint Organiser)	1 000 000 000	AK BARS	Contract
20	Krasnodarskiy Kray (Underwriter)	1 500 000 000	Raiffeisenbank, Sviaz Bank	Contract
TOTAL volume of issues with the participation of OJSC «IC RUSS-INVEST»		45 400 000 000		

*In 2007, A logical step
IN company development became
the organization and the inclusion
of OJSC «IC RUSS-INVEST» shares into
the «B» quotation list of OJSC «RTS».*

2006 with the support of the participants of the investment syndicate organized by «IC RUSS-INVEST».

«IC RUSS-INVEST» is a licenced financial consultancy, and is included in the RTS List of Accredited Financial Consultants. The Company is a Listing agent of MICEX in the sector of innovative and growing companies.

In 2007, stocks of «IC RUSS-INVEST» were put on the quotation list «B» of RTS. It was a logical step in our development. Besides the inclusion of its shares in the stock exchange quotation list, «IC RUSS-INVEST» provided relevant services for inclusion of LLC «MLK-Finance» bonds into the MICEX quotation list «B».

In 2007, IC RUSS-INVEST provided Russian companies with consulting in securities issue and information disclosure on capital markets. These services included both current and newly signed contracts.

Organizing and developing business as an authorized financial consultant of RTS, the Company received a mandate to issue our new client – OJSC «GRANIT» – in RTS START (a new segment of RTS).

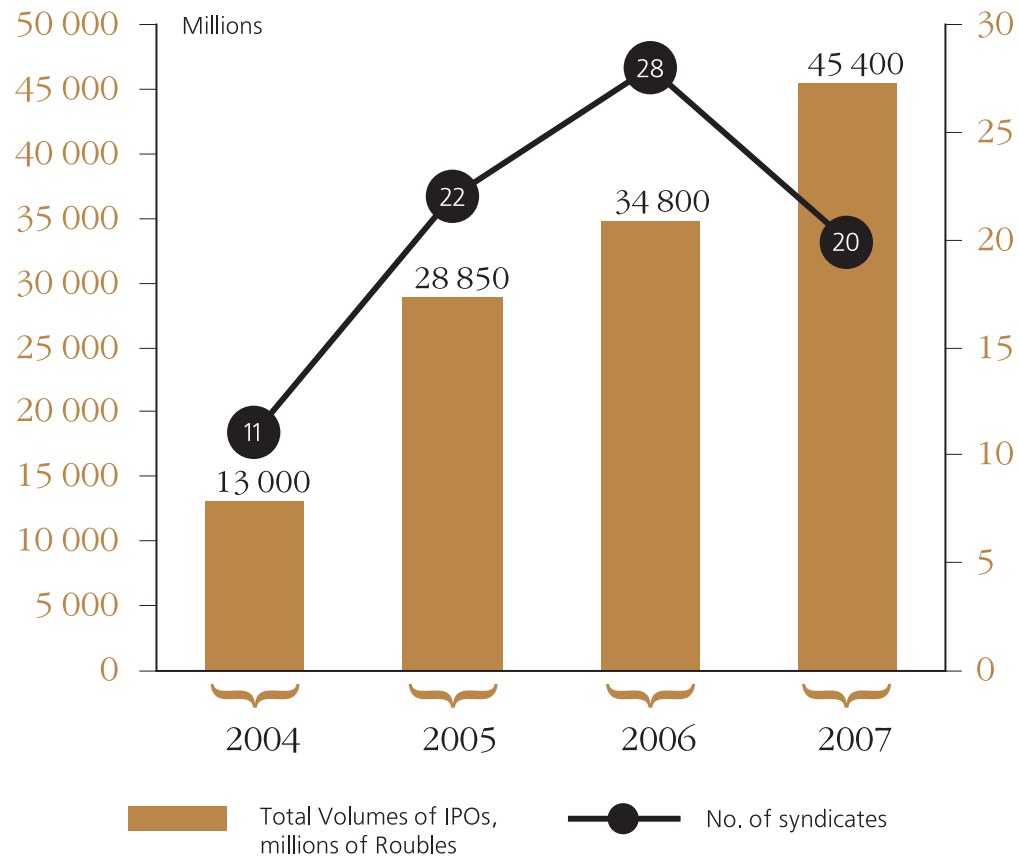
OJSC «IC RUSS-INVEST» received the status of listing agent in the Sector of innovative and growing companies on the Moscow Interbank Currency Exchange (MICEX).

In 2007 the company continued to develop its business, to attract corporate clients and to develop financial consulting services. So, new additional employees were hired in the department of financial consulting.

New mandates, received by the Company in 2007 for financial consulting, include the following clients:

1. LLC «ROSSKAT-Capital». In 2007, OJSC «IC RUSS-INVEST» acted as a financial consultant on bond issues with a total nominal value of one billion two hundred million Rubles of the Limited Liability Company «ROSSKAT-Capital», working in financing of cable producing companies. The securities issue of LLC «ROSSKAT-Capital» was registered with the Federal Service for Financial Markets of Russia on June 22, 2007, state number 4-01-36271-R. On July 25, 2007 placement of LLC «ROSSKAT-Capital» securities was carried out, during which 100 percent of issued securities were placed.
2. OJSC «GRANIT» second and third emission – placement of additional shares by public offering.
3. OJSC «GEO-System» second and third emission – placement of additional shares by public and private offering.

Figure No. 8. The Growth of Total Volumes of Corporate Bonds IPOs, placed by IC RUSS-INVEST Member Syndicates through MICEX SE Trading System in 2004-2007



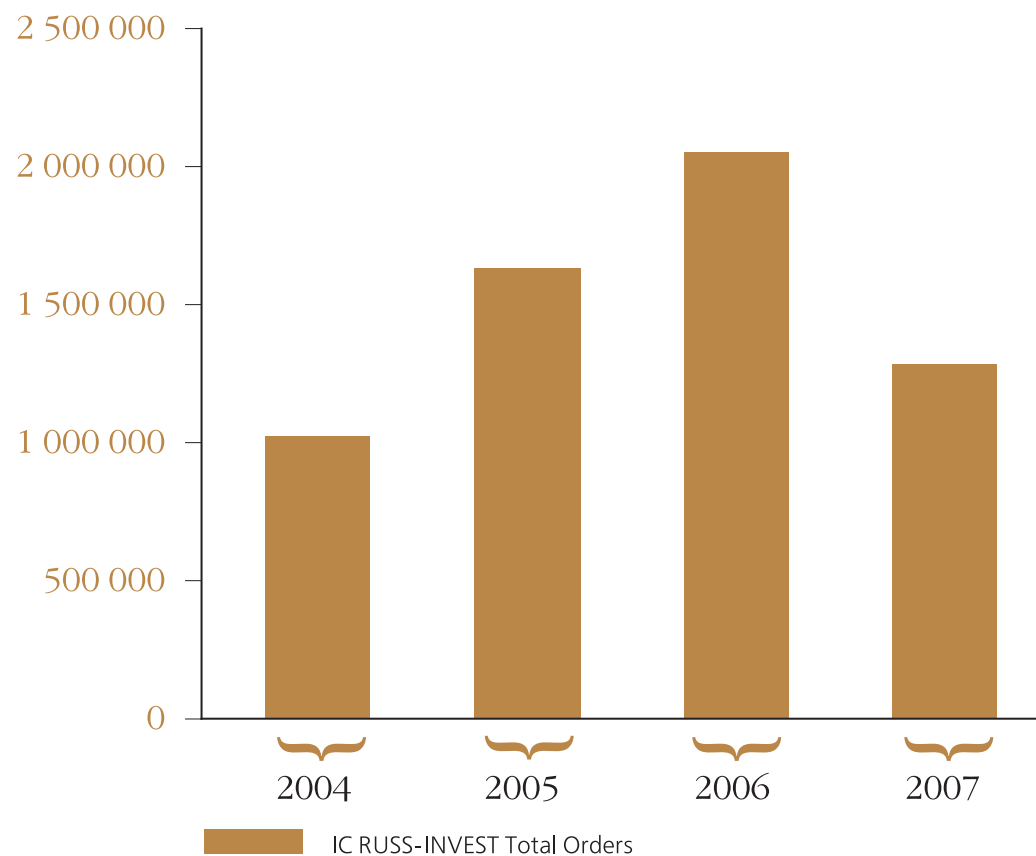
4. OJSC «Energо-System» – placement of additional shares by public offering.

The clients for additional stocks issue were companies working in the field of subsurface resource management (development of mining projects from the stage of geologic exploration up to field exploitation for precious metals, gold fields in particular); bioenergetics, woodworking, and the aggregates industry.

5. LLC «MLK-Finance». Quarterly issuer’s report and issuer essential fact data report were prepared.

6. OJSC «METROMASH». The client was provided with information disclosure monitoring.

Figure No. 9. Volume of Orders from «IC RUSS-INVEST» as a Syndicates' Member at Initial Public Offers of the Rouble Corporate Bonds in SFR MICEX in 2004-2007



Source: **IC RUSS-INVEST**

7. OJSC «BEREZKA V LUZHNIKAH». The issuer was provided with the preparation of essential facts, and additional information required in accordance with the current legislation.

More than 10 issuers were provided with consultation services regarding current information disclosure, both on the stages of emission procedure, and in the process of their business activities.

In December 2007, MICEX extended «IC RUSS-INVEST's» accreditation for 2 years as a listing agent.



Besides financial consulting, «IC RUSS-INVEST» provides clients with consulting on corporate law (issues of organization and carrying out General Shareholder Meetings, Board of Directors, preparation and issuing related party transactions, etc.), not only related to securities issues.

In 2007, the Company continued successful cooperation with the international rating agency Fitch Ratings. «IC RUSS-INVEST» ratings were confirmed twice.

Moreover, new opportunities were found for the Company in international business, including cooperation with consultants of the audit company KPMG, international legal and recruiting consultants. This task is organized with the aim of improving the company's structure and creating an international up-to-date structure, according to the Fitch recommendations. The company examined in details the main rules, regulations, requirements for the new participants and the particularities of the main European stock markets, including EURONEXT, Deutsche Burse and LSE/AIM.

Now, the elaboration of investment and consulting projects continues. Within one of these projects our client negotiates the condition of attracting portfolio and direct investors. The diversification strategy is to provide the sale of a company to a strategic investor or IPO.

More than 10 issuers were rendered consultation services in connection with current information disclosure, both on the stages of emission procedure, and in the process of their business activities.

Trust management and mutual fund services

In order to expand the range of services for our clients, in 2004 «IC RUSS-INVEST» founded the CJSC «Management Company RUSS-INVEST». From the moment of establishment, we set our main objective to provide qualitative and affordable financial services, aiming to raise the prosperity of Russian citizens. As one of such services we set up mutual funds that allowed our clients to invest free cash into securities of leading national companies.

Our managing company enters the «BB» group (sufficient reliability) rated by National rating agency (NRA).

Our managing company has the license by the FSFM, № 21-000-1-00158 from April 16, 2004 for investment funds, mutual funds and private pension funds and the license of professional participant of the capital market for asset management, № 077-07805-001000 from June 22, 2004.

«MC RUSS-INVEST» provides following services:

- Mutual funds asset management
- Private capital management.

According to the information of the independent analytical resource «Invest-funds», summarizing the results of 2007, our managing company entered the TOP-50 of the largest managing companies based on the net assets under control and interval mutual funds under control. Right now, our managing company controls the assets of five mutual funds. As of 29th of December 2007, the net assets of mutual funds under control of «MC RUSS-INVEST» amounted to 424.24 million Rubles.

Despite the multidirectional dynamics of the stock market in 2007, our managing company showed honourable results, having increased the assets under control by 26%, which proves the high professionalism of the management team.

In order to expand the range of services rendered to our clients, in 2004, OJSC «IC RUSS-INVEST» founded the CJSC «Management Company RUSS-INVEST».

In 2007, our managing company was expanding the territory of sales points. By the end of 2007, sales of mutual funds were conducted in 32 points in Moscow and 37 points in other regions of Russia. During 2007, an additional office was open in Saratov. In the nearest future the Company plans to start an additional office in Saint-Petersburg.

Future plans of our managing company:

- Constructing new mutual investment funds, created under specific investment projects.
- Expanding the client base.
- Expanding the agent network of offer receiving points for purchase, payment and exchange of RUSS-INVEST investment shares.
- Opening of own additional offices in large cities of Russia.

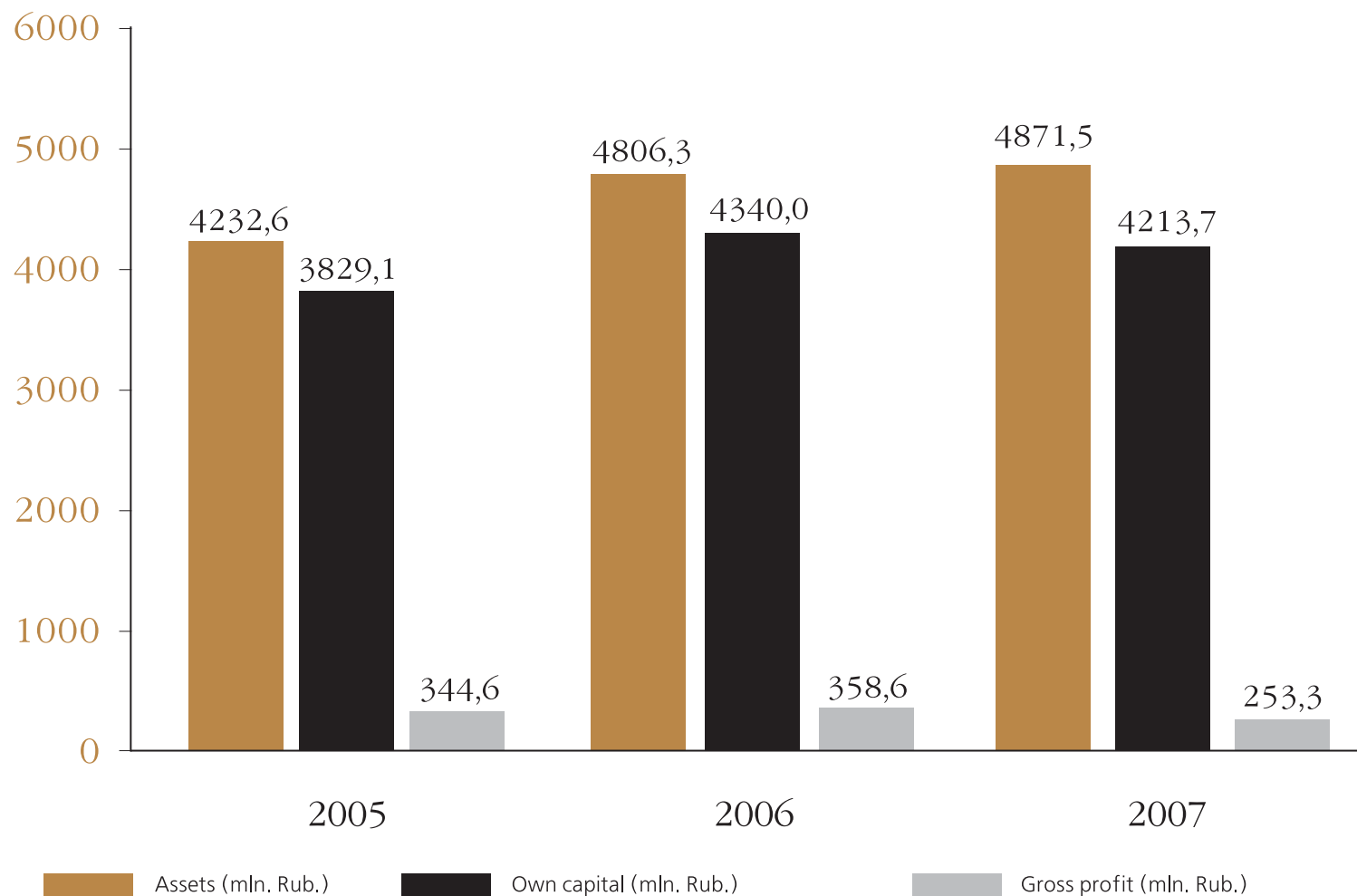
According to the information of the independent analytical resource Investfunds, summarizing the results of 2007, the Management Company RUSS-INVEST entered the TOP-50 of the biggest management companies based on managed net worth value and mutual funds interval.

The financial situation of the Company

Despite the significant capitalization decrease of the Russian capital market during the first half of 2007, «IC RUSS-INVEST» managed to demonstrate positive financial fruits of our labour, to provide the shareholder capital preservation and to retain high rates of development of the main types of business. As of the end of 2007, the value of assets amounted to 4.81 billion Rubles. Trade turnover decreased according to the results of 2007 from 99.1 to 65.47 billion Rubles. Despite the decrease of gross profit to 253.3 million Rubles from 358.6 million Rubles compared to 2006, the return of trade operations increased in 2007. Therefore, the gross profit from sale of equities in 2007 reached 377.1 million Rubles, 11.7% higher than in 2006. The size of equity and reserves changed insignificantly and was 4.21 billion Rubles at the end of 2007. (Figure No. 10) The decrease of the aforementioned indicator is explained by the surplus of accrued dividends over the undistributed revenue amount at the end of the year.

The profitability growth concerning equity trade in 2007 provided a high rate of asset turnover, which characterizes the company's active investment strategy. Therefore, the asset turnover ratio, calculated as ratio of revenue to annual average asset value was 674.6%. According to the re-

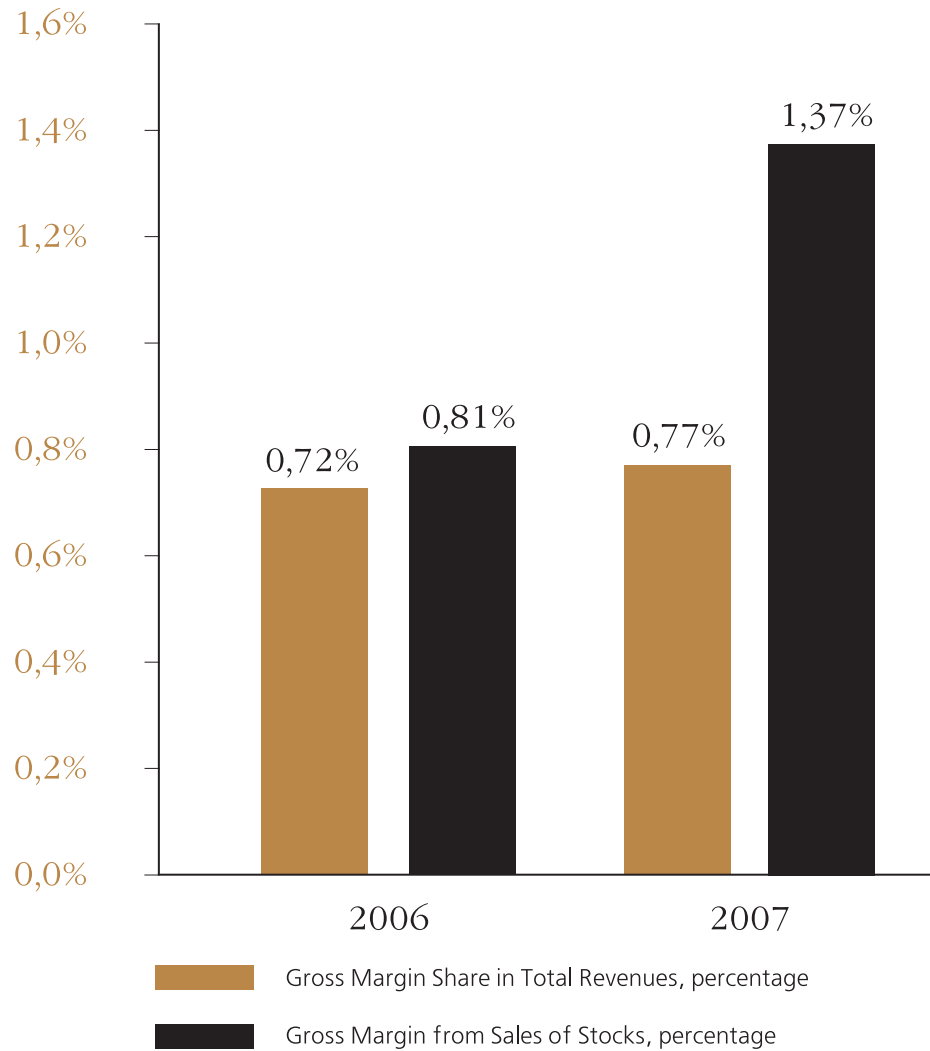
Figure No. 10. «IC RUSS-INVEST» Assets, Own Capital and Gross Profit in 2005-2007



Source: OJSC «IC RUSS-INVEST»

sults of 2007, the return on assets decreased, which reflected the increased volatility of the stock market and the increased risk of investing into stocks. But, it is important to note the growth of gross profitability and the profitability of short term operations. Therefore, the share of gross income in the earnings finalizing 2007 increased from 0.72 to 0.77%, and the gross yield of operations with equities increased from 0.81 to 1.37% (Figure No. 11). Taking into account conditions of high market risks, the Company

Figure No. 11. «IC RUSS-INVEST» Gross Income for the Stock Market Operations in 2006-2007, percentage



Source: OJSC «IC RUSS-INVEST»

The amount of the revenue tax paid according to the accounting balance information for 2007 was 113.9 million Rubles or 44.9% from the volume of gross income according to the end of year results.



chose the strategy to maintain the high rate of capital turnover and to decrease the risk of trading operations. Long term projects, which can offer a higher return in the future than the current operations on the market, were also given attention. Under these conditions the company chose the moderate risk tactics of current operations by increasing the risk control and expanding the area of traded securities. At the same time, some long-term investments that had been made earlier, allowed a significant increase in the financial results.

The profit before tax margin decreased according to the results of 2007 from 1.6% to 0.4%. The net profit margin decreased from 1.3% to 0.02%. The ratio of sales income to revenue before taxation in 2007 was 63.5% compared to 30.9% according to the results of 2006, which reflects the increase in the share of fixed assets revenue in the total financial result.

Against the background of positive financial results, in the period of unstable financial markets, it is necessary to note the high level of tax deductions, reflecting the high level of the Company's tax discipline. The amount of the income tax paid according to the balance sheet information for 2007, was 113.9 million Rubles or 44.9% from the volume of gross income according to the end of year results. The structural changes in «IC RUSS-INVEST's» balance, according to the results of 2007, which reflects the increasing share of long term financial investments as well as the share of cash compared to decreasing short term financial investments. Such changes are connected with the deliberate policy of management to decrease risk in investments and to create a liquidity platform for new prospective projects.

The liability structure did not suffer any significant changes in 2007. The decrease in the net income for the end of the year impacted the growth of obligations in balance from 10.7% to 15.6%. So, it is necessary to notice the advantageous long-term character of such debt. A significant part of the net revenue, undistributed in the form of dividends, is left at the disposal of the Company, because its full distribution will decrease the capital ownership of the Company and, therefore, will sharply reduce its opportunities to increase revenue in the future.

The share of ownership in the assets structure is still at a high level and amounts to 86.5% of the balance value for the end of 2007. In the structure of borrowed resources, the greatest part refers to debts for the shareholders for dividend payment, the share of which increased from 7.3% to 8.3% of balance value. In absolute terms, the aforementioned item increased by 14.6% in 2007. This debt rose as a result of shareholders' not informing the registrar on time about changes to their passport information and location.

The financial situation remains steady for us, which is confirmed by the financial indicators represented in Table No. 6. The structure of balance shows high financial independence and high liquidity. As a result of our strategy for lowering market risks, which has successfully been implemented, the share of working assets in the aggregated assets structure is retained at a high stable level. According to the results of 2007, the share of working assets stood at 90.4% against 91.4% compared to the results of 2006. The conservative investment strategy resulted in a growth of cash, as well as in the structure of assets, which increased from 4.6% to 12.7% of balance value and 1.8 times in absolute terms. Hence, the share of short term financial investments in balance structure decreased in 2007 by 10.1% – down to 3.71 million Rubles. In relative terms, their share lowered to 76.1% compared to 85.8% at the end of 2006. Thus, the value of long term financial investments increased by 12.7% and reached 453.4 million Rubles, which also reflects the conservative investment approach in our portfolio. This explains the decrease of liquidity ratios, which are still at a very high level. Therefore, the liquidity ratio for the end of 2007 was 6.7 compared to 9.43 in 2006. In 2007, the ratio of quick liquidity was 6.57 compared to 9.32 in the former year. The recommended value for the ratio of current liquidity is 2.5, and of quick liquidity – 1.2. Therefore, our balance keeps high liquidity and retains reserves for the implementation of new investment projects.

The share of accounts payable and receivable in balance structure has increased for the accounting year, still not infringing upon the financial reliability indicators. According to the results of 2007, the share of accounts receivable in the structure of assets increased from 0.9% to 1.5%, while the amount

The own funds in the structure of company assets remain at a high level and account for 86.5% of the Company's balance at the end of 2007.

Table No. 6. The Financials of OJSC «IC RUSS-INVEST»
for 2001-2007

	2001	2002	2003	2004	2005	2006	2007
Profit Margins and Returns on Equity and Assets							
Gross Profit Margin, %	19,2%	39,2%	9,0%	6,7%	2,3%	0,7%	0,8%
Net Profit Margin, %	16,7%	29,6%	10,9%	4,1%	5,7%	1,3%	0,02%
Return On Equity, ROE, %	32,3%	69,8%	27,5%	13,6%	22,3%	15,1%	0,2%
Return on Assets (ROA), %	31,2%	68,8%	25,4%	12,2%	20,2%	13,6%	0,1%
Activity Ratio							
Assets turnover, %	186,6%	232,8%	232,1%	295,7%	353,6%	1035,2%	674,6%
Liquidity indicators							
Ratio of current liquidity	25,9	65,4	11,2	9,43	8,32	9,43	6,70
Ratio of quick liquidity	25,9	65,4	11,1	8,05	8,28	9,32	6,57
Turnover of cash	92,3	50,0	26,2	28,5	29,2	107,5	78,3
Credit worthiness indicators							
Debt to Assets Ratio (%)	3,4%	1,5%	7,8%	10,1%	9,5%	9,7%	13,5%
Debt to Own Capital Ratio (%)	3,5%	1,5%	8,4%	11,3%	10,5%	10,7%	15,6%
Share Capital Ratios							
Earnings per share (RUR)	4,69	33,57	10,77	5,89	9,77	6,00876	0,06
Earnings per share (USD)	0,16	1,06	0,37	0,20	0,35	0,23	0,0024
Dividend yield (%)*	0,0%	350%	175%	100%	150%	6,3%	2,5%**
Price / Earnings Ratio (P/E)	0,2	0,00	0,1	0,17	0,10	3,16	672,47
Book Value per share (RUR)	14,53	48,09	37,36	43,25	43,77	39,82	38,66
Price to Book Value (USD)	0,49	1,51	1,29	1,49	1,56	1,51	1,57
Price to Book Value per share	0,07	0,02	0,027	0,023	0,0228	0,4772	1,04

* – ratios for 2007 are received from the calculation of share price of 1 share of OJSC «IC RUSS-INVEST» of 40.2 Rubles, which correspond to the trading results on the Stock exchange «RTS» of December 28, 2007.

** – the dividend amount recommended by the Board of Directors (Minutes No. 14/07-08 of April 28, 2008) is 1 Rouble. The given recommendation is subject to approval by the General annual shareholders meeting of June 6, 2008.

Source: OJSC «IC RUSS-INVEST»

The company balance has been demonstrating high liquidity and reserves for the implementation of new investment projects

of Company's interest debt increased from 2.4% to 5.2% from the balance value. The share of borrowed resources is kept at a low level (13.5%) and is mainly presented by the debt to shareholders on dividend payment, which has a long-term character. Against the backdrop of an effective company structure, the low rate of accounts payable provides exclusively favourable conditions for increasing the client base and furthering business diversification, as well as broadening the range of services we provide.

The accumulated earnings are the main source of the company's assets. Our development strategy for 2007-2010 includes aggressive growth of business channels, which demands an increase in expenditure at the development stage and the creation of infrastructure. Thus, the management of the Company tightly controls expenditure and provides rational shareholder capital management. Therefore, the share of commercial and managerial expenditure, which isn't directly related to the securities trade, is kept at a level lower than 4% of the asset value. In 2007, this indicator amounted to 3.63%. The share of costs, not regarding the securities trade, lowered from 2.8% to 0.54% within the earnings from 2000 to 2007. These indices also show the presence of a reserve for the growth of marketing investments, expenses for advertisement and infrastructure development (Table No. 7).

From June 28, 2006 RTS began quoting equities of «IC RUSS-INVEST». The beginning of the public trading history is a very significant event for all shareholders. In 2007, the market price of «IC RUSS-INVEST's» ordinary share increased up to 40.2 Rubles. The solid financial situation of the Company resulted in growth of market capitalization, which confirms the investors' confidence in the Company's management policy. A decrease in company net profit in 2007 affected calculation of the P/E ratio («price/earnings per share»). But, according to the market capitalization to size of ownership capi-

Table No. 7. The managerial, commercial and administrative expenses

(thousand Rubles)	2000	2001	2002	2003	2004	2005	2006	2007
Managerial, commercial and administrative expenses (Adm)	21600	28543	68179	64440	73516	83 988	119 843	176 878
The Adm share in Earnings	2,80%	2,30%	1,30%	0,90%	0,70%	0,56%	0,24%	0,54%
The Adm share in Assets	3,00%	4,20%	3,10%	2,20%	2,20%	1,98%	2,49%	3,63%

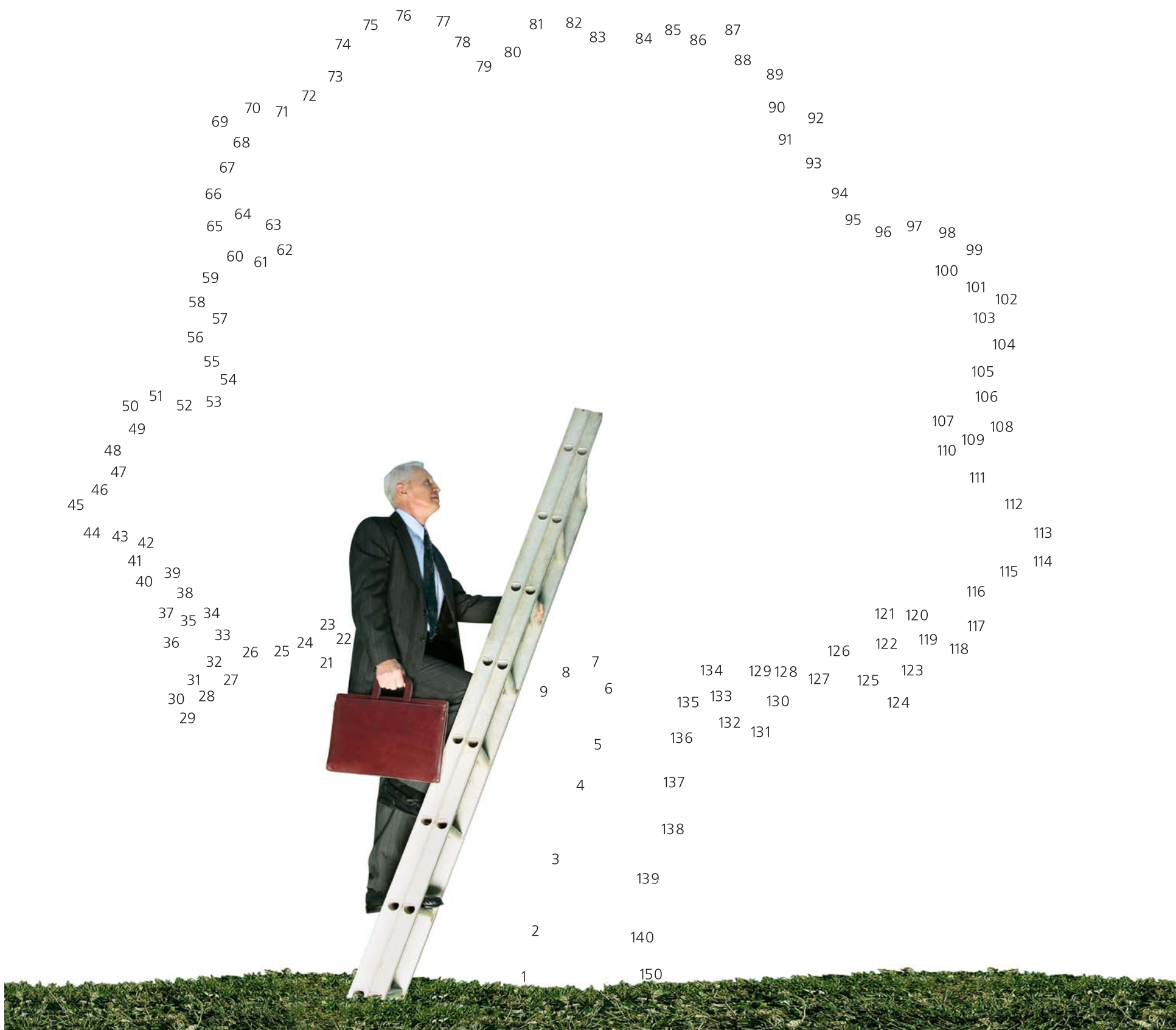
Source: **OJSC «IC RUSS-INVEST»**

tal ratio, the shares of «IC RUSS-INVEST» were trading at a discount at an average level for the Russian financial sector at the end of 2007. Therefore, the amount of shareholder capital and reserves according to the results of 2006 per share was 38 Rubles 66 Kopecks or 1.57 USD at the official exchange rate of the Central Bank of Russia as of the last day of the year. In consequence, market capitalization of the company to its Book value for the end of the year amounted to 1.04, that is 2-2.5 times less than the similar index for «blue chips» of the Russian stock market.

The current stage in the Company's development, when there is a serious ambiguity on the Russian financial market and a high level of competition in the sector, requires accelerated business diversification, a broadening of the range of investment services, an expansion of the client base and a search for prospective investment projects.

This work comes with additional costs which impact the yield of the current business activities. But such a loss is normal for a company choosing an intensive development strategy, aimed at the long term. Its main goal is to achieve a stable long-term growth of capital ownership in the interest of each shareholder of «IC RUSS-INVEST».





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Related party transactions

During 2007, the Board of Directors of «IC RUSS-INVEST» made a number of decisions to approve related party transactions. In particular:

1. On February 1, 2007 as per Minutes No. 12/06-07 the Board of Directors of OJSC «IC RUSS-INVEST» approved the following related party transaction: to introduce changes into the lease contract of non-residential premises between OJSC «IC RUSS-INVEST» and CJSC «Naschokin» (at the following location: City of Moscow, 5-3/12 Naschokinskiy Street, building 4) in the following article:

Item 1.1. of the Lease contract of non-residential premises No. 2/2006 of September 1, 2006. (Hereinafter referred to as the Contract) to state in the following article: «1.1. The Lessor provides for rent, and the Tenant receives the rent of part of the building, in the property of the Lessor based on right of property (Certificate of state registration of right of March 26, 2001, registration No. 77-01/00-017/2001-2249) (located at the following address: City of Moscow, 5-3/12 Naschokinskiy Street, building 4 (according to Addendum No. 1, which is an integral part of the Contract)) for the use as to the purposes established by the authorized activities of the Tenant. The total area of the leased premises is 712.7 square meters and includes: 239.2 square meters, located on the 1st floor, 236.5 square meters located on the ground floor and 237 square meters, located in the basement. The transfer for lease of the premises is carried out on the basis of an Act which is an integral part of the Contract.»

Sub item 2.2.7. of the lease Contract of non-residential premises No. 2/2006 of September 1, 2006. (Hereinafter referred to as the Contract) to state in following article: «2.2.7. to provide the current complete renovation of the leased premises at its own expense».

2. To approve the conclusion of the additional agreement to the Lease contract for non-residential premises between CJSC «Naschokin» and OJSC «IC RUSS-INVEST» (located at the following address: City of Moscow, 5-3/12 Naschokinskiy Street, building 4),

3. On May 4, 2007, as per Minutes No. 17/06-07 the Board of Directors of OJSC «IC RUSS-INVEST» approved the following related party transaction, and entered a contract for broker services between OJSC «IC RUSS-INVEST» and A.P. Bychkov as well as entering a depositary Contract





3. On May 31, 2007 as per Minutes No. 19/06-07 the Board of Directors of OJSC «IC RUSS-INVEST» approved the following related party transaction, and entered a property trust between OJSC «IC RUSS-INVEST» and CJSC «Management Company RUSS-INVEST».

4. On July 20, 2007 as per Minutes No. 03/07-08 the Board of Directors of OJSC «IC RUSS-INVEST» approved the following related party transaction, principally: the approval of the lease contract of the non-residential premises between OJSC «IC RUSS-INVEST» and CJSC «Naschokin» for a period of 11 months (located at the following address: City of Moscow, 5-3/12 Naschokin-skiy Street, building 4). The total area of the leased premise is 712.7 square meters at a price of 530 USD per square meter per year, including VAT for the leased premises, located on the 1st and 2nd floors, for basement lease, to the value of 500 USD per square meter, VAT not included.

5. On October 6, 2006 as per Minutes No. 07/06-07 the Board of Directors approved the following related party transaction, and specifically the conclusion of an additional agreement to the lease contract of non-residential premises with CJSC «Naschokin» No. 2/2006 of September 1, 2006 for a period of 11 months on market conditions, the total area of the rented premise is 578.8 square meters, at a price of 530 USD per 1 square meter per year, including VAT (located at the following address: City of Moscow, 5-3/12 Naschokin-skiy Street, building 4).

«IC RUSS-INVEST» Dividends

During recent years, the Company has paid dividends to its shareholders on a continuous basis.

According to the dividend policy of «IC RUSS-INVEST», dividends are paid to shareholders if the Company has a net income, and has no restrictions on dividend payments, stipulated by current legislation, as well as a positive recommendation from the Board of Directors for dividend payment. During the discussion of the dividend payment, the Board of Directors takes into consideration the financial situation and the development prospects of the Company. The decision on dividend payment is taken at the General Shareholders Meeting. The dividend dynamics is presented in Table No. 7.

During the last five years, the Company has regularly paid dividends to its shareholders. Thus, the dividends for year 2000 were approved by General Meeting of Shareholders – of 1 Rouble 51 Kopecks per share. The total amount of accrued dividends amounted to 67.64 million Rubles. Dividends were not paid for the end of 2001. According to the results of 2002, the General Meeting of Shareholders approved dividends of 3 Rubles 50 Kopecks per share. The total amount of approved dividends were equal to 195.97 million Rubles. According to the results of 2003, the General Meeting of Shareholders approved dividends of 1 Rouble and 75 Kopecks per share of 1 Rouble nominal value for the total amount of 122.48 million Rubles. For the results of 2004, the General Meeting of Shareholders approved dividends of 1 Rouble per share of nominal value of 1 Rouble for the total amount of 69.989 million Rubles. According to the results of 2005 the General Meeting of Shareholders approved dividends of 1 Rouble 50 Kopecks per share of nominal value of 1 Rouble for the total amount of 163.5 million Rubles. According to the results of 2006, the General Meeting of Shareholders approved dividends in the amount of 1 Rouble 20 Kopecks per share of nominal value of 1 Rouble for the total amount of 130.8 million Rubles. Despite the decrease of net income according to the results of 2007, the dividends value recommended by the Board of Directors (Minutes No. 14/07-08 of April 28, 2008), was



Table No. 8. The dividend dynamics of OJSC «IC RUSS-INVEST»

Year	2000	2001	2002	2003	2004	2005	2006	2007*
Dividend per one share (Rubles)	1,51	-	3,50	1,75	1	1,5	1,2	1

Source: **OJSC «IC RUSS-INVEST»**

* – the dividend amount recommended by the Board of Directors (Protocol No. 14/07-08 of April 28 2008). The given proposal is subject to approval by the General annual meeting of shareholder of June 6, 2008.

1 Ruble. The aforementioned proposal is subject to the approval of the General Annual Meeting of Shareholders of June 6, 2008. (Table No. 8.)

Unfortunately, many shareholders do not inform the registrar of «IC RUSS-INVEST» about changes of their location and passport information on time. As a result, the Company dividend debt is growing and the expenditure on information processing and dividend payment is increasing.

Existing risks and measures taken for their reduction

OJSC «IC RUSS-INVEST's» business activities and, subsequently, the company itself, are subject to different risks: the market, calculation, credit, currency, operation, etc. The Russian securities market depends on the state of the world economy. In the case of economic recession in developed countries, the fall of the world stock exchange index and the worsening of the social economic and political situation inside Russia, the critical price collapse on the world market of raw materials and metals, the situation on the Russian stock exchange market might worsen, which could lead to the price collapse of Russian securities. In the event of an economic recession in the country, some corporate debtors may refuse to repay their debts (in particular, not to pay the bonds they have issued on time), which could lead to a decrease in the Company's income. The risk of reduction in liquidity exists because of a decrease in the amount of free float, caused by a large scale of share purchase by strategic investors. The worsening of the situation on the market of securities may lead to the refusal of some contra agents to fulfill their obligations and, therefore, to the company's prejudice.

In order to minimize the existing risks in the company, the Committee of the Board of Directors for risk management was set up which develops a system of risk management and establishes the procedure of risk management. This Committee sets the provisions and internal regulations for risk management as well as establishing procedures to monitor deviations from the norm. During the meetings the committee examines the company risk status by way of observing the established norms for the accounting period, their changes, and then discuss the proposals of the committee members for increasing the efficiency and the control of risk management, and producing recommendations for the company management.

Where signs of economic recession are visible, the Company first of all will change the structure of its own securities portfolio. In this case the company

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The increased volatility of the stock exchange market demanded enforced control over the risks of current operations. For these purposes, starting from 2005 the Company started to use methods of risk evaluation based on the value calculation «Value-at-Risk» (VaR) for the portfolio of liquid shares.

shall decrease the investment share into the shares and securities of the Russian companies and shall increase the investment share into state securities with short terms of payment (up to one year) and short term deposits.

In order to prevent damages, which can appear when corporate debtors refuse the timely payment of their obligations, the company shall establish a borrowing limit for each debtor.

In the case of an aggravated market situation, OJSC «IC RUSS-INVEST» shall revise the limits and shall decrease the share of investments in corporate obligations as well as taking all necessary measures to pay the debt up to court dispute of poor debtors. In order to control the calculation and the operational risks, the company finds it necessary to examine, periodically, the limits for its contra agents. In the event that we suspect the financial situation of a contra agent, the company shall close the limit and stop the transactions with it. In the case of a rise in currency risks and an accelerated depreciation of the Ruble, the Company shall change the structure of its assets and shall increase the share of foreign currency and currency instruments in order to prevent the depreciation of its own assets. Furthermore, the Company is taking measures for hedging its assets. In the case of a nominal and real strengthening of the Ruble, the company shall take reverse actions and shall reduce the share of currency assets in its portfolio.

The increased volatility of the stock exchange market demanded enforced control over the risks of current operations. For these purposes, starting from 2005 the Company started to use methods of risk evaluation based on the value calculation «Value-at-Risk» (VaR) for the portfolio of liquid shares. The VaR indicator for asset or portfolio stipulates the maximum volume of loss (in Rubles or % of the asset or portfolio cost) which can be received with certain probability where the instrument liquidity level (the period of asset or portfolio ownership) and the market behavior pattern are present.

The VaR asset is calculated on the basis of asset quotation history for a certain period (the depth of the settlement period). The aforementioned indicator is used for the identification of the trade portfolio structure from the point of view of profitability for the calculated risk level and shows the potential volume of loss in the case of disadvantageous fluctuations in the state of the market. The VaR calculation is done for the portfolio of more liquid shares («blue chips»), the limits for which are about 55-60% of the asset cost of OJSC «IC RUSS-INVEST». The risk evaluation method with the help of VaR indicator considers the provisions, recommended by the Basel Committee («Basel II»). For risk control and

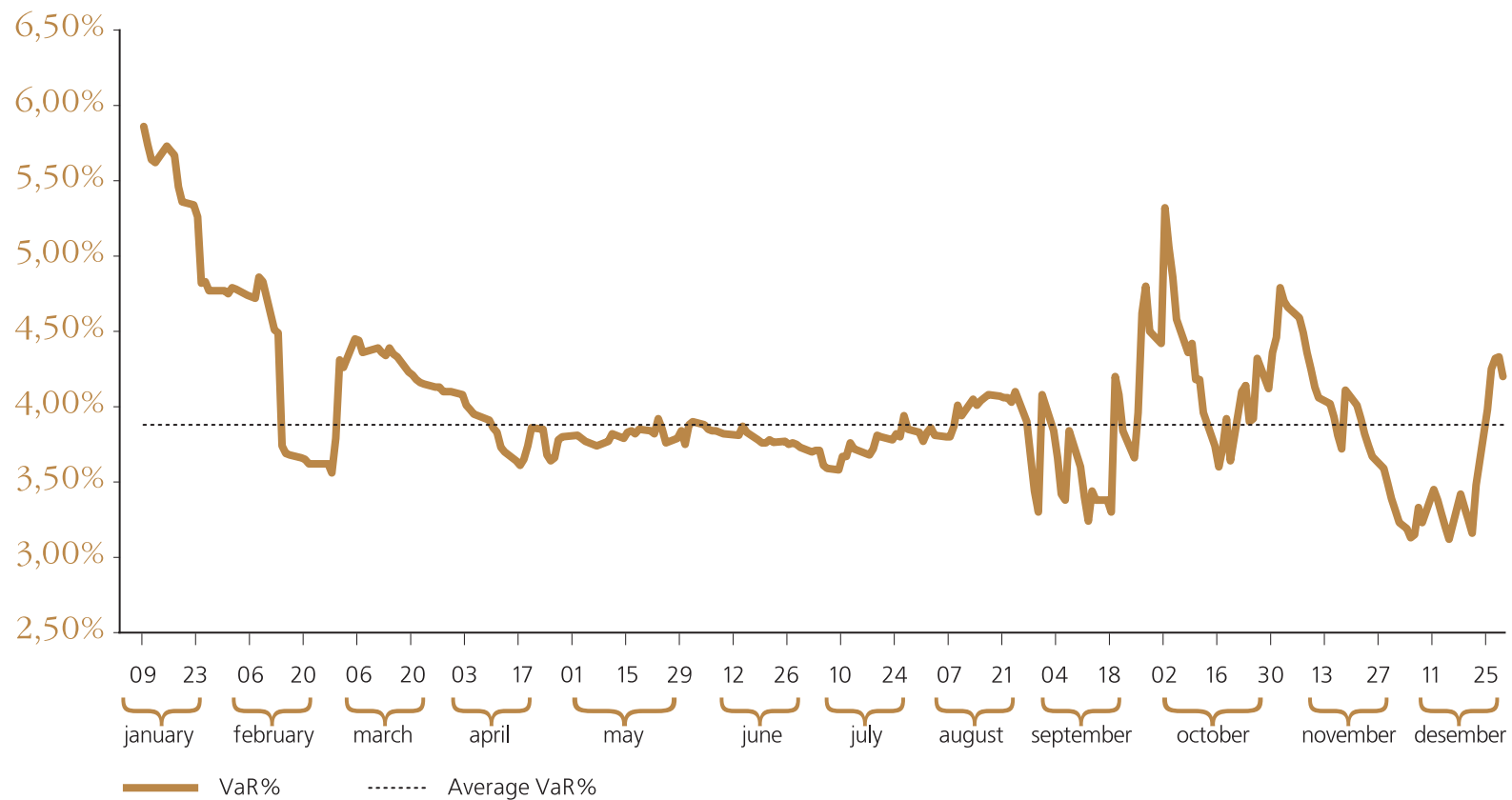


management in the company, the VaR of share portfolio and securities of the company is regularly calculated with the help of «Risk-Terminal» training. The VaR evaluations are used to identify an optimal size of stop-loss while considering the RAROC method of indicator maximization. This method stipulates the VaR estimation, portfolio testing with the help of different models and recommendations for stop-loss on traded positions. The aforementioned method was formulated in the internal regulation activities and the risk management Committee and was approved at the Committee meeting. From January 2007, corporate securities have been included in the VaR calculation for the company investment portfolio. For this purpose, a special analytical block was included in PO «Risk-Terminal». The consultations of the Committee members for risk management of OJSC «IC RUSS-INVEST» were used for its elaboration.

The average VaR of share portfolio and securities for 2007 was 3.87% of the portfolio cost (fluctuations range from 3.12% to 5.86%) compared to the risk level for 2006 of 4.176%. For the period examined (69 of 250 trade days) the VaR portfolio exceeded the average rate (27.6%). The growth of risk portfolio indicator for July-October 2007 is explained by high market volatility during the indicated period. (Figure No. 12)



Figure No. 12. The dynamics of «blue chips» VaR portfolio of OJSC «IC RUSS-INVEST» in 2007 (%)



Source: OJSC «IC RUSS-INVEST» calculations



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Shareholder Relations and the Company's Stock Market

The Company pays significant attention to relations with shareholders. Our web site www.russ-invest.com, which contains information about our business, is regularly updated in order to provide shareholders with current information about operating results and significant corporate events. On the web site such documents as the «IC RUSS-INVEST» Charter, internal documents of the Company: Regulation on meetings, Regulation on dividend policy, Regulation on informational policy of «IC RUSS-INVEST», Regulation on Board of Directors and other internal documents are transparent and open.

The necessary information about the Company's functions, notifications about General Shareholder Meetings, voting bulletin, decisions of the GSM, reports on the financial activities of the Company are published in «Trud» newspaper.

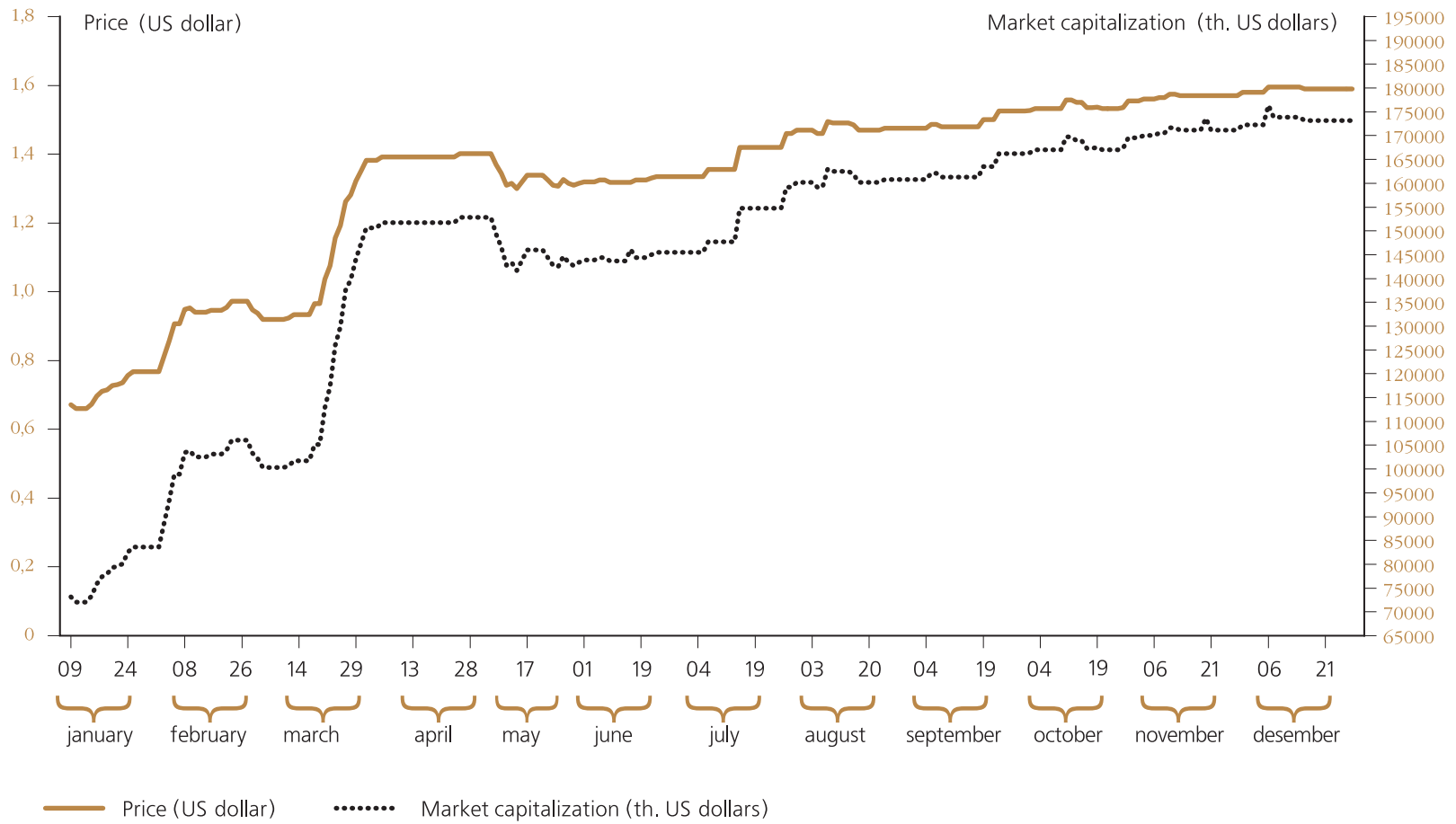
«IC RUSS-INVEST» is one of the few joint stock companies to give a wide spectrum of legal information, not to mention explaining and consulting shareholders on questions of current legislation (Federal Law «On joint stock companies», FL «On securities market», «The Taxation Code of the Russian Federation, and the Civil Code of the Russian Federation»).

Where requested, the Company provides full information about its activities to funds to protect investors and shareholders rights. In 2007, the Company received 3617 letters from shareholders, 2544 of them were provided with answers (the other 1073 were documents sent by shareholders), more than 4000 requests by phone, approximately 300 personal shareholder visits.

The tasks of the employees, who deal with shareholder's requests, include solving complicated issues concerning cooperation between company and shareholders, as well as sending requests for payment of dividends and necessary documents for making changes to the shareholder register. They also make additional requests to the trade register, to the postal offices, banks, etc.

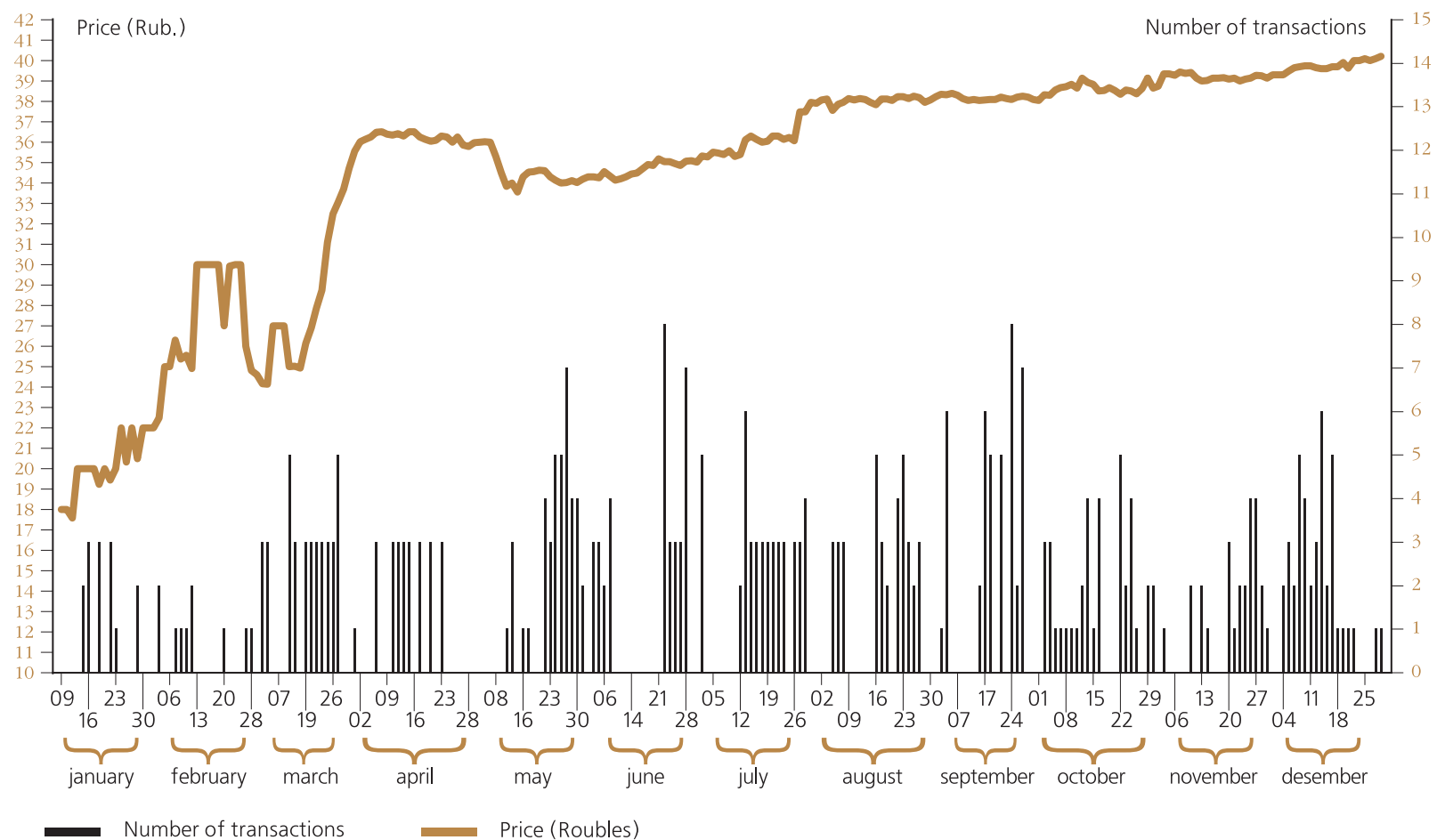


Figure No. 13. The dynamics of share price of OJSC «IC RUSS-INVEST»
on the OJSC «RTS» Classical market in 2007



Source: **RTS**

Figure No. 14. The price of OJSC «IC RUSS-INVEST» shares on the OJSC «RTS» Stock Exchange market



Source: **RTS**

The committee for work with shareholders, which examines shareholder requests, was created within OJSC «IC RUSS-INVEST» to better cooperate with shareholders.



The Committee for work with shareholders, which examines shareholder requests, was created within «IC RUSS-INVEST» to better cooperate with shareholders.

The issues of dispute between shareholders and the Company are transferred to the Committee for examination, detailed check and providing a final decision according to legislation and internal regulations of the Company.

In 2007, the market of «IC RUSS-INVEST» shares continued to develop actively. The market capitalization by the end of 2007 reached 4.35 billion Rubles based on the growth of trading turn-over. These results confirm a real increase in the liquidity level of «IC RUSS-INVEST» equities and suggest essential growth of investment attractiveness of the equities for potential investors.

From June 2006, «IC RUSS-INVEST» shares were put on the market at the oldest organized securities market of Russia – The Classical market at OJSC «RTS» (in division list «Securities, admitted to trading, but not included in the quotation lists», equities code OJSC «IC RUSS-INVEST» on the classical market RTS – RUSI (Figure No. 13)

From June 28, 2006 trading with «IC RUSS-INVEST» equities started on the Stock exchange market of RTS. The «IC RUSS-INVEST» ordinary shares were added to the list of securities admitted to trading on RTS, but not included on any Quotation lists. From March 2007, OJSC «IC RUSS-INVEST» equities are moved to the quotation list «B» at RTS Classical and Stock exchange markets. The code of «IC RUSS-INVEST» equities on the RTS Stock exchange is RUSIG. (Figure No. 14)



Adherence to the Corporate Code

The Corporate Code of Conduct is at present in use within the Company, and it corresponds to the recommendations of the Russian Government for the application of a corporate code of conduct. The current Charter of the Company and the internal normative documents («Regulation on the order of convening and holding the General meeting of shareholders of OJSC «IC RUSS-INVEST», «Statute of President – General Director of OJSC «IC RUSS-INVEST», «Regulation on the activities of the audit commission», «Regulation on dividend policy») correspond entirely to the principles of corporate framework, which are laid down in the Code. The management of the Company pays great attention to maintaining high standards of corporate management.

Improving the internal standards of corporate management is an integral part of our long-term strategy, aimed at the growth of financial results, the growth of shareholder capital price and investment yield in the equities of the Company. Thus, primary attention is paid to settling the following issues:

The achievements of OJSC «IC RUSS-INVEST» in advancing progressive standards were recognized by leading country and international rating agencies.

- To improve the procedure of conducting General Shareholder Meetings, meetings of the Board of Directors and executive authorities of divisions.
- To improve the information transparency of business, including prominent transactions.
- To improve the system of information disclosure and systems of internal control.
- To strengthen the Board of Directors role in taking advantage of the institute of independent directors and the work of the Board of Directors Committee.
- To implement the system for regular accountability of the executive bodies of the Company for the Board of Directors and for General Meeting of Shareholders.
- To establish clear dividend policy and develop strategies, which are clear for the shareholders understanding.
- Adoption of the internal Code significantly changed some corporate procedures. The results are:
- Improvement of procedure in strengthening requirements, accountability and the procedure of appointing the President-General director of the Company.

According to the results of 2007, OJSC «IC RUSS-INVEST», for the second year in a row, was awarded in the small/mid cap category as a company with the Best Corporate Governance Practices by technical criteria in the 2008 edition of IR Global Ranking.

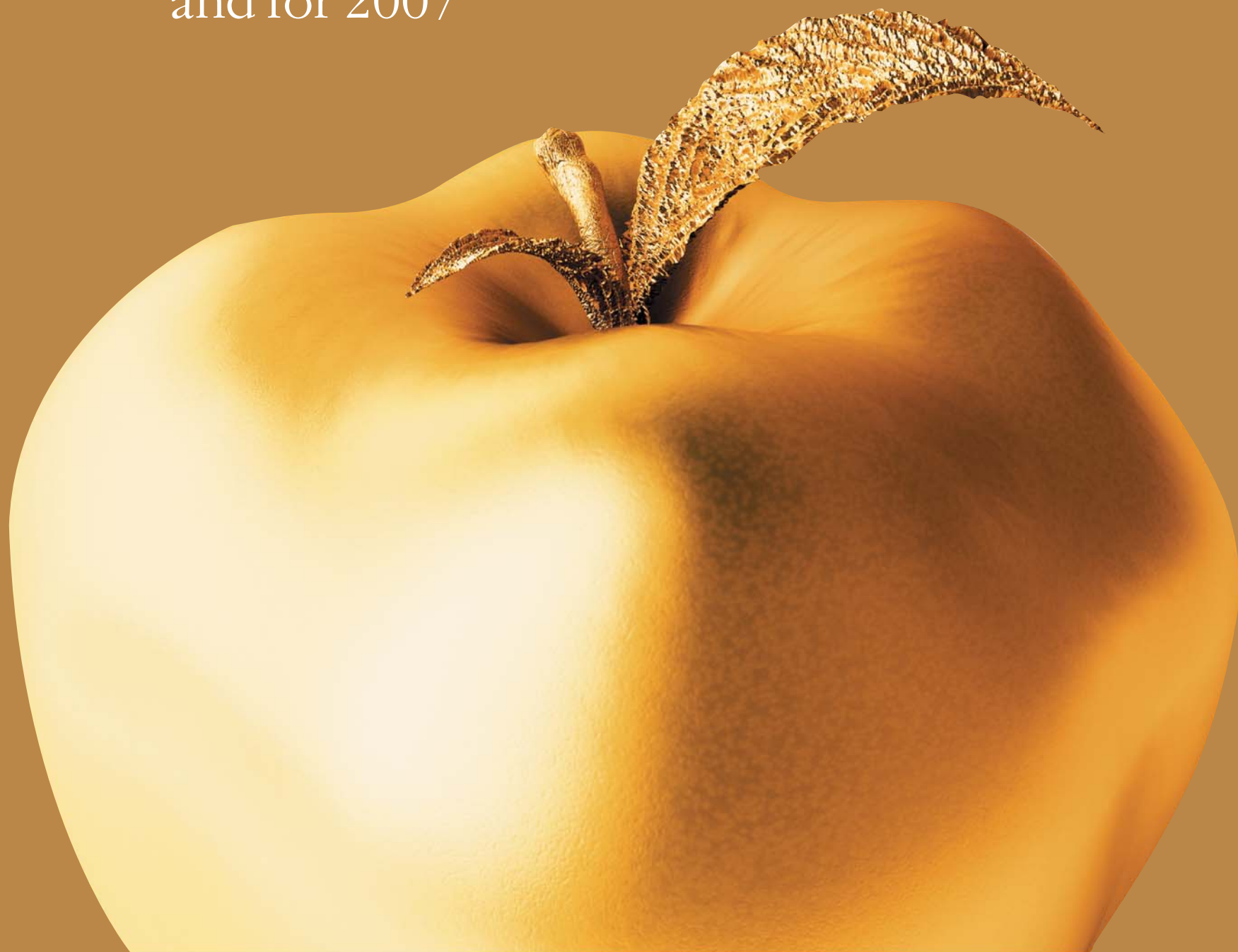


- The level of control and management of the Board of Directors has increased.
- The independence of the Board of Directors has increased, consisting of two independent directors.
- The functions of the corporate secretary have significantly expanded.
- There are five Committees of Board of Directors: the Committee for finance and audit, the Committee for strategic planning, the Committee for risk management, the Committee for human resources and compensation, and the ethics Committee.

The achievements of «IC RUSS-INVEST» in providing progressive management standards were recognized by leading country and international rating agencies. According to the results of 2007, «IC RUSS-INVEST», for the second year in a row, was awarded in the small/mid cap category as a Company with the Best Corporate Governance Practices by technical criteria in the 2008 edition of Investor Relations Global Rankings. IR Global Rankings – 10th edition (2008) of Investor Relations Global Rankings with 160 participants from seven areas of economy, from 32 countries of the world. The evaluation criteria are based on an internationally recognized methodology which is transparent and widely available. In July 2007, the Consortium of Russian institute of directors and «Expert RA» rating agency – «RID – Expert RA» – has raised the rating of corporate management of «IC RUSS-INVEST» up to level National Corporate Governance Rating 7+ – «Advanced practice of corporate management» according National rating of corporate management scale.

The Board of Directors intends to further improve both the normative basis and the procedures defining the cooperation between the management and the shareholders with the purpose of better protecting shareholder rights and interests.

Consolidated
Financial Statements
up to 31st December, 2007
and for 2007



To the executive office / shareholders
OJSC «INVESTMENT COMPANY IC RUSS-INVEST»
Independent Auditor's Report on the financial statements
for 2007 year

(10) We have carried out the audit of the attached accounting report of OJSC «INVESTMENT COMPANY IC RUSS-INVEST» (made on March 6, 2008) for 2007. This report is prepared by the executive office of OJSC «INVESTMENT COMPANY IC RUSS-INVEST» based on the principles and methods of accounting and the preparation of accounting reporting, established by the normative legal acts of the Russian Federation.

(11) The accounting reporting of OJSC «INVESTMENT COMPANY IC RUSS-INVEST» is composed of:

- The balance statement;
- The profit and loss statement;
- The attachment to the balance statement and the profit and loss statement;
- Explanatory note.

(12) The responsibility for the preparation of reporting is carried out by the executive office of OJSC «INVESTMENT COMPANY IC RUSS-INVEST». Our obligation is to express an opinion on the basis of the out audit carried concerning the authenticity of the reporting in all aspects and the conformity with accounting legislation of the Russian Federation.

We have carried out the audit according to the:

- Federal law of Russian Federation of August 7, 2001 No. 119-FL «On audit activities»;
- Federal rules (standards) of audit activities;
- Internal rules (standards) of audit activities Regulatory Legal Act «Institute of professional auditors» (IPA) in particularly, not contradicting the federal rules (standards) of audit activity;
- The rules (standards) of audit activity of LLC «Baker Tilly Russaudit»;
- The normative acts of the Ministry of finance of Russian Federation and based on the concluded contract with OJSC «INVESTMENT COMPANY IC RUSS-INVEST» on September 4, 2007 No. 762/2007A.

(14) The audit was planned and carried out to receive sufficient confidence, that the attached accounting reporting does not contain significant distortions. The audit was carried out selectively and included the study of results testing, confirming the ratios in the reporting and the disclosure of financial and economic activity information, the estimation of the principles and methods of accounting, the rules of the preparation, of reporting examination of main accounting forecasts, received by the management of the audited Company, as well as the evaluation of now reports are (to be) presented. We believe that the audit serves as sufficient base for the expression of our opinion concerning the authenticity of the attached reporting and the conformity with accounting legislation of Russian Federation.

(15) In our opinion, the reporting for 2007 is fair and true and prepared to provide the reflection of the assets and equities of OJSC «INVESTMENT COMPANY IC RUSS-INVEST» in all aspects on December 31, 2007 and the financial results of its activities from January 1 to December 31, 2007, as well as according to the requirements of Federal law of November 21, 1996 No. 129-FL «On accounting reporting».

Moscow, March 25, 2008
LLC «Baker Tilly Russaudit»;

General director

E.V. Samoilov
(Auditor qualification certificate
No. K017948 of August 5, 2004 (Protocol No. 94 of June 28, 2001)
Issued for unlimited term)

Manager

E.V. Shirokova
(Auditor qualification certificate
No.K020502 of November 29, 2004 (Order No. 330 of November 29, 2004)
Issued for unlimited term)
(Auditor qualification certificate for right of stock market audit,
Non-budgetary funds and investment institutes
No. K027079 of January 12, 2007 (Order No. 16 of January 12, 2007)
Issued for unlimited term)

2007 Financial Statements of OJSC «IC RUSS INVEST»

Accounting balance

ASSETS	Index code	For beginning of accounting period	For end of accounting period	Information disclosure
1	2	3	4	5
I. FIXED ASSETS				
Intangible assets	110	212	188	f.5 page 010+040 gr.6-050gr.4
Permanent assets	120	10610	12789	f.5 page 100 gr.6- 140 gr.4
Unfinished construction	130	—	—	
Investment profit in tangible assets	135	—	—	
Long term financial investments	140	402294	453428	f.5 page 540 gr.4, PZ R 11
Investments in filial companies	141	250383	251736	
Other long term financial investments	142	151911	201692	
Deferred tax asset	145	184	333	
Other fixed assets	150	—	—	
TOTAL for I Section	190	413300	466738	
II. WORKING ASSETS				
Reserve	210	6158	6957	GOR-12
Including: raw materials and other analogical valuables	211	847	1192	GOR-12
Rearers and fatteners	212	—	—	
Work in progress expenses	213	—	—	
Ready product and goods for resale	214	—	—	
Shipped goods	215	—	—	
Expenses of future periods	216	5311	5765	GOR-12
Other reserves and expenses	217	—	—	
VAT for accrued valuables	220	—	—	

1	2	3	4	5
Accounts receivable (payments expected in more than 12 months after the accounting date)	230	10	3645	f.5 page 618 gr .4 GOR-14
Including clients and customers	231	—	—	
Accounts receivable (payments expected within 12 months after the accounting date)	240	41805	69528	f. 5 page 610 gr .4 GOR-14
Including clients and customers	241	474	43243	f. 5 page 611 gr .4 GOR-14
Issued advance	242	1822	6718	f. 5 page 612 gr .4 GOR-14
Short term financial investments	250	4123907	3706544	f.5 page 540 gr. 4
Cash assets	260	197242	596496	f.4 page 600
Other working assets	270	23899	21598	GOR-13
TOTAL for II Section	290	4393018	4404768	
BALANCE	300	4806318	4871506	

LIABILITIES	Code	For the beginning of accounting period	The end of the accounting period	Information disclosure
1	2	3	4	5
III. CAPITAL AND STOCK				
Nominal capital	410	109000	109000	f.3 page 140.gr. 3
Own shares, bought from shareholders	415	–	–	
Additional Fund	420	376294	376294	f.3. page 140 gr.4
Reserve Capital	430	87486	109000	f.3. page 140 gr.5
Including:				
reserves, formed according to the legislation	431	43743	54500	f.3. page 140 gr.6
Reserves, formed according to the constituent documents	432	43743	54500	f.3. page 140 gr.6
Undistributed revenue (unrecovered loss) Of former years	470	3767238	3612924	f. 3 page (100- 103-106+107-110) gr. 6
Undistributed revenue (unrecovered loss) Of accounting year	471		6516	f.3 page 105 gr. 6
TOTAL for section III	490	4340018	4213734	f.3 page 140 gr. 7
IV. LONG TERM OBLIGATIONS				
Loans and credits	510	–	–	
Postponed tax obligations	515	503	580	f.5 page 625 gr.4
Other long term obligations	520	–	-	
TOTAL for section IV	590	503	580	
V. SHORT TERM OBLIGATIONS				
Loans and credits	610	–	–	
Accounts payable	620	112616	252586	f.5 page 620 gr.4
Including suppliers and contractors	621	455	30	f.5 page 621 gr.4
Received advance	622	–	174	f.5 page 622 gr.4
Debts for the organization personnel	623	–	22	
Debts for the state off-budget funds	624	–	–	

Debts for tax collections	625	22189	68183	f.5 page 623 gr.4
other creditors	626	89972	184177	
Debt for the shareholders on profit payment	630	353181	404606	
Income of future periods	640	–	–	
Reserve of future expenses	650	–	–	
Other short term obligations	660	–	–	
TOTAL for section V	690	465797	657192	
BALANCE	700	4806318	4871506	

Profit and loss statement for 2007

Indicator	Code	For accounting period	For analogical period of last year	Information for accounting period
1	2	3	4	5
Income and Revenue for regular types of activities				
Profit (net) from sale of goods, product, work, services (minus VAT, excise tax and other obligatory payments)	010	32864179	49755523	PWA-20
Including from sale of Corporate security – shares	011	27467517	41916149	
Corporate securities	012	4483306	6595374	
Municipal securities	013	909306	1222583	
Other services	014	4050	21417	
Prime cost of sold goods, products, works, services	020	-32610881	-49396967	PWA-20
Including from sale of: Corporate security – shares	021	-27090438	-41578461	
Corporate securities	022	-4591084	-6595349	
Municipal securities	023	-929359	-1222710	
Other services	024	()	-447	
Gross profit	029	253298	358556	PWA-20
Commercial expenses	030	–	–	
Management expenses	040	-176878	-119843	PWA-20, f. 5 page 760
Profit (loss) from sales	050	76420	238713	PWA-20
Other expenses and revenue				
Interest receivable	060	253941	336308	PWA-20
Interest payable	070	-111175	-174188	PWA-20
Income from participation in other organisations	080	20589	6473	PWA-20
Other profits	090	1093336	1042474	PWA-20
Other expenses	100	-1212769	-677391	PWA-20

1	2	3	4	5
Profit (loss) before taxation	140	120342	772389	PWA-20
Postponed tax assets	148	148	150	PZ P-20
Postponed tax obligations	149	-76	-125	PWA-20
Profit tax and other obligatory payments	150	-113898	-117459	PWA-20
Current tax profit	150a	-113865	-117459	
Tax for operations with municipal securities	1506	-33	0	
Net profit (loss) of the accounting period	190	6516	654955	PWA-20, f.3 page 105 gr.6
INFORMATION				
Permanent tax obligations (assets)	201	84964	67939	
Conditional expense (income) for tax/profit	202	28862	185373	
Base profit (loss) per share	203	—	—	
Overcapitalized profit (loss) per share	204	—	—	

*Transcript
of other profit and loss*

Indicator	code	For accounting period		For analogical period of last year	
		profit	loss	profit	loss
1	2	3	4	5	6
Penalties and sanctions, recognized or by court decision (arbitration court) of their collection	210	288	9	1823	5
Profit (loss) of former years	220	5	6	–	–
Compensation of losses caused by non execution or improper execution of obligations	230	–	–	–	–
Rate exchange difference for foreign currency operations	240	271	379	57	361
Charges and assessed reserves	250	x	–	x	–
Write off of accounts payable and receivable, with invalid time limit	260	–	–	–	–

Report on change of capital for 2007

I. Change of Capital

Indicator	code	Nominal capital	Additional capital	Reserve capital	Undistributed profit (uncovered loss)	Total
1	2	3	4	5	6	7
Balance for December 31, 2005 anterior to last year	010	87 486	376 294	69989	3295283	3829052
2006 (last year)						
Changes in the accounting policy	011	x	x	x		
Revaluation surplus of fixed assets	012	x		x		
		x				
Balance for January 1, of previous 2006 year	020	87 486	376 294	69989	3295283	3829052
Recalculation result of foreign currencies	023	x		x	x	
Net profit	025	x	x	x	654955	654955
Dividends	026	x	x	x	-163500	-163500
Allocation for compensation of the Board of directors	030	x	x		-2000	-2000
Reserve fund allocation	041		x	17497	-17497	
Capital growth on the bases of:						
Additional emission of shares		21514				21514
Growth of share nominal value	042		x	x	x	
Reorganization of juridical entity	043		x	x		
Capital diminution based on:						
Nominal share reduction	051	()	x	x	x	()
Deduction of share quantity	052	()	x	x	x	()
Reorganization of juridical entity	053	()	x	x	()	()
Balance for December 31, former 2006 year	060	109000	376294	87486	3767241	4340021

1	2	3	4	5	6	7
2007						
Accounting year Changes in the accounting policy	061	x	x	x		
Revaluation surplus of debt in conditional units	063	x			-3	-3
Balance for January 1	100	109000	376294	87486	3767241	4340021
Revaluation of foreign currency	103	x		x	()	()
Net profit	105	x	x	x	6516	6516
Dividends	106	x	x	x	-130800	-130800
Allocation for compensation of the Board of directors	107	x	x	x	-2000	-2000

Form 0710003 p.2

1	2	3	4	5	6	7
Payments into the reserve fund	110	x	x	21514	-21514	
Capital growth based on:						
Additional emission	121	0	x	x	x	0
Growth of share nominal value	122		x	x	x	
Reorganization of the legal entity	123		x	x		
Capital reduction on the basis of:						
Reduction of share nominal value	131	()	x	x	x	()
Reducing the share quantity	132	()	x	x	x	()
Reorganization of the legal entity	133	()	x	x	()	()
Balance for December 31, of the 2007 accounting year	140	109000	376294	109000	3619440	4213734

II Reserves

Indicator	Code	Balance	Received	Used	Balance
1	2	3	4	5	6
Reserves formed according to the legislation:					
Reserve Fund (Reserve denomination)					
Information for 2006	150	34995	8748	()	43743
Information for 2007 accounting year	151	43743	10757	()	54500
Reserves formed according to the Constituent documents:					
(Reserve denomination)					
Information for 2006	160	34994	8749	()	43743
Information for 2007 accounting year	161	43743	10757	()	54500

Certificates

Indicator	Code	Balance for beg. acc. period		Balance for the end acc. period	
1	2	3		4	
1) Net assets	200	4340018		4213734	
		From the budget		From non-budgetary funds	
		For the acc. period	For last year	For the acc. period	For last year
		3	4	5	6
2) Received on:					
Expenses for ordinary types of activities – total					
Capital investments in fixed assets					

Report on flow of funds for 2007

Indicator	Code	For the acc. period	For similar period of last year
1	2	3	4
Cash balance for the beginning of the accounting year	010	197172	671884
Cash flow for current activity			
Resources received from clients/customers	050	33088160	50086734
Other revenue	110	14456	2748115
Cash directed at:			
Payment of purchased goods, works, services, raw materials and other circulating assets	150	(32300711)	(49890729)
For salaries	160	(61601)	(65138)
For payment of dividends	170	(79375)	(131934)
For tax and revenue estimations	180	(85064)	(124284)
For other expenses	190	(154952)	(3126618)
Net cash from current activity	200	420913	(503854)
Cash flow for investment activity			
Profit from sale of permanent asset objects and other fixes assets	210		
Profit from securities sale and other financial investments	220		
Received dividends	230	20589	6472
Received interest	240	18	1866
Collections from loan payment, issue to other organizations	250		
Purchase of filial companies	280	(9617)	()
Purchase of permanent assets objects, profit investments in material values and non material assets	290	(7579)	(1179)

1	2	3	4
Purchase of securities and other financial investments	300	(25000)	()
Loans granted to other organizations	310	()	()
Net cash from investment activity	340	(21589)	7159
Cash flow on financial activity			
Revenue from share emission or other securities	410		21843
Revenue from loans and credits granted to other organizations	420		270210

Form 0710004 p.2

1	2	3	4
Payment of loans and credits	450	()	(270000)
Payment of financial rent obligations	460	()	()
Net cash from financial activity	490		22053
Net growth (reduction) of cash and their equivalents	500	399324	(474642)
Balance for the end of accounting period	600	596496	197242
The change of foreign rate exchange compared to Ruble	610	(27777)	8

Attachment to the accounting balance for 2007

Intangible assets

Indicator	Code	Balance beginning acc. year	Received	Withdrawn	Balance at the end of acc. year
1	2	3	4	5	6
Objects of intellectual property (exclusive rights for the results of intellectual property) including:	010	105		()	105
patentee for invention, industrial sample, useful model	011			()	
Patentee for PC programs, data base	012			()	
Patentee for integrated circuit topographies	013			()	
Trade mark and trade service owner, name of the goods manufacturer	014	105		()	105
Patentee for selective breeding results	015			()	
Organizational expenses	020			()	
Company business reputation	030			()	
Other	040	258		()	258

Indicator	Indicator	Beginning of the accounting year	End of the accounting year
1	2	3	4
Amortization of intangible assets – total	050	151	175
Including			
Trade mark	051	28	39

Fixed Assets

Indicator	Code	Balance for the beginning. acc. year	Received	Withdrawn	Balance for the end of acc. year
1	2	3	4	5	6
Premises	100-1			()	
Constructions and transfer mechanisms	100-1a			()	
Machines and equipment	100-2	17126	2016	()	19142
Transportation	100-3	8028	4030	()	12058
Industrial and economic inventory	100-3a			()	
Draught animal	100-3b			()	
Productive livestock	100-3c			()	
Multi year plantation	100-3d			()	
Other Fixed Assets	100-3e	291	21	(22)	290
Land lots and natural resources objects	100-4			()	
Capital investments in improvement of land	100-4a			()	
Total	100	25445	6067	(22)	31490

Indicator	Code	For the beginning acc. year	For the end of acc. year
1	2	3	4
Amortization of permanent assets – total	140	14835	18701
including:			
buildings and constructions	141		
Machines and equipment	142	11394	13565
Transportation	143	3210	4901
Other	144	231	235
Permanent asset objects transferred for lease - total	150		
including:			
buildings			
constructions			
Permanent asset objects transferred for conservation	155		
Permanent asset objects received in lease – total	156		
including:			
Real estate object, received in exploitation and being under process of state registration	160		
	Code	For the beginning acc. year	For the beginning of previous year
Information.	2	3	4
The results on overestimation of the permanent asset objects:	170		
Primary cost	171		
Amortization	172		
	Code	For the beginning acc. year	For the beginning of previous year
	2	3	4
The change of the permanent asset objects cost as a result of completion, equipment, reconstruction, partial liquidation			

*Income bearing investments
intangible assets*

Indicator	Code	Balance beg. acc. year	Received	Withdrawn	Balance for the end of acc. period
1	2	3	4	5	6
Property for leasing	180			()	
Property issued under lease contract	190			()	
	200				
Other	210			()	
Total				()	
	Code	For beg. acc. year	For end acc. year		
1	2	3	4		
Amortization of profit investments in tangible assets	200				

*Expenses for scientific,
research, construction
and technological works*

Work types	Code	Balance for beg. acc. year	Received	Written off	Balance for end of acc. period
1	2	3	4	5	6
Total	310			()	
Information. Expenses for unfinished scientific, research, construction and technological works [Type a quote from the document or the summary of an interesting point. You can position the text box anywhere in the document. Use the Text Box Tools tab to change the formatting of the pull quote text box.] The amount which didn't give			Code	Beg. acc. year	End of acc. year
			2	3	4
			320		
			Code	For accounting period	For analog period of last year
			2	3	4

Financial provisions

Indicator	Code	Long term		Short term	
		For beg. of acc. period	For end of acc. period	For beg. acc. year	For the end of acc. year
1	2	3	4	5	6
Investment in nominal (reserve capital of other org. – total	510	279431	305565		
Including filial and depending economic societies	511	279431	280785		
State and municipal securities	515				
Securities of other org. – total	520	1713	1713	4123907	3706544
Including debt securities (obligations, bankable securities)	521			1422784	1649830
Issued loans	525				
Deposit investments	530				
Other (Investment funds)	535	121150	146150		
Total	540	402294	453428	4123907	3706544
The financial investments of the total amount, which have current market price:					
Investments in nominal (reserve) capital of other organizations – total	550				
Including filial and depending economic societies	551				
State and municipal securities	555				

1	2	3	4	5	6
Securities of other org. Total	560			3724613	3448453
Including debt securities (obligations, bankable securities)	561			1109527	1349761
Other	565				
Total	570			3724613	3448453
Information.					
For financial investment, with current market price, change of price as a result of evaluation correction	580			939825	519117
For debt securities between initial cost and nominal cost is reflected on the financial result of the accounting period.	590				

Accounts receivable and payable

Indicator	Code	Balance for beg. acc. year	Balance for end acc. year
1	2	3	4
Accounts receivable:			
Short term – total	610	41805	69528
including:			
settlements with client and customers	611	474	43243
Issued advance	612	1821	6718
Tax and collections	613	15482	7212
Other	614	24028	12355
Long term – total	615	10	3645
including:			
settlements with client and customers	616		
Issued advance	617		
Other	618	10	3645
Total	619	41815	73173
Accounts payable:			
Short term – total	620	112616	252586
including			
settlements with suppliers and contractors	621	455	30
Received advance	622		
Settlements for tax and collections	623	22189	68183
credits			
loans			
Other	624	89972	184199
Long term – total	625	503	580
including:			
credits	626		
loans	627		
Total	630	113119	253166

*Expenses for usual types
of activities (by cost elements)*

Indicator	Code	For accounting year	For previous year
1	2	3	4
Material costs	710	1295	1171
Salaries	720	75191	64893
Social needs allocations	730	8093	6646
Amortization	740	3916	3292
Other expenses	750	88383	43841
Total for cost elements	760	176878	119843
Balance change (growth (increase +, reduction -) of:			
Unfinished production	765		
Expenses of future periods	766	454	7596
Reserve of expected expenses	767		

Explanatory note to the accounting balance sheet for 2007

1. General information about the organization

Name of the Company OJSC «Investment Company IC RUSS-INVEST»

Date of registration: December 03, 1992

Tax ID (INN) 7704081545

OSRN (Reg N) 1027739662796

Legal address: 119034, Moscow,
2 Vsevoloskiy lane, building 2

Actual address: 119019, Moscow,
5-3/12 Nashiokinskiy lane, building 4

Subdivision: None

2. Company management bodies

The Company has the following management bodies: The general meeting of shareholders of the Company; The Board of Directors of the Company; the independent executive office (President – General Director) of the Company; collective executive body (Management) of the Company

3. Information about affiliated persons

Alexander Telmanovich Arutyunyan

is a member of the Board of Directors and a member of the joint executive body of the Company of the JSC

Vladimir Yurievich Alenichev

is a member of the joint executive body of the Company

Elena Nikolayevna Babko

is a member of the Board of Directors (supervisory council) of the JSC

Alexander Petrovich Bychkov

is a member of the Board of Directors (supervisory council) of the JSC, member of the joint executive body of the Company, carries out the functions of sole executive authority of the JSC

Lyubov Ivanovna Goncharenko

is a member of the Board of Directors (supervisory council) of the JSC

Lidiya Fedorovna Kapranova

is a member of the Board of Directors (supervisory council) of the JSC

Anatoliy Alexandrovich Porokhovskiy

is a member of the Board of Directors (supervisory council) of the JSC

Svetlana Mikhailovna Teplyashina

is a member of the Board of Directors (supervisory council) of the JSC, member of the joint executive authority of the JSC

Tatyana Mikhailovna Tipunina

is a member of the Board of Directors (supervisory council) of the JSC

Georgiy Alexandrovich Sumin

is a member of the Board of Directors (supervisory council) of the JSCa

OJSC «Berezka v Luzhnikah»

a subsidiary of the Company of CJSC «NOVODEVICHIIY», ownership ratio –99.93%

CJSC «NASHIOKIN»

a subsidiary of the Company, ownership share –65.71%

CJSC «NOVODEVICHIIY»

a subsidiary of the Company, ownership share –100%

CJSC «Management company RUSS-INVEST»

a subsidiary of «IC RUSS-INVEST», where the Company owns 100% of shares.

OJSC «Ryazanskiy plant of oil chemical products»

the company is classified as a dependent company from «IC RUSS-INVEST», where «IC RUSS-INVEST» share is 38,01%

ABR Financial B.V.,

ownership share – 100%

4. *Authorized Capital*

Volume of the Authorized Capital (in Rubles)::

109 000 000

Breakdown of the nominal capital by share categories:

Ordinary shares:

Total number (pieces): **109.000.000**

Share of Ordinary Stock in Authorized Capital: **100 %**

Preferred shares:

Total volume (Rubles): **0**

Share of Preferred Stock in Authorized Capital: **0 %**

OJSC «IC RUSS-INVEST» did not issue bonds.

The OJSC «IC RUSS-INVEST» shares are traded in the listing of the OJSC «RTS» stock exchange.

5. *Types of activities*

The main activities of the Company are the exclusive operations on the Russian securities market. The Company pays most attention to portfolio, thereby operating primary with corporate securities. The predominant type of activity is dealer activities.

OJSC «IC RUSS-INVEST» has the license of professional participant of the stock exchange market for:

Dealer activities No. 177-06312-010000 of December 10, 2002 without fixed validity;

Broker activities No. 177-06310-100000 of December 10, 2002 without fixed validity;

Depository activities No. 077-08757-000100 of November 29, 2005, without fixed validity;

The activities on securities management No. 077-08755-001000 of November 29, 2005, valid until November 29, 2008.

FCSM of Russia, by letter No. 04-sh-02/4961 of March 22, 2004 confirmed the conformity of OJSC «IC RUSS-INVEST» with the requirements, necessary to be observed for rendering financial consulting services on the securities market;

Broker intermediary, carrying out commercial futures and option transactions on stock exchange market No. 906 of November 8, 2006 valid until November 8, 2009.

The Company does not produce material goods or purchase and sale of goods.

6. Accounting policy and other information, concerning the financial accounting

For bookkeeping and tax accountability, OJSC «IC RUSS-INVEST» was guided in 2007 by the Accounting policy, approved by Order No. 102/2 of December 29, 2006. The accounting reports are formed by the organization in accordance with current accounting and reporting rules of the Russian Federation.

7. Profit per one share

The base profit per share was: 0.05978 Rubles.

Diluted earnings or losses per share: none

8. Permanent assets

The criteria of attributing objects to permanent assets and the method of amortization calculation are reflected in the Accounting policy of the company for 2007 year.

The amortization is calculated by the linear method.

The amortization expenses for accounting and tax accountability for permanent assets, put in to operation in 2007, were calculated based on «Classification of permanent assets, included in amortization groups».

The bonus depreciation was not implemented in the tax accountability.

9. Leasing operations

Leasing operation: none

10. Intangible assets

The criteria for attributing objects to intangible assets and the method of amortization calculation are reflected in the Accounting policy of the company for 2007.

On the «Intangible assets» account are considered:

intangible assets accepted on the company balance before January 1, 2001, which is before activation of PBU 14/2000 «Account of intangible assets», approved by Order of the MF RF of October 16, 2000 No. 91n.,

Trade mark (trade mark certificate (service mark) No. 270673 ,

Trade mark (trade mark certificate (service mark) No. 270674.

The calculation of amortization expenses for separate groups of intangible assets is calculated by the linear method.

11. Financial investments

During 2007, the securities portfolio demonstrated some changes. On January 1, 2008 it was **4,159,971** thousand Rubles,

long term financial investments –
453,428 thousand Rubles

Short term financial investments –
3,706,544 thousand Rubles.

The financial investments, with current market value, was **3,448,453** thousand Rubles.

The financial investments, which do not have a current market value was **711, 519**. During the realization and other elimination of securities the write off for expenses of the value of eliminated securities is carried out by the «FIFO» method (by initial value of first purchases or the last estimation according to PBU 19/02 «Accountability of financial investments»).

12. *Material-production stock*

The release of material production stock into production or other means of exploitation and is evaluated according to the prime cost of «FIFO's» prior purchased material production stock.

For the end of the accounting period the company stock (reserve) was **6 957 thousand Rubles**, including materials – **1,192 thousand Rubles**, the expense of future periods – **5,765 thousand Rubles**, including the software expenses – **4,390 thousand Rubles**, for trade mark development – **700 thousand Rubles**, for registration as Specialized calculation company on the Monetary market, Stock exchange market, Trade mark in OJSC «Stock exchange market «Russian Trading System» – **200 thousand Rubles**.

13. *Other assets*

To other assets are referred:

The accrued coupon profit (ACP) for corporate securities for December 31, 2007 of **21,598**.

The accrual of the coupon profit (ACP) for debt securities is carried out monthly before yield, declared by the issuer for the last day of the accounting period and is recognized as other profit in those accounting periods to which the given accrual refers. At the same time with the first accrual is carried out the write off of the ACP, paid during the security purchase.

In 2007, ACP, paid during the purchase of securities, was **87,338 thousand Rubles**.

14. *Receivables and payables*

In 2007, the collection of receivables and payables did not occur, which could have been attributed to the financial results.

The longterm accounts receivable was **3,645 thousand Rubles**, including the debt for employee borrowings **3,636 thousand Rubles**.

The short term accounts receivable was – **69,528 thousand Rubles**, including the issued advance payments **6,718 thousand Rubles**, monetary resources on the special broker account – **2,486 thousand Rubles**, settlements with clients and customers – **43,243 thousand Rubles**, including the debt of the clients on sales contracts of securities – **42,730 thousand Rubles**, the means of guaranteed securing of the RTS futures and options market – **4,500 thousand Rubles**.

The accounts receivable of affiliated persons was – **5,015 thousand Rubles**, including:

CJSC «NASHIOKIN» – has **1,901 thousand Rubles**.

OJSC «Berezka v Luzhnikah» – **3 thousand Rubles**;

CJSC «NOVODEVICHYIY – **1 thousand Rubles**;

CJSC «Management company «RUSS-INVEST» – has **9 thousand Rubles**.

Vladimir Yurievich Alenichev – has **3,100 thousand Rubles**.

For December 31, 2007, the accounts payable is **252,586 thousand Rubles**, including the monetary means of NO CJSC RP MICES are **118,425 thousand Rubles**, in NO RP RTS are 4 thousand Rubles, in CJSC «Clearing center RTS» – **61,772 thousand Rubles**, current accounts payable (December month) for tax and collections was – **68,183 thousand Rubles**, including for profit tax for December 2006 – **66,394 thousand Rubles**, for payment of compensations to the members of the Board of Directors – **2,798 thousand Rubles**.

15. *Cash funds*

In the structure of cash funds, all line to 260 F1 «Balance» for December 31, 2007 are reflected the client cash funds in the amount of **180,201 thousand Rubles**.

16. *Loans, credits and other obligations*

For the end of accounting 2007 year, there are no unpaid loans, credits and other obligations.

17. *Income and expenditures*

According to PBU 9/99 «Organization income», approved by Order of MF RF of May 6, 1999 No. 32n and PBU 10/99 «Organization expenditures» approved by Order of MF RF of May 6, 1999 No.33n, the income and expenditures are recognized in the organization by way of charging. Being guided by the principles of rationality and credibility, the expenditures account in 2007 was carried out on account 26 «General expenditures» without using account 20 «Main production». According to line 020 F 2 «Report on income and expenditures» for 2007 is reflected the prime cost of eliminated securities.

18. *Funds and reserves*

The reserve fund, created under strict conformity with the legislation, on January 1, 2008 is – 54,500 thousand Rubles. The fund of additional reserves, created according to the constituent documents, on January 1, 2008 is – **54,500 thousand Rubles**.

The fund of social sphere, formed earlier, is included in the income of former years in the accounting reporting. The given fund was not used during the year and has 3,438 thousand Rubles.

19. *Events after the accounting date*

Profit distribution is within the competency of the General meeting of shareholders and was not carried out for the accounting date.

20. *Conditional facts of economic activities*

The conditional facts of economic activities are absent.

21. *The financial position of the organization*

In the accounting year the profit from security sales and services rendered was **32,864,179 thousand Rubles** including from the sale of share – **27,467,517 thousand Rubles**, corporate securities – **4,483,306 thousand Rubles**, municipal securities – **909,306 thousand Rubles**, services rendered – **4,050 thousand Rubles**.

The prime cost of the securities sold was **32,610,881 thousand Rubles** including shares – **27,090,438 thousand Rubles**, corporate securities – **4,591,084 thousand Rubles**, municipal securities – **929,359 thousand Rubles**.

The gross income from ordinary types of activities was **253,298 thousand Rubles**, including from realization of shares – **377,079 thousand Rubles**, from corporate securities was received a loss without ACI – **107,778 thousand Rubles**, from municipal securities was received a loss without ACI – **20,053 thousand Rubles**. The management expenses were – **176,878 thousand Rubles**. The sales profit is – **76,420 thousand Rubles**.

For 2007, the received interest income was – **253,941 thousand Rubles**, including the accrued coupon profit (ACP) – **253,618 thousand Rubles**, including the

amount of accumulated interest (coupon) profit, paid to the clients during the realization of securities and paid by the issuer – **232,083 thousand Rubles.**, the other interest income was – **323 thousand Rubles.**

The paid interest represented – **111,175 thousand Rubles**, including the paid accrued coupon profit which represented – **87,338 thousand Rubles.**

The profits from the participation in other organizations (received dividends) made – **20,589 thousand Rubles**, in the report they are represented in payment.

The other income constituted – **1,093,336 thousand Rubles**, including from correction of financial investments – **1,022,615 thousand Rubles**, for transactions on futures and options market – **70,156 thousand Rubles.**

Other expenditures constituted – **1,212,769 thousand Rubles**, including depository services – **3,715 thousand Rubles**, correction of financial investments – **1,119,699 thousand Rubles**, expenditures for transactions on the futures and options market – **84,122 thousand Rubles**, expenditures for convention of the shareholders meeting – **4,072 thousand Rubles.**

In total from the financial economic activities for the accounting year received a profit of **120,342 thousand Rubles.**

The postponed tax assets constituted **148 thousand Rubles.**

The postponed tax liability constituted – **76 thousand Rubles.**

The current tax profit and other analogic obligatory payments constituted – **113,899 thousand Rubles.**

Therefore, the gross income of OJSC «IC RUSS-INVEST» for the results of 2007 was – **6,516 thousand Rubles.**

The undistributed income of the accounting year for January 1, 2008 was **6,516 thousand Rubles.**

22. Other

There is a currency exchange difference of **3,000 Rubles**, which appeared after the debt recalculation, expressed in conditional units, the payment of which is in Rubles. The given recalculation was performed according to the Orders of the Ministry of Finance of Russia of November 27, 2006, No. 154n, 155n, 156n.

23. Transactions with affiliated persons

On February 1, 2007 as per Minutes No. 12/06-07 at the meeting of the Board of Directors of OJSC «IC RUSS-INVEST» the related party transaction was approved, and that was the introduction of changes into the rent contract with CJSC «Nashiokin» No. 2/2006 of September 01, 2006. To state the following edition: «1.1. The Lessor gives for rent, and the Tenant receives the rent of part of the building, in the property of the Lessor based on right of property (Certificate of state registration of right of March 26, 2001, registration No. 77-01/00-017/2001-2249), located at the following address: City of Moscow, 5-3/12 Nashionkinskiy Lane, building 4, (according to Addendum No. 1, which is an integral part of the Contract) for the use under the goals, established by the authorized activities of the Tenant. The total area of the leased premises is carried out on the basis of an Act, which is an integral part of the Contract.»

Sub item 2.2.7 of the lease Contract of nonresidential premises No. 2/2006 of September 1, 2006. (Further referred herein as Contract) to read in the following edition: «2.2.7 to carry the current complete renovation of the rented premises at own expense.»

To approve the conclusion of the additional agreement to the Rent contract of the nonresidential premises located at the following address: City of Moscow, Nashiokinskiy Lane, 5-3/12, building 4, between CJSC «Nashiokin» and OJSC «IC RUSS-INVEST.»

On May 4, 2007, as per Protocol No. 17/06-07 the Board of Directors of OJSC «IC RUSS-INVEST» approved the interest-party transaction, and mainly the conclusion of contract on rendering broker services between OJSC «IC RUSS-INVEST» and A.P. Bychkov and the conclusion of depositary Contract between OJSC «IC RUSS-INVEST» and A.P. Bychkov

On May 31, 2007 as per Protocol No. 19/06-07 on the meeting of the Board of Directors of OJSC «IC RUSS-INVEST» approved the interest-party transaction, and mainly the conclusion of a property trust between OJSC «IC RUSS-INVEST» and CJSC «Management Company RUSS-INVEST».

On July 20, 2007 as per Protocol No. 03/07-08 at the meeting of the Board of Directors of OJSC «IC RUSS-INVEST» was approved the interest-party transaction: the approval of the lease contract of the nonresidential premises located at the following address: City of Moscow, 5-3/12 Nashiokinskiy Lane, building 4, between OJSC «IC RUSS-INVEST» and CJSC «Nashiokin» for a period of 11 months, the total area of the leased premise is 712.7 square meters, the price is 530 USD per square meter per year, including VAT for the leased premises, located on 1st and 2nd floors, for basement lease, in the value of 500 USD per square meter, VAT not included.

The premise lease expenditures under the lease contract of non residential premises No. 2/2006 of September 1, 2006 between OJSC «IC RUSS-INVEST» and CJSC «Nashiokin» for the period from January 1, 2007 to 31.07.2007 including VAT was **5,448,873.77 Rubles.**

The premise lease expenditures under the lease contract of non residential premises 1/2007 of August 1, 2007 with CJSC «Nashiokin» for the period from 01.08.2007 to December 31, 2007 with VAT was **3,887,632.84 Rubles.**

Under the contract on rendering broker services with CJSC «Nashiokin» No. 29B of March 4, 2004 the revenue for the period from January 1, 2007 to December 31, 2007 with VAT was **164.18 Rubles.**

Under the depositary contract with CJSC «Nashiokin» No. 017 of March 4, 2004 for rendering of depositary services

the revenue for the period from January 1, 2007 to December 31, 2007 including VAT was **252.45 Rubles.**

Under the contract on rendering of broker services with OJSC «Berezka v Luzhnikah» No. 9B of October 1, 2002 the income for the period from January 1, 2007 to December 31, 2007 including VAT was **15,329.75 Rubles.**

Under the depositary contract with CJSC «Nashiokin» No. 004 of March 21, 2003 on rendering of depositary services the revenue for the period from January 1, 2007 to December 31, 2007 including VAT was **51,794.97 Rubles.**

Under the contract on rendering of broker services with CJSC «NOVODEVICHY» No. 30B of March 4, 2004 the revenue for the period from January 1, 2007 to December 31, 2007 including VAT was **2,941.79 Rubles.**

Under the contract on rendering of broker services with CJSC «NOVODEVICHY» No. 016 of March 4, 2004 on rendering of depositary services. The revenue for the above mentioned contract for the period from January 1, 2007 to December 31, 2007 including VAT were **7,321.05 Rubles;**

Under the contract on rendering of broker services with CJSC «Management company RUSS-INVEST» No. 28B of March 2, 2004 the revenue for the period from January 1, 2007 to December 31, 2007 including VAT was **55,885.89 Rubles.**

Under the depositary contract with CJSC «Management company RUSS-INVEST» No. 015 of March 2, 2004 on rendering of depositary services for the period from January 1, 2007 to December 31, 2007 including VAT was **21,838.68 Rubles.**

Under the trust management contract No.DU-4 of 19.06.2007 the expenditures for the period from June 19, 2007 to November 30, 2007 was **27,239.32 Rubles.**

Under the contract on rendering of broker services with CJSC «Management company RUSS-INVEST» D.U. No. 35B of December 15, 2004 the revenue for the period from January 1, 2007 to December 31, 2007 including VAT was **410.01 Rubles.**

Under the depository contract with CJSC «Management Company RUSS-INVEST» D.U. No. 020 of December 15, 2004 on rendering of depository services for the period from January 1, 2007 to December 31, 2007 including VAT was **329.92 Rubles.**

Under the contract with CJSC «Management company RUSS-INVEST», acting as trustee Manager of the Open mutual share fund of «RUSS-INVEST mutual fund» No. 32B of August 18, 2004 for rendering of broker services the revenue for the period from January 1, 2007 to December 31, 2007 including VAT was **98,285.14 Rubles.;**

Under the contract with CJSC «Management Company RUSS-INVEST», acting as trustee Manager of the Open mutual share fund of joint investments of «RUSS-INVEST mutual fund of shares and securities» No. 33B of August 18, 2004 for rendering of broker services the revenue for the period from January 1, 2007 to December 31, 2007 including VAT was **59,497.79 Rubles.**

Under the contract with CJSC «Management Company RUSS-INVEST», acting as trustee Manager of the Open index share fund of «RUSS-INVEST – Index MICEX» No. 49B of September 28, 2006 for rendering of broker services the revenue for the period from January 1, 2007 to December 31, 2007 including VAT was **888,961.68 Rubles.**

Under the contract with CJSC «Management Company RUSS-INVEST», acting as trustee Manager of the Interval

mutual share fund of «RUSS-INVEST – Preferred shares» No. 51B of September 28, 2006 on rendering of broker services the revenue for the period from January 1, 2007 to December 31, 2007 including VAT was **18,412.43 Rubles.;**

Under the contract with CJSC «Management Company RUSS-INVEST», acting as trustee Manager of the mutual share fund of joint investments of «RUSS-INVEST – high technologies» No. 50B of September 28, 2006 on rendering of broker service the income for the period from January 1, 2007 to December 31, 2007 including VAT was **37,783.68 Rubles.;**

The prices for contracts with affiliated persons were established by general order

24. Information about government assistance

Government assistance: none.

President – General Director
A.P. Bychkov,
OJSC «IC RUSS-INVEST»
Doctor of science in Economics
Chief accountant
N.A. Karabanova,
OJSC «IC RUSS-INVEST»

March 6, 2008.

Independent Auditors' Report To the Board of Directors OJSC INVESTMENT COMPANY IC RUSS-INVEST

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of OJSC INVESTMENT COMPANY IC RUSS-INVEST and its subsidiaries (the «Group»), which comprise the consolidated balance sheet as of 31 December 2007, and the consolidated income statement, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply

with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2007, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

ZAO KPMG
4 June 2008

Consolidated Income Statement

	Notes	2006 RUR'000	2007 тыс. RUR'000.
Interest income	4	162 647	183 346
Net securities trading (loss)/income	5	(122 216)	868 212
Profit on share suled in affiliated companies	22	31 852	—
Net realized gain on other financial instruments at fair value through profit or loss		—	11 950
Net realized gain on financial instruments available-for-sale	13	224 124	33 140
Net realized gain on financial instruments available-for-sale	6	(2 529)	(392)
Dividend income		21 190	6 532
Other income	7	26 023	40 792
Operating income		341 091	1 143 580
Charge to impairment losses	8	(3 911)	(29)
General administrative expenses	9	(225 611)	(154 100)
Operating expenses		(229 522)	(154 129)
Income before income taxes		111 569	989 451
Income tax expense	10	(27 479)	(242 595)
Net income		84 090	746 856
Attributable to:			
Equity holders of the parent		82 962	746 342
Minority interest		1 128	514
Earnings per share attributable to equity holders of the parent company (expressed in Russian Rubles per share)	28	0,76	6,98

The consolidated financial statements as set out on pages 4 to 33 were approved by the Board of Directors of the Company on 4 June 2008.

President-General Director

Alexander P. Bychkov

Chief Accountant

Nelly A. Karabanova

Consolidated Balance Sheet

	Notes	2007 RUR'000	2006 RUR'000
ASSETS			
Cash		19	15
Placements with banks and other financial institutions	11	617 489	202 872
Financial instruments held for trading	12	4 153 001	4 465 872
Financial instruments available-for-sale	13	54 321	61 466
Инвестиции в зависимую компанию		29 040	29 040
Investment in associate	14	72 327	39 142
Property and equipment	15	128 680	131 189
Deferred tax asset	18	1 280	28
Total Assets		5 056 157	4 929 624
LIABILITIES AND SHAREHOLDERS' EQUITY			
Dividends payable	16	404 606	353 181
Other liabilities	17	223 506	69 896
Deferred tax liability	18	171 626	263 140
Total Liabilities		799 738	686 217
Shareholder's Equity			
Share capital	19	1 492 376	1 492 376
Revaluation surplus		8 334	8 334
Retained earnings		2 674 689	2 722 527
Total equity attributable to equity holders of the parent		4 175 399	4 223 237
Minority interest		81 020	20 170
Total Shareholders' Equity		4 256 419	4 243 407
Total Liabilities and Shareholders' Equity		5 056 157	4 929 624
Contingencies	21		

Consolidated Statement of Cash Flows

	Notes	2007 RUR'000	2006 RUR'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income		84 090	746 856
Charge to provision for impairment losses		3 911	29
Depreciation		14 188	12 676
Unrealised loss/(gain) on securities		364 113	(964 308)
Net change in accruals		15 105	8 485
Net foreign exchange loss		2 529	392
Deferred taxation		(92 766)	114 930
Gain on sale of subsidiary		(31 852)	–
Shares issued in subsidiary		48 844	5 852
Operating cash flow before changes in operating assets and liabilities		408 162	(75 088)
Changes in operating assets and liabilities			
Placements with banks and other financial institutions		(14)	254 418
Trading securities		(51 242)	(1 132 521)
Reverse sale and repurchase agreements		–	394 081
Financial instruments available-for-sale and other financial instruments at fair value through profit or loss		3 234	498 589
Other operating assets		9 286	(27 324)
Other operating liabilities		96 034	(2 227)
Net cash from/(used in) operating activities		465 460	(90 072)
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale of share in subsidiary	22	42 730	–
Purchases of property and equipment		(11 679)	(2 474)
Purchase of associate		–	(29 040)
Net cash from/(used in) investing activities		31 051	(31 514)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of common shares		–	21 514

Dividends paid		(79 375)	(125 075)
Net cash used in financing activities		(79 375)	(103 561)
Net increase/(decrease) in cash and cash equivalents		417 136	(225 147)
Cash and cash equivalents at the beginning of the year		202 817	428 356
Effect of changes in foreign currency exchange rates on cash and cash equivalents		(2 529)	(392)
Cash and cash equivalents at the end of the year	23	617 424	202 817

Consolidated Statement of Changes in Shareholders' Equity

RUR'000	Share capital	Retained earnings	Revaluation surplus	Total	Minority interest	Total equity
Balance at 31 December 2005	1 470 862	2 139 685	8 334	3 618 881	13 804	3 632 685
Net income for the year	—	746 342	—	746 342	514	746 856
Shares issued	21 514	—	—	21 514	—	21 514
Shares issued in subsidiary	—	—	—	—	5 852	5 852
Dividends declared	—	(163 500)	—	(163 500)	—	(163 500)
Balance at 31 December 2006	1 492 376	2 722 527	8 334	4 223 237	20 170	4 243 407
Net income for the year	—	82 962	—	82 962	1 128	84 090
Sale of share in subsidiary	—	—	—	—	10 878	10 878
Shares issued in subsidiary	—	—	—	—	48 844	48 844
Dividends declared	—	(130 800)	—	(130 800)	—	(130 800)
Balance at 31 December 2007	1 492 376	2 674 689	8 334	4 175 399	81 020	4 256 419

Notes to the Consolidated Financial Statements

Background

Principal activities

The operating companies of the INVESTMENT COMPANY IC RUSS-INVEST Group (the «Group») are the parent company, Open Joint-Stock Company INVESTMENT COMPANY IC RUSS-INVEST, and its subsidiaries, Closed Joint-Stock Company NASCHOKIN, Closed Joint-Stock Company RUSS-INVEST Asset Management Company, Closed Joint-Stock Company NOVODEVICHY, Open Joint-Stock Company BERIOZKA IN LUZHNIKY and ABR Financial B.V.

A description of the operations of principal operating companies is as follows:

- OJSC INVESTMENT COMPANY IC RUSS-INVEST (the «Company») was established in the Russian Federation as an Open Joint-Stock voucher investment fund and in 1993 obtained a license to operate in the stock markets. Later in 1998 it was renamed to Open Joint-Stock Investment Company. Currently the Company holds licenses for brokerage, dealership and depository operations issued in 2002 by the Federal Securities Commission. On 29 November 2005 the Company obtained a license to operate in trust operations issued by the Federal Securities Commission. On 8 November 2006 the Company obtained a brokerage license to operate in future and option deals on stock exchange issued by the Financial Service of Financial Market. The Company also meets the requirements for financial consultantcies on the securities market. The principal activity of the Company is investment in debt and equity securities. It also conducts broker operations on behalf of its clients. The Company has no branches. All of the Company's assets and liabilities are located in the Russian Federation. The average number of persons employed by the Company during the year 2007 was 59 (2006: 55). The Company's registered office is 2/2, Vsevolojkskiy per., Moscow, 119034, Russian Federation.
- CJSC NASCHOKIN was purchased by the Group in 2000. The principal activity of the company is renting out real estate owned by the company. The average number of persons employed by the company during the year 2007 was 3 (2006: 3). As of 31 December 2007 OJSC INVESTMENT COMPANY IC RUSS-INVEST controlled 65.71% of the company's common stock (2006: 80.32%).
- CJSC NOVODEVICHY was founded in the Russian Federation in 2003 as a Closed Joint-Stock Company. The principal activity of the company is investment in debt and equity securities. The average number of persons employed by the company during the year 2007 was 1 (2006: 1). The company is wholly owned by OJSC INVESTMENT COMPANY IC RUSS-INVEST.
- CJSC RUSS-INVEST Asset Management Company was founded in February 2004. The principal activity of the company is management of five unit investment funds: «Russ Invest open unit fund of shares», «Russ Invest open unit fund of shares and bonds», «Russ Invest interval unit fund Hi-Tech», «Russ Invest interval unit fund of preference shares» and «Russ Invest open index unit fund Micex index». As of 31 December 2007 OJSC INVESTMENT COMPANY IC RUSS-INVEST owned 55.03% of «Russ Invest open unit fund of shares», (2006: 98.91%), 91.69% of «Russ Invest open unit fund of shares and bonds», (2006: 89.86%), 96.34 % of «Russ Invest interval unit fund Hi-Tech» (2006: 99.78%) and 98.17% of «Russ Invest interval unit fund of preference shares» (2006: 99.21%).
- The Group owns 20,31% in the «Russ Invest open index unit fund Micex index» (2006: 27.75%). The average number of persons employed by the company during the year 2007 was 20 (2006: 9). The company is wholly owned by OJSC INVESTMENT COMPANY IC RUSS-INVEST.
- OJSC BERIOZKA IN LUZHNIKY was purchased by the Group in September 2004. The principal activities of the company are trade and renting out real estate

owned by the company. The average number of persons employed by the company during the year 2007 was 21 (2006: 17). As of 31 December 2007 the Group controlled 99.94% of the company's common stock (2006: 99.94%).

- ABR Financial B.V. was founded in Amsterdam, the Netherlands in October 2007. The Company was established for investment in foreign debt and equity securities. ABR Financial B.V. conducted no operations in 2007. The company is wholly owned by OJSC INVESTMENT COMPANY IC RUSS-INVEST.

Russian business environment

The Russian Federation has been experiencing political and economic change which has affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in the Russian Federation involve risks which do not typically exist in other markets. The accompanying consolidated financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

Basis of preparation

Statement of compliance

The Group maintains its accounting records in accordance with the legislative requirements of the Russian Federation. The accompanying consolidated financial statements have been prepared from those accounting records and adjusted as necessary to comply with the requirements of International Financial Reporting Standards («IFRS»).

Basis of measurement

The consolidated financial statements are prepared on a fair value basis for financial assets and liabilities held for trading and available-for-sale, except those for which a reliable measure of fair value is not available. Other financial assets

and liabilities and non-financial assets and liabilities are stated at amortised cost or historical cost and have been restated for the effects of inflation as described in Note 3(f).

Functional and Presentation Currency

The national currency of the Russian Federation is the Russian Rouble («RUR»). Management have determined the Group's functional currency to be the RUR as it reflects the economic substance of the underlying events and circumstances of the Group. The RUR is also the Group's presentation currency for the purposes of these consolidated financial statements.

Financial information presented in RUR has been rounded to the nearest thousand.

Use of estimates and judgments

Management has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements in conformity with IFRS. Actual results could differ from those estimates.

Significant accounting policies

The following significant accounting policies have been applied in the preparation of the consolidated financial statements. The accounting policies have been consistently applied. Changes in accounting policies described at the end of this Note.

Basis of consolidation

Subsidiaries

Subsidiaries are those entities controlled by the OJSC INVESTMENT COMPANY IC RUSS-INVEST. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain

benefits from its activities, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Parent company controls another entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the enterprise. Unrealised gains resulting from transactions with associates are eliminated against the investment in the associate. Unrealized losses are eliminated in the same way as unrealized gains except that they are only eliminated to the extent that there is no evidence of impairment.

Investments in associates

Associates are those enterprises in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of cost of the associate as the effect of applying equity accounting had no material effect on these consolidated financial statements.

Minority interest

Minority interest is that part of the profit or loss and net assets of a subsidiary attributable to interests which are not owned, directly or indirectly through subsidiaries, by the Parent Company.

Minority interest is presented in the consolidated balance sheet within equity, separately from the equity attributable to equity holders of the Parent Company. Minority interest in the profit or loss of the Group is separately disclosed in the consolidated income statement.

Business combinations

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of acquisition, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised immediately in the consolidated statement of income.

Foreign currency transactions

Transactions in foreign currencies are translated to the appropriate functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to the functional currency at the foreign exchange rate ruling at the date of the transaction. Foreign exchange differences arising on translation are recognized in the consolidated income statement. As at 31 December 2007, the exchange rates used for translation of balances in foreign currencies were 24.5462 USD/RUB and 35.9332 EUR/RUB (31 December 2006: 26.3311 USD/RUB and 34.6965 EUR/RUB).

Inflation accounting

The Russian Federation ceased to be hyperinflationary with effect from 1 January 2003 and accordingly no adjustments for hyperinflation have been made for periods subsequent to this date. The hyperinflation-adjusted carrying amounts of the Group's assets and equity items as at 31 December

2002 became their carrying amounts as at 1 January 2003 for the purpose of subsequent accounting.

Cash and cash equivalents

Cash and cash equivalents are items which can be converted into cash within a day. All current accounts and call deposits with banks are included in placements with banks and other financial institutions. Amounts, which relate to funds that are of a restricted nature, are excluded from cash and cash equivalents.

Financial instruments

Classification

Financial instruments at fair value through profit or loss are financial assets or liabilities were either:

- financial instruments held for trading, acquired or incurred principally for the purpose of selling or repurchasing in the near term;
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- a derivative (except for a derivative that is a designated and effective hedging instrument); or,
- upon initial recognition, designated by the entity as at fair value through profit or loss.

The Group designates financial assets and liabilities at fair value through profit or loss where either:

- the assets or liabilities are managed and evaluated on a fair value basis;
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

All trading derivatives in a net receivable position (positive fair value), as well as options purchased, are reported as an asset. All trading derivatives in a net payable position (negative fair value), as well as options written, are reported as a liability.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that:

- the Group intends to sell immediately or in the near term;
- the Group upon initial recognition designates as at fair value through profit or loss;
- the Group upon initial recognition designates as available-for-sale; or
- the Group may not recover substantially all of its initial investment, other than because of credit deterioration.
- Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity, other than those that:
- the Group upon initial recognition designates as at fair value through profit or loss;
- the Group designates as available-for-sale; or
- meet the definition of loans and receivables.

Available-for-sale financial instruments are those financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial instruments at fair value through profit or loss.

Recognition

Financial assets and liabilities are recognized in the consolidated balance sheet when the Group becomes a party to the contractual provisions of the instrument. All regular way purchases of financial assets are accounted for at the settlement date.

Measurement

A financial asset or liability is initially measured at its fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

Subsequent to initial recognition, financial assets, including derivatives that are assets, are measured at their fair values, without any deduction for transaction costs that may be incurred on sale or other disposal, except for:

- loans and receivables which are measured at amortized cost using the effective interest method;
- held-to-maturity investments which are measured at amortized cost using the effective interest method; and
- investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured which are measured at cost.

All financial liabilities, other than those designated at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset carried at fair value does not qualify for derecognition, are measured at amortised cost. Amortised cost is calculated using the effective interest method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

Fair value measurement principles

The fair value of financial instruments is based on their quoted market price at the balance sheet date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques. Where discounted cash flow techniques are used, estimated future cash flows are based on management's

best estimates and the discount rate is a market related rate at the balance sheet date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the balance sheet date.

The fair value of derivatives that are not exchange-traded is estimated at the amount that the Group would receive or pay to terminate the contract at the balance sheet date taking into account current market conditions and the current creditworthiness of the counterparties.

Gains and losses on subsequent measurement

A gain or loss arising from a change in the fair value of a financial asset or liability is recognized as follows:

- a gain or loss on a financial instrument classified as at fair value through profit or loss is recognized in the consolidated income statement;
- a gain or loss on an available-for-sale financial asset is recognized directly in equity through the consolidated statement of changes in shareholders' equity (except for impairment losses and foreign exchange gains and losses) until the asset is derecognized, at which time the cumulative gain or loss previously recognised in equity is recognized in the consolidated income statement. Interest in relation to an available-for-sale financial asset is recognized as earned in the consolidated income statement calculated using the effective interest method.

For financial assets and liabilities carried at amortised cost, a gain or loss is recognized in the consolidated income statement when the financial asset or liability is derecognized or impaired, and through the amortization process.

Derecognition

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or when the Group transfers substantially all of the risks and rewards of ownership of the financial

asset. Any rights or obligations created or retained in the transfer are recognized separately as assets or liabilities. A financial liability is derecognised when it is extinguished.

Repurchase and reverse repurchase agreements

Securities sold under sale and repurchase («repo») agreements are accounted for as secured financing transactions, with the securities retained in the balance sheet and the counterparty liability included in amounts payable under repo transactions. The difference between the sale and repurchase price represents interest expense and is recognized in the income statement over the term of the repo agreement using the effective interest method.

Securities purchased under agreements to resell («reverse repo») are recorded as amounts receivable under reverse repo transactions. The differences between the purchase and resale prices are treated as interest income and accrued over the term of the reverse repo agreement using the effective interest method.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Property and equipment

Owned assets

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses.

Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

Leased assets

Operating leases, the terms of which the Group does not assume substantially all the risks and rewards of ownership, are expensed over the term of the lease.

Depreciation

Depreciation is charged to the consolidated income statement on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Land is not depreciated. The estimated useful lives are as follows:

Buildings	50 years
Equipment and software	3 years
Fixtures and fittings	5 years
Vehicles	10 years

Intangible assets and negative goodwill

Goodwill

Goodwill arising on an acquisition represents the excess of the cost of the acquisition over the fair value of the net identifiable assets acquired.

Goodwill arising on acquisitions that occurred prior to 31 March 2004 is stated at cost less accumulated amortisation and impairment losses. Goodwill arising on or after that date is stated at cost less impairment losses.

Negative goodwill

Negative goodwill arising on an acquisition represents the excess of the fair value of the net identifiable assets acquired over the cost of acquisition.

Negative goodwill arising on acquisitions that occurred prior to 31 March 2004 is accounted for as follows: To the extent that negative goodwill relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, it is recognised in the consolidated income statement when the future losses and

expenses are recognised. Any remaining negative goodwill, but not exceeding the fair values of the non-monetary assets acquired, is recognised in the consolidated income statement over the weighted average useful life of those assets. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the consolidated income statement. In respect of associates, the carrying amount of negative goodwill is included in the carrying amount of the investment in the associate. The carrying amount of other negative goodwill is deducted from the carrying amount of intangible assets. Negative goodwill arising on or after 31 March 2004 is recognised immediately in the consolidated income statement.

Other intangible assets

Intangible assets, which are acquired by the Group, are stated at cost less accumulated amortization and impairment losses. Expenditure on internally generated goodwill and brands is recognized in the consolidated income statement as an expense as incurred.

Amortisation

Amortization is charged to the consolidated income statement on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives of intangible assets are from 3 to 5 years.

Impairment

Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

Reversal of impairment

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

Provisions

A provision is recognised in the consolidated balance sheet when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Share capital

Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a decrease in equity.

Dividends

The ability of the Group to declare and pay dividends is subject to the rules and regulation Russian legislation. Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings as and when declared.

Taxation

Income tax comprises current and deferred tax. Income tax is recognised in the consolidated income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and temporary differences related to investments in subsidiaries, where the parent is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Interest income and expense

With the exception of financial instruments held for trading, interest income and expense are recognised in the consolidated statement of income using the effective interest method. Interest income on financial instruments held for trading comprises coupon interest only. Accrued discounts and premiums on financial instruments at fair value through profit or loss are recognised in net securities trading (loss)/income.

Fee and commission income

Fee and commission income is recognised when the corresponding service is provided.

Dividend income

Dividend income from investments in companies where the Group does not have control or significant influence is recognised in the consolidated income statement on the date that the dividend is declared.

Changes in accounting policies

As at 1 January 2007, the Group adopted the International Financial Reporting Standard IFRS 7 «Financial Instruments: Disclosures». The application of the standard resulted in increased disclosure in respect of Group's financial instruments and the nature and extent of risks arising from financial instruments.

New Standards and Interpretations not yet adopted

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 31 December 2007, and have not been applied in preparing these financial statements. Of these pronouncements, potentially the following will have an impact on the Group's operations.

International Financial Reporting Standard IAS 1 «Presentation of Financial Statements» (Revised), which is effective for annual periods beginning on or after 1 January 2009, specifies how an entity should present changes in shareholders' equity not resulting from transactions with owners and other changes in shareholders' equity in its financial statements, and introduces certain other requirements in respect of presentation of information in the financial statements.

The Group plans to adopt this pronouncement when it becomes effective. The Group has not yet analysed the likely impact of this new standard on its financial statements.

Interest income

	2007 RUR'000	2006 RUR'000
Securities	162 319	182 301
Placements with banks and other financial institutions	328	1 045
	162 647	183 346

Other income

	2007 RUR'000	2006 RUR'000
Rentals	13 506	9 684
Sales revenue	7 859	5 249
Underwriting services	1 918	7 013
Consulting services	847	15 020
Other	1 893	3 826
	26 023	40 792

Net securities trading (loss)/income

	2007 RUR'000	2006 RUR'000
Equity instruments	(88 507)	899 939
Debt instruments	(19 743)	(31 727)
Derivative financial instruments	(13 966)	—
	(122 216)	868 212

Income tax expense

	2007 RUR'000	2006 RUR'000
Current tax expense	120 245	127 665
Deferred tax (recovery)/expense	(92 766)	114 930
	27 479	242 595

The Group's applicable tax rate for current and deferred tax is 24% (2006: 24%).

Net foreign exchange loss

	2007 RUR'000	2006 RUR'000
Loss from revaluation of financial assets and liabilities	(2 529)	(392)
	(2 529)	(392)

Charge to impairment losses

	2007 RUR'000	2006 RUR'000
Financial instruments available-for-sale	(3 911)	(29)
	(3 911)	(29)

General administrative expenses

	2007 RUR'000	2006 RUR'000
Employee compensation	86 623	70 353
Advertising	42 576	18 000
Taxes other than income tax	20 275	13 347
Depreciation	14 188	12 676
Professional services	12 836	5 111
Brokerage and depositary services	7 404	4 385
Travel and representation services	6 388	3 687
Rent	5 494	4 619
Shareholders' meeting expenses	4 072	743
Communication and information services	2 547	3 520
Security	1 793	1 559
Other	21 415	16 100
	225 611	154 100

Reconciliation of effective tax rate

	2007 RUR'000	2006 RUR'000
Income before income taxes	111 569	989 451
Income tax at the applicable tax rate	26 777	237 468
Net non-deductible costs less non-taxable income	702	5 127
	27 479	242 595

Placements with banks and other financial institutions

	2007 RUR'000	2006 RUR'000
Current accounts		
OECD banks	7 177	—
Subsidiaries of OECD banks	7 476	8 535
Large Russian banks	2 945	5 855
Other foreign banks and financial organisations	2 486	—
Other Russian banks and financial organisations	597 321	188 412
	617 405	202 802
Term deposits		
Large Russian banks	84	70
	84	70
	617 489	202 872
Provision for impairment	—	—
	617 489	202 872

Concentration of placements with banks and other financial institutions

As at 31 December 2007 and 2006 balances of placements with banks and other financial institutions, held with counterparties, which individually comprised more than 10% of total placements with banks and other financial institutions were as follows:

	2007 RUR'000	2006 RUR'000
MICEX	478 307	182 667
	478 307	182 667

*Financial instruments
held for trading*

	2007 RUR'000	2006 RUR'000
Debt and other fixed-income instruments		
Corporate bonds		
MLK-Finance	184 806	123 729
Itera-Finance	100 969	—
UTK TGK-8	100 508	—
NSH-Finance	100 392	—
OGK-6	100 376	—
NITOL Group	99 268	50 203
Marta-Finance	96 410	107 514
Lukoil	90 765	—
LOMO	75 207	117 135
NOK	64 037	51 634
Mariyskiy NPZ Finance	61 675	63 370
Parnas-M	56 273	50 572
AIF-MediaPress-Finance	55 898	74 262
Karat	54 891	50 092
Gazenergoset	50 105	—
TGK-10	49 615	—
KMPO-Finance	49 586	—
Saharnaya compania	48 739	50 821

	2007 RUR'000	2006 RUR'000
UTK	47 985	12 053
Ribinskabel	40 318	—
Russkie Masla	32 741	—
Arkada	16 325	19 909
Medved-Finance	10 042	27 335
Efirnoe	7 989	—
MIG-Finance	4 254	4 766
Gazprom	1 254	—
Promtractor-Finance	—	102 003
Sinergia	—	75 273
LMZ Svobodniy Sokol	—	67 913
GP OST	—	58 196
Zhilsocipoteca-Finance	—	50 990
Terna-Finance	—	50 905
Atlant-M	—	50 805
Moskovskiy Zalogoviy Bank	—	50 744
Energomash-Finance	—	50 645
Sahatransneftegaz	—	50 403
Agrokom	—	49 224
Motorostroitel-Finance	—	49 077
Nutriinvestholding	—	29 094
Yugtransitservice	—	25 222
Dalsvyaz	—	20 342
Tattelecom	—	14 444

	2007 RUR'000	2006 RUR'000
BVK	—	9 203
Financecontract	—	6 029
Municipal bonds		
Krasnodarskiy krai	100 219	—
	1 700 647	1 613 907
Equity investments		
NK Rosneft	841 897	1 109 621
Surgutneftegaz	253 263	219 462
GMK Norilskiy Nikel	236 322	290 374
Sberbank	195 840	—
Uralsvyazinform	110 998	3 981
Polus Zoloto	84 526	31 137
Transneft (preferred shares)	80 842	61 270
LUKOIL	80 203	226 447
Volgatelecom	73 132	3 609
Rostelecom	70 987	1 889
Russ Invest open unit fund Micex Index	70 246	39 870
Slavneft-Megionneftegaz (preferred shares)	62 915	22 350
RAO UES (preferred shares)	55 512	1 648
VTB	36 958	6 286
Severo-Zapadny Telecom	32 549	2 041
Surgutneftegaz (preferred shares)	26 435	87 584
Severstal	25 156	127 896

	2007 RUR'000	2006 RUR'000
Gazprom	22 802	261 959
AFK Sistema	21 327	—
Bank of Moscow	20 038	1 875
Sibirtelecom	16 354	1 032
MTS	9 425	52 894
MMK	7 530	—
Rosbank	5 349	—
Uralsvyazinform (preferred shares)	4 049	2 142
Sibirtelecom (preferred shares)	3 623	—
UTK	2 382	—
UTK (preferred shares)	1 694	1 779
Tatneft	—	137 190
Gazprom Neft	—	36 901
Mechel	—	29 304
Aeroflot	—	15 870
Ashinskiy MZ	—	15 600
Uralkaliy	—	14 350
EKZ Lebedyanskiy	—	6 420
Mosenergo	—	5 241
NOVATEK	—	4 160
Sberbank (preferred shares)	—	3 035
Slavneft-Megionneftegaz	—	5 572
Koncern Kalina	—	8 726
Rostelecom (preferred shares)	—	12 450
	2 452 354	2 851 965
	4 153 001	4 465 872

Gains and losses arising due to changes in fair value of trading instruments are recognized in net securities trading income/(loss).

Financial instruments available-for-sale

	2007 RUR'000	2006 RUR'000
Equity instruments – unlisted		
TNK-BP Holding	39 890	29 375
Sredneuralskiy Medeplavilniy Zavod	10 319	10 319
LOMO	7 806	7 806
Nizhneartovskneftegaz	1 513	1 513
Intewoodservice	100	100
Na Tverskoy	100	100
Vorkutaugol	–	11 025
Karelskiy Okatish	–	1 875
Stock exchange RTS	8	857
Debt instruments – unlisted		
Promissory notes of Bank «Rossiyskiy Credit»	56	56
	59 792	63 026
Provision for impairment of unlisted financial instruments	(5 471)	(1 560)
	54 321	61 466

Available-for-sale investments stated at cost comprise unquoted equity securities. There is no active market for these investments and there have not been any recent transactions that provide evidence of the current fair value. In addition, discounted cash flow techniques yield a wide range of fair values due to the uncertainty regarding future cash flows. However, management of the Group believes it unlikely that the fair value at the year end would differ significantly from that carrying amount.

During the year the Group sold certain of its available-for-sale investments with a total net gain of RUR 224,124 thousand, out of RUR 228,333 thousand relate to sale of Stock exchange RTS shares, which were stated at cost in 2006 as this was not materially different to fair value. These shares were sold on the over the counter market, where these shares started to be traded since June 2007.

Analysis of movements in the provision for impairment

	2007 RUR'000	2006 RUR'000
Balance at the beginning of the year	1 560	1 531
Net charge to provision for the year	3 911	29
Balance at the end of the year	5 471	1 560

Other assets

	2007 RUR'000	2006 RUR'000
Receivable on sale of shares in subsidiary	42 730	–
Settlements with suppliers and contractors	12 833	6 356
Settlements with other debtors	12 535	2 776
Settlements with budget on taxes other than on income	3 123	3 223
Prepaid expenses	687	7 040
Income tax prepayments	419	34
Prepayments on securities transactions	–	19 713
	72 327	39 142

Property and equipment

RUR'000	Buildings	Vehicles	Equipment and software	Fixtures and fittings	Total
Equipment and software					
Cost					
At 31 December 2006	145 011	8 003	31 227	7 473	191 714
Additions	–	3 915	6 589	1 175	11 679
At 31 December 2007	145 011	11 918	37 816	8 648	203 393
Depreciation					
At 31 December 2006	(26 453)	(1 810)	(26 497)	(5 765)	(60 525)
Depreciation charge	(9 474)	(902)	(2 975)	(837)	(14 188)
At 31 December 2007	(35 927)	(2 712)	(29 472)	(6 602)	(74 713)
Carrying value					
At 31 December 2007	109 084	9 206	8 344	2 046	128 680
At 31 December 2006	118 558	6 193	4 730	1 708	131 189

Dividends payable

	2007 RUR'000	2006 RUR'000
Dividends payable in respect of 2006	52 178	—
Dividends payable in respect of 2005	65 123	65 355
Dividends payable in respect of 2004	43 325	43 470
Dividends payable in respect of 2003	75 665	75 824
Dividends payable in respect of 2002	151 011	151 226
Dividends payable in respect of years prior to 2002	17 304	17 306
	404 606	353 181

Other liabilities

	2007 RUR'000	2006 RUR'000
Customer balances on broker operations	145 704	52 136
Income tax payable	62 334	8 818
Settlements with other creditors	13 155	7 270
Taxes other than on income payable	2 313	1 672
	223 506	69 896

Deferred tax asset and liability

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to deferred tax assets and liabilities as of 31 December 2007 and 2006. These temporary differences, which have no expiry dates, are listed below at their tax effected accumulated values:

RUR'000	Assets		Liabilities		Net	
	2007	2006	2007	2006	2007	2006
Placements with banks and other financial institutions	–	–	(10)	–	(10)	
Financial instruments held for trading	2 287	28	(158 956)	(244 084)	(156 669)	(244 056)
Financial instruments available-for-sale	1 314	375	–	–	1 314	375
Other assets	342	470	–	–	342	470
Property and equipment	714	458	(18 237)	(20 359)	(17 523)	(19 901)
Other liabilities	2 200	–	–	–	–	2 200
Net tax asset/(liability)	6 857	1 331	(177 203)	(264 443)	(170 346)	(263 112)
Out of which:						
Net asset (by individual company)					1 280	28
Net liability (by individual company)					(171 626)	(263 140)

The rate of tax applicable for deferred taxes was 24% (2006: 24%).

Movement in temporary differences during the year

RUR'000	Balance 1 January 2007	Recognised in income	Balance 31 December 2007
Placements with banks and other financial institutions	–	(10)	(10)
Financial instruments held for trading	(244 056)	87 387	(156 669)
Financial instruments available-for-sale	375	939	1 314
Other assets	470	(128)	342
Property and equipment	(19 901)	2 378	(17 523)
Other liabilities	–	2 200	2 200
	(263 112)	92 766	(170 346)

Share capital

Issued capital

The authorised, issued and outstanding share capital comprises 109,000,000 ordinary shares (2006: 109,000,000). All shares have a par value of RUR 1.

Contributions to share capital made prior to 1 January 2003 have been restated by the amount of RUR 1,383,376 thousand to account for changes in the general purchasing power of the RUR in accordance with IAS No. 29 Financial Reporting in Hyperinflationary Economies.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at annual and extraordinary meetings of the Company.

The weighted average number of ordinary shares used in calculating earning per share as of 31 December 2007 is 109,000,000 (2006: 106,919,618), refer to Note 28.

Dividends

Dividends payable are restricted to the maximum retained earnings of the Group, which are determined according to legislation in the Russian Federation. In accordance with the legislation of the Russian Federation, as of the balance sheet date, retained earnings available for distribution amount to RUR 3,612,924 thousand (2006: RUR 3,112,286 thousand).

Risk management

Management of risk is fundamental to the business of Investment Company and is an essential element of the Group's operations.

The Company's risk management policies aim to identify, analyse and manage the risks faced by the Company, to

set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered and emerging best practice.

The Board of Directors of the Company has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing its risk management policies and procedures as well as approving significantly large exposures.

The major risks faced by the Group are those related to market risk, which includes equity price, interest rate and currency risks, and liquidity risk. These risks are managed in the following manner:

Market risk

Equity price risk

Equity price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments traded in the market.

Equity price risk arises when the Company takes a long or short position in an equity instrument.

An analysis of sensitivity of the Company's net income for the year and net equity to changes in equity securities prices based on positions existing as at 31 December 2007 and 2006 and a simplified scenario of a 5% change in all equity securities prices is as follows:

Fair value interest rate risk

Interest rate risk is the risk that movements in interest rates will affect the Group's income or the value of its portfolios of financial instruments.

The Group is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may also reduce or create losses in the event that unexpected movements arise.

Interest rate risk arises when the actual or forecasted assets of a given maturity period are either greater or less than the actual or forecasted liabilities in that maturity period.

Management of interest rates risk by monitoring interest rate gap is supplemented by monitoring the sensitivity of

	2007		2006	
	Net income	Equity	Net income	Equity
5% increase in securities prices	93 189	95 253	108 375	110 710
5% decrease in securities prices	(93 189)	(95 253)	(108 375)	(110 710)

the Group's net interest margin to various standard and non-standard interest rate scenarios.

An analysis of sensitivity of the Group's projected net income for the year and equity as a result of changes in fair value of financial instruments held for trading as at 31 December 2007 and 2006 due to changes in the interest rates based on simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves is as follows:

	2007		2006	
	Net income	Equity	Net income	Equity
100 bp parallel increase	(12 956)	(12 956)	(13 204)	(13 204)
100 bp parallel decrease	12 956	12 956	13 204	13 204

Currency risk

The Group has assets and liabilities denominated in several foreign currencies. Foreign currency risk arises when the actual or forecasted assets in a foreign currency are either greater or less than the liabilities in that currency. For further information on the Group's exposure to currency risk at year end refer to Note 27.

An analysis of sensitivity of the Group's net income for the year and net equity to changes in the foreign currency exchange rates based on positions existing as at 31 December 2007 and 2006 and a simplified scenario of a 5% change in RUR to USD exchange rates is as follows:

	2007		2006	
	Net income	Equity	Net income	Equity
5% appreciation of USD against RUR	2	2	40	40
5% depreciation of USD against RUR	(2)	(2)	(40)	(40)
5% appreciation of other currencies against RUR	273	273	—	—
5% depreciation of other currencies against RUR	(273)	(273)	—	—

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet its commitments. The Group maintains liquidity management with the objective of ensuring that funds will be available at all times to honor all cash flow obligations as they become due. The Group's liquidity policy is reviewed and approved by the Management Board. For further information on the Group's exposure to liquidity risk at year end refer to Note 26.

Contingencies

Insurance

The Group does not have full coverage for its premises and equipment, business interruption, or third party liability in respect of property or environmental damage arising from accidents on Group property or relating to Group operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

Litigation

As at 31 December 2007 Group management is unaware of any significant actual, pending or threatened claims against the Group.

Taxation contingencies

The taxation system in the Russian Federation is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in

other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on the Group's financial position, if the authorities were successful in enforcing their interpretations, could be significant.

Related party transactions

Transactions with Directors and members of the Management Board

Total remuneration of members of the Board of directors and the Management Board included in employee compensation in 2007 was RUR 13,651 thousand (2006: RUR 25,409 thousand) (refer to Note 9):

The outstanding balances as of 31 December 2007 with members of the Board of Directors and the Management Board are as follows:

	2007 RUR'000	2006 RUR'000
Balance sheet – assets		
Other assets	3	35
Balance sheet – liabilities		
Compensation payable	1	20
Other liabilities	1	–
Dividends payable	–	77

Transactions with other related parties

Other related parties are those shareholders of the Group which hold more than 5% of shares. The outstanding balances as of 31 December 2007 and 2006 with other related parties are as follows:

	2007 RUR'000	2006 RUR'000
Balance sheet – ussets		
Other assets	28 750	7 359
Balance sheet – liabilities		
Other liabilities	75 418	33 409
Dividends payable	–	31 462

In December 2007 the Group also sold 14.61% of CJSC Naschokin shares to related party for RUR 42,730 thousand with a RUR 31,852 thousand gain.

Cash and cash equivalents

Cash and cash equivalents at the end of the financial year as shown in the consolidated statement of cash flow is composed of the following items:

	2007 RUR'000	2006 RUR'000
Cash	19	15
Current accounts in banks and other financial institutions	617 405	202 802
	617 424	202 817

Fair value of financial instruments

The estimated fair value of the Company's financial assets and liabilities, as required to be disclosed by IFRS 7 «Financial Instruments: Disclosures», is as follows:

The estimated fair value of all other financial assets and liabilities, except as described below, is calculated using the discounted cash flow technique based on estimated future cash flows and discount rates for similar instruments at the reporting date. Where discounted cash flow techniques are used, estimated future cash flows are based on Management's best estimates and the discount rate is a market related rate for a similar financial instrument at the reporting date.

As disclosed in Note 13 as at 31 December 2007 the fair value of unquoted equity securities with a carrying value of RUR 54,321 thousand could not be readily determined (2006: RUR 61,466 thousand) and these have been stated at cost as management believe that this would not be significantly different from their fair value..

Average effective interest rates

The table below displays the Group's interest bearing assets as at 31 December 2007 and as at 31 December 2006 and their corresponding average effective interest rates as at that dates. These interest rates are an approximation of the yields to maturity of these assets.

	2007		2006	
	Value RUR'000	Average Effective Interest Rate	Value RUR'000	Average Effective Interest Rate
Interest Bearing Assets				
Placements with banks and other financial institutions				
Current accounts				
– RUR	610 162	0,0%	201 761	0,03%
– USD	56	0,0%	1 041	0,0%
– Other	7 187	0,0%	–	–
Term deposits				
– RUR	84	0,0%	70	0,0%
– USD	–	–	–	–
Financial instruments held for trading				
– RUR	1 700 647	10,67%	1 613 907	11,62%
Financial instruments available-for-sale				
– RUR	56	0,0%	56	0,0%

Maturity analysis

The following table shows Group's assets and liabilities by remaining contractual maturity dates as at 31 December 2007. Due to the fact that substantially all the financial instruments of by the Group are fixed rated contracts, these remaining contractual maturity dates also represent the contractual interest rate repricing dates. The undiscounted cash flows on the Group's financial liabilities on the basis of their earliest possible contractual maturity do not vary from this analysis.

	Less than 1 month RUR'000	1 to 3 months RUR'000	3 months to 1 year RUR'000	1 year to 5 years RUR'000	More than 5 years RUR'000	No maturity RUR'000	Total RUR'000
Assets							
Cash	19	—	—	—	—	—	19
Placements with banks and other financial institutions	617 489	—	—	—	—	—	617 489
Financial instruments held for trading	—	25 880	9 985	1 664 782	—	2 452 354	4 153 001
Financial instruments available-for-sale	—	—	—	—	—	54 321	54 321
Investment in associate	—	—	—	—	—	29 040	29 040
Other assets	2 618	51 936	17 773	—	—	—	72 327
Property and equipment	—	—	—	—	—	128 680	128 680
Deferred tax asset	—	—	—	—	—	1 280	1 280
Total assets	620 126	77 816	27 758	1 664 782	—	2 665 675	5 056 157
Liabilities							
Dividends payable	404 606	—	—	—	—	—	404 606
Other liabilities	2 166	149 859	71 481	—	—	—	223 506
Deferred tax liability	—	—	—	—	—	171 626	171 626
Total liabilities	406 772	149 859	71 481	—	—	171 626	799 738
Net position as at 31 December 2007	213 354	(72 043)	(43 723)	1 664 782	—	2 494 049	4 256 419
Net position as at 31 December 2006	(36 440)	1 465 960	3 062	318	12	2 810 495	4 243 407

Currency analysis

The following table shows the currency structure of assets and liabilities at 31 December 2007:

	RUR'000	USD RUR'000	EUR RUR'000	Total RUR'000
Assets				
Cash	19	—	—	19
Placements with banks and other financial institutions	610 246	56	7 187	617 489
Financial instruments held for trading	4 153 001	—	—	4 153 001
Financial instruments available- for-sale	54 321	—	—	54 321
Investment in associate	29 040	—	—	29 040
Other assets	72 327	—	—	72 327
Property and equipment	128 680	—	—	128 680
Deferred tax asset	1 280	—	—	1 280
Total assets	5 048 914	56	7 187	5 056 157
Liabilities				
Dividends payable	404 606	—	—	404 606
Other liabilities	223 506	—	—	223 506
Deferred tax liability	171 626	—	—	171 626
Total liabilities	799 738	—	—	799 738
Net position as of 31 December 2007	4 249 176	56	7 187	4 256 419
Net position as of 31 December 2006	4 242 366	1 041	—	4 243 407

Earnings per share

The calculation of earnings per share is based upon the profit for the year and the weighted average number of ordinary shares outstanding during the year, calculated as shown below. The Company has no dilutive potential ordinary shares.

Number of shares	2007	2006
Number of shares held at 1 January	109 000 000	87 486 250
Effect of shares issued in January	—	9 741 392
Effect of shares issued in February	—	9 691 976
Weighted average number of shares for the year ended 31 December	109 000 000	106 919 618

Events subsequent to the balance sheet

In April 2008 the Board of Directors proposed dividends in respect of 2007 financial year in the amount of RUR 1 per one share in the total amount of RUR 109,000 thousand.

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