

APPROVED BY
the Board of Directors
OJSC IC RUSS-INVEST
(minutes No. 17/06-07 dated 04 May, 2007)
Chairman of the Board of Directors
_____ (A.T. Arutyunyan)

ANNUAL REPORT
OF THE OPEN JOINT-STOCK COMPANY
INVESTMENT COMPANY RUSS-INVEST
for 2006

President – Director General A.P. Bychkov

Chief Accountant N.A. Karabanova

Moscow

Dear shareholders,

The sustainable economic development of Russia enhanced investment operations. For several years, OJSC IC RUSS-INVEST has been successfully leveraging the current situation to increase the value of the company owned assets. From 1999 to 2006 inclusive, the annual growth rate of assets of OJSC IC RUSS-INVEST (excluding paid out taxes and dividends) averaged 46%. And the company has been enjoying the leadership among the Russian investment companies. For six consecutive years, OJSC IC RUSS-INVEST has been entering the top five of the largest Russian investment companies (based on the own capital and net profit).

The last year was also successful for the company due to the favorable situation at the securities market and active efforts of the team of OJSC IC RUSS-INVEST. During 2006, the net asset value increased by 13.3%, from 3829.1 to 4340.0 mln RUB. Unfortunately, the net profit slightly decreased in that period, from 854.83 to 654.96 mln RUB (-23.4%). However, it remains sufficient for ensuring the stable growth of the company and implementing business projects.

In its operations, the company management relies on the optimization of risks, liquidity and profitability of conducted business operations. Steps have been taken to diversify operations in order to ensure the balanced development of the company. In the recent years, the company has been successfully operating in the area of corporate financing and consulting, developing operations of mutual trust funds and increasing the amount of client operations.

The company management has been searching for ways to balance the need for the increased own capital of the company and regular payment of dividends. To do this, the decision was made to allocate for dividends at least 15% of net profit. It should be understood that the significant outflow of cash (even for paying dividends) can threaten the financial sustainability and future profits of the company. However, we clearly comprehend that maximizing profit within the framework of set investment priorities should both lead to the company's growth and be accompanied by the regular payments of dividends.

The Board of Directors of OJSC IC RUSS-INVEST is thankful to shareholders for understanding, trust and support and will do the best to ensure the reliable protection of their interests and increased value of their shares.

History

OJSC IC RUSS-INVEST was established on 3 December, 1992 and initially registered as a voucher investment fund. On 29 January, 1993, the State Property Committee of the Russian Federation issued the license No. 58 enabling to operate at the securities market as an investment fund. The license was then renewed on 10 May, 1995 and 15 March, 1996. The Share Issuance Statements were registered by the State Property Committee of the Russian Federation on 1 February and 1 September, 1993.

Due to the new laws introduced in Russia to regulate operations of joint-stock companies and investment funds and companies and securities market, OJSC Voucher Investment Fund RUSS-INVEST was converted into OJSC IC RUSS-INVEST. On 30 December, 1999, the Federal Commission on Securities Market (FCSM) of the Russian Federation issued the 3 year license No. 000-02275-110000 of the professional securities market participant for conducting broking and dealing operations. In December, 2002, the company obtained non-expiry broking and dealing licenses and a 3 year depository license. In March, 2004, FCSM granted the company a right to act as a financial adviser. In December, 2005, the company obtained non-expiry depository licenses and a 3 year securities management license. In November, 2006, the company obtained the license enabling to act as an exchange agent for making futures and option transactions.

In 1999, OJSC IC RUSS-INVEST joined the National Association of Securities Market Participants (NAUFOR), and then (in 2001) the company become a member of the securities market section of the Moscow Interbank Currency Exchange (MICEX) and the trading member of RTS (in 2002). Currently, the company is a shareholder of CJSC Securities Exchange RTS and a member of CJSC Securities Exchange MICEX.

OJSC IC RUSS-INVEST has the AA- rating (very high reliability category, third level) of the National Rating Agency (NRA). On 30 November, 2005, the international rating agency Fitch Ratings assigned ratings to OJSC Investment Company IC RUSS-INVEST (IC RUSS-INVEST) as follows: long-term – B; national long-term – BBB- (BBB minus). The prediction is that the long-term rating will remain Stable. In the early 2006, the rating was approved by the agency.

In February, 2006, OJSC Russ-Invest took the 1st place in Frankfurt-am-Main among the European companies of small/medium capitalization in the category of corporate management in the rating of IR Global Rankings.

Board of Directors of OJSC IC RUSS-INVEST

The Chairman of the Board of Directors: Arutyunyan Alexander Telmanovich (born in 1959). He graduated from the Department of Economics of the Moscow State University and has a degree of the Candidate of Economics and Master of Business Administration (the Eastern College, the USA). Currently, he is the Senior Vice-President – Deputy Director General and head of the Securities Market Department of OJSC IC RUSS-INVEST. The share in the authorized capital of the company amounts to 0.0102%.

The Deputy Chairman of the Board of Directors: Porokhovskiy Anatoly Alexandrovich (born in 1943). He graduated from the Department of Economics of the Moscow State University. Currently, he is a professor, Doctor of Economics, and the Chair of the Political Economy of the Department of Economics of the Moscow State University. The share in the authorized capital amounts to 0.000007%.

Members of the Board of Directors:

Bychkov Alexander Petrovich (born in 1961). He graduated from the Department of Economics of the Moscow State University and has the degrees of doctor of economics and Master of Business Administration (the University of Chicago Graduate School of Business, the USA). Currently, he is the President – Director General of OJSC IC RUSS-INVEST). The share in the authorized capital of the company amounts to 0.17916%.

Babko Elena Nikolayevna (born in 1955). She graduated from the All-Union Extramural Institute of Technologies. Currently, she is the leader of the shareholder relationships team of CJSC PRTs). The share in the authorized capital of the company amounts to 0.0003%.

Goncharenko Lyubov Ivanovna (born in 1957). She graduated from the Moscow Finance Institute. Currently, she is a professor, candidate of economics and the Chair of Taxation in the Finance Academy under the RF Government). The share in the authorized capital of the company amounts to 0.000015%.

Sumin Georgiy Alexandrovich (born in 1961). He graduated from the Moscow Institute of Economics and Statistics, and is currently the executive director of CJSC PRTs. The share in the authorized capital of the company amounts to 0.001%.

Kapranova Lidiya Fedorovna (born in 1953). She graduated from the Moscow State Law Academy. Currently, she is a lawyer of the Moscow College of Lawyers. The share in the authorized capital of the company amounts to 0.0022%.

Teplyashina Svetlana Mikhailovna (born in 1971). She graduated from the Moscow Engineering and Construction Institute and Finance Academy under the RF Government. Currently, she is the Senior Vice-President – Deputy Director General, Head of the back office of OJSC IC RUSS-INVEST. The share in the authorized capital of the company amounts to 0.01149%.

Kapranova Lidiza Fedorovna (born in 1947). She graduated from the Moscow State Law Academy. Currently, she is a lawyer of the Moscow College of Lawyers. She does not possess shares of OJSC IC RUSS-INVEST.

President – Director General OJSC IC RUSS-INVEST

Bychkov Alexander Petrovich (born in 1961). He graduated from the Department of Economics of the Moscow State University and has the degrees of Doctor of Economics and Master of Business Administration (the University of Chicago Graduate School of Business, the USA). The share in the authorized capital of the company amounts to 0.17916%.

Management Board of OJSC IC RUSS-INVEST

Bychkov Alexander Petrovich (brief details can be found in the President – Director General section).

Teplyashina Svetlana Mikhailovna (brief details can be found in the Board of Directors section).

Karabanova Nelly Arkadyevna (born in 1941). She graduated from the Moscow Bauman Engineering University and State Academy of Management. Currently, she is the chief accountant of OJSC IC RUSS-INVEST. The share in the authorized capital of the company amounts to 0.000095%.

The total compensations paid to members of the company's managing bodies in 2006 amounted to 6496 th. RUB.

Auditing Committee of OJSC IC RUSS-INVEST

Trofimova Galina Konstantinovna, the Chairman of the Auditing Committee (born in 1945). She graduated from the Moscow State University. Currently, she is the professor of social sciences of the Law Institute of the Moscow University of Communication Routes.

Kuchmayeva Elena Viktorovna a member of the Auditing Committee (born in 1967). She graduated from the Moscow Textile Institute. Currently, she is the Deputy Director General for Internal Control of CJSC HIGH CLASS.

Shaikina Elena Vladimirovna, a member of the Auditing Committee (born in 1962). She graduated from the Moscow Academy of Agriculture, Candidate of Economics. Currently, she is the assistant professor of statistics of the Russian University of Agriculture.

Auditors of OJSC IC RUSS-INVEST

CJSC KPMG has the license of the RF Finance Ministry for auditing operations No. E003330 dated 17 January, 2003, with the expiry term of 5 years.

Address: 119019, Moscow, Gogolevsky blvd., 11. Phone: (495)-937-4477.

Baker Tilly RUSAUDIT LLC has the license of the RF Finance Ministry for conducting audit operations No. E006075 dated 24 June 2004, with the expiry term of 5 years.

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

Registrar of OJSC IC RUSS-INVEST

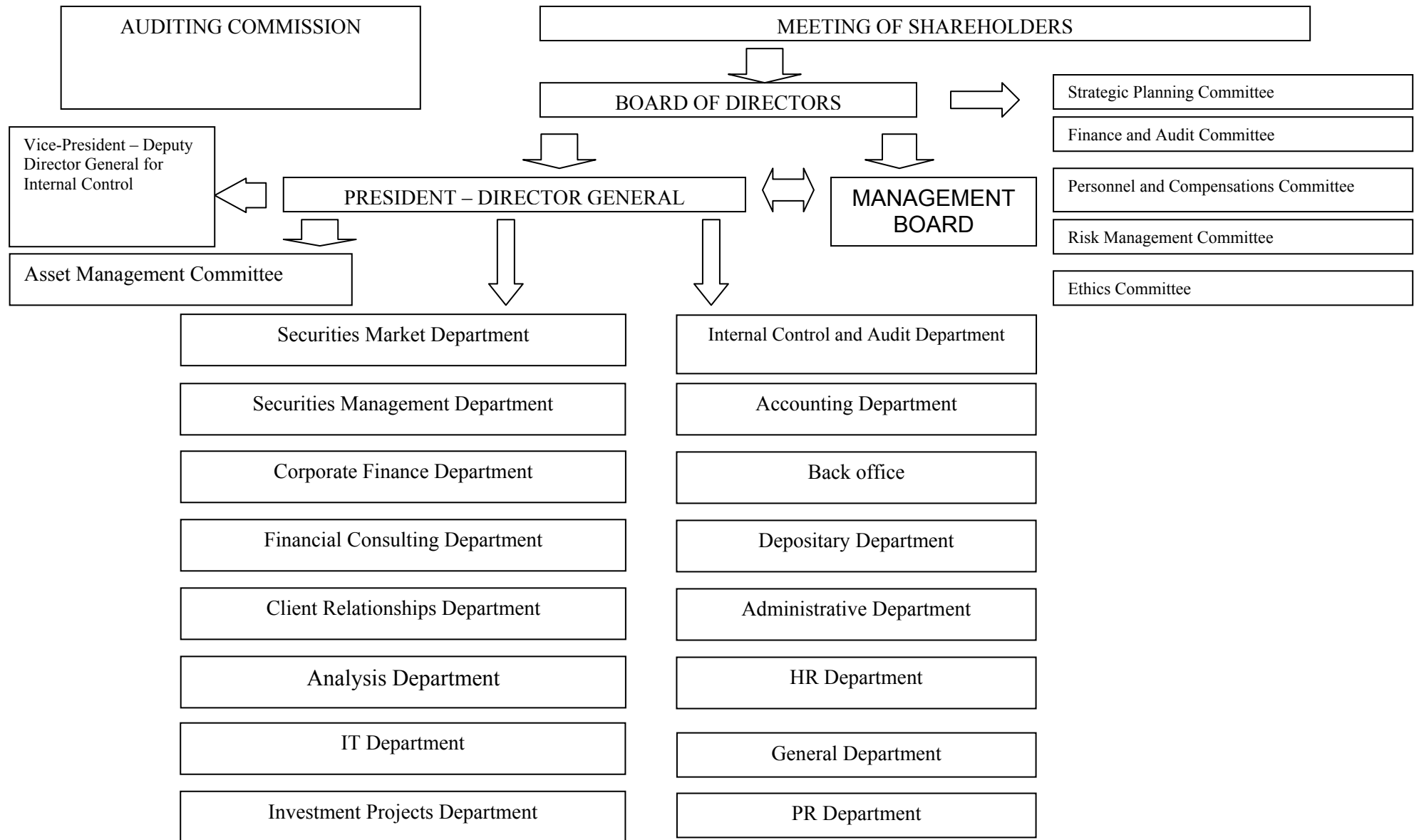
CJSC PRTs, license of the FSFM No. 10-000-1-00293 dated 13 January, 2004, for conducting registering operations for an indefinite term.

Mail address and visiting location for shareholders: 117452, Moscow, Balaklavsky av., bldg. 28b. Tel.: (495)-318-1434. Fax: (495)-318-1434.

Shareholders of OJSC IC RUSS-INVEST

As of 1 January 2007, the register of shareholders of OJSC IC RUSS-INVEST included 2 244 039 shareholders. This amount included 151 legal entities. Their share in the authorized capital of the company amounts to 60.20%.

Flowchart 1. ORGANIZATION FLOWCHART OF THE COMPANY



Operations of the Board of Directors

The Board of Directors of OJSC IC RUSS-INVEST focuses on the long-run development of the company. During the accounting period, the Board of Directors considered and discussed in detail the progress made under the strategic plan of OJSC IC RUSS-INVEST for 2005 to 2007. The main attention was paid to the company's business development issues. The Board of Directors also commissioned the Strategic Planning Committee to develop the new strategic plan for 2008 through 2010.

In determining the development strategy and resolving the routine issues, the Board of Directors and Management Board of the company are supported by the committees of the Board of Directors. There are currently five committees of the Board of Directors of the company: Finance and Audit Committee, Personnel and Compensations Committee, Strategic Planning Committee, Risk Management Committee and Ethics Committee.

To supervise operations of the company, the Board of Directors regularly considered the reports of the Chairmen of Committees of the Board of Directors, President – Director General and chiefs of structural subdivisions of the company. One of the main functions of the Board of Directors is to approve the financial and business plan and budget of the company for the next business year. It should be noted that the 2006 financial and business plan and budget were completed in full. The 2007 business plan and budget are compiled with the income exceeding expenditures and envisage the profit earning in the next year.

A considerable attention is paid by the Board of Directors to improve the corporate governance system. In 2006, steps were taken to prepare the Provision on the Corporate Disputes Resolution of OJSC IC RUSS-INVEST and Social Declaration of OJSC IC RUSS-INVEST, which were approved in January, 2007.

It should be noted that all decisions made by the general meeting and Board of Directors as of the end of the accounting year were fulfilled. Based on the decision made by the general meeting of shareholders, last year the company started making payments of dividends for 2005.

The investment policy and priority lines of development of the company

According to the current strategic plan of OJSC IC RUSS-INVEST for 2005-2007, the main objective of the investment policy of OJSC IC RUSS-INVEST is the increase in the own capital of the company and company's share at the securities market. Firstly, the increased capital will ensure the financial sustainability of the company. Secondly, the increased own

capital will raise assets of the company, thus providing more profits in the future. Hence, the company will be able to regularly pay dividends. Thirdly, the company's creditworthiness will grow. Fourthly, the increased own capital is required to implement new projects and tap new markets. This task is being successfully resolved. Based on the 2006 results, the net asset value of the company increased by 13.3% and reached 4.34 bln RUB (164.8 mln USD). OJSC IC RUSS-INVEST continues performing the main securities market operations, including dealing, broking, depositary, securities issuance and financial consulting services. The current political stability and favorable economic situation make investments in shares and bonds of the Russian companies promising, notwithstanding the rapid growth of share prices and presence of some risks. However, attention should be paid to global risks (changing interest rates, slowing economic growth rates and possible reduction of prices on raw materials). The effect of external factors on the Russian capital market will increase in 2007. This will require changes in the structure of the securities portfolio of the company. Our estimates show that, the investments in the steel industry, power sector, communications industry and banking will be the most attractive sector in 2007. Of some interest can be enterprises in the consumer demand oriented sectors.

At the same time, the company continues implementing a number of projects in order to diversify its business operations. In doing this, the company management has been paying close attention to the improvement of the internal organization structure and implementation of the new operation technologies.

The key criterions used for forming the asset portfolio of the company are: liquidity, risk level and profitability. In doing this, the company management aims to reach a reasonable balance between minimizing risks and management costs and ensuring a reasonable profitability level for our shareholders.

Russian capital markets in 2006 and investment strategy of the company

Debt securities market

In 2006, the corporate segment of the debt securities market manifested a steady growth. In 2006, the weighted average profitability of ruble bonds has not been decreased for the first time in recent years. When using debt securities, the investor's income was due either to a speculative strategy aimed to leverage slight market variations or conservative investment aimed to get coupon payments. Totally, the rates of debt tools were close to historical lower limits (the net weighted average profitability, as calculated with the Rux-Cbonds index, amounted to 7.5-7.7%) (Fig. 1).

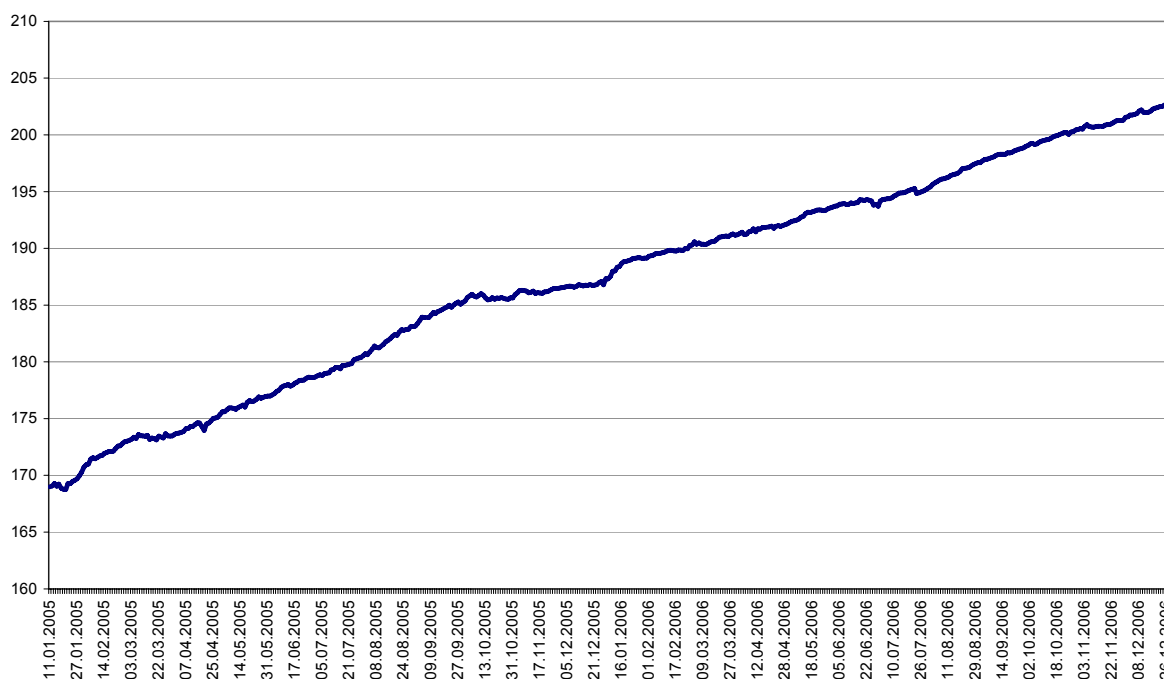
Fig. 1. Changes in the net weighted average profitability as calculated with the RUX-CBONDS index in 2005-2006 (%)



Source: www.cbonds.ru

The main parameters of the Russian market of debt tools manifested a significant growth, based on the 2006 results. For example, the Rux-Cbonds index rose from 187.99 points to 202.91 points (by 7.9%) (Fig. 2). The EMBI+Russia spread narrowed to 96 basic points (as compared to 115 basic points in the late 2005).

Fig. 2. Changes in the RUX-CBONDS index in 2005-2006 (points)



Source: www.cbonds.ru

One of the key events that effected the Russian debt securities market was the currency liberalization announced half a year earlier than expected, which eliminated capital import

and export constraints. Accordingly, this eliminated significant institutional constraints for foreign investors' entering the ruble debt securities market. According to the data of the Moscow Interbank Currency Exchange, the amount of transactions on the secondary market with the foreign investors involved increased in 2006 by 3 times and amounted to 20% of the total turnover. The active entering of foreign investors was also enhanced by the steadily high oil prices in 1H2006, increased stabilization fund and foreign currency and gold reserves. All this raised the investment attractiveness level of Russia for foreign investors.

The debt market was significantly effected by the increase of the sovereign rating of Russia by the largest international rating agencies (except for Moody's) in 2006. In 2007, Moody's is also expected to raise their rating of Russia. Thus, the next stage of the Russian sovereign rating would be the A level rating for all agencies. This would significantly raise the attractiveness of the Russian debt securities and somehow narrow the profitability spread of the Russian eurobonds and generally accepted counterparts.

The favorable situation at the ruble bond market in 2006 (steadily low profitability levels, high demand for initial offers) attracted more and more corporate borrowers. The cash amount attracted by corporate issuers in 2006 almost doubled, as compared to 2005. On the other side, the subfederal issuers significantly reduced their operations. The overall budget income growth made it possible for many issuers to refuse from attracting money at the bond market. Thus, the 2006 structure of initial offerings included 89% corporate loans and as low as 11% subfederal loans.

As of the end of 2006, the corporate bond market amounted to about 900 bln RUB. The yearly growth amounted to about 400 bln RUB with the total amount of offerings being 475 bln RUB. In 2006, the average monthly turnover amounted to about 140 bln RUB.

The subfederal bond market amounted to 190 bln RUB, the amount of offerings was about 60 bln RUB, and the average monthly turnover amounted to 45 bln RUB.

The new tendency at the ruble bond market was the significantly decreasing volatility. As regards the vast majority of issues, the profitability corrections did not exceed the interest rate. Such changes of the market volatility can be explained by the overall maturing of the market, favorable macroeconomic situation and increased share of conservative institutional investors whose operations set off market deviations.

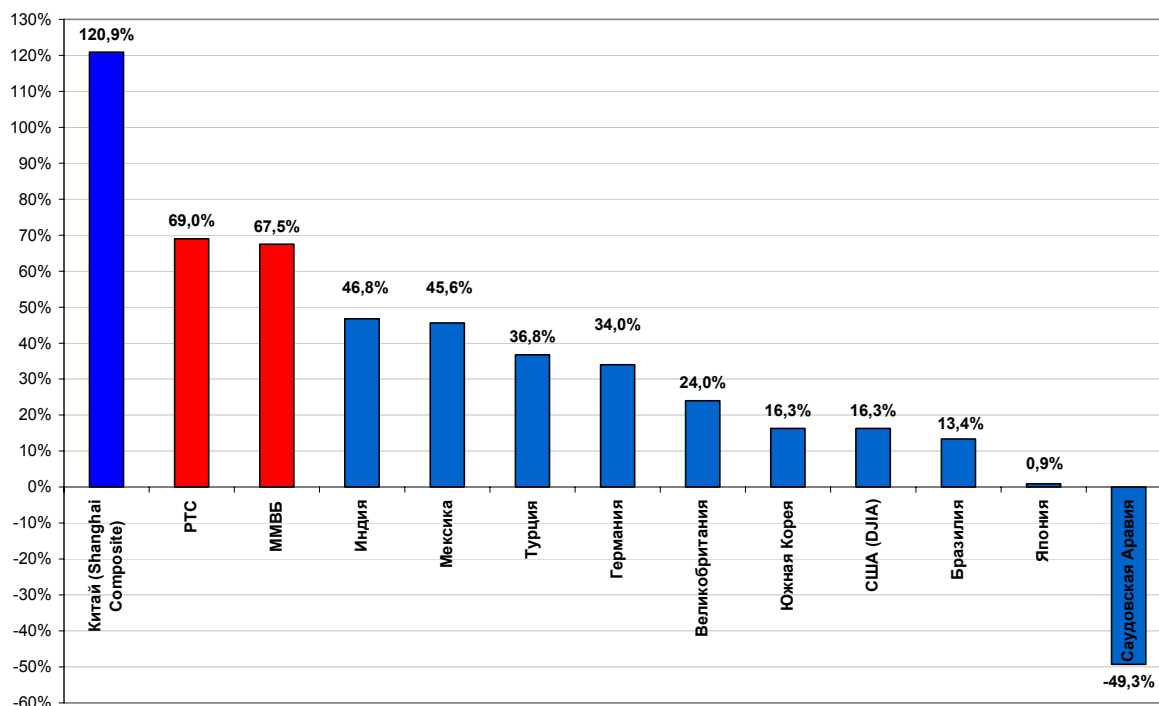
Besides, in 2006 the spreads between shares of the first and second and third echelons reduced. This was mainly connected with a lack of high class long-run tools (including due to a considerable demand of conservative institutional investors), which leads to the investors' focusing on bonds of the second and third echelons with the duration of one year or more.

Share markets

The last year was uniquely successful for both Russian and foreign investors at the Russian securities market. Notwithstanding the forecasts, the MICEX index grew by more than 67 percent during the year, and the RTS index reflecting the changes of 50 most liquid shares manifested even more impressive growth, 69 percent. Even corrected for the decreased USD exchange rate, the real change of the RTS index is estimated to be about 65 percent, which significantly exceeds the results at other emerging markets. Although worse than in 2005, this result allows the Russian market to remain one of the globally fastest growing capitalization markets. One of the most significant events of the last year which positively influenced the market was the successful IPO of OJSC HK Rosneft, which was the largest both in the modern Russian history (10.4 bln USD), and at the international securities exchanges. In July, the successful placement of shares of that oil company made it possible to reinforce the interest of foreign investors to the Russian assets and set off the decreasing trend. The market was also positively influenced by the public placement of shares of OJSC Severstal and OJSC OGK-5, which reflected the trend in the industry structure of demand for the Russian assets: increased interest to the power sector, communications and steel making industries.

Based on the 2006 results, the Russian share market remained one of the most profitable securities markets of the world. For example, the average growth of the emerging markets in 2006 amounted to 37%, and the capitalization of the overall securities market increased by 22.1%. The capitalization growth of the Russian companies slightly decreased as compared to 2005. For reference, in 2005 the RTS index grew by 87%, as compared to 8% in 2004. The globally leading exchange indices were much less successful. The Japanese Nikkei 225 increased by 0.9% (as compared to 40.2% in 2005), the German DAX increased by 34% (27.1%), the British FTSE increased by 24% (16.7%), the key American DJIA grew by 16.3% (-0.6%), and the Chinese Shanghai Composite increased by 120.9% (-8.3%) (Fig. 3).

Fig. 3. Changes of the global securities indices in 2006



Source: Bloomberg

Китай....	China (Shanghai Composite)
	RTS
	MICEX
	India
	Mexico
	Turkey
	Germany
	UK
	South Korea
	USA (DJIA)
	Brazil
	Japan
	Saudi Arabia

According to the annual consensus projections of the leading investment banks, the Russian market should have grown by about 30 percent in 2006. As of the end of the year, the RTS index was expected to be about 1300 to 1350 points. In fact, the index surpassed some long corrections and exceeded all growth expectations; the final trade session fixed its value at the level of 1922 points. The market started accelerating from the very beginning of the year. The RTS index reached the annual estimates as soon as in January by increasing the level of 1300 points, and the new local maximum of 1795 points was achieved on 10 May.

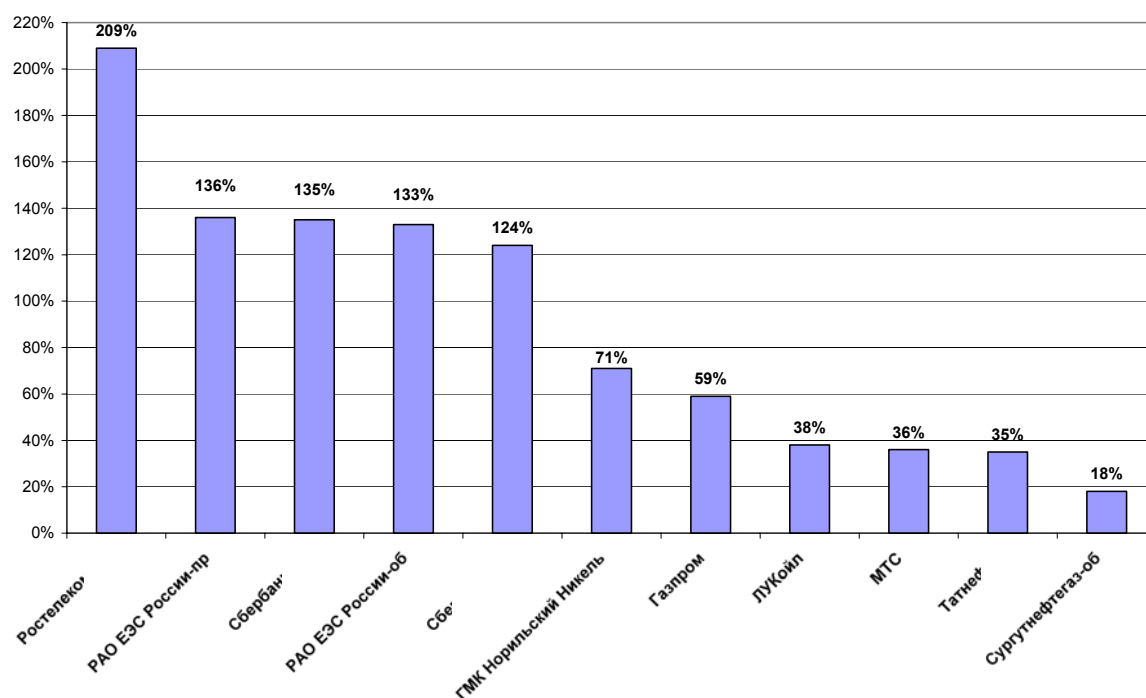
The steadily high growth rate was enhanced by the well behaved Russian economy. Achievements of the last year include the inflation decreased down to 9%, the GDP growth rate exceeding 7%, the

growth of foreign currency and gold reserves up to 300 bln USD, investments to fixed assets increased by 13% and the growth of trade balance by 18.3% up to 140 bln USD.

The Russian events that positively effected the growth of the national indices include the completed liberalization of the Gazprom share market, resolved conflict with Ukraine on the Russian gas supplies, expected inclusion of Gazprom into the index of Morgan Stanley Capital International (MSCI), accelerated power sector reform and IPOs of several Russian companies.

In such a situation, the leaders included the securities of oil companies, Gazprom, GMK Norilsky Nickel, Rostelekom and RAO UES of Russia. These securities pushed the indices to the new maximum values. Among blue chips, the best results were shown by ordinary shares of Rostelekom (+209%), privileged (+136%) and ordinary shares of RAO UES of Russia (+133%), ordinary and privileged shares of Sberbank (124 and 135% accordingly). At the same time, other securities of the banking sector also manifested the positive trend. However, they have grown much less than the securities of the resource extraction companies. (Fig. 4)

Fig. 4. Changes in prices of the Russian shares in 2006



Source: MICEX, calculations of OJSC IC RUSS-INVEST

Ростелеком....	Rostelecom – bonds
	RAO UES of Russia – privileged shares
	Sberbank – privileged shares
	RAO UES of Russia – bonds
	Sberbank – bonds
	GMK Norilsky Nickel
	Gazprom
	Lukoil

	MTS
	Tatneft
	Surgutneftegaz – bonds

However, as usual, the growth period is followed by the correction period. In May, 2006, this correction transformed into the downward trend at the global securities markets. As a result, from 10 to 22 May, when the Russian market saw the first strong downward trend, the RTS index fell by almost 27 percent. The second wave of correction wallowed from 5 to 14 June: Then, the RTS index reached its minimum value, 1219.1 points. (Fig. 5) At that time, the index decreased by almost 22 percent. Then, the summer still governed the Russian securities market. This was the time of the IPO of the Russia’s largest oil company Rosneft, G8 summit in St. Petersburg, where G8 leaders approved the Russian energy strategy, and the escalated geopolitical situation in the Middle East (a military conflict between Lebanon and Israel).

Fig. 5. Changes in the RTS index in 2004-2006



Source: RTS

At the early autumn, oil prices significantly decreased and pushed shares of the Russian oil companies (which fell by 20% from the high summer levels to the middle of September, and virtually did not change till the end of year) and the whole market, as oil securities make a large contribution to the RTS index. However, investors did not expect an intensive correction. The high liquidity level at the emerging markets, the development of the mature ones and positive corporate news in the telecom, power and banking sectors caused a new growth wave at the Russian securities market. Though the leading Russian indices, MICEX and RTS, rose from September to December 2006 by

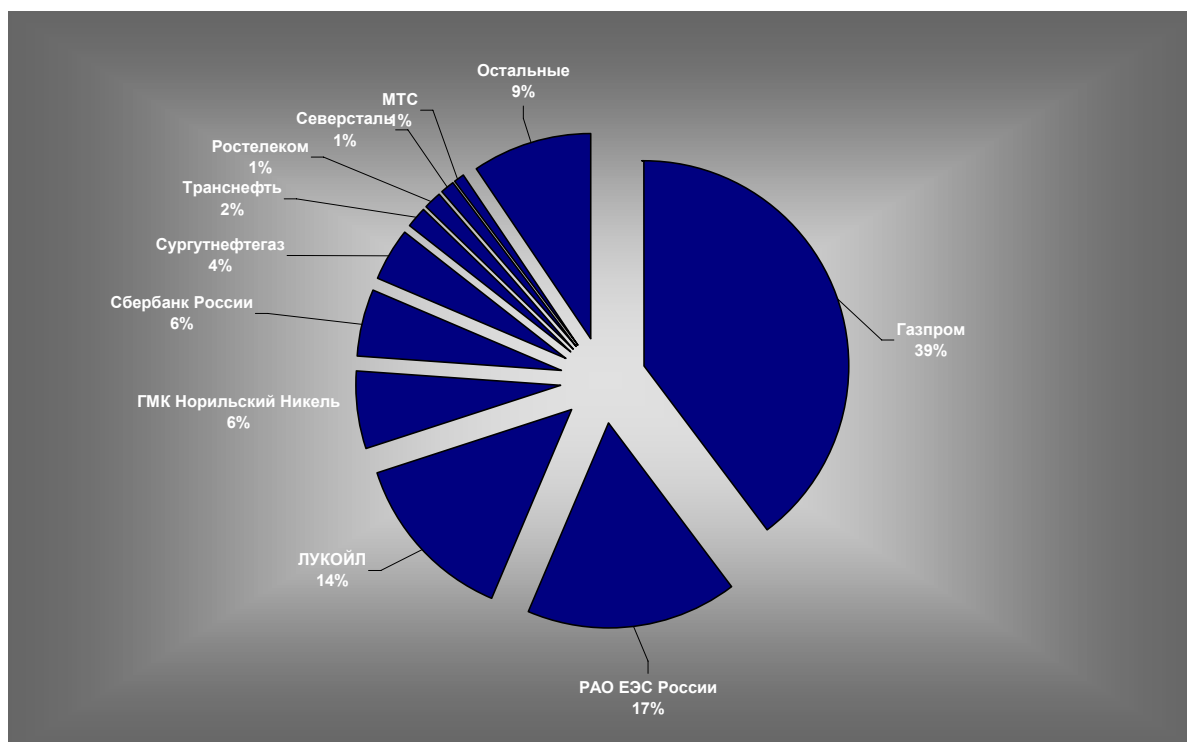
only 20 percent, thus, however, reaching new upper limits, some securities rose by 100 percent in that period.

Especially worth of mentioning are securities of the banking sector. The Sberbank securities have been for a long time a protection tool for investors, and they looked good enough even during the correction periods at the securities market. The expected additional issue of shares and IPO of Vneshtorgbank in 1H2007 pushed up Sberbank securities by almost 50 percent during the last four months of 2006. Securities of Promstroibank and Vozrozhdenie bank rose by 60 percent, and shares of the Bank of Moscow rose by 100 percent.

The telecom sector significantly rose during the last four months of the accounting year. The key growth drivers of those securities were developments in the situation around the privatization of Svyazinvest. As expected, important reforms were implemented in the power sector. They were in progress under a full steam. In the early November, the Russian sites saw a pilot IPO of OJSC OGK-5, and a wide range of OGK and TGK shares is planned to be launched in 2007.

Based on the 2006 results, the capitalization of the Russian securities market rose from 490 billion to 1.06 trillion US dollars, thus reaching almost 97% GDP in 2006. The trade turnover, based on the annual results, rose by 2.6 times, and the Russian share in the global capitalization rose in 2006 from 1.3 to 2.1%. The turnover structure of securities remained unchanged. Three issuers (Gazprom, RAO UES of Russia. LUKOIL) enjoyed about 70% of the trade turnover at the Classical Market of OJSC RTS. (Fig. 6)

Fig. 6. Shares of issuers in the turnover structure at the Classical Market of OJSC RTS in 2006



Source: RTS

Газпром	Gazprom
	RAO UES of Russia
	Lukoil
	GMK Norilsky Nickel
	Sberbank of Russia
	Surgutneftegaz
	Transneft
	Rostelecom
	Severstal
	MTS
	Other companies

As regards the future, it should be noted that the Russian blue chips will likely fail to reach such astonishing growth rates in the forthcoming years. However, the market generally has a growth potential due to the possible emergence of new blue chips in banking, power and steel making sectors.

Business operations in 2006

Place of the company in the industry

The stable growth of real disposable income of the population and production output, investment operations in the real economy and good condition of the federal finance enhances the fast growth of the Russian capital market. The development of the investment industry is also characterized by the growing prices of virtually all financial tools, which raises the market capitalization. The Russian financial market significantly increased the liquidity, though still lagging behind the leading global markets. The market risks sharply decreased due to the national economic growth. There has been formed a circle of professional participants of the securities market, which pushes down credit and operation risks.

The Russian sector of financial and investment intermediaries has been rapidly developed in recent years. It is represented by the licensed investment companies, investment funds, commercial banks, insurance companies and pension funds. The improved macroeconomic situation accelerated the development of the Russian financial market. Based on the data of FSFM as of the late 2006, the amount of licenses granted for conducting broking operations reached 1433, and that for dealing operations – 1394, securities trust management operations – 1100.

The economic growth contributed to the increase in the real disposable income of the population. Based on the 2006 results, the real disposable income of the population rose by 10.2%. The growing real disposable income of the population and profits of enterprises and organizations contributed to the growth of gross savings in the economy and investments in securities. This favorably effected

operations of investment and asset management companies in Russia and has been stimulating the development of the collective savings system. For example, in the late 2006, the amount of the active funds in Russia reached 460, and the total net asset value reached 420.5 bln RUB, which is 40% more, as compared to the late 2005.

Despite the growing investment operations in Russia, some performance indicators of the sector of financial intermediaries worsened in 2006, which reflected that the sector reached a peak. According to NAUFOR, the total turnover of 200 largest Russian investment companies for all securities in 1Q to 3Q2006 reached 13 180 bln RUB, which means the 3.6% increase, as compared to the same period of the previous year. The growth is due to the intensified operations of the leading market players, while the number of new companies at the market is virtually the same. At the same time, the increased market volatility and investment risks connected with the new levels reached by the key Russian securities indices in 2005-2006 caused the reduced profitability of the then current operations of market players. For example, according to NAUFOR, the total profit of 100 largest market players in 1Q to 3Q2006 decreased by 19.6%, as compared to 2005.

The investment sector has been still featuring a high monopolization level. Based on the data on 1Q-3Q2006, 20 leading Russian investment companies enjoyed 89% of total turnover (in 2005 – 88%), 76.2% of profit (in 2005 – 83.5%) and 71.5% of assets of all investment companies (in 2005 – 67%). Moreover, the asset value of investment companies increased in the period under consideration by 55.7%, as compared to the same period of 2005, and most investment companies have still originated from Moscow and the Moscow region.

In that situation, the key strategic objective of OJSC IC RUSS-INVEST is to keep and possibly extend its market share. According to the National Rating Agency (NRA), as of the end of 3Q2006, OJSC IC RUSS-INVEST enjoyed 1.84% assets of 150 largest investment companies, 10.25% of the own capital of 150 largest investment companies and 4.17% of profits of 100 Russia's largest investment companies. Table 1 compares OJSC IC RUSS-INVEST with other investment companies in 2002-3Q2006.

Table 1. OJSC IC RUSS-INVEST and other investment companies

	Indicator	2002	2003	2004	2005	2006*
1.	Total turnover	77	67	62	40	53
2.	Listed securities	40	35	47	28	44
3.	Turnover of dealing operations	47	26	20	-	18
4.	Assets	5	7	7	9	14
5.	Shareholder equity	2	3	2	2	2
6.	Profit	1	3	2	3	3

Source: National rating agency

* as of the end of 3Q2006.

The last year, our company managed to keep the leadership. The recently strengthened financial opportunities of professional market players have been making the sector competition tougher as regards the attraction of free financial resources and extension of the client base. However, intense operations of the company made it possible to strengthen its positions at the securities market and reach the leadership as regards the profitability and amount of the own capital. At the same time, it should be noted that the company has failed to increase its share in the total trade over, which makes it critical to extend the client base. The strengths of OJSC IC RUSS-INVEST include a relatively high level of financial reliability and the availability of reserve for extending broking operations. Positive financial results achieved by OJSC IC RUSS-INVEST in the recent years were appreciated by Fitch, the leading rating agency. In November, 2005, Fitch Ratings assigned OJSC IC RUSS-INVEST with the long-term rating B, short-term rating B and national long-term rating BBB- (BBB minus)(rus). The long-term rating is Stable. Based on the 2006 results of the company, Fitch Ratings confirmed the ratings of OJSC IC RUSS-INVEST and assigned the long-term rating Stable. It should be noted that only four Russian non-banking financial organizations achieved the Fitch rating (Table 2).

Table 2. Fitch rating of the Russian non-banking financial organizations

Issuer	Long-term rating of the issuer's default in a foreign currency	The prediction of the international rating	Short-term rating in a foreign currency	National rating	The prediction of the national rating
IG Renaissance Capital	BB-	Stable	B	-	-
IC RUSS-INVEST	B	Stable	B	BBB-(rus)	Stable
VKM-Leasing	CCC	Stable	C	-	-
VTB-Leasing	BBB+	Stable	F2	-	-

Source: Fitch Ratings

In 2006, the National Rating Agency (NRA) raised the individual rating of OJSC IC RUSS-INVEST from A+ (high reliability – first level) to AA- (very high reliability – third level), which reflects the leading positions of the company in the sector.

One of the key competitive advantages of the company is the amount of the own capital and sustainable financial position. OJSC IC RUSS-INVEST looks very good, as compared to other investment companies having wider client bases. To retain the position in the sector, the company needs to continue developing its business, implement advanced technologies and management methods, improve tariffs and provide its clients with new investment products and services.

The company's operations at the securities market

During the accounting year, the company conducted active operations with corporate shares and bonds of the Russian issuers. The vast majority of operations were conducted at the major Russian exchanges, such as MICEX, RTS and St. Petersburg Exchange. OJSC IC RUSS-INVEST has a

strong position in the list of 50 largest MICEX share players. The gross profit gained from operations with shares of the Russian companies amounted to 337.7 mln RUB (Table 3) and increased by 2.3% during the year. The share portfolio structure of OJSC IC RUSS-INVEST as of the late 2006 is shown on Fig. 7.

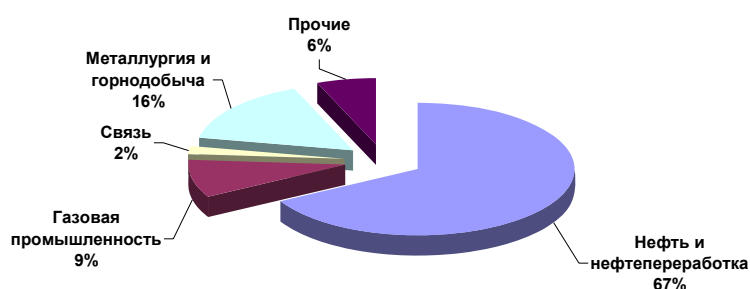
Table 3. The gross income structure of OJSC IC RUSS-INVEST in 2006 (drawn by types of financial tools), th. RUB.

Item of income	2004	2005	2006	Change relative to 2005, %
Shares operations	654 540	330 214	337 688	+ 2.26%
Corporate bonds operations (including ACI)	120 233	152 706	161 101	+ 5.50%
State securities operations (including ACI)	7 349	0	0	-
Interest income on deposit operations	2283	3 802	1 041	- 72.62%
Income from participation in other organizations (dividends etc.)	29 887	18 295	6 473	- 64.62%

Source: OJSC IC RUSS-INVEST.

The company continued intensifying its positions at the corporate bonds market. The portfolio of corporate bonds (with account of ACI) as of the late 2006 amounted to 1.27 bln RUB and decreased by 14.8%, as compared to the beginning of the year. At the same time, the gross profit from corporate bonds operations amounted to 161.1 mln RUB and increased by 5.5%.

Fig. 7. Share portfolio structure of OJSC IC RUSS-INVEST



Source: OJSC IC RUSS-INVEST

Нефть и нефтепереработка	Oil production and processing
--------------------------	-------------------------------

	Gas industry
	Telecom
	Steel making and mining industry
	Other sectors

The company irregularly operated at the monetary market (deposit and RP operations) with the purpose of the short-term placement of temporarily free monetary resources in order to keep the high liquidity level and ensure the more efficient use of the company's assets. These mainly included RP operations, as they provide for the placement of free monetary resources with the pledge in the form of securities with the higher interest rates, as compared to banking deposits.

According to the approved development strategy, the company aims to preserve the diversified structure of assets. The structure of the company's assets as of the late 2006 is shown on Fig. 8.

Fig. 8. Asset structure of OJSC IC RUSS-INVEST



Source: OJSC IC RUSS-INVEST

Корпоративные облигации....	Corporate bonds
	Shares of limited liquidity
	Non-liquid shares
	Real estate
	Investment shares
	Monetary assets
	State securities
	Liquid shares

In the late 2006, the company joined the forward section of RTS (Futures and Options on RTS – FORTS) as the clearing member and started operations at the market of derivatives.

Broking and depositary operations

During 2006, OJSC IC RUSS-INVEST continued providing its clients with broking services, thus ensuring the access to all key Russian trading floors. At the same time, the company focused on servicing legal entities. Based on the results of the accounting year, the total turnover of transactions conducted in order to execute the broking services contracts at the securities market increased by seven times (4723.5 mln RUB), which accounted for about 4.7% of the total turnover of the company. The depositary department serviced clients in a precise and timely manner. No violations were detected by the controller of OJSC IC RUSS-INVEST in the operation of the Department.

In 2006, clients were offered a number of new services which significantly enlarge the investment prospects at the securities market:

- Forward market;
- Training center;
- Investment client portfolio;
- One-off analytical workshops;
- Internet sales from the website of the company.

The company intends to further extend the range of services in order to attract new clients (entering foreign markets, marginal crediting and one-account trading). In working with clients, the company focuses on its business reputation, individual approach and targeted advertising.

Corporate financing and financial consulting

In 2006, the company continued its successful operations in the area of corporate financing and financial consulting. In 2006, OJSC IC RUSS-INVEST contributed to the placement of 28 issues of corporate ruble bonds in the total amount of 34.8 bln RUB at the securities market MICEX together with the leading Russian banks and investment companies during the initial placement of securities. Moreover, OJSC IC RUSS-INVEST served as the joint lead manager for the ruble bonds issues of such companies as Amurmetall, AiF – Media Pressa – Finance and ZhilSotsGarantiya.

In 2006, OJSC IC RUSS-INVEST won a tender for arranging, placing and trading of the first issue of corporate bonds of CJSC Moscow Leasing Company. In July, 2006, that issue was successfully placed with the support of the members of the investment syndicate organized by OJSC IC RUSS-INVEST in the Securities Market Section of MICEX. The Corporate Finance and Financial Consulting Departments arranged the whole IPO process of bonds, including the following:

- Advising to clients and forming the structure of the issue;
- Organization of bridge financing;
- Organization of the initial placement of the issuer's securities at MICEX followed by the circulation at secondary trading sessions;
- Sales of securities and establishment of a syndicate;

- The support of the bond issue in the course of secondary circulation, including financing bond holders on pledge of the issuer's securities.

In 2006, OJSC IC RUSS-INVEST served as the joint underwriter or joint lead manager in the placements of 28 issues of corporate bonds. (Table 4)

Table 4. The syndicated initial placement of bond loans in 2006 with IC RUSS-INVEST

	Issuer	Total issue	Status
1	Viktoriya-Financial, issue 1	1 500 000 000	Joint underwriter
2	APK Arkada, issue 2	750 000 000	Joint underwriter
3	Amurmetall, issue 1	1 500 000 000	Joint lead manager
4	Motorostroitel – Financial, issue 1	1 000 000 000	Joint underwriter
5	Sinergiya, issue 1	1 000 000 000	Joint underwriter
6	ArnestFinancial, issue 1	800 000 000	Joint underwriter
7	Russian utilities systems, issue 1	1 500 000 000	Joint underwriter
8	Sibirtelekom, issue 7	2 000 000 000	Joint underwriter
9	AiF – Media Pressa – Finance, issue 1	1 500 000 000	Joint lead manager
10	Dalsvyaz, issue 3	1 500 000 000	Joint underwriter
11	Viktoriya-Financial, issue 1	1 500 000 000	Joint underwriter
12	MLK-Financial, issue 1	550 000 000	Organizer
13	MARTA, issue 3	2 000 000 000	Joint underwriter
14	LOMO, issue 3	1 000 000 000	Joint lead manager
15	NOK, issue 1	400 000 000	Joint underwriter
16	SNKhZ (Sterlitamaksky NKhZ), issue 1	1 000 000 000	Joint underwriter
17	Promtraktor, issue 2	3 000 000 000	Joint underwriter
18	ZhiSotsGarantiya, issue 1	600 000 000	Joint lead manager
19	Terna, issue 2	1 000 000 000	Joint underwriter
20	Evroservis, issue 1	2 000 000 000	Joint underwriter
21	AKB Moscow Pledge Bank, issue 1	800 000 000	Joint underwriter
22	Atlant-M, issue 1	1 000 000 000	Joint underwriter
23	Parnas-M, issue 2	1 000 000 000	Joint underwriter
24	Energomash-Financial, issue 1	700 000 000	Joint underwriter
25	Sakhatransoilgas, issue 1	1 500 000 000	Joint underwriter
26	Nitol, issue 2	2 200 000 000	Joint underwriter
27	Mariysky Oil Refinery, issue 2	1 500 000 000	Joint underwriter
28	Karat, issue 2	1 500 000 000	Joint underwriter
	TOTAL bond loans	34 800 000 000	

In 2006, the transaction was closed for selling shares of OJSC SiGMA, initially the client of the Corporate Finance Department, to a strategic partner, and the Company gained a significant income from the deal. One of the most significant achievements of the Corporate Finance and Financial Consulting Department was the arrangement to include OJSC IC RUSS-INVEST shares in NP RTS and OJSC RTS stock exchange lists. In 2006, the shares of OJSC IC RUSS-INVEST at both markets were included into the Exchange List “Securities in circulation which are not included in Quotation Lists”.

In 2006, OJSC IC RUSS-INVEST has received the status of the Listing Agent in the Sector of Innovative and Growing Companies on the MICEX Stock Exchange. On 27 December 2006, MICEX stock exchange announced the accreditation of the first Listing Agents, which are organizations that, having an official status, become guides for innovative and growing companies on the MICEX Stock Exchange. The Listing Agent status is conferred on organizations that have experience in the field of corporate financing and investment consulting: organizing and underwriting bond loans, bringing companies to the securities market, organizing initial public offerings (IPOs), managerial, legal, tax and audit consulting, provision of analytical support to issuers and services in the field of PR campaigns and marketing of financial products.

In December 2006, OJSC IC RUSS-INVEST received the status of authorized financial consultant in OJSC RTS and was listed as an accredited financial consultant of OJSC RTS (notification of accreditation from OJSC RTS of 27 December, 2006).

In 2006, the Corporate Finance and Financial Consulting Department continued with the projects started in 2004-2005, including consulting clients on the development project of the trade and office center, consulting clients on arranging bond issues, getting mandates and concluding contracts for the financial consulting at the securities market for several companies, and financial consulting and raising investments for a high-tech client.

In 2006, the Corporate Finance and Financial Consulting Department continued the work on a project of attracting investors to a large real estate property in Sochi. The client is provided with recommendations and a list of prospect investors.

In 2006, the Corporate Finance and Financial Consulting Department continued interactions with the international rating agency FITCH Ratings and arranged the participation of the company in the IR Global Rankings. In February, 2006, OJSC IC RUSS-INVEST was awarded as TOP-1 in Europe for corporate governance among the companies of low/medium capitalization according to the technical criteria.

In 2006, three representatives of OJSC IC RUSS-INVEST participated in the Board of Directors of OJSC Ryasan Oil and Chemical Plant. With the joint efforts with other members of the Board of Directors of OJSC Ryasan Oil and Chemical Plant, OJSC IC RUSS-INVEST submitted important proposals for improving the performance of the company.

In 2006, employees of the company participated as invited speakers at key economic conferences and fora, including the international conference Opportunities for Direct and Private Financing and

annual international conference on the Russian debt market. The employees of the Department contributed with reports at the conference on the attraction of investments held in Novosibirsk and at the conference held by the Finance Director magazine in Moscow.

Asset management services and mutual funds

In order to extend the range of services, OJSC IC RUSS-INVEST established CJSC Asset Management Company RUSS-INVEST in 2004. The key objective of the asset management company consists in managing Mutual Investment Funds and providing clients with the asset management services.

CJSC Asset Management Company RUSS-INVEST has the license of the Federal Commission on the Securities Market of Russia for managing investment funds, mutual investment funds and private pension funds No. 21-000-1-00158 dated 16 April 2004 and license of the professional securities market participant for managing securities No. 077-07805-001000 dated 22 June 2004.

Based on the 2006 results, Asset Management Company RUSS-INVEST achieved good financial results, thanks to the positive changes at the Russian securities market and active work of the company's employees.

In 2006, the profitability of investment shares of the RUSS-INVEST funds established two years ago amounted to:

- 47.9% per annum in the Open Mutual Investment Fund of Shares RUSS-INVEST – Mutual Fund of Shares,
- 33.6 % per annum in the Open Mutual Investment Fund of Mixed Investments RUSS-INVEST – Mutual Fund of Shares and Bonds.

The asset management company RUSS-INVEST aims at creating a set of services most fully meeting the investment needs of clients. This is why new funds were established in 2006 which have different profitability and risk levels:

- Open index Mutual Investment Fund RUSS-INVEST – MICEX Index;
- Interval Mutual Investment Fund of Shares RUSS-INVEST – Privileged Shares;
- Interval Mutual Investment Fund of Mixed Investments RUSS-INVEST – High Technologies.

Names and types of funds define the investment concepts which we are going to follow in order to ensure a significant growth in the value of shares of RUSS-INVEST funds.

Currently, the Asset Management Company manages five Mutual Investment Funds. As of 29.12.06, the net asset value of mutual funds managed by CJSC Asset Management Company RUSS-INVEST amounted to 313. 83 mln RUB

In 2006, the Asset Management Company extended the network of points for submitting applications for Mutual Investment Funds RUSS-INVEST by attracting agent organizations having wide networks

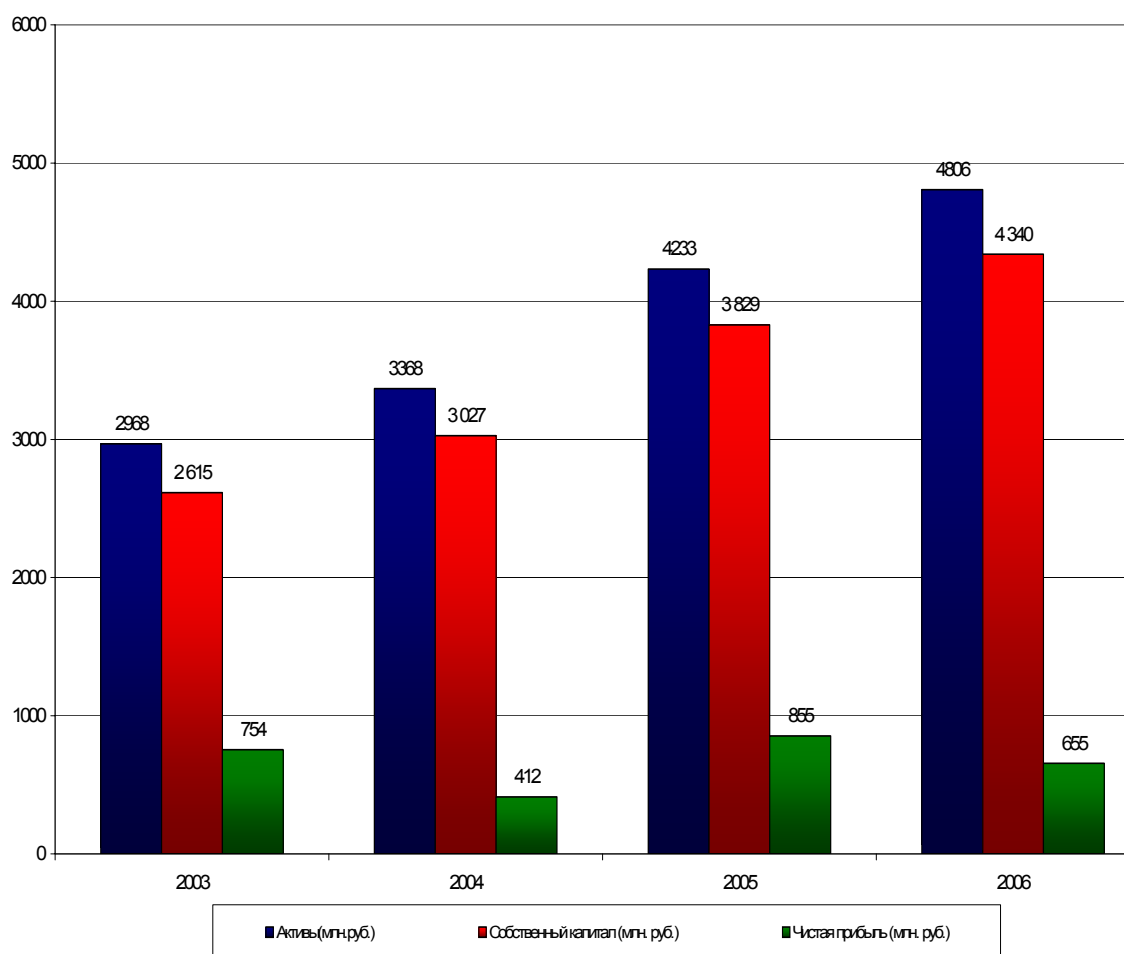
of offices. By the end of 2006, shares of RUSS-INVEST funds were sold in 30 points in Moscow and 37 points in other Russian regions.

The prospect plans of the asset management company RUSS-INVEST include the extension of the client base, improvement of client servicing, extension of the agent network of points for submitting applications for the RUSS-INVEST funds and establishment of own additional offices in large Russian regions.

Financial condition of the company

In 2006, OJSC IC RUSS-INVEST retained the high profitability of current operations despite the increased volatility of the securities market. The steadily high values of performance indicators achieved by the company during the last two years reflect the achievements of the company in the area of business diversification and management structure optimization. Based on the 2006 results, the book value of the company's assets increased by 13.5% and reached 4.81 bln RUB. The sales revenues increased by 2.3 times and reached 49.76 bln RUB. Based on the 2006 results, the profit before taxes increased by 4% and reached 358.6 mln RUB. In 2006, the own capital increased by 13.3% and reached (in the end of 2006) 4.34 bln RUB (Fig. 9). As regards net profit, the company retained leading positions in the sector.

Fig. 9. Changes of assets, own capital and net profit of OJSC IC RUSS-INVEST in 2003-2006



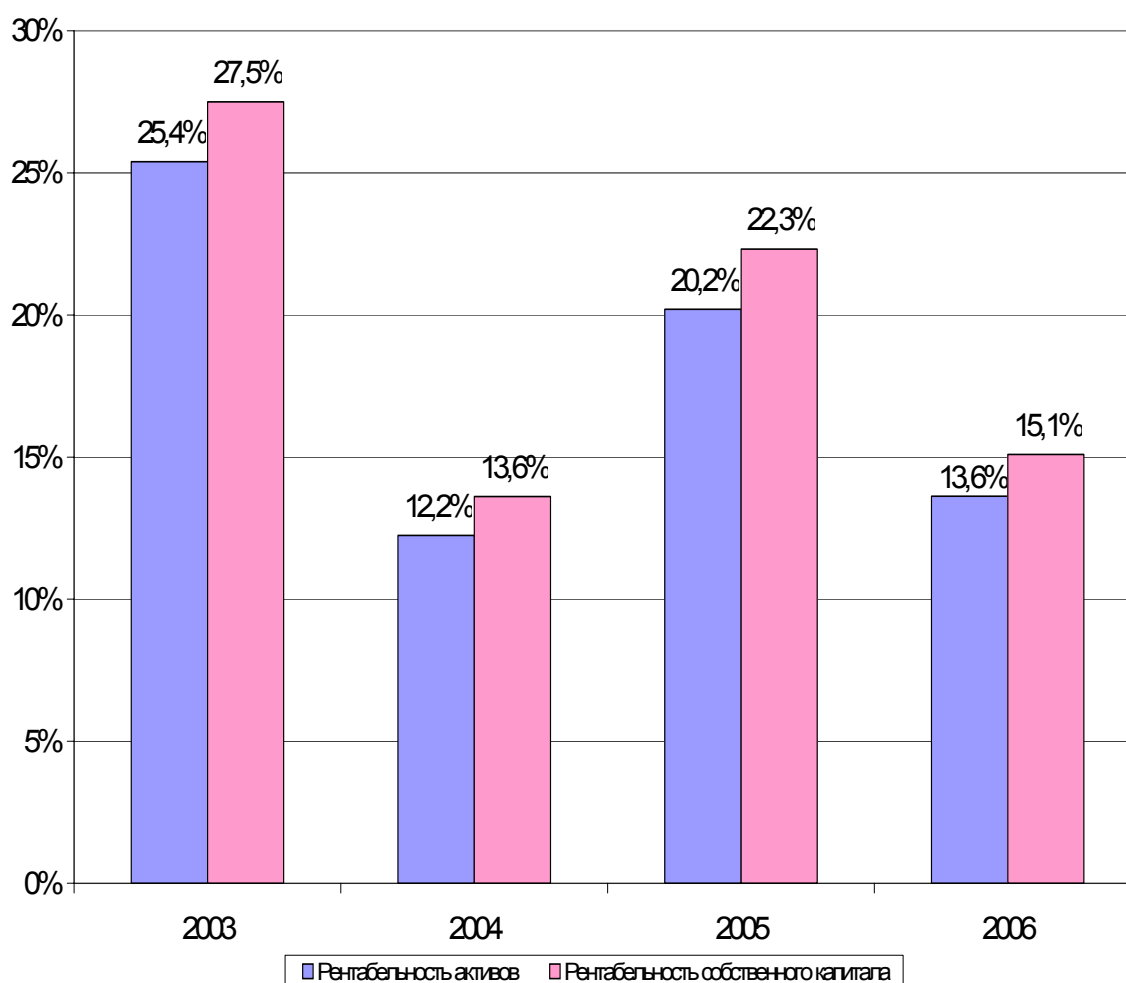
Source: OJSC IC RUSS-INVEST

Активы...	Assets (mln RUB)
	Own capital (mln RUB)
	Net profit (mln RUB)

Based on the 2006 results, the significantly increased trade turnover ensured a high turnover ratio, which reflects the active investment strategy of the company. For example, the asset turnover ratio, calculated as the ratio of revenues to the average annual average asset value, increased, based on results of the last year, by almost three times, from 353.6 to 1035.2%. Based on the 2006 results, the asset profitability slightly decreased, which reflected the increased volatility of the securities market and increased risk of investments in fund assets. The profitability of assets, based on the 2006 results, amounted to 13.6%, and that of the own capital amounted to 15.1% (Fig. 10). Under high market risks, the company strategically decided to maintain the high level of current capital and raise the balance liquidity. Attention was also paid to prospect long-term projects which can ensure a larger return in the future, as compared to the current market operations. In that context, the company chose a moderately risky tactics of current operations supplemented with the strengthened risk control and extended range of securities in circulation. At the same time, the previously made long-term

investments made it possible to leverage the fundamental reassessment of the Russian market and significantly improve financial results. For example, the decreased profitability of current operations was balanced by the increased profit from reassessment of long-term investments. For example, profit-before-taxes margin decreased, based on the 2006 results, from 2.3% to 0.7%. The net profit margin decreased from 5.7% to 1.3%, which is significantly less than the profitability of the own capital. In 2006, the ratio of gross profit to profit before taxes amounted to 46.4% (33.4% in 2005), which reflects the large contribution of the profit from the accounting reassessment of strategic investments to the overall financial result.

Fig. 10. Changes in profitability of OJSC IC RUSS-INVEST in 2003-2005



Source: OJSC IC RUSS-INVEST

Рентабельность активов...	Profitability of assets
	Profitability of own capital

Together with the growing net profit, one should note a steadily high level of tax payments, which reflects the high tax discipline of the company. The profit tax paid in 2006 amounted to 117.5 mln RUB, or 19.2% of the earning before interest and taxes (EBIT).

The structural changes in the balance sheet of OJSC IC RUSS-INVEST, based on the 2006 results, reflect the increased share of short-term financial investments in the context of decreased long-term financial investments and share of monetary assets, which is connected with the policy chosen by the company management in order to increase the asset turnover and improve the utilization of monetary assets. For example, the share of monetary assets decreased from 16.6% to 4.6% of the currency of the balance sheet (-69%), long-term financial investments – from 20.5% to 8.4% (-54%), and the share of short-term financial investments increased from 62.3% to 85.8% of the currency of the balance sheet (+56%). The structure of liabilities did not significantly change in 2006. The stable growth of net profit reflected in the growth of undistributed profit in terms of the currency of the balance sheet from 77.9% to 78.4%. The significant part of net profit which is not distributed in the form of dividends is left at the company due to the fact that the full profit distribution would decrease the own capital of the company, thus sharply decreasing the future opportunities for increasing the profit. The share of internal funds in the balance sheet structure saw virtually no changes: 90.3% of the currency of balance sheet vs. 90.5% in 2005. In the structure of borrowed funds, the major part was the debt to founding members as regards the payment of dividends, and its part decreased from 7.4% to 7.3% of the currency of balance sheet. In absolute terms, this item increased by 12% in 2006. This debt occurred due to the fact that shareholders fail to timely provide the registrar with the information on changes in passport details and place of residence.

The financial condition of the company remains sustainable, which is evidenced by financial indicators shown in Table 5. The balance sheet structure reflects a high level of financial independency and features high liquidity. As a result of the consistent risk reducing strategy, the share of current assets in the overall structure of the company's assets significantly grew in 2006, from 79.2% to 91.4%. The value of the most liquid assets (monetary assets and short-term financial investments) increased in 2006 by 30% and reached 4.35 bln RUB. In relative terms, their share reached 90.4% of the value of the company's assets, as compared to 78.9% in the late 2005, which reflects the availability of sufficient reserves for new investments. In 2006, the current ratio reached 9.43, as compared to 8.32 in 2005. The acid ratio reached 9.32%, as compared to 8.28% in 2005. The recommended value of the current ratio amounts to 2.5, and the acid ratio – 1.2. Thus, the balance structure of the company retains a high liquidity and reserves for new investment projects.

The share of accounts payable and receivable in the balance structure of the company did not significantly change during the accounting year. Based on the 2006 results, the share of accounts receivable in the asset structure increased from 0.3% to 0.9%, and accounts payable of the company increased from 2.1% to 2.3% of the currency of the balance sheet. The share of borrowed funds of the company is retained at a low level (9.7%), which, in the context of the efficient structure of the company, creates exclusively favorable conditions for extending the client base and diversifying the investment business of the company and extending the range of services.

Table 5. Changes in the financial indicators of OJSC IC RUSS-INVEST in 2001-2006

	2001	2002	2003	2004	2005	2006
Profitability indices						
Share of total profit in revenue, %	19.2%	39.2%	9.0%	6.7%	2.3%	0.7%
Share of net profit in revenue, %	16.7%	29.6%	10.9%	4.1%	5.7%	1.3%
Return on equity, %	32.3%	69.8%	27.5%	13.6%	22.3%	15.1%
Return on assets, %	31.2%	68.8%	25.4%	12.2%	20.2%	13.6%
Asset utilization indices						
Asset turnover, %	186.6%	232.8%	232.1%	295.7%	353.6%	1035.2%
Liquidity indices						
Current liquidity ratio	25.9	65.4	11.2	9.43	8.32	9.43
Quick liquidity ratio	25.9	65.4	11.1	8.05	8.28	9.32
Cash turnover	92.3	50.0	26.2	28.5	29.2	107.5
Creditworthiness indices						
Debt to total assets (%)	3.4%	1.5%	7.8%	10.1%	9.5%	9.7%
Debt to own capital (%)	3.5%	1.5%	8.4%	11.3%	10.5%	10.7%
Share assessment indices						
Net profit per EPS share, RUB	4.69	33.57	10.77	5.89	9.77	6.00876
Net profit per EPS share, USD	0.16	1.06	0.37	0.20	0.35	0.23
Dividend interest (%)*	0.0%	350%	175%	100%	150%	6.3%**
Price/earnings ratio (P/E)	0.2	0.00	0.1	0.17	0.10	3.16
Own capital per share (Book Value), RUB	14.53	48.09	37.36	43.25	43.77	39.82
Own capital per share (Book Value), USD	0.49	1.51	1.29	1.49	1.56	1.51
Share price to own capital, per share	0.07	0.02	0.027	0.023	0.0228	0.4772

* – ratios for 2006 were calculated based on the price of 1 ordinary share of OJSC IC RUSS-INVEST of 19 RUB, which corresponds to the results of trading sessions at the Exchange Market of OJSC RTS as of 29.12.2006

** – the amount of dividends was recommended by the Board of Directors (minutes No. 15/06-07 dated 18 April, 2007) in the amount of 1 ruble 20 kopecks. This proposal is subject to approval of the General Meeting of Shareholders on 8 June, 2007.

Source: OJSC IC RUSS-INVEST

The undistributed profit is the key source of the company's assets. Equally significant results were achieved also due the company management's policy aimed to retain indirect costs, which enables to improve the utilization of the company's property and meets the interests of shareholders. For example, the share of commercial and managerial costs which are not directly connected with the purchase and sale of securities, in total assets of the company amounted to 2.49% in 2006, which is lower than in 2000-2002. The share of costs which are not directly connected with the sale of securities in the revenues decreased from 2.8% in 2000 to 0.24%. The low level of those costs manifests a rational approach to the management of the shareholders' capital and reflects the cost control policy. This also shows the availability of reserves for increasing expenditures for marketing researches, advertisement of services and development of the company's infrastructure (Table 6).

Table 6. Changes in managerial, commercial and administrative expenditures

(th. RUB.)	2000	2001	2002	2003	2004	2005	2006
Managerial, commercial and administrative expenditures (AE)	21600	28543	68179	64440	73516	83 988	119 843
AE to revenues	2.80%	2.30%	1.30%	0.90%	0.70%	0.56%	0.24%
AE to assets	3.00%	4.20%	3.10%	2.20%	2.20%	1.98%	2.49%

Source: OJSC IC RUSS-INVEST

Since 28 June, 2006, the ordinary registered shares of OJSC IC RUSS-INVEST have been traded at Exchange Market of OJSC RTS. The started public trade with shares become a significant event for all shareholders. During the circulation at the arranged market, the price of shares of OJSC IC RUSS-INVEST reached 19 RUB in 2006. The company's achievements made in recent years are reflected in the growing market capitalization. Despite the above changes, shares of the company had extremely low market indicators. The sum of shareholder capital and reserves, based on the 2006 results, amounted to 39 RUB 82 kopecks, per 1 share, or 1.51 USD based on the exchange rate of the RF Central Bank on the last day of the year. The net profit per 1 share of the company, based on the 2006 results, amounted to 6.00876 RUB, or 0.23 USD based on the exchange rate of the RF Central Bank as of the last day of the year. For example, the P/E ratio (price/earnings per share) is 3.16, which is 2 to 4 times less that that of blue chips at the Russian securities market.

The current stage of the company's development, in the context of uncertainty at the Russian financial market and high competition in the sector, requires an intensified business diversification, extension of the range of investment services and client base and search for prospect investment projects. This requires additional costs, which reflects in the profitability of the current operations. However, those losses are normal for the companies that choose an intensive and long-run oriented development strategy. Its key objective is to reach a stable long-term growth of the company's capital for the sake of all shareholders of OJSC IC RUSS-INVEST.

Interested party transactions

In 2006, the Board of Directors of OJSC IC RUSS-INVEST repeatedly approved interested party transactions. Specifically:

1. On 09 February, 2006 (Minutes No. 17/05-06) the Board of Directors of OJSC IC RUSS-INVEST approved the interested party transaction on the sale of shares of OJSC Siberian Mining and Metallurgical Alliance in the amount of 1 854 700 (One million eight hundred fifty four thousand seven hundred) pcs. at 42 (forty two) rubles each. The transaction cost 77 897 400 (Seventy seven million eight hundred ninety seven thousand four hundred) RUB.
2. On 18 May, 2006 (Minutes No. 21/05-06), the Board of Directors of OJSC IC RUSS-INVEST approved an interested party transaction, specifically the conclusion of an

additional agreement to the commercial real estate leasing contract with CJSC NASCHOKIN No. 2/2005 dated 30 September 2005). It was decided to amend the clause 3.1.1 of the contract as follows: The rental payment is set in the amount of 530 (Five hundred thirty) USD (VAT included) per 1 sq. m of total floor space per year and is to be made in rubles based on the exchange rate of US dollars established by the RF Central Bank on the date of the Lessor's invoice. The rental payment includes the cost of utilities. In what follows, the contract remains unchanged.

3. On 28 August, 2006 (Minutes No. 05/06-07) the Board of Directors of OJSC IC RUSS-INVEST approved an interested party transaction, specifically the conclusion of the commercial real estate leasing contract with CJSC NASCHOKIN No. 2/2006 dated 01.09.2006 for 11 months under market conditions. Total floor space of the rented premises at: Moscow, Naschokinsky side-st., 5-3/12, bldg. 4 amounts to 247 sq. m, the price is 530 USD per 1 sq. m a year, VAT included.

4. On 4 October, 2006 (Minutes No. 06/06-07 the Board of Directors of OJSC IC RUSS-INVEST approved interested party transactions, specifically:

- the contract for rendering broking services for CJSC Asset Management Company RUSS-INVEST by the Open Index Mutual Investment Fund RUSS-INVEST – MICEX Index;
- the contract for rendering broking services for CJSC Asset Management Company RUSS-INVEST by the Interval Mutual Investment Fund of Mixed Investments RUSS-INVEST – High Technologies;
- the contract for rendering broking services for CJSC Asset Management Company RUSS-INVEST by the Interval Mutual Investment Fund of Shares RUSS-INVEST – Privileged Shares;
- Acquisition of shares of the Open Index Mutual Investment Fund RUSS-INVEST – Index – MICEX from CJSC Asset Management Company RUSS-INVEST, serving as the Asset Manager of the Open Index Mutual Investment Fund RUSS-INVEST – MICEX Index in the amount of 35 000 000 (Thirty Five million) RUB.
- Acquisition of investment shares of the interval Mutual Investment Fund of Mixed Investments RUSS-INVEST – High Technologies from CJSC Asset Management Company RUSS-INVEST, serving as the Asset Manager of the Interval Mutual Investment Fund of Mixed Investments RUSS-INVEST – High Technologies in the amount of 25 000 000 (Twenty Five million) RUB.

- Acquisition of investment shares of the Interval Mutual Investment Fund of Shares RUSS-INVEST – Privileged Shares from CJSC Asset Management Company RUSS-INVEST, serving as the Asset Manager of the Interval Mutual Investment Fund of Shares RUSS-INVEST – Privileged Shares in the amount of 25 000 000 (Twenty Five million) RUB.

5. On 6 October 2006 Minutes No. 07/06-07), the Board of Directors OJSC IC RUSS-INVEST approved an interested party transaction, specifically the conclusion of the additional agreement to the commercial real estate leasing contract with CJSC NASCHOKIN No. 2/2006 dated 01.09.2006 for 11 months under market conditions, the total floor space is 578.8 sq. m, the price is 530 USD per 1 sq. m a year, VAT included, for the premises located at the 1st and 2nd floors. The price for the premises located at the ground floor amounts to 500 USD per 1 sq. m, VAT included, at: Moscow, Naschokinsky side-st., 5-3/12, bldg. 4.

Dividends

According to the Provision on Dividend Policy of OJSC IC RUSS-INVEST, dividends are paid to shareholders provided that the company has a net profit, no legal constraints are imposed for paying dividends and the approval of the payment of dividends is granted by the Board of Directors of the company. When considering the payment of dividends, the Board of Directors shall take account of the financial condition and prospects of the company's development. The decision on the payment of dividends shall be made by the General Meeting of Shareholders. The changes in dividends are shown in Table 7.

During the last five years, the company has repeatedly paid dividends to its shareholders. For example, dividends for 2000 were approved by the General Meeting of Shareholders in the amount of 1 RUB 51 kopecks per share. The total amount of accrued dividends amounted to 67.64 mln RUB. Based on the 2001 results, dividends were not paid. Based on the 2002 results, the General Meeting of Shareholders approved dividends in the amount of 3 RUB 50 kopecks per ordinary share. The total accrued dividends amounted to 195.97 mln RUB. Based on the 2003 results, the General Meeting of Shareholders approved the payment of dividends in the amount of 1 RUB 75 kopecks per one ordinary share with the par value of 1 RUB, totally for 122.48 mln RUB. Based on the 2004 results, the General Meeting of Shareholders approved the payment of dividends in the amount of 1 RUB per one ordinary share with the par value of 1 RUB, totally for 69.989 mln RUB. Based on the 2005 results, the General Meeting of Shareholders approved the payment of dividends in the amount of 1 RUB 50 kopecks per one ordinary share with the par value of 1 RUB, totally for 163.5 mln RUB. Based on the 2006 results, the amount of dividends recommended by the Board of Directors (minutes

No. 15/06-07 dated 18 April, 2007) amounted to 1 RUB 20 kopecks. This proposal is subject to approval of the General Meeting of Shareholders on 8 June, 2007.

Table 7. Changes in dividends of OJSC IC RUSS-INVEST

Year	2000	2001	2002	2003	2004	2005	2006*
Dividend per share (RUB)	1.51	-	3.50	1.75	1	1.5	1.2

* – the amount of dividends was recommended by the Board of Directors (minutes No. 15/06-07 dated 18 April 2007). This proposal is subject to approval of the General Meeting of Shareholders on 8 June, 2007.

Source: OJSC IC RUSS-INVEST

Unfortunately, many shareholders fail to timely inform the registrar of OJSC IC RUSS-INVEST on changes in the place of residence and passport details. As a result, there is an increase in the dividend debt of the company and information processing and dividend expenditures.

Risks and risk reducing measures

The sector of OJSC IC RUSS-INVEST and, hence, the company itself are exposed to various risks: market, accounting, credit, currency, operation risks, etc. The Russian market of securities largely depends on the global economic situation. In case of an economic recession in developed countries, relapse of global exchange indices and worsened social, economic or political situation in Russia, critical fall of prices at the global market of raw materials and metals, the situation at the Russian financial market may deteriorate, which would lead to a decrease in the value of the Russian securities. In case of the worsened economic situation in the country, some corporate borrowers could refuse from servicing their debts (specifically, fail to timely redeem their bonds), which may lead to a decrease in the company's income. There are risks of reduced liquidity due to the decreased amount of shares in circulation because of the large-scale acquisition of shares by strategic investors. The deteriorated situation at the securities market may lead to the refuse of some counterparties from fulfilling their obligations and, hence, loss for the company.

In order to reduce the existing risks of the company, the Risk Management Committee was established in the Board of Directors, which develops a risk management system and determines the risk management procedure. The Risk Management Committee operates based on the Provision on Risk Management and Internal Risk Management Schedule, which defines the authorities of the Committee in more detail and establishes the procedures for eliminating deviations of risks from specified values. At its meetings, the Committee considers the compliance of the company's risks with specified values in the accounting period, and their changes, and discusses proposals of the Committee members on improving the risk control and management and generates recommendations for the management of the company.

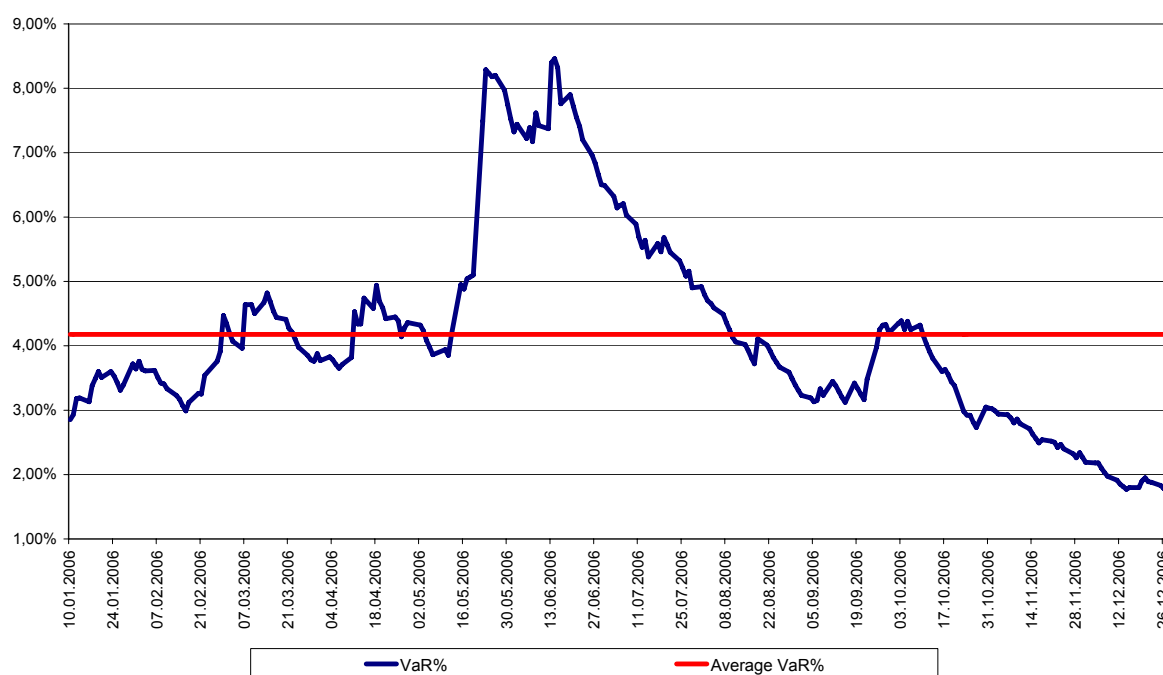
In case of symptoms of the economic recession, the company shall, first of all, change the structure of its securities portfolio. In that case, the company will decrease the role of investments in shares and bonds of the Russian companies and increase the share of investments in short-term state securities

(with the maturity period up to one year) and short-term deposits. To prevent losses which may arise from the refusal of corporate borrowers to timely redeem their bonds, the company shall establish a borrowing limit for each borrower. In case of the worsened market situation, OJSC IC RUSS-INVEST shall revise the limits and decrease the share of investments in corporate bonds and take all necessary steps to redeem the debt, including suing insolvent debtors. In order to control settlement and operation risks, the company thinks it necessary to revising limits for the counterparties once a quarter. In case of reasoned suspicions regarding the financial condition of a counterparty, the company shall close the respective limit and stop dealing with that counterparty. In case of increased currency risks and accelerated devaluation of ruble, the company shall change the structure of assets and increase the share of foreign currencies and currency tools in order to prevent its assets from depreciating. The company shall also take steps to hedge its assets. In case of nominal and real strengthening of ruble, the company shall take reverse steps and decrease the share of foreign currency assets in its portfolio.

The increased volatility of the securities market required strengthening the control over risks of current operations. To do this, since 2005, the company has been using the risk assessment method based on Value-at-Risk (VaR) for the portfolio of liquid shares. VaR value relative to an asset or portfolio means the maximal loss value (expressed in rubles or as a percentage of the asset or portfolio value), which can be obtained with a certain probability for a given liquidity level of a tool (asset or portfolio holding period) and known pattern of market situation. VaR of an asset is calculated based on the quotation history of an asset for a certain period (depth of calculation period). That indicator is used to optimize the structure of the trading portfolio from the viewpoint of profitability for a given risk level; it shows the potential losses in case of an adverse change in the market situation.

VaR is calculated for the portfolio of the most liquid shares (blue chips), the limits for which amount to about 55-60% value of assets of OJSC IC RUSS-INVEST. The VaR risk management method accounts for the recommendations of the Basle Committee (Basle II). Based on the 2006 results, the average value of VaR (maximum possible loss value) of the trading portfolio with the set limits for blue chips per 1 operation day with the probability of 99% (confidence interval) and the observation period of 1 year (250 operation days) amounted to 4.18% value of the portfolio, as compared to the 2005 risk level equal to 3.185% value of the portfolio. The range of VaR in 2006 varied from 1.77% to 8.46% value of the portfolio (Fig. 11).

Fig. 11. Changes in VaR for the portfolio of blue chips of OJSC IC RUSS-INVEST in 2006 (%)



Source: calculated by OJSC IC RUSS-INVEST

Operations with shareholders and the market of the company's shares

The company pays large attention to operations with its shareholders. In order to inform shareholders on the results of work and significant corporate events, the website of the company was created at www.russ-invest.ru, where the information on the company's performance is disclosed. The website also contains such documents as the Charter of OJSC IC RUSS-INVEST, decisions of General Meetings of Shareholders and internal documents. The required information on operations of the company, notices on General Meetings of Shareholders, voting bulletins, decisions of the General Meetings of Shareholders and reports on the financial operations of the company are published in the Trud newspaper.

In order to intensify the relationships with shareholders, OJSC IC RUSS-INVEST established the Shareholder Relationships Commission for handling requests of shareholders. The company pays large attention to the shareholders' letters. The relevant personnel is responsible for explaining complex issues of relationships between shareholders and the company, making additional requests to the register of shareholders, submitting applications for dividends and relevant documents required for amending the register of shareholders.

OJSC IC RUSS-INVEST is one of a few joint-stock companies which provide a wide range of legal information, provides shareholders with explanations and consulting on the current laws (Federal Law On Joint-Stock Companies, Federal Law of the Russian Federation On Securities Market, Tax Code of the Russian Federation and Civil Code of the Russian Federation).

The disputes arising between a shareholder and the company are considered, carefully checked and resolved by the commission in compliance with the current laws and internal documents of the company. When requested, the company provides the full information on its operations to investor and shareholder protection associations.

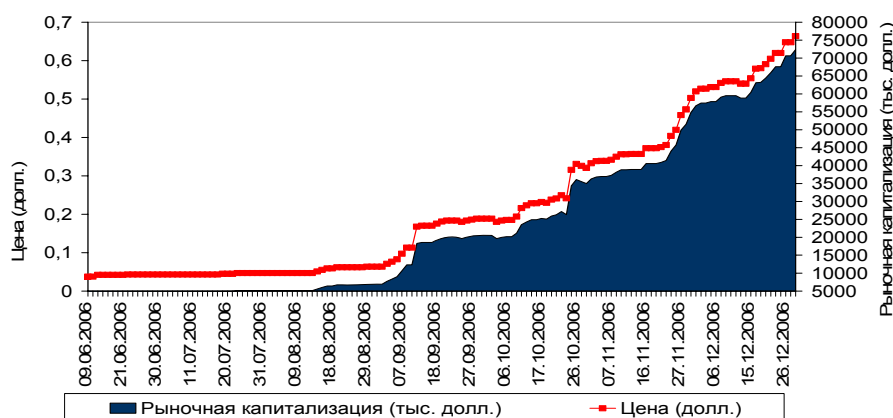
The company did a lot to pay dividends in 2002-2005. The amount of money recommended by the Board of Directors for paying dividends is at least 15% net profit, as calculated based on the financial reporting of the Company for the accounting period.

According to the Provision on the Dividend Policy of OJSC IC RUSS-INVEST approved on 26.07.2006, each shareholder may choose the most expedient way of obtaining dividends, mail payment or bank transfer. It should be noted once again that shareholders of the company should timely inform the registrar of the company on changes in their addresses, passport details, bank account and other details. If shareholders fail to inform of those changes, they could face problems in the future, as dividends may not be paid until the company is provided with new details of shareholders.

One of the main achievements of OJSC IC RUSS-INVEST in 2006 is the company's entrance to the organized securities market. OJSC IC RUSS-INVEST became the first investment company, the shares of which were launched at OJSC Stock Exchange Russian Trade System, one of the leading Russian stock exchanges. This is an important objective performance indicator of the company, which gives additional opportunities to all shareholders and raises the liquidity of investments in shares of OJSC IC RUSS-INVEST for potential investors.

Since 09 June, 2006, the ordinary registered shares of OJSC IC RUSS-INVEST have been traded at the Classical Market of OJSC RTS, the oldest Russian securities market. The shares of OJSC IC RUSS-INVEST are included into the list "Securities in circulation which are not included in Quotation Lists". The shares of OJSC IC RUSS-INVEST have the code RUSI at the Classical Market of OJSC RTS. (Fig.12)

Fig. 12. Price of shares of OJSC ИК RUSS-INVEST at the Classical Market OJSC RTS

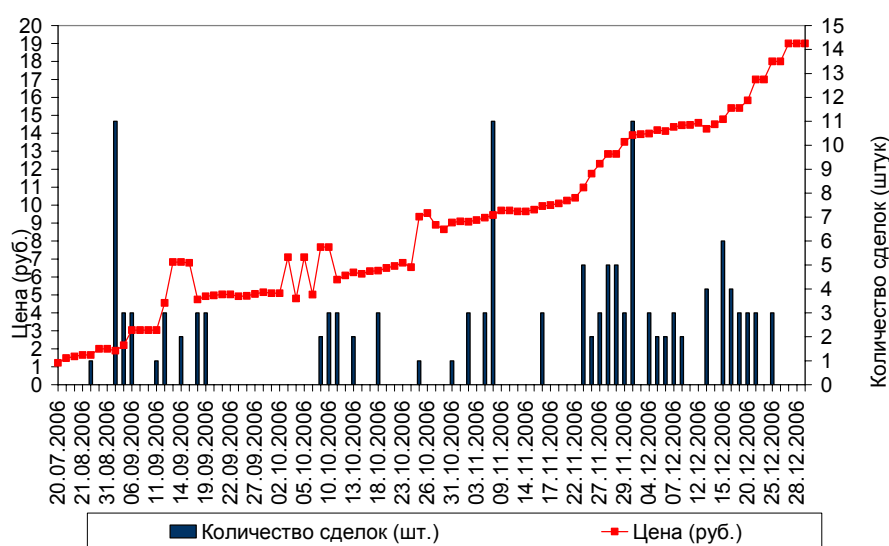


Source: RTS

Цена (долл.)...	Price (USD)
	Market capitalization (th. USD)

Since 28 June, 2006, the ordinary registered shares of OJSC IC RUSS-INVEST have been traded at the Exchange Market of OJSC RTS. The shares of OJSC IC RUSS-INVEST are included into the list “Securities in circulation which are not included in Quotation Lists”. The shares of OJSC IC RUSS-INVEST have the code RUSIG at the Exchange Market of OJSC RTS. (Fig.13)

Fig. 13. Price of shares of OJSC IC RUSS-INVEST at the Exchange Market of OJSC RTS



Source: RTS

Цена (руб.)....	Price (RUB)
	Number of transactions (RUB)

Compliance with the Corporate Code

Currently, the company uses the Corporate Code meeting the recommendations of the Government of Russia for applying the Corporate Behavior Code. The effective Charter of the company and internal regulations (the Provision on the Board of Directors of OJSC IC RUSS-INVEST, Provision on the Management Board, Provision on Convening and Holding the General Meeting of Shareholders of OJSC IC RUSS-INVEST, Provision on the President – Director General of OJSC IC RUSS-INVEST, Provision on the Auditing Committee, Provision on the Dividend Policy) fully meets the principles of corporate structure incorporated in the Code. This reflects the focus of the company’s management on the compliance with the high standards of corporate management.

The improvement of internal standards of corporate governance is an important part of the long-term strategy of the company aimed to improve financial indicators, increase the value of share capital and

profitability of investments in shares of the company. In doing this, the focus is to solve the following tasks:

- improve the procedures for holding General Meetings of Shareholders, meetings of the Boards of Directors and executive bodies of the companies,
- improve the openness of the Company, including as regards large transactions;
- improve the information disclosure and internal finance control systems;
- strengthen the role of the Board of Directors in the management of the company due to independent directors and committees of the Board of Directors;
- introduce the regular subordination of executive bodies of the Company to the Board of Directors and General Meeting of Shareholders;
- establish the intuitive dividend policy and development strategy of the Company.

The introduced internal code changed some corporate procedures. The result is that:

- improve the procedure in order to meet stricter requirements, subordination rules and nomination procedure of the President – Director General of the company;
- raise the importance of control and management functions of the Board of Directors of the company;
- improve the independence of the Board of Directors, which includes two independent directors,
- significantly extend the functions of the Corporate Secretary of the Company;
- ensure the operation of five committees of the Board of Directors: Finance and Audit Committee, Personnel and Compensations Committee, Strategic Planning Committee, Risk Management Committee and Ethics Committee.

The achievements of OJSC IC RUSS-INVEST in promoting the advanced standards of corporate governance were marked by the leading Russian and international rating agencies. OJSC IC RUSS-INVEST took the 1st place in corporate governance among European companies of small/medium capitalization, according to IR Global Rankings™ 2006. IR Global Rankings™ – 8h edition (2006) gathered 145 participants from seven sectors and 35 countries. The assessment criteria are based on the internationally recognized, transparent and widely available methodology. In October, 2006, the consortium of the Russian Institute of Directors and Rating Agency Expert RA raised the corporate governance rating of OJSC IC RUSS-INVEST from B+ to B++ on the scale of the National Corporate Governance Rating. Special attention was paid to the progress in such issues as dividend payment, committees of the Board of Directors and information disclosure.

However, the Board of Directors does not think that the work on corporate governance is finished, and intends to continue improving both regulations and procedures ensuring the cooperation of managing bodies and shareholders of the Company for the sake of the most comprehensive protection of interests and rights of shareholders.

AUDIT REPORT
on the 2006 accounting

We audited the attached accounting reports of OJSC Investment Company IC RUSS-INVEST (issued on 20 March, 2007) for 2006. Those reports were prepared by the executive body of OJSC Investment Company IC RUSS-INVEST based on the accounting principles and methods specified in laws and regulations of the Russian Federation.

The accounting reports of OJSC Investment Company IC RUSS-INVEST consists of:

Balance Sheet

Profit and Loss Statement

attachments to the Balance Sheet and Profit and Loss Statement

Explanatory note.

The responsibility for the creation of those reports is borne by the executive body of OJSC Investment Company IC RUSS-INVEST. Our obligation is to express an opinion about the accuracy in all the material aspects of those reports and the compliance of the accounting procedures used with the laws of the Russian Federation on the basis of the audit that was carried out.

We carried out the audit in accordance with:

Federal Law of the Russian Federation of 07.08.2001 No. 119-FZ On Audit Operations in the Russian Federation;

the federal rules (standards) of audit operations;

the internal rules (standards) of audit operations of the Institute of Professional Auditors (MCA) insofar as they are consistent with the federal rules (standards) of audit operations

the rules (standards) of audit operations of LLC Baker Tilly Rusaudit;

the regulations of the Russian Federation Finance Ministry and on the basis of the agreement of 02.08.2006 No. 762/2006A concluded with OJSC Investment Company IC RUSS-INVEST.

The audit was planned and carried out in such a way as to obtain sufficient assurance that the attached accounting reports do not contain material inaccuracies. The audit was carried out on a random basis and included a study on the basis of testing of evidence confirming the numerical indicators in accounting and the discovery in them of information about financial and business operations, an assessment of the principles and methods of accounting, the report creation rules, a consideration of the main assessment values obtained by the management of the entity being audited, as well as an assessment of the submission of accounting reports. We suppose that the audit that was conducted provides enough of a basis to express our opinion about the accuracy of the attached reports and the compliance of the accounting procedures used with the laws of the Russian Federation.

In our opinion, the attached accounting reports for 2006 are accurate, i.e., were created in such a way as to ensure in all material aspects the recording of the assets and liabilities of OJSC Investment Company IC RUSS-INVEST as of 31.12.2006 and the financial results of its operations for the period from 1 January through 31 December 2006 inclusive in accordance with the requirements of Federal Law of 21.11.96 No. 129-FZ On Accounting.

Moscow, 29 March, 2007

LLC Baker Tilly Rusaudit

Deputy Director General M.B. Pavlova

Leader of the Audit Team E.V. Shirokova

Appendix
to the Resolution of the RF Finance Ministry
dated 22.07.2003 No. 67H
(with account for the Resolution of the State Committee of Statistics of the Russian Federation No. 475, of the Finance Ministry of the
Russian Federation No. 102H
dated 14 November, 2003)

BALANCE SHEET

as of 31 December, 2006

	Form No. 1 OKUD	
	Date (year, month, day)	Codes
Organization <u>Open Joint-Stock Company Investment Company Russ-Invest</u>	acc. to	
Taxpayer identification number	OKPO	
Type of activity <u>Securities operations</u>	INN	0710001
OKVED	acc. to	
Form of incorporation / ownership structure		
<u>Open Joint-Stock Company / Private</u>	acc. to	2006 12 31
OKOPF/OKFS		17960201
Unit of measurement: th. RUB / mln. RUB (delete as appropriate) under OKEI	acc. to	7704081545
OKEI		65.23, 67.12
Location (address): 119034, Moscow, Vsevolzhsky side-st., 2, bldg. 2		47 16
		384

Date of approval _____

Submission (receipt) date _____

ASSETS	Indicator	At the beginning of the accounting year	At the end of the accounting period	Information disclosure
1	23		4	5
I. Non-current assets	110	236	212	ф.5 стр.010-050
Intangible assets				гр.6
Fixed assets	120	12430	10610	ф.5 стр.100-160 гр.6
Construction in-progress	130	-	-	
Income-bearing investments in valuables	135	-	-	
Long-term financial investments	140	866719	402294	ф.5 стр.0.510-540 гр.0.4.
Investments in subsidiaries	141	250383	250383	
Other long-term financial investments	142	616336	151911	
Deferred tax assets	145	35	184	
Other non-current assets	150	-	-	
TOTAL of the section I	190	879420	413300	
II. CURRENT ASSETS	210	-{-}2215	6158	ПЗ P-12
Inventory				
including: raw materials, supplies and other equivalent valuables	211	-	847	ПЗ P-12
rears and fatteners	212	-	-	
expenses for in-progress construction	213	-	-	
finished products and goods for resale	214	-	-	
goods delivered	215	-	-	
deferred expenses	216	2215	5311	ПЗ P-12
other inventory and expenses	217	-	-	
Input value-added tax	220	-	-	
Accounts receivable (payments expected in over 12-month period after the reporting date)	230	8		10П 3 P-14
including customers and clients		-	-	
Accounts receivable (payments expected within 12-month period after the reporting date)	240	10708	41805	ПЗ P-14
including customers and clients	241	235	474	ПЗ P-14
advances granted	242	452	1821	ПЗ P-14
Short-term financial investments	250	2635547	4123907	ф.5 стр.520-540 гр.6, ПЗ
Cash	260	671884	197242	ф.4 стр.600
Other current assets	270	32809	23899	ПЗ P-13
TOTAL of the section II	290	3353171	4393021	
BOTTOM LINE	300	4232591	4806321	

LIABILITIES	Indicator	At the beginning of the accounting year	At the end of the accounting period	Information disclosure
1	2	3	4	5
III. CAPITAL AND RESERVES	410	87486	109000	ф.3 стр.140 гр.3
Registered capital				
Own shares redeemed from shareholders		()	()	
Additional capital	420	376294	376294	ф.3 стр.140 гр.0.4
Reserve capital	430	69989	87486	ф.3 стр.140 гр.0.5
including: Reserves established in accordance with the legislation:	431	34995	43743	ф.3 стр.0.151 гр.0.7

reserves established in accordance with the constitutive documents	432	34994	43743	ф.3 стр0.161 гр0.7
Undistributed profit (uncovered loss) of previous years	470	3295283	3112286	
Undistributed profit (uncovered loss) of the accounting year	471	-	654955	ф.3 стр0.105 гр0.7
TOTAL of the section III	490	3829052	4340021	ф.3 стр.140 гр.7, стр.200 гр.4
IV. LONG-TERM LIABILITIES	510	-	-	
Debts and borrowings				
Deferred tax liabilities	515	378	503	
Other long-term liabilities	520	-	-	
TOTAL of the section IV	590 378		503	
V. Short-term liabilities	610	-	-	
Debts and borrowings				
Accounts payable	620	88405	112616	ПЗ Р-14, ф5 стр.610 гр.4
including: vendors and suppliers	621	75357	455	ф5 стр0.611 гр0.4
advances received	622			
debt against the organization personnel	623	-		
debt against the state and non-budgetary funds	624	68		
Debt on taxes and levies	625	12980	22189	ПЗ Р-14, ф5 стр0.613 гр.4
other creditors	626	-	89972	ф5 стр0.616 гр0.4
Debt against (founding) members for income payables	630	314756	353181	
Future income	640	-	-	
Reserves for future expenses	650	-	-	
Other short-term liabilities	660	-	-	
TOTAL of the section V	690 403161		465797	
BOTTOM LINE	700 4232591		4806321	
VALUABLES IN OFF-BALANCE SHEET ACCOUNTS				
Rented fixed assets				
including leased:				
Inventory items under custody				
Goods accepted for commission				
Written-off debts of insolvent debtors				
Obligation and payment security received				
Obligation and payment security granted				
Housing wear and tear				
Wear and tear of arrangement objects and other similar objects				
Intangible assets received for use				

Head
(signature)

A.P. Bychkov
(print name)

Chief Accountant

(signature)

N.A. Karabanova
(print name)

20

March,

2007

Organization OJSC IC RUSS-
INVEST

Attachment to the Resolution of the RF Finance Ministry dated 22.07.2003 No. 67H (with accounting index codes approved by the Resolution of the RF State Committee of Statistics No. 475, RF Finance Ministry No. 102H dated 14.11.2003)

dated 14 November, 2003)

Taxpayer identification number

PROFIT AND LOSS STATEMENT
for 2006

Type of operations Securities
operations Legal form/ownership structure Open Joint-Stock
Company/Private

Form No. 2 acc. OKUD
Date (year, month, day)
acc. to OKPO
INN
acc. to OKVED

Unit of measurement: th. RUB / mln. RUB (delete as appropriate)
under OKEI

acc. to OKOPF/OKFS
under OKEI

Codes
0710002
2006 12 31
17960201
7704081545
65.23, 67.12
47 16
384

Indicator		For the accounting period	For the same period of previous year	Information disclosure as of the accounting period
name	Code			
1	2	3	4	5
Income and expenses of ordinary operations	010	49755523	14965367	П3 P-20
Income (net) from the sale of goods, products, work, services (excluding value-added tax, excises and other equivalent compulsory payments)				
including from the sale: corporate securities – shares	011	41916149	13491862	П3 P-20
corporate securities – bonds	012	6595374		П3 P-20
municipal securities – bonds	013	1222583	1469864	П3 P-20
other services	014	21417	3641	П3 P-20
Cost value of sold products, work and services	020	(49396967)	(14620742)	П3 P-20
including sold: corporate securities – shares	021	(41578461)	(13161648)	П3 P-20
corporate securities – bonds	022	(6595349)	()	П3 P-20
municipal securities – bonds	023	(1222710)	(1459094)	П3 P-20
other services	024	(447)	()	П3 P-20
Gross margin	029	358556	344625	П3 P-20
Commercial expenses	030	(–)	(–)	
Management expenses	040	(119843)	(83988)	П3 P-20, Ф.5 стр.760 rp.3
Profit (loss) from sales	050	238713	260637	П3 P-20
Other income and expenses	060	336308	193903	П3 P-20
Interest receivable				
Interest payable	070	(174188)	(52738)	П3 P-20
Income from the participation in other organizations	080	6473	18295	П3 P-20
Other income	090	1042474	957404	П3 P-20
Other expenses	100	(677391)	(389530)	П3 P-20

Profit (loss) before taxes	140	772389	987971	П3 P-20
Deferred tax assets	148	150	115	П3 P-20
Deferred tax liabilities	149	125	(78)	П3 P-20
Profit tax and other obligatory payments	150	(117459)	(133175)	П3 P-20
Current profit tax	150a	(117459)	(133095)	П3 P-20
Other obligatory payments to the state budget	150б	()	(80)	
Net profit (loss) of the accounting period	190	654955	854833	П3 P-20, Ф.3 стр.105 гр.6
For reference: Fixed tax liabilities (assets)	201	67939	104055	
Contingent income (expenses) related to the profit tax	202	185373	237113	
Basic profit (loss) per share	203		-	
Diluted profit (loss) per share	204	-	-	

BREAKDOWN OF SOME PROFITS AND LOSSES

Indicator		For the accounting period		For the same period of previous year	
name	Code	profit	loss	profit	loss
1	2	3	4	5	6
Penalties, fees and forfeits admitted or decided by the (arbitration) court to be recovered	210	1823	5	-	-
Profit (loss) of previous years	220	-	-	2440	4942
Reimbursement of loss resulted from non-fulfillment or improper fulfillment of obligations	230	-	-	-	-
Exchange rate difference for foreign currency operations	240	57	361	362	187
Payments to assessed provisions	250	X	-	X	-
Writing-off of accounts receivable and payable with the limitation period expired	260	-	-	-	-

Head
(signature)A.P. Bychkov
(print name)

Chief Accountant

N.A. Karabanova
(signature) (print name)20March

2007

CAPITAL CHANGE REPORT
for 2006

Organization OJSC IC RUSS-INVEST

Taxpayer identification number

Type of operations Securities operations

Form of incorporation / ownership structure

Open Joint-Stock Company / Private

Unit of measurement: th. RUB / mln. RUB (delete as appropriate) under OKEI

Form No. 3 OKUD

Date (year, month, day)

acc. to OKPO

INN

acc. to OKVED

acc. to OKOPF/OKFS

acc. to OKEI

I. Capital changes

Codes
0710003
2006 12 31
17960201
7704081545
65.23, 67.12
47 16
384/385

Indicator		Registered capital	Additional capital	Reserve capital	Undistributed profit (uncovered loss)	Total
name	Code					
1	2	3	4	5	6	7
Balance as of 31 December of the year preceding the previous year	010	69989	376294	69989	2510439	3026711
200 5 (previous year) Changes in the accounting policy	011	X	X	X		
Reassessment of fixed assets, total	012	XX				
		X				
Balance as of 1 January of the previous year	020	69989	376294	69989	2510439	3026711
Recalculation of foreign currencies	023	X		X	X	
Net profit	025	X	X	X	854833	854833
Dividends	026	X	X	X	(69989)	69989
Payments to the Reserve Fund	030	X	X		()	
Increased capital due to: additional emission of shares	041	17497	X	X	X	17497
increased par value of shares	042		X	X	X	
Reorganization of legal entities	043		X	X		
Decreased capital due to: decreased par value of shares	051	()	X	X	X	()
decreased amount of shares	052	()	X	X	X	()
Reorganization of legal entities	053	()	X	X	()	()
Balance as of 31 December of the previous year (2005)	060	87486	376294	69989	3295283	3829052

200 6 (accounting year) Changes in the accounting policy	061	X	X	X		
Reassessment of fixed assets, total	062	X		X		
		X				
Balance as of 1 January of the accounting year	100	87486	376294	69989	3295283	3829052
Recalculation of foreign currencies	103	X		X	X	
Net profit	105	X	X	X	654955	654955
Dividends	106	X	X	X	(163500)	163500
Compensations for members of the Board of Directors	107	X	X	X	(2000)	2000

Form 0710003 page 2

1	2	34	5	6	7	
Payments to the Reserve Fund	110	X	X	17497	(17497)	
Increased capital due to: additional emission of shares	121	21514	X	X	X	21514
increased par value of shares	122		X	X	X	
Reorganization of legal entities	123		X	X		

II. Reserves

Indicator		Balance	Received	Used	Balance
name code					
12		3	4	5	6
Reserves established in accordance with the legislation: Reserve fund	150	34995		()	34995
(name of reserve) data as of the previous year (2005)					
data of accounting year (2006)	151	34995	8748	()	43743
(name of reserve) data as of the previous year (2005)				()	
data of accounting year (2006)				()	
Reserves established in accordance with the constitutive documents: Additional Reserve Fund	160	34994		()	34994
(name of reserve) data as of the previous year (2005)					
data of accounting year (2006)	161	34994	8749	()	43743
(name of reserve) data as of the previous year (2005)				()	
data of accounting year (2006)				()	
Assessed reserves:				()	
(name of reserve) data as of the previous year (2005)					
data of accounting year (2006)				()	
(name of reserve) data as of the previous year (2005)				()	
data of accounting year (2006)				()	
				()	

(name of reserve) data as of the previous year (2005)					
data of accounting year (2006)				0	

Form 0710003 page 3

12	3	4	5	6
Reserves for future expenses:			0	
(name of reserve) data as of the previous year (2005)				
data of accounting year (2006)			0	
(name of reserve) data as of the previous year (2005)			0	
data of accounting year (2006)			0	

Reports

Indicator		Balance as of the beginning of the accounting year		Balance as of the end of the accounting period	
name	Code				
1	2	3		4	
1) Net assets	200	3829052		4340021	
		from the state budget		From Non-budgetary funds	
		accounting year	previous year	accounting year	previous year
		3	4	5	6
2) Received: expenses for ordinary operations, total					
including:					
capital investment to non-current assets					
including:					

Head
(signature)

A.P. Bychkov
(print name)

Chief Accountant

(signature) N.A. Karabanova
(print name)

20

March

2007

CASH FLOW REPORT as of 1 January, 2007

Form No. 4 OKUD

Date (year, month, day)

Organization **OJSC IC Russ-Invest**

Taxpayer identification number

Type of operations Securities operations

Form of incorporation / ownership structure

Open Joint-Stock Company/Private

OKOPF/OKFS

Unit of measurement: th. RUB / mln RUB (delete as appropriate)

OKEI

(with account for the Resolution of the State Committee of Statistics of the Russian

Federation No. 475, of the Finance Ministry of the Russian Federation No. 102н

dated 14 November, 2003)

acc. to

acc. to

Appendix

to the Resolution of the RF Finance Ministry

dated 22 July 2003, No. 67н

00000	
0710004	
2006 112 1 31	
17960201	
7704081545	
65.23, 67.12	
47	16
384	

Indicator name	Code	For the accounting period	For the same period of previous year
1	2	3	4
Balance of monetary assets as of the beginning of the accounting year	010	671884	28403 9
Cash flow related to the current operations			
Money received from buyers and customers	050	50086734	152 04425
Other income	110	2748115	44290
Cash used for:			
acquiring goods, work, services, raw materials and other current assets	150	(49890729)	(14762096)
Labor costs	160	(65138)	(39061)
Dividends, interests	170	(131934)	(42825)
Taxes and levies	180	(124284)	(552 79)
Other expenses	190	(3126618)	(938)
Net cash from current operations	200	(503854)	348516
Cash flow related to the investment operations			
Revenues from sales of fixed assets and other non-current assets	210	-	541
Revenues from sales of securities and other financial tools	22 0	-	-
Dividends received	23 0	6472	18295
Interest received	240	1866	3 802
Revenues from the redemption of loans granted to other organizations	250	-	-
Acquisition of subsidiaries	280	(0)	(0)
Acquisition of fixed assets, income-bearing investments in valuables and intangible assets	290	(1179)	(824)
Acquisition of securities and other financial tools	300	(0)	(0)
Loans granted to other organizations	310	(0)	(0)
Net cash flow from the investment operations	340	7159	21814
Cash flow related to the financial operations			

Indicator name	Code	For the accounting period	For the same period of previous year
1	2	3	4
Revenues from issues of shares and other equity securities	410	21843	17515
Revenues from the loans and credits granted by other organizations	420	270210	-
Redemption of loans and credits (no interest)	450	(270000)	()
Redemption of financial leases	460	()	()
Net cash flow from the current operations	490	22053	17515
Net increase (decrease) of cash and its equivalents	500	(474642)	387845
Balance of cash flow as of the end of the accounting period	600	197242	671884
The effect of the changes in the RUB exchange rate	610	8	(42)

Head
(signature)
Chief Accountant
(signature)

A.P. Bychkov
(print name)
N.A. Karabanova
(print name)

20 March 2007

Appendix
to the Resolution of the RF Finance Ministry
dated 22.07.2003 No. 67H

APPENDIX TO BALANCE SHEET
for 2006

Organization OJSC IC Russ-Invest

Taxpayer identification number
Type of operations Securities operations
OKVED
Form of incorporation / ownership structure
Open Joint-Stock Company/Private
OKOPF/OKFS
Unit of measurement: th. RUB / mln RUB (delete as appropriate)

Form No. 5 OKUD
Date (year, month, day)
acc. to
OKPO
INN
acc. to
acc. to

Codes	
0710005	
2006 12 31	
17960201	
7704081545	
65.23. 67.12	
47 16	
384	

acc. to OKEI

Intangible assets

Indicator name	Code	At the beginning of the accounting year	Received	Retired	At the end of the accounting period
1	2	3	4	5	6
Intellectual property objects (exclusive intellectual property related rights)	010	105		()	105
including: the patent owner's right for invention, industrial prototype, useful model	011			()	
the right holder's right for software and databases	012			()	
the right holder's right for a topography of integral circuits	013			()	
the right holder's right for trade or service mark, name of origin	014	105		()	105
the patent holder's right for selection achievements	015			()	
Organization expenses	020			()	
Goodwill of the organization	030			()	
				()	
other	040	258		()	258

Indicator name	Code	As of the beginning of the accounting year	As of the end of the accounting period
1	2	3	4
Depreciation of intangible assets, total	050	127	151
including:			

Fixed assets

Indicator name	Code	At the beginning of the accounting year	Received	Retired	At the end of the accounting period
1	2	3	4	5	6
Buildings	100-1			()	
Facilities and transfer devices	100-1a			0	
Machinery and equipment	100-2	15963	1163	()	17126
Vehicles	100-3	8028		()	8028
Production inventory and accessories	100-3a			0	
Workstock	100-3б			0	
Productive live stock	100-3в			0	
Perennial plantings	100-3г			0	
Other fixed assets	100-3д	274	17	()	291
Land plots and natural objects	100-4			()	
Capital investments in the land reclamation	100-4a			0	
Total	100	24265	1180	(0)	25445

Indicator name	code	As of the beginning of the accounting year As of the end of the accounting year	
1	2	3	4
Depreciation of fixed assets, total		140	11835
including: buildings and premises		141	
machinery and equipment		142	9565
vehicles		143	2062
other		144	208
Rented fixed assets, total		150	
including: buildings			
facilities			
Conserved fixed assets		155	
Rented fixed assets, totally		156	
including:			
Commissioned real estate items with state registration in progress		160	
For reference:	Code	As of the beginning of the accounting year	As of the beginning of the previous year
	2	3	4
	Reassessment of fixed assets:		
	Initial (recovery) value	171	
accrued depreciation	172		
Changes in the value of fixed assets as a result of completion, additional equipping, reconstruction or partial removal	Code	As of the beginning of the accounting year	As of the end of the accounting year
	2	3	4

Income-bearing investments in valuables

Indicator name		Code	As of the beginning of the accounting year	Received	Retired	As of the end of the accounting period
1	2		3	45		6
property for leasing	180				()	
property granted under the hiring contract	190				()	
	200					
other	210				()	
Total					()	
		Code	As of the beginning of the accounting year	As of the end of the accounting period		
1	2		3	4		
Depreciation of income-bearing investments in valuables	200					

Expenses for research, development and engineering work

Types of work		Availability in the beginning	Received	Retired	As of the end of the accounting period
name code of the accounting year					
1	23		4	5	6
Totally	310			()	
including:					
				()	
				()	
For reference:			Code	As of the beginning of the accounting year	As of the end of the accounting year
Total expenses for pending research, development and engineering work			2	34	
			320		
			Code	For the accounting period	For the same period of the previous year
Total expenses for unsuccessful research, development and engineering work, deemed as Extraordinary Charges			2	3	4

Costs of the development of natural resources

Indicator name		Code	Balance as of the beginning of the accounting period	Received	Retired	Balance as of the end of the accounting period
1	2		3	4	5	6
Costs of the development of natural resources, total	410				()	
including:						
					()	
					()	
For reference:			Code	As of the beginning of the accounting year	As of the end of the accounting period	
Total costs for subsurface areas with pending surveying and assessment of deposits and/or hydrogeological survey and other similar operations			2	3	4	
Total expenses for the development of natural resources deemed as ineffective extraordinary charges in the accounting period						

Financial investments

Indicator		Long-term		Short-term	
		As of the beginning of the accounting year	As of the end of the accounting period	As of the beginning of the accounting year	As of the end of the accounting period
name	Code				
1	2	3	4	5	6
Contributions to authorized (unit) capitals of other organizations, totally	510	250383	279431		
including subsidiaries and affiliated companies	511	250383	279431		
State and municipal securities	515				
Securities of other organizations, totally	520	539906	1713	2631949	4123907
including debt securities (bonds, bills of exchange)	521			1663525	1422784
loans granted	525				
deposits	530			3598	
other	535	76430	121150		
Total	540	866719 402294 2635547			4123907
Total financial investments having the current market value, including: Contributions to authorized capitals (unit trusts) of other organizations, total	550				
including subsidiaries and affiliated companies	551				
State and municipal securities	555				
Securities of other organizations, totally	560	482508		2241147	3724613
including debt securities (bonds, bills of exchange)	561			1323411	1109527
other	565	76430			
Total	570	558938 0 2241147			3724613
For reference: Financial investments having the current market value – change in the value due to the corrected assessment	580	496785		74892	939825
As regards debt securities, the difference between the initial value and par value is accrued to the financial result of the accounting period	590				

Accounts receivable and payable

Indicator		Balance as of the beginning of the accounting year	Balance as of the end of the accounting year
name	Code		
1	2	3	4
Accounts receivable:		10708	41805
Short-term, totally			
including:		235	474
settlements with buyers and customers			
advances granted		452	1821
taxes and levies		7660	15482
other		2361	24028
Long-term, totally		8	10
including:			
settlements with buyers and customers			
advances granted			
other		8	10
Total		10716	41815
Accounts payable:	610	88405	112616
Short-term, totally			
including:	611	75357	455
settlements with vendors and contractors			
advances received	612		
settlements on taxes and levies	613	12980	22189
credits	614		
loans	615		
other	616	68	89972
Long-term, totally	620	378	503
including: credits			
loans			
Total	630 88783		113119

Expenses for common operations (drawn by constituents of expenses)

Indicator		For the accounting year	For the previous year
name	Code		
1	2	3	4
Production expenses	710	1171	574
Labor costs	720	64893	45257
Social contributions	730	6646	5165
Depreciation	740	3292	3672
Other expenses	750	43841	29320
Totally for expenses	760	119843	83988
Change in the balance (increase [+], decrease [-]): in-progress construction	765		
deferred expenses	766	7596	117
Reserves for future expenses	767		

Form 0710005 page 6

Security

Indicator		Balance as of the beginning of the accounting year	Balance as of the end of the accounting period
name	code		
12		3	
Received, totally	830		
including: bills	821		
Pledged property	820		
including:			
Fixed assets			
securities and other financial investments			
other			
Granted, totally	840		
including: bills	841		
Property granted as a pledge	850		
including:	852		
Fixed assets			
securities and other financial investments			
other			

Governmental aid

Indicator	Accounting period	For the same period of the previous year.

name code					
12		3			
Received budgetary assets, total	910				
including:					
Budgetary credits, total		at the beginning of the accounting year.	Received in the accounting period	Returned in the accounting period	at the end of the accounting period
	920				
including:					

Head
(signature)

A.P. Bychkov
(print name)

Chief Accountant
(signature)

N.A. Karabanova
(print name)

20

March

200 7

Explanatory note to the 2006 balance sheet

1. General

Name of the organization OJSC Investment company IC RUSS-INVEST

registration date: 03 December 1992

INN 7704081545

OGRN 1027739662796

Legal address: 119034, Moscow, Vsyevolozhsky side-st., bldg. 2, str.2.

Actual location: 119019, Moscow, Nashchokinsky side-st., bldg. 5-3/12, bldg. 4

Subdivisions: no

2. Managing bodies of the organization

The company has the following managing bodies: General Meeting of Shareholders of the Company; Board of Directors of the Company; sole executive body (President – Director General) of the Company.

3. Information on affiliated persons

<i>Arutyunyan Alexander Telmanovich is a member of the Board of Directors (the Supervision Committee) of the Joint-Stock Company</i>
<i>Babko Elena Nikolayevna is a member of the Board of Directors (the Supervision Committee) of the Joint-Stock Company</i>
<i>Bychkov Alexander Petrovich is a member of the Board of Directors (the Supervision Committee) of the Joint-Stock Company and a member of the collegial executive body of the Joint-Stock Company and performs the functions of the sole executive body of the Joint-Stock Company</i>
<i>Goncharenko Lyubov Ivanovna is a member of the Board of Directors (the Supervision Committee) of the Joint-Stock Company</i>
<i>Kapranova Lidiya Fedorovna is a member of the Board of Directors (the Supervision Committee) of the Joint-Stock Company</i>
<i>Karabanova Nelly Arkadyevna is a member of the collegial executive body of the Joint- Stock Company</i>
<i>Porokhovskiy Anatoly Alexandrovich is a member of the Board of Directors (the Supervision Committee) of the Joint-Stock Company</i>
<i>Teplyashina Svetlana Mikhailovna is a member of the Board of Directors (the Supervision Committee) of the Joint-Stock Company and a member of the collegial executive body of the Joint-Stock</i>

<i>Company</i>
<i>Tipunina Tatyana Mikhailovna is a member of the Board of Directors (the Supervision Committee) of the Joint-Stock Company</i>
<i>Sumin Georgiy Alexandrovich is a member of the Board of Directors (the Supervision Committee) of the Joint-Stock Company</i>
<i>Open Joint-Stock Company Berezka v Luzhnikakh is an affiliate company of CJSC NOVODEVICHIIY, ownership share – 99.93%</i>
<i>Closed Joint-Stock Company NASCHOKIN is an affiliate company, ownership share –80.32%</i>
<i>Closed Joint-Stock Company NOVODEVICHIIY is an affiliate company, ownership share – 100%</i>
<i>Closed Joint-Stock Company Asset Management Company RUSS-INVEST is an affiliate company, ownership share – 100%</i>
<i>Open Joint-Stock Company Ryasan Oil and Chemical Plant is an affiliate company, ownership share – 38.01%</i>

4. Registered capital

On 3 October 2005, according to the minutes No. 08/05-06 of the meeting of the Board of Directors, a decision was taken to increase the authorized capital of OJSC IC RUSS-INVEST by placing additional ordinary registered and uncertificated shares with par value of 1 (one) ruble in the amount of **21 513 750** pieces from the amount of authorized shares of the Company.

On 7 March 2006, the state registration was performed regarding the report on the additional issue of ordinary registered and uncertificated shares of the Open Joint-Stock Company Investment Company RUSS-INVEST placed by means of public offering, the registration number of the additional issue No. 1-01-00409-A-006D dated 24.11.2005 in the amount of **21 513 750** pcs.

On 22 June 2006, an entry was made in the Unified State Register of Legal Entities on the state registration of the changes introduced to the constitutive documents of OJSC IC RUSS-INVEST on the increase in the authorized capital.

The changed amount of the Issuer's authorized capital (RUB): **109 000 000**

Types of shares of registered capital:

Ordinary shares:

total amount (RUB): **109 000 000**

The share in the authorized capital: **100 %**

Privileged Shares:

total amount (RUB): **0**

The share in the authorized capital: **0 %**

OJSC IC RUSS-INVEST did not issue bonds.

5. Types of operations

The Company carries out operations at the Russian securities market exclusively. The company focuses on portfolio investments, rather than direct ones. In doing this, the company primarily operates with corporate securities. The key activity is dealing.

OJSC IC RUSS-INVEST has licenses of the professional participant of the securities market for conducting:

dealing operations No. 177-06312-010000 dated 10.12.2002, non-expiry;

broking operations No. 177-06310-100000 dated 10.12.2002, non-expiry;

depository operations No. 077-08757-000100 dated 29.11.2005, non-expiry;

securities management operations No. 077-08755-001000 dated 29.11.2005, expires on 29.11.2008

FCSM of Russia, in the letter Ref. No. 04-cx-02/4961 dated 22.03.2004 confirmed the compliance of OJSC IC RUSS-INVEST with the requirements for rendering financial consulting services at the securities market;

exchange intermediary conducting goods futures and option transactions at the trade floor No. 906 dated 08 November, 2006, expires on 08.11.2009

The company neither produces material goods nor is involved in the acquisition and sales of goods.

6. Accounting policy and other information on the procedure for establishing performance indicators

For accounting and tax reporting purposes, OJSC IC RUSS-INVEST used in 2006 the Accounting Policy approved by the Decree No. 52 dated 30.12.2005. The accounting reports are produced by the organization based on the current accounting and reporting standards of the Russian Federation.

7. Profit per share

The basic profit of the accounting year per share amounted to: 6.00876 RUB

Diluted earning (loss) per share: no

8. Fixed assets

The criteria of fixed assets and depreciation method are reflected in the Accounting Policy of the enterprise for 2006.

The depreciation is accrued with the linear method.

The depreciation payments for fixed assets commissioned in 2006 were calculated for the accounting and tax reporting purposes based on the Classification of Fixed Assets included into the depreciation groups.

The depreciation premium was not accounted for tax reporting purposes.

9. Leasing operations

Leasing operations are absent. no

10. Intangible assets

The criteria of intangible assets and depreciation method are reflected in the Accounting Policy of the enterprise for 2006.

The intangible assets include:

– intangible assets included into the books of the company prior to 01.01.2001, i.e. prior to commissioning of PBU 14/2000 Accounting of Intangible Assets approved by the Resolution of the RF Finance Ministry dated 16.10.2000 No. 91Н.,

- trade mark (certificate for trade (service) mark No. 270673),
- trade mark (certificate for trade (service) mark No. 270674).

The depreciation amounts for intangible assets are accrued for groups of intangible assets with the linear method.

11. Financial investments

During 2006, the portfolio of securities changed. As of 01.01.2007, it amounted to *4 526 201 th. RUB*,

13. long-term financial investments – *402 294 th. RUB*.

- short-term financial investments – *4 123 907 th. RUB*.

Financial investments having the current market value amounted to *3 724 613 th. RUB*, including financial investments, including the additional issue of ordinary shares of OJSC Oil Company Rosneft placed by means of conversion. According to the Russian laws, after three months following the date of state registration of the report on the results of the additional issue, i.e. 01 February, 2007, the individual number (code) of the additional issue of shares OJSC Oil Company Rosneft was canceled and the additional issue of shares was combined with the main issue of ordinary shares of OJSC Oil Company Rosneft. To assess the additional issue of shares OJSC Oil Company Rosneft as of 31 December, 2006 in more detail, use was made of the market quotation of the main issue of shares OJSC Oil Company Rosneft at the MICEX exchange as of the last trading date of 2006.

Financial investments having no current market value amounted to *801 588 th. RUB*. When securities are sold or otherwise disposed, the value of disposed securities is written off based on the value of the first acquisitions (First In First Out).

12. Inventories

Inventories are accounted by the company based on the approved Accounting Policy for 2006.

When inventories are used in the production process or otherwise disposed, they are assessed by the organization based on the cost value of the first acquired inventories (First In First Out).

As of the end of the accounting period, the inventories of the Company amounted to *6 158 th. RUB*, including materials – *847 th. RUB*, future expenses – *5 311 th. RUB*, including software costs – *1 951 th. RUB*, expenses for registration as the Specialized Clearing Firm at the Monetary Market, Securities Market and Commodities Market of OJSC Stock Exchange Russian Trade System – *3 200 th. RUB*.

13. Other assets

Other assets include:

Accumulated coupon income (ACI) under corporate bonds as of 31.12.2006 in the amount of *23 899 th. RUB*.

The accumulated coupon income (ACI) under debt securities is accrued on the monthly basis depending on the profitability declared by the issuer on the last day of the accounting period and deemed as Other Income in the accounting periods for which it is accrued. Together with the first accrual, the ACI paid when buying the security is removed. In 2006, the ACI paid when buying securities amounted to *141 442 th. RUB*.

14. Accounts receivable and payable

In 2006, there were no bad accounts receivable or payable which could effect the financial result. The long-term accounts receivable amounted to *10 th. RUB*.

Short-term accounts receivable amounted to *41 805 th. RUB*, including advance payments, granted *1 821 th. RUB*, settlements with buyers and customers – *474 th. RUB*, the advance payments for securities amounted to *15 213 th. RUB*, warranty tools of the forward market of RTS – *4 500 th. RUB*.

Accounts receivable of affiliated parties amounted to *22 th. RUB*, including:

OJSC Berezka v Luzhnikakh – *5 th. RUB*.;

CJSC NOVODEVICHY – *2 th. RUB*.;

CJSC Asset Management IC RUSS-INVEST – *15 th. RUB*.

As of 31.12.2006, the accounts payable amounted to *112 616 th. RUB*, including monetary assets of clients in NKO CJSC RP MICEX, amount to *84 109 th. RUB*, in NKO RP RTS amount to *4 266 th. RUB*, the current accounts payable (December) on taxes and levies amounted to *22 189 th. RUB*, including on the profit tax for December 2006 – *21 592 th. RUB*, compensations for members of the Board of Directors – *1 532 th. RUB*.

15. Loans, credits and other liabilities

As of the end of the accounting year (2006), there were no outstanding loans, credits or other liabilities.

16. Income and expenses

According to Accounting Standards PBU 9/99 Income of organizations, approved by the Resolution of the RF Finance Ministry dated 06.05.99 No. 32H and PBU 10/99 99 Expenses of organizations, approved by the Resolution of the RF Finance Ministry dated 06.05.99 No. 33H, income and expenses are deemed as such based on the accrual method. Based on the principles of rationality and certainty, the expenses were accounted by the company in the account 26 General Running Costs without using the account 20 Main Production.

17. Funds and Reserves

The reserve fund established in accordance with laws amounted to (as of 01.01.2007) *43 743 125 RUB*. The additional reserve fund established in accordance with constitutive documents amounted to (as of 01.01.2007) *43 743 125 RUB*

The Social Fund established earlier is reflected in the balance sheet as a part of the profit of previous years. That fund remained unchanged during the year and amounted to *3 438 396 RUB*

18. Events after the accounting date

On 2 March, 2007, the Chairman of the Management Board of OJSC Stock Exchange Russian Trade System included (transferred) ordinary registered shares of OJSC IC RUSS-INVEST with par value of 1 RUB into the Quotation List B.

On 7 March, 2007, in accordance with the Listing Rules of OJSC Stock Exchange Russian Trade System, the ordinary registered shares of OJSC IC RUSS-INVEST with par value of 1 RUB were allowed for trading in the Quotation List B of OJSC Stock Exchange Russian Trade System.

The profit distribution is a competence of the General Meeting of Shareholders and it was not performed as of the accounting date.

19. Contingencies

Contingencies are absent.

20. Financial condition of the organization

In the accounting year, the revenues from sale of securities and rendered services amounted to **49 755 523 th. RUB**, including from sale of shares – **41 916 149 th. RUB**, corporate bonds – **6 595 374 th. RUB**, municipal bonds – **1 222 583 th. RUB**, rendered services – **21 417 th. RUB**.

The cost value of sold securities and rendered services amounted to **49 396 967 th. RUB**, including shares – **41 578 461 th. RUB**, corporate bonds – **6 595 349 th. RUB**, municipal bonds – **1 222 710 th. RUB**, Joint underwriter services – **447 th. RUB**.

The gross profit from common operations amounted to **358 556 th. RUB**, including from sale of shares – **337 688 th. RUB**, corporate bonds – **25 th. RUB**, loss from municipal bonds – **127 th. RUB**, rendered services – **20 970 th. RUB**. The managerial costs amounted to **119 843 th. RUB**. As a result, the profit from sales amounted to **238 713 th. RUB**.

In 2006, the obtained interest income amounted to **336 308 th. RUB**, including the accumulated coupon income (ACI) – **334 437 th. RUB**, including the accumulated interest (coupon) income, paid by the buyer when buying the securities and paid by the issuer, amounted to **310 538 th. RUB**, other interest income amounted to **1 871 th. RUB**.

The paid interest sums amounted to **174 188 th. RUB. RUB**, including the paid accumulated coupon income amounted to **141 442 th. RUB**.

Income from participation in other organizations (dividends received) amounted to **6 473 th. RUB**, it is accounted on the payment basis.

Other income amounted to **1 042 474 th. RUB**, the amount of recovered correction of financial investments created as of 31.12.2005 amounted to **83 858 th. RUB**, the amount of recovered correction of financial investments created as of 31.12.2006 amounted to **956 446 th. RUB**

Other expenses amounted to **677 391 th. RUB**, including services of depositaries – **3 130 th. RUB**, the correction of financial investments created as of 31.12.2006 – **16 621 th. RUB**, the recovered correction of financial investments created as of 31.12.2005 amounted to **655 535 th. RUB**.

Totally, the company gained the profit from financial and business operations in the accounting year in the amount of **772 389 th. RUB**.

The deferred tax assets amounted to **150 th. RUB**.

The deferred tax liabilities amounted to **125 th. RUB**.

The current profit tax and other similar obligatory payments amounted to **117 459 th. RUB**.

Thus, the net profit of OJSC IC RUSS-INVEST, based on the 2006 results, amounted to **654 955 th. RUB**.

The undistributed profit of the accounting year as of 1 January, 2007, amounted to **654 955 th. RUB**.

21. Miscellaneous

On 26 June, 2006, the Chairman of the Management Board of OJSC Stock Exchange Russian Trade System included the ordinary registered shares of OJSC IC RUSS-INVEST with the par value of 1 ruble into the Exchange List “Securities in circulation which are not included in Quotation Lists”.

On 28 June, 2006, in accordance with the Listing Rules of OJSC Stock Exchange Russian Trade System, the ordinary registered shares of OJSC IC RUSS-INVEST with par value of 1 RUB were assigned with the code RUSIG in the RTS Trade System.

22. Transactions with affiliated persons

On 09 February, 2006 (Minutes No. 17/05-06) the Board of Directors of OJSC IC RUSS-INVEST approved the interested party transaction on the sale of shares of OJSC Siberian Mining and Metallurgical Alliance in the amount of **1 854 700 (One million eight hundred fifty four thousand seven hundred) pcs. at 42 (forty two) rubles each.** The transaction cost amounted to **77 897 400 (Seventy seven million eight hundred ninety seven thousand four hundred) RUB.**

On 18 May, 2006 (Minutes No. 21/05-06), the Board of Directors of OJSC IC RUSS-INVEST approved an interested party transaction, specifically the conclusion of an additional agreement to the commercial real estate leasing contract with CJSC NASCHOKIN No. 2/2005 dated 30 September, 2005. The clause 3.1.1 of the contract shall be revised as follows: “The rental payment is set in the amount of 530 (Five hundred thirty) USD (VAT included) per 1 sq. m of total floor space per year and is to be made in rubles based on the exchange rate of US dollars established by the RF Central Bank on the date of the Lessor’s invoice. The rental payment includes the cost of utilities.” In what follows, the contract shall remain unchanged.

On 28 August, 2006 (Minutes No. 05/06-07) the Board of Directors of OJSC IC RUSS-INVEST approved an interested party transaction, specifically the conclusion of the commercial real estate leasing contract with CJSC NASCHOKIN No. 2/2006 dated 01.09.2006 for 11 months under market conditions. Total floor space of the rented premises at: Moscow, Naschokinsky side-st., 5-3/12, bldg. 4 amounts to 247 sq. m, the price is 530 USD per 1 sq. m a year, VAT included.

On 4 October, 2006 (Minutes No. 06/06-07) the Board of Directors of OJSC IC RUSS-INVEST approved interested party transactions, specifically:

the contract for rendering broking services for CJSC Asset Management Company RUSS-INVEST by the Open Index Mutual Investment Fund RUSS-INVEST – MICEX Index;

the contract for rendering broking services for CJSC Asset Management Company RUSS-INVEST by the Interval Mutual Investment Fund of Mixed Investments RUSS-INVEST – High Technologies;

the contract for rendering broking services for CJSC Asset Management Company RUSS-INVEST by the Interval Mutual Investment Fund of Shares RUSS-INVEST – Privileged Shares;

acquisition of investment shares of the Open Index Mutual Investment Fund RUSS-INVEST – Index – MICEX from CJSC Asset Management Company RUSS-INVEST serving as the Asset Manager of the Open Index Mutual Investment Fund RUSS-INVEST – MICEX Index in the amount of 35 000 000 (Thirty Five million) RUB.

Acquisition of investment shares of the Interval Mutual Investment Fund of Mixed Investments RUSS-INVEST – High Technologies from CJSC Asset Management Company RUSS-INVEST serving as the Asset Manager of the Interval Mutual Investment Fund of Mixed Investments RUSS-INVEST – High Technologies in the amount of 25 000 000 (Twenty Five million) RUB.

Acquisition of investment shares of the Interval Mutual Investment Fund of shares RUSS-INVEST – Privileged Shares from CJSC Asset Management Company RUSS-INVEST serving as the Asset Manager of the Interval Mutual Investment Fund of Shares

RUSS-INVEST – Privileged Shares in the amount of 25 000 000 (Twenty Five million) RUB.

6 October 2006 Minutes No. 07/06-07) the Board of Directors OJSC IC RUSS-INVEST approved an interested party transaction, specifically the conclusion of the additional agreement to the commercial real estate leasing contract with CJSC NASCHOKIN No. 2/2006 dated 01.09.2006 for 11 months under market conditions, the total floor space is 578.8 sq. m, the price is 530 USD per 1 sq. m a year, VAT included, for the premises located at the 1st and 2nd floors. The price for the premises located at the ground floor amounts to 500 USD per 1 sq. m, VAT included, at: Moscow, Naschokinsky side-st. 5-3/12, bldg. 4.

The rental payments under the commercial real estate leasing contract No. 2/2005 dated 30 September 2005 concluded between OJSC IC RUSS-INVEST and CJSC NASCHOKIN from 01.01.2006 to 31.08.2006, VAT included, amounted to **2 316 326.98 RUB**

The rental payments under the commercial real estate leasing contract 2/2006 dated 1 September 2006 concluded with CJSC NASCHOKIN from 01.09.2006 to 31.12.2006, VAT included, amounted to **2 126 435.78 RUB**

Under the broking services contract concluded with CJSC NASCHOKIN No. 29Б dated 04 March 2004 the income gained from 01.01.2006 to 31.12.2006, VAT included, amounted to **3 432.28 RUB**

Under the depositary contract concluded with CJSC NASCHOKIN No. 017 dated 04 March 2004, the income gained from 01.01.2006 to 31.12.2006, VAT included, amounted to **469.40 RUB**

Under the broking services contract concluded with OJSC Berezka v Luzhnikakh No. 9Б dated 01 October 2002 the income gained from 01.01.2006 to 31.12.2006, VAT included, amounted to **5 597.60 RUB**

Under the depositary contract concluded with OJSC Berezka v Luzhnikakh No. 004 dated 21 March 2003, the income gained from 01.01.2006 to 31.12.2006, VAT included, amounted to **1 918.68 RUB**

Under the broking services contract concluded with CJSC NOVODEVICHIIY No. 30Б dated 04 March 2004, the income gained from 01.01.2006 to 31.12.2006, VAT included, amounted to **34 022.98 RUB**

Under the depositary contract concluded with CJSC NOVODEVICHIIY No. 016 dated 04 March 2004, the income gained under the above contract from 01.01.2006 to 31.12.2006, VAT included, amounted to **492.61 RUB**

Under the broking services contract concluded with CJSC Asset Management Company RUSS-INVEST No. 28Б dated 02 March 2004 the income gained from 01.01.2006 to 31.12.2006, VAT included, amounted to **87 946.13 RUB**

Under the depositary contract concluded with CJSC Asset Management Company RUSS-INVEST No. 015 dated 02 March 2004, the income gained from 01.01.2006 to 31.12.2006, VAT included, amounted to **928.54 RUB**

Under the broking services contract concluded with CJSC Asset Management Company RUSS-INVEST No. 35Б dated 15 December 2004 the income gained from 01.01.2006 to 31.12.2006, VAT included, amounted to **6 052.71 RUB**

Under the depositary contract concluded with CJSC Asset Management Company RUSS-INVEST No. 020 dated 15 December 2004 the income gained from 01.01.2006 to 31.12.2006, VAT included, amounted to **190.96 RUB**

Under the broking services contract concluded with CJSC Asset Management Company RUSS-INVEST, serving as the Asset Manager of the Open Mutual Investment Fund of Shares RUSS-INVEST Mutual Fund of Shares No. 32Б dated 18 August 2004 the income gained from 18.08.2006 to 31.12.2006, VAT included, amounted to **53 498.22 RUB**

Under the contract concluded with CJSC Asset Management Company RUSS-INVEST, serving as the Asset Manager of the Open Mutual Investment Fund of Mixed Investments RUSS-INVEST Mutual Fund of Shares and Bonds No. 33Б dated 18 August 2004 for rendering broking services, the income gained from 18.08.2006 to 31.12.2006, VAT included, amounted to **48 726.52 RUB**

Under the broking services contract concluded with CJSC Asset Management Company RUSS-INVEST, serving as the Asset Manager of the Open Index Mutual Investment Fund RUSS-INVEST – MICEX Index No. 49Б dated 28 September 2006, the income gained from 28.09.2006 to 31.12.2006, VAT included, amounted to **14 001.52 RUB**

Under the broking services contract concluded with CJSC Asset Management Company RUSS-INVEST, serving as the Asset Manager of the Interval Mutual Investment Fund of Shares RUSS-INVEST – Privileged Shares No. 51Б dated 28 September 2006, the income gained from 28.09.2006 to 31.12.2006, VAT included, amounted to **2 889.69 RUB**

Under the contract concluded with CJSC Asset Management Company RUSS-INVEST serving as the Asset Manager of the Interval Mutual Investment Fund of Mixed Investments RUSS-INVEST – High Technologies No. **50Б dated 28 September 2006 for rendering broking services, the income gained from 28.09.2006 to 31.12.2006, VAT included, amounted to 3 608.91 RUB**

The prices for contracts concluded with affiliated persons were established following the general procedure.

23. Information on the governmental aid

Governmental aid: no

President – Director General A.P. Bychkov
OJSC IC RUSS-INVEST
Doctor of Economics

Chief Accountant N.A. Karabanova
OJSC IC RUSS-INVEST

**OJSC INVESTMENT COMPANY IC
RUSS-INVEST**

**Consolidated Financial Statements for
the year ended 31 December 2006**

OJSC INVESTMENT COMPANY IC RUSS-INVEST

Contents

Independent Auditors' Report	
Consolidated Income Statement	4
Consolidated Balance Sheet	5
Consolidated Statement of Cash Flows	6
Consolidated Statement of Changes in Shareholders' Equity	7
Notes to the Consolidated Financial Statements	8

ZAO KPMG
11 Gogolevsky Boulevard
Moscow 119019
Russia

Telephone +7 (495) 937 4477
Fax +7 (495) 937 4400/99
Internet www.kpmg.ru

Independent Auditors' Report
**To the Board of Directors of 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 at 31 December 2006, and the consolidated income statement, consolidated statement of changes in shareholders' equity and consolidated statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the 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 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 consolidated financial position of the Group as at 31 December 2006, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

ZAO KPMG
31 May 2007

OJSC INVESTMENT COMPANY IC RUSS-INVEST

Consolidated Income Statement for the year ended 31
December 2006

	Notes	2006 RUR'000	2005 RUR'000 (restated)
Interest income	0	183,346	166,487
Net securities trading income	0	868,212	478,581
Net unrealized gain on other financial instruments at fair value through profit or loss		-	297,023
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		33,140	12,668
Net foreign exchange loss	0	(392)	(3,660)
Dividend income		6,532	18,337
Other income	0	40,792	19,673
Operating income		1,143,580	989,109
(Charge to)/reversal of impairment losses	0	(29)	2,541
General administrative expenses	0	(154,100)	(117,126)
Operating expenses		(154,129)	(114,585)
Income before income taxes		989,451	874,524
Income tax expense	0	(242,595)	(210,634)
Net income		746,856	663,890
Attributable to:			
Equity holders of the parent		746,342	663,599
Minority interest		514	291
Earnings per share attributable to equity holders of the parent company (expressed in Russian Rubles per share)	0	6.98	8.59

The consolidated financial statements as set out on pages 4 to 34 were approved by the Board of Directors of the Company on 31 May 2007.

President-General Director

Alexander P. Bychkov

Chief Accountant

Nelly A. Karabanova

ASSETS

	Notes	2006 RUR'000	2005 RUR'000 (restated)
Cash		15	33

OJSC INVESTMENT COMPANY IC RUSS-INVEST

Consolidated Balance Sheet as at 31 December 2006

Placements with banks and other financial institutions	0	202,872	682,811
Financial instruments held for trading	0	4,465,872	2,369,080
Other financial instruments at fair value through profit or loss	0	-	481,956
Financial instruments available-for-sale	0	61,466	78,091
Reverse sale and repurchase agreements	0	-	394,081
Investment in associate	0	29,040	-
Other assets	0	39,142	16,633
Property and equipment	0	131,189	141,391
Deferred tax asset	0	28	-
Total Assets		<u>4,929,624</u>	<u>4,164,076</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Dividends payable	0	353,181	314,756
Other liabilities	0	69,896	68,453
Deferred tax liability	0	263,140	148,182
Total Liabilities		<u>686,217</u>	<u>531,391</u>
Shareholder's Equity			
Share capital	0	1,492,376	1,470,862
Revaluation surplus		8,334	8,334
Retained earnings		<u>2,722,527</u>	<u>2,139,685</u>
Total equity attributable to equity holders of the parent		4,223,237	3,618,881
Minority interest		<u>20,170</u>	<u>13,804</u>
Total Shareholders' Equity		<u>4,243,407</u>	<u>3,632,685</u>
Total Liabilities and Shareholders' Equity		<u>4,929,624</u>	<u>4,164,076</u>
Contingencies	0		

**OJSC INVESTMENT COMPANY IC RUSS-
INVEST**

Consolidated Statement of Cash Flows for the year ended 31 December 2006

	Notes	2006 RUR'000	2005 RUR'000 (restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income		746,856	663,890
Charge to/(Reversal of) provision for impairment losses		29	(2,541)
Depreciation		12,676	12,375
Unrealised gain on securities		(547,847)	(761,011)
Net change in accruals		-	5,299
Net foreign exchange loss		392	3,660
Deferred taxation		114,930	72,384
Operating cash flow before changes in operating assets and liabilities		327,036	(5,944)
Changes in operating assets and liabilities			
Placements with banks and other financial institutions		254,418	(63,574)
Trading securities		(1,543,130)	308,200
Reverse sale and repurchase agreements		394,081	(394,081)
Financial instruments available-for-sale and other financial instruments at fair value through profit or loss		498,589	201,345
Other operating assets		(22,509)	83,442
Other operating liabilities		1,443	42,550
Net cash (used in)/from operating activities		(90,072)	171,938
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of associate		(29,040)	-
Purchases of property, plant and equipment		(2,474)	(2,539)
<u>Proceeds from sale of fixed assets</u>		-	999
<u>Net cash used in investing activities</u>		(31,514)	(1,540)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of common shares		21,514	17,497
Dividends paid		(125,075)	(46,744)
<u>Net cash used in financing activities</u>		(103,561)	(29,247)
Net (decrease)/increase in cash and cash equivalents		(225,147)	141,151
Cash and cash equivalents at the beginning of the year		428,356	290,865
Effect of changes in foreign currency exchange rates on cash and cash equivalents		(392)	(3,660)
Cash and cash equivalents at the end of the year	0	202,817	428,356

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the financial statements. 74

OJSC INVESTMENT COMPANY IC RUSS-INVEST

Consolidated Statement of Changes in Shareholders' Equity for the year ended 31 December 2006

RUR'000	Attributable to equity of the parent			Total	Minority interest	Total equity
	Share capital	Retained earnings	Revaluation surplus			
Balance at 31 December 2005	1,453,365	1,546,075	8,334	3,007,774	12,715	3,020,489
Net income for the year (restated, refer to Note 32)	-	663,599	-	663,599	291	663,890
Shares issued	17,497	-	-	17,497	-	17,497
Shares issued in subsidiary	-	-	-	-	798	798
Dividends declared	-	(69,989)	-	(69,989)	-	(69,989)
Balance at 31 December 2005 (restated, refer to Note 32)	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

OJSC INVESTMENT COMPANY IC RUSS-INVEST

Notes to, and forming part of, the Consolidated Financial Statements
for the year ended 31 December 2006

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 and Open Joint-Stock Company BERIOZKA IN LUZHNIKY.

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 the 29 of November 2005 the Company obtained a license to operate in trust operations issued by the Federal Securities Commission. On the 8 of 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 consultant 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 2006 was 55 (2005: 49). The Company's registered office is 2/2, Vsevolozjskiy per., Moscow, 119034, Russian Federation.
- CJSC NASCHOKIN was found in the Russian Federation in 2000 as a closed joint-stock company. The principal activity of the company is renting out the real estate owned by the company. The average number of persons employed by the company during the year 2006 was 3 (2005: 3). As of 31 December 2006 OJSC INVESTMENT COMPANY IC RUSS-INVEST controlled 80.32% of the company's common stock (2005: 80.32%).
- CJSC NOVODEVICHY was found 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 2006 was 1 (2005: 1). The company is wholly owned by OJSC INVESTMENT COMPANY IC RUSS-INVEST.
- CJSC RUSS-INVEST Asset Management Company was found 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 2006 OJSC INVESTMENT COMPANY IC RUSS-INVEST owned 99.21% of "Russ Invest open unit fund of shares", (2005: 98%), 89.86% of "Russ Invest open unit fund of shares and bonds", (2005: 98%), 99.78% of "Russ Invest interval unit fund Hi-Tech" and 99.21% of "Russ Invest interval unit fund of preference shares". The Group owns approximately 27% in the "Russ Invest open

OJSC INVESTMENT COMPANY IC RUSS-INVEST

Notes to, and forming part of, the Consolidated Financial Statements
for the year ended 31 December 2006

index unit fund Micex index". The average number of persons employed by the company during the year 2006 was 9 (2005: 6). 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 the real estate owned by the company. The average number of persons employed by the company during the year 2006 was 17 (2005: 17). As of 31 December 2006 the Group controlled 99.94% of the company's common stock (2005: 99.94%).

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 0(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.

**OJSC INVESTMENT COMPANY IC
RUSS-INVEST**

Notes to, and forming part of, the Consolidated Financial Statements
for the year ended 31 December 2006

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 Note 0.

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

**OJSC INVESTMENT COMPANY IC
RUSS-INVEST**

Notes to, and forming part of, the Consolidated Financial Statements
for the year ended 31 December 2006

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.

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 short-term interbank placements, excluding overnight placements, are included in due from other banks. 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;

**OJSC INVESTMENT COMPANY IC
RUSS-INVEST**

Notes to, and forming part of, the Consolidated Financial Statements
for the year ended 31 December 2006

- 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

**OJSC INVESTMENT COMPANY IC
RUSS-INVEST**

Notes to, and forming part of, the Consolidated Financial Statements
for the year ended 31 December 2006

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.

**OJSC INVESTMENT COMPANY IC
RUSS-INVEST**

Notes to, and forming part of, the Consolidated Financial Statements
for the year ended 31 December 2006

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

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Equipment acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

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

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. 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.

**OJSC INVESTMENT COMPANY IC
RUSS-INVEST**

Notes to, and forming part of, the Consolidated Financial Statements
for the year ended 31 December 2006

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 recognised 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

**OJSC INVESTMENT COMPANY IC
RUSS-INVEST**

Notes to, and forming part of, the Consolidated Financial Statements
for the year ended 31 December 2006

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

Interest income and expense are recognised in the consolidated income statement as they accrue, taking into account the effective yield of the asset/liability or an applicable floating rate.

**OJSC INVESTMENT COMPANY IC
RUSS-INVEST**

Notes to, and forming part of, the Consolidated Financial Statements
for the year ended 31 December 2006

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 mentioned above the accounting policies have been consistently applied by the Group, except for changes resulting from the amendments to IFRS, as described below.

As at 1 January 2006, the Group adopted the amendment to *International Financial Reporting Standard IAS 39 "Financial Instruments: Recognition and Measurement"* – "*The Fair Value Option*". Upon application of this amendment, the Group may designate a financial instrument at fair value through profit or loss only if certain conditions are met. Financial instruments which were designated as at fair value through profit or loss as at 31 December 2005 complied with the requirements of the amendment and were retained within this category upon its application.

Application of this amendment did not have a significant impact on the financial statements of the Group.

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 2006, and have not been applied in preparing these consolidated financial statements. Of these pronouncements, potentially the following will have an impact on the Group's operations. The Group plans to adopt these pronouncements when they become effective. The Group has not yet analysed the likely impact of these new standards on its financial statements.

IFRS 7 "Financial Instruments: Disclosures", which is effective for annual periods beginning on or after 1 January 2007, provides disclosure requirements regarding the significance of financial instruments to the Group's financial position and performance, and qualitative and quantitative information about the nature and extent of risks arising from financial instruments. The Standard supersedes *IAS 30 "Disclosures in the Financial Statements of Banks and Similar Financial Institutions"* and the disclosure requirements in *IAS 32 "Financial Instruments: Presentation and Disclosure"*. A large portion of existing disclosure requirements in International Financial Reporting Standard *IAS 32 "Financial Instruments: Presentation and Disclosure"* is transferred to the new Standard. The title of International Financial Reporting Standard *IAS 32* is amended to *IAS 32 "Financial Instruments: Presentation"*.

IFRS 8 "Operating Segments", which is effective for annual periods beginning on or after 1 January 2009, specifies how the Group should report information about its operating segments and sets out requirements for related disclosures about products and services, geographical areas and major customers. Operating segments are components of the Group about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Financial information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. *IFRS 8*

**OJSC INVESTMENT COMPANY IC
RUSS-INVEST**

Notes to, and forming part of, the Consolidated Financial Statements
for the year ended 31 December 2006

“*Operating Segments*” will replace International Financial Reporting Standard *IAS 14 “Segment Reporting*”.

IFRIC 9 “Reassessment of embedded derivatives”, which is effective for annual periods beginning on or after 1 November 2006, clarifies that an embedded derivative shall be assessed for separation from the host contract and accounted for as a derivative when the Group first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a significant change in the terms of the contract, i.e. in the terms of either the host contract or the embedded derivative or both.

Amendment to IAS 1 “Presentation of Financial Statements - Capital Disclosures”, which is effective for annual periods beginning on or after 1 January 2007. The Standard will require increased disclosure in respect of the Group's capital.

Investment in associate

On 30 March 2006 the Group acquired 38.01% of shares of OJSC Ryzansky Oil-Product Factory for RUR 29,040 thousand. The Group has carried its share of this investment at cost as the effect of equity accounting had no material effect on these consolidated financial statements

Interest income

	2006	2005
	RUR'000	RUR'000
Securities interest	182,301	158,701
Placements with banks and other financial institutions	1,045	7,786
	183,346	166,487

Net securities trading income

	2006	2005
	RUR'000	RUR'000
		(restated)
<i>Equity instruments</i>		
Net realized gain	315,564	300,886
Net unrealized gain	584,375	157,138
<i>Debt instruments</i>		
Net realized gain/(loss)	(1,051)	9,931
Net unrealized gain/(loss)	(30,676)	10,626
	868,212	478,581

**OJSC INVESTMENT COMPANY IC
RUSS-INVEST**

Notes to, and forming part of, the Consolidated Financial Statements
for the year ended 31 December 2006

Net foreign exchange loss

	2006	2005
	RUR'000	RUR'000
Loss from revaluation of financial assets and liabilities	(392)	(3,658)
Loss on spot transactions	-	(2)
	(392)	(3,660)

Other income

	2006	2005
	RUR'000	RUR'000
Consulting services	15,020	1,132
Rentals	9,684	9,968
Underwriting services	7,013	2,607
Sales revenue	5,249	5,779
Other	3,826	187
	40,792	19,673

(Charge to) /reversal of impairment losses

	2006	2005
	RUR'000	RUR'000
Placements with banks and other financial institutions	-	4,140
Investments	(29)	10
Other assets	-	(1,609)
	(29)	2,541

General administrative expenses

	2006	2005
	RUR'000	RUR'000
Employee compensation	70,353	56,183
Depreciation	12,676	12,375
Advertising	18,000	8,471
Taxes other than income tax	13,347	5,276
Professional services	5,111	4,904
Rent	4,619	3,984
Communication and information services	3,520	3,361
Travel and representation services	3,687	2,451
Security	1,559	1,715
Brokerage and depositary services	4,385	1,446
Shareholders' meeting expenses	743	1,427
Other	16,100	15,533
	154,100	117,126

**OJSC INVESTMENT COMPANY IC
RUSS-INVEST**

Notes to, and forming part of, the Consolidated Financial Statements
for the year ended 31 December 2006

Income tax expense

	2006 RUR'000	2005 RUR'000 (restated)
Current tax expense	127,665	138,250
Deferred tax expense	114,930	72,384
	242,595	210,634

The Group's applicable tax rate for current and deferred tax is 24% (2005: 24%).

Reconciliation of effective tax rate:

	2006 RUR'000	2005 RUR'000 (restated)
Income before tax	989,451	874,524
Income tax at the applicable tax rate	237,468	209,886
Non-deductible costs/(non-taxable income)	5,127	748
	242,595	210,634

Placements with banks and other financial institutions

	2006 RUR'000	2005 RUR'000
Current accounts	202,802	428,323
Term deposits	70	254,488
	202,872	682,811
Provision for impairment	-	-
	202,872	682,811

Analysis of movements in the provision for impairment

	2006 RUR'000	2005 RUR'000
Balance at the beginning of the year	-	4,140
Net recovery for the year	-	(4,140)
Balance at the end of the year	-	-

Financial instruments held for trading

	2006 RUR'000	2005 RUR'000 (restated)
Debt and other fixed-income instruments		

**OJSC INVESTMENT COMPANY IC
RUSS-INVEST**

Notes to, and forming part of, the Consolidated Financial Statements
for the year ended 31 December 2006

	2006	2005
	RUR'000	RUR'000
		(restated)
<i>Corporate bonds</i>		
MLK-Finance	123,729	-
LOMO	117,135	125,333
Marta-Finance	107,514	70,344
Promtractor-Finance	102,003	46,737
Sinergia	75,273	-
AIF-MediaPress-Finance	74,262	-
LMZ Svobodniy Sokol	67,913	77,550
Mariyskiy NPZ Finance	63,370	35,137
GP OST	58,196	17,903
NOK	51,634	-
Zhilsocipoteca-Finance	50,990	-
Terna-Finance	50,905	50,220
Saharnaya compania	50,821	-
Atlant-M	50,805	-
Moskovskiy Zalogoviy Bank	50,744	-
Energomash-Finance	50,645	-
Parnas-M	50,572	-
Sahatransneftegaz	50,403	-
NITOL Group	50,203	50,190
Karat	50,092	-
Agrokom	49,224	-
Motorostroitel-Finance	49,077	-
Nutrinvestholding	29,094	44,511
Medved-Finance	27,335	56,954
Yugtransitservice	25,222	30,002
Dalsvyaz	20,342	-
Tattelecom	14,444	25,112
UTK	12,053	189,613
BVK	9,203	9,348
Financecontract	6,029	50,126
AKB Probusinessbank	-	203,456
Razgulyai-Finance	-	71,721
Slavinvestbank	-	65,892
PIT Investments	-	61,416
KB Moscommerzbank	-	55,363
SG Mechel	-	55,125
Transmashholding	-	48,336
Salavatsteklo	-	36,921
AIKB Tatfunbank	-	36,844
Volgaburmash	-	35,851
Sibirtelecom	-	20,923
HighlandGoldFinance	-	16,562
Uralsvyazinform	-	11,916
Other	24,675	27,408
<i>Municipal bonds</i>		
Krasnodarskiy krai	-	39,871
	1,613,907	1,666,685

**OJSC INVESTMENT COMPANY IC
RUSS-INVEST**

Notes to, and forming part of, the Consolidated Financial Statements
for the year ended 31 December 2006

	2006	2005
	RUR'000	RUR'000
		(restated)
Equity investments		
NK Rosneft	1,109,621	-
GMK Norilskiy Nickel	290,374	21,743
Gazprom	261,959	-
NK LUKOIL	226,447	29,344
Surgutneftegaz	219,462	17,614
Tatneft	137,190	38,487
Severstal	127,896	2,791
Surgutneftegaz (preferred shares)	87,584	39,485
Transneft (preferred shares)	61,270	34,639
MTS	52,894	30,736
Russ Invest open unit fund Micex Index	39,870	-
Gazprom Neft	36,901	-
Polus Zoloto	31,137	-
Mechel	29,304	-
Slavneft-Megionneftegaz	22,350	102
Aeroflot	15,870	16,000
Ashinskiy MZ	15,600	-
Uralkaliy	14,350	-
EKZ Lebedyanskiy	6,420	15,200
Promstroybank	6,286	-
Mosenergo	5,241	-
NOVATEK	4,160	-
Sberbank (preferred shares)	3,035	54,699
Uralsvyazinform (preferred shares)	2,142	102,677
Severo-Zapadnyy Telecom	2,041	12
Rostelecom	1,889	32,893
Bank of Moscow	1,875	-
RAO UES (preferred shares)	1,648	-
Sibirtelecom	1,032	10,616
Sberbank	-	150,600
YUKOS	-	28,217
Sibneft	-	24,534
RAO UES	-	22,195
Other	36,117	29,811
	2,851,965	702,395
	4,465,872	2,369,080

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

Other financial instruments at fair value through profit or loss

	2006	2005
	RUR'000	RUR'000
<i>Equity instruments – listed</i>		
Rosneft-Sakhalinmorneftegaz	-	481,200

**OJSC INVESTMENT COMPANY IC
RUSS-INVEST**

Notes to, and forming part of, the Consolidated Financial Statements
for the year ended 31 December 2006

	2006 RUR'000	2005 RUR'000
Magnitogorskiy MK	-	756
	-	481,956

Financial instruments available-for-sale

	2006 RUR'000	2005 RUR'000
<i>Equity instruments – unlisted</i>		
TNK-BP Holding Sidanko	29,375	5
Vorkutaugol	11,025	-
Sredneuralskiy Medeplavilniy Zavod	10,319	5,807
LOMO	7,806	4,580
Karelskiy Okatish	1,875	3,780
Nizhnevartovskneftegaz	1,513	1,481
Stock exchange RTS	857	856
Intewoodservice	100	100
Na Tverskoy	100	100
SiGMA	-	55,687
Uralelectromed	-	7,146
Hotel Cosmos	-	30
<i>Debt instruments – unlisted</i>		
Promissory notes of Bank “Rossiyskiy Credit”	56	50
	63,026	79,622
Provision for impairment of unlisted financial instruments	(1,560)	(1,531)
	61,466	78,091

The above unlisted investments have been valued at cost as for these investments there is no active market and in addition, discounted cash flow techniques yield a wide range of fair values due to uncertainty of future cash flows.

Analysis of movements in the provision for impairment

	2006 RUR'000	2005 RUR'000
Balance at the beginning of the year	1,531	1,541
Net charge to/ (reversal of) provision for the year	29	(10)
	1,560	1,531

Other assets

	2006 RUR'000	2005 RUR'000
Prepayments	19,713	-
Settlements with suppliers and contractors	6,356	4,763
Prepaid expenses	3,525	231
Deferred expenses	3,515	305

**OJSC INVESTMENT COMPANY IC
RUSS-INVEST**

Notes to, and forming part of, the Consolidated Financial Statements
for the year ended 31 December 2006

Settlements with budget on taxes other than on income	3,223	681
Settlements with other debtors	2,776	3,262
Income tax prepayments	34	7,391
	<u>39,142</u>	<u>16,633</u>

Property and equipment

RUR'000	<u>Buildings</u>	<u>Vehicles</u>	<u>Equipment and software</u>	<u>Fixtures and fittings</u>	<u>Total</u>
Cost					
At 31 December 2005	145,011	8,003	29,236	6,990	189,240
Additions	-	-	1,991	483	2,474
At 31 December 2006	<u>145,011</u>	<u>8,003</u>	<u>31,227</u>	<u>7,473</u>	191,714
Depreciation					
At 31 December 2005	(16,985)	(1,007)	(25,068)	(4,789)	(47,849)
Depreciation charge	(9,468)	(803)	(1,429)	(976)	(12,676)
At 31 December 2006	<u>(26,453)</u>	<u>(1,810)</u>	<u>(26,497)</u>	<u>(5,765)</u>	(60,525)
Carrying value					
At 31 December 2006	<u>118,558</u>	<u>6,193</u>	<u>4,730</u>	<u>1,708</u>	<u>131,189</u>
At 31 December 2005	<u>128,026</u>	<u>6,996</u>	<u>4,168</u>	<u>2,201</u>	<u>141,391</u>

Dividends payable

	<u>2006 RUR'000</u>	<u>2005 RUR'000</u>
Dividends payable in respect of 2005	65,355	-
Dividends payable in respect of 2004	43,470	69,989
Dividends payable in respect of 2003	75,824	75,992
Dividends payable in respect of 2002	151,226	151,467
Dividends payable in respect of years prior to 2002	17,306	17,308
	<u>353,181</u>	<u>314,756</u>

Other liabilities

	<u>2006 RUR'000</u>	<u>2005 RUR'000</u>
Customer balances on broker operations	52,136	46,915
Income tax payable	8,818	12,863
Settlements with other creditors	7,270	7,378
Taxes other than on income payable	1,672	1,297
	<u>69,896</u>	<u>68,453</u>

**OJSC INVESTMENT COMPANY IC
RUSS-INVEST**

Notes to, and forming part of, the Consolidated Financial Statements
for the year ended 31 December 2006

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 2006 and 2005. These temporary differences, which have no expiry dates, are listed below at their tax effected accumulated values:

	Assets		Liabilities		Net	
	2006	2005	2006	2005	2006	2005
RUR'000				(restated)		(restated)
Placements with banks and other financial institutions	-	-	-	(214)	-	(214)
Financial instruments held for trading	28	-	(244,084)	(12,622)	(244,056)	(12,622)
Other financial instruments at fair value through profit or loss	-	-	-	(114,533)	-	(114,533)
Financial Instruments available-for-sale	375	368	-	-	375	368
Other assets	470	797	-	-	470	797
Property and equipment	458	685	(20,359)	(22,663)	(19,901)	(21,978)
Net tax asset/(liability)	1,331	1,850	(264,443)	(150,032)	(263,112)	(148,182)

Out of which:

Net asset (by individual company)	28	-
Net liability (by individual company)	(263,140)	(148,182)

The rate of tax applicable for deferred taxes was 24% (2005: 24%).

Movement in temporary differences during the year

	Balance 1 January 2006 (restated)	Recognised in income	Balance 31 December 2006
RUR'000			
Placements with banks and other financial institutions	(214)	214	-
Financial instruments held for trading	(12,622)	(231,434)	(244,056)
Other financial instruments at fair value through profit or loss	(114,533)	114,533	-
Financial instruments available-for-sale	368	7	375
Other assets	797	(327)	470
Property and equipment	(21,978)	2,077	(19,901)
	(148,182)	(114,930)	(263,112)

**OJSC INVESTMENT COMPANY IC
RUSS-INVEST**

Notes to, and forming part of, the Consolidated Financial Statements
for the year ended 31 December 2006

Share capital

Issued capital

The authorised, issued and outstanding share capital comprises 109 000 000 ordinary shares (2005: 87 486 250). 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 2006 is 106 919 618 (2005: 77 279 521)

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 3,112,286 thousand (2005: RUR 3,295,283 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 major risks faced by the Group are those related to market risk, which includes price and fair value interest rate, currency and liquidity risk. These risks are managed in the following manner:

**OJSC INVESTMENT COMPANY IC
RUSS-INVEST**

Notes to, and forming part of, the Consolidated Financial Statements
for the year ended 31 December 2006

Market risk

Price risk

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. Price risk arises when the Group takes a long or short position in a financial instrument.

Fair value interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Fair value 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. For further information on the Group's exposure to fair value interest rate risk at year end refer to Notes 0 and 28.

Currency risk

The Group has assets and liabilities denominated in different 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 Notes 0 and 0.

The Group manages its market risk by setting open position limits in relation to financial instruments and interest rate maturities which are monitored on a regular basis and approved by the Management Board.

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 0.

Contingencies

Insurance

The insurance industry in the Russian Federation is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. 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.

**OJSC INVESTMENT COMPANY IC
RUSS-INVEST**

Notes to, and forming part of, the Consolidated Financial Statements
for the year ended 31 December 2006

Litigation

As at 31 December 2006 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 these IFRS consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

Related party transactions

There is no ultimate controlling party as none of the Group's ultimate shareholders own more than 50% of the Group.

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 2006 was RUR 25,409 thousand (2005: RUR 15,956 thousand) (refer Note 0):

The outstanding balances as of 31 December 2006 with members of the Board of Directors and the Management Board are as follows:

	<u>2006</u> <u>RUR'000</u>	<u>2005</u> <u>RUR'000</u>
<i>Balance sheet – assets</i>		
Other assets	35	49
<i>Balance sheet – liabilities</i>		
Compensation payable	20	2,833
Other liabilities	-	170
Dividends payable	77	83

On June 2005 the company purchased Sigma shares from a related party at RUR 1,101 thousand. On February 2006 those shares were sold to thirds parties at RUR 1,541 thousand.

**OJSC INVESTMENT COMPANY IC
RUSS-INVEST**

Notes to, and forming part of, the Consolidated Financial Statements
for the year ended 31 December 2006

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 2006 and 2005 with other related parties are as follows:

	2006 RUR'000	2005 RUR'000
<i>Balance sheet – assets</i>		
Other assets	7,359	36
<i>Balance sheet – liabilities</i>		
Other liabilities	33,409	40,217
Dividends payable	31,462	33,693

The Group did not earn any income or incur any losses on operations with other related parties during 2006 or 2005.

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:

	2006 RUR'000	2005 RUR'000
Cash	15	33
Current accounts in banks and other financial institutions	202,802	428,323
	202,817	428,356

Fair value of financial instruments

The estimated fair value of the Group's financial assets and liabilities, as required to be disclosed by IAS 32 *Financial Instruments: Disclosure and Presentation*, are as follows:

The estimated fair values of other financial instruments at fair value through profit or loss and quoted are based on quoted market prices at the balance sheet date without any deduction for transaction costs.

The estimated fair values of all other financial assets and liabilities, except as described below, are calculated using discounted cash flow techniques based on estimated future cash flows and discount rates for a similar instruments at the balance sheet date. As disclosed in Note 15 as at 31 December 2006 the fair value of unquoted equity securities with a carrying value of RUR 61,466 thousand could not be readily determined (2005:RUR 78,091 thousand) and these have been stated at cost as management believe that this would not be significantly different from their fair value.

The estimates of fair value are intended to approximate the amount for which a financial instrument could be exchanged between knowledgeable, willing parties in an arm's length transaction. However given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realisable in an immediate sale of the assets or settlement of liabilities.

**OJSC INVESTMENT COMPANY IC
RUSS-INVEST**

Notes to, and forming part of, the Consolidated Financial Statements
for the year ended 31 December 2006

Average effective interest rates

The table below displays the Group's interest bearing assets as at 31 December 2006 and as at 31 December 2005 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.

	Value RUR'000	2006 Average Effective Interest Rate	Value RUR'000	2005 Average Effective Interest Rate
Interest Bearing Assets				
<i>Placements with banks and other financial institutions</i>				
<i>Current accounts</i>				
- RUR	201,761	0.03%	427,590	0.09%
- USD	1,041	0.0%	733	0.0%
<i>Term deposits</i>				
- RUR	70	0.0%	254,488	5.26%
- USD	-	-	-	-
<i>Financial instruments held for trading</i>				
- RUR	1,613,907	11.62%	1,666,685	10.12%
<i>Financial instruments available-for-sale</i>				
- RUR	56	0.0%	50	0.0%

OJSC INVESTMENT COMPANY IC RUSS-INVEST

Notes to, and forming part of, the Consolidated Financial Statements
for the year ended 31 December 2006

Maturity analysis

The following table shows Group's assets and liabilities by remaining contractual maturity dates as at 31 December 2006. 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.

	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	15	-	-	-	-	-	15
Placements with banks and other financial institutions	202,872	-	-	-	-	-	202,872
Financial instruments held for trading	97,588	1,516,372	-	-	-	2,851,912	4,465,872
Financial instruments available-for-sale	-	-	-	-	-	61,466	61,466
Investment in associate	-	-	-	-	-	29,040	29,040
Other assets	18,070	5,860	14,882	318	12	-	39,142
Property and equipment	-	-	-	-	-	131,189	131,189
Deferred tax asset	-	-	-	-	-	28	28
Total assets	318,545	1,522,232	14,882	318	12	3,073,635	4,929,624
Liabilities							
Dividends payable	353,181	-	-	-	-	-	353,181
Other liabilities	1,804	56,272	11,820	-	-	-	69,896
Deferred tax liability	-	-	-	-	-	263,140	263,140
Total liabilities	354,985	56,272	11,820	-	-	263,140	686,217
Net position as at 31 December 2006	(36,440)	1,465,960	3,062	318	12	2,810,495	4,243,407
Net position as at 31 December 2005 (restated)	712,272	6,835	265,238	1,392,660	28	1,255,652	3,632,685

Currency analysis

The following table shows the currency structure of assets and liabilities at 31 December 2006:

	RUR	USD	Total
	<u>RUR'000</u>	<u>RUR'000</u>	<u>RUR'000</u>
Assets			
Cash	15	-	15
Placements with banks and other financial institutions	201,831	1,041	202,872
Financial instruments held for trading	4,465,872	-	4,465,872
Financial instruments available-for-sale	61,466	-	61,466
Investment in associates	29,040	-	29,040
Other assets	39,142	-	39,142
Property and equipment	131,189	-	131,189
Deferred tax asset	28	-	28
Total assets	<u>4,928,583</u>	<u>1,041</u>	<u>4,929,624</u>
Liabilities			
Dividends payable	353,181	-	353,181
Other liabilities	69,896	-	69,896
Deferred tax liability	263,140	-	263,140
Total liabilities	<u>686,217</u>	<u>-</u>	<u>686,217</u>
Net position as of 31 December 2006	<u>4,242,366</u>	<u>1,041</u>	<u>4,243,407</u>
Net position as of 31 December 2005	<u>3,631,952</u>	<u>733</u>	<u>3,632,685</u>

Reverse sale and repurchase agreements

Securities purchased under reverse sale and repurchase agreements are corporate and municipal bonds and equity securities with a fair value of RUR 515,995 thousand as at 31 December 2005.

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.

	2006	2005 (restated)
<i>Number of shares</i>		
Effect of own shares held	87,486,250	69,989,000
Effect of shares issued in January	9,741,392	-
Effect of shares issued in February	9,691,976	-
Effect of shares issued in June	-	7,290,521
Weighted average number of shares for the year ended 31 December	<u>106,919,618</u>	<u>77,279,521</u>

Restatement of comparative information

Reverse sale and reverse sale and repurchase agreements that were concluded in December 2005 and executed on January 2006 were incorrectly included in Financial instruments held for trading at 31 December 2005 at RUR 515,995 thousand. The financial statements of 2005 have been restated to correct this error.

The effect of the restatement on the comparative 2005 financial statements is summarized below:

	2005
	RUR'000
<i>Balance Sheet</i>	
Financial instruments held for trading as previously reported	2,885,075
Adjustment required	(515,995)
Restated financial instruments held for trading	2,369,080
Total assets as previously reported	4,285,990
Adjustment required	(121,914)
Restated total assets	4,164,076
Reverse sale and repurchase agreement as previously reported	-
Adjustment required	(394,081)
Restated reverse sale and repurchase agreement	394,081
Deferred tax liability as previously reported	177,441
Adjustment required	(29,259)
Restated deferred tax liability	148,182
Retained earnings as previously reported	2,232,340
Adjustment required	(92,655)
Restated retained earnings	2,139,685
Total liabilities and shareholder's equity as previously reported	4,285,990
Adjustment required	(121,914)
Restated total liabilities and shareholder's equity	4,164,076

	2005
	RUR'000
<i>Income Statement</i>	
Net securities trading income as previously reported	600,495
Adjustment required	(121,914)
Restated net securities trading income	478,581
Income tax expense previously reported	(239,893)
Adjustment required	29,259
Restated income tax expense	(210,634)
Profit for the year previously reported	756,545
Adjustment required	(92,655)
Restated profit for the year	663,890
Earning per share as previously reported	9.79
Adjustment required	(1.20)
Restated earning per share	8.59

Events subsequent to the balance sheet

In April 2007 the Board of Directors proposed dividends in respect of 2006 financial year in the amount of RUR 1.2 per one share in the total amount of RUR 130,800 thousand.