

WINNING
TRADITIONS!

2010





WINNING
TRADITIONS!

2010

TABLE OF CONTENTS

1.	ADDRESS OF THE PRESIDENT-GENERAL DIRECTOR OF OJSC IC RUSS-INVEST	3
2.	ABOUT THE COMPANY	5
2.1.	Mission	5
2.2.	Perspective	5
2.3.	Some History	6
2.4.	Rating	6
2.5.	Key Events in 2010	7
2.6.	OJSC IC RUSS-INVEST and subsidiary companies	7
3.	OPERATING RESULTS OF THE COMPANY IN 2010	9
3.1.	The Company's Placement in the Industry Sector	9
3.2.	Business Directions	11
3.2.1.	Company transactions in the share market in 2010	11
3.2.2.	Brokerage activity	13
3.2.3.	Corporate finance and financial consulting	14
3.2.4.	Trust management and mutual fund services	14
3.2.5.	Custody Business	15
3.2.6.	International Activity	15
3.3.	Financial Standing of the Company	16
3.4.	Information about the Volume of Each Type of Energy Resource Used by the Company in 2010	21
3.5.	List of All the Large-Scale Transactions made by the Company in 2010	21
3.6.	List of Non-arm's Length Transactions Carried Out by the Company in 2010	21
4.	THE COMPANY'S STRATEGY AND DEVELOPMENT OUTLOOK	
4.1.	Company Strategy	23
4.2.	The Russian Capital Markets in 2010 and the Company's Investment Strategy	26
4.2.1.	The bond market	26
4.2.2.	Share Market	29
5.	EXISTING RISKS AND STEPS TAKEN TO REDUCE THEM	35
6.	CORPORATE MANAGEMENT	39
6.1.	Organizational Structure of OJSC IC RUSS-INVEST	40
6.2.	Information on the Board of Directors	41
6.2.1.	Members of the Company's Board of Directors	41
6.2.2.	Report of the Board of Directors	43
6.2.3.	Main issues reviewed by the Board of Directors in 2010	43
6.2.4.	Information on remuneration of members of the Board of Directors	44
6.2.5.	Composition of committees under the Board of Directors of OJSC IC RUSS-INVEST in 2010-2011	45
6.3.	President-General Director of OJSC IC RUSS-INVEST	46
6.4.	Executive Board of OJSC IC RUSS-INVEST	46
6.5.	Bodies Supervising Financial and Business Activity	47
6.5.1.	Audit committee of OJSC IC RUSS-INVEST	48
6.5.2.	Auditors of OJSC IC RUSS-INVEST	49
7.	EQUITY	51
7.1.	Dividend Policy of the Company	51
7.2.	Market for the Company's Shares	53
7.3.	Cooperation with Investors and Shareholders of the Company	55
8.	SOCIAL POLICY OF THE COMPANY	57
8.1.	Principles of corporate social responsibility in OJSC IC RUSS-INVEST	57
8.2.	Charitable Works	57
	Appendix 1. Compliance with the Code of Corporate Conduct	58
	Appendix 2. Financial Statements According to RAS	68

1

ADDRESS OF THE PRESIDENT- GENERAL DIRECTOR



BYCHKOV
ALEXANDER PETROVICH
President-General Director
of **OJSC IC RUSS-INVEST**

DEAR SHAREHOLDERS!

In 2010 OJSC IC RUSS-INVEST retained its leading position among the investment companies of Russia and, in spite of the instability on the Russian share market, has demonstrated further improvement in its principal operating and financial indicators. OJSC IC RUSS-INVEST currently ranks among the leading investment companies of Russia. One of the factors in the success of our business is the company's balanced development strategy. This strategy is combined with a conservative approach to investment risk and with efficient cost control. Last year our company was able to increase our rating significantly among Russian investment companies. In 2010 the shareholders' equity of OJSC IC RUSS-INVEST became the largest among Russian investment companies. This is made possible by the stable growth of financial indicators demonstrated by our company over the last ten years. From 1999 up to and including 2010 the average growth of the asset value of OJSC IC RUSS-INVEST was 24.1%, and that of shareholders' equity 23.4%.

Company management relies on the optimal combination of risk, liquidity and profitability of business transactions. Steps are being taken to diversify activity in order to ensure the balanced development of the company. The company is diversifying regionally and is exploring new markets. Over the last years the company has been successfully developing its mutual fund business, expanding customer transaction volumes and intensively working in corporate finance and consulting.

Today our company is in solid financial shape and is in a great position to implement long-term investment projects. In terms of company strategy until 2012, ambitious development goals have been set up based on the attainment and preservation of leading positions in key financial operating indicators. We also plan to move further towards creating a diversified international investment group with a far-reaching network of branches that combines efficient asset management with a wide range of financial services. This will invigorate our efforts to expand our customer base and boost investment effectiveness. We deliberately choose a vigorous development strategy geared towards long-term growth of the company's capitalization in the interests of every shareholder.

ON BEHALF OF ALL EMPLOYEES OF OJSC IC RUSS-INVEST, I WOULD LIKE TO THANK ALL SHAREHOLDERS FOR THEIR UNDERSTANDING, TRUST AND SUPPORT!



WINNING TRADITIONS!



GOLF IS A PRECISION CLUB AND BALL SPORT, IN WHICH COMPETING PLAYERS (OR GOLFPERS) USE MANY TYPES OF CLUBS TO HIT BALLS INTO A SERIES OF HOLES ON A GOLF COURSE USING THE FEWEST NUMBER OF STROKES.





2

2. ABOUT THE COMPANY

2.1. MISSION

THE MISSION OF THE COMPANY IS TO FACILITATE THE GROWTH OF NATIONAL WEALTH THROUGH THE IMPLEMENTATION OF THE MOST ECONOMICALLY PROFITABLE INVESTMENT PROJECTS AND THE CREATION OF INVESTMENT PRODUCTS DIRECTED TOWARDS A WIDE CIRCLE OF LEGAL ENTITIES AND INDIVIDUALS, PARTICULARLY IN RUSSIA.

2.2. PERSPECTIVE

WE PLAN TO KEEP OUR TOP POSITION IN THE INVESTMENT ENVIRONMENT. FOR THIS WE NEED TO TURN IC RUSS-INVEST INTO A COMPACT, HIGHLY-EFFICIENT AND DIVERSIFIED INTERNATIONAL INVESTMENT GROUP, COMBINING EFFICIENT ASSET MANAGEMENT WITH THE PROVISION OF A DIVERSE RANGE OF FINANCIAL SERVICES THROUGH A WIDE NETWORK OF BRANCHES.

2.3. SOME HISTORY

OJSC IC RUSS-INVEST WAS CREATED ON DECEMBER 3, 1992. THE COMPANY WAS INITIALLY REGISTERED AS A VOUCHER INVESTMENT FUND. ON JANUARY 29, 1993 THE STATE PROPERTY COMMITTEE (GOSKOMIMUSHESTVO) OF THE RUSSIAN FEDERATION ISSUED THE COMPANY LICENSE NO. 58, GIVING IT THE RIGHT TO CONDUCT BUSINESS ON THE SECURITIES MARKET AS AN INVESTMENT FUND. THE COMPANY'S IPO PROSPECTUSES WERE REGISTERED BY THE RF STATE PROPERTY COMMITTEE ON FEBRUARY 1 AND SEPTEMBER 1, 1993.

In connection with the adoption in Russia of new legislation regulating the activity of joint-stock companies, investment funds and the securities market, the OJSC ChIF RUSS-INVEST was renamed the OJSC IC RUSS-INVEST.

OJSC IC RUSS-INVEST is currently a multi-discipline investment company operating in the Russian share market. Over the last several years the company has been among the five largest investment companies in the country in terms of the size of shareholders' equity.

In 2004 OJSC IC RUSS-INVEST won the Financial Olympics 2004 award in the category of Most Dynamically Developing Investment Company.

In 2006 OJSC IC RUSS-INVEST won first place in corporate management among small and medium capitalization companies in Europe according to IR Global Rankings.

The company currently offers a wide range of services for customers: online trading, brokerage service, sub-broker services, trust management, financial consulting, corporate finance, issuing of securities, sale of a business or its parts, listings on Russian stock exchanges, IPOs, custody services, agent in the sale of mutual funds, etc.

OJSC IC RUSS-INVEST has been a member of the National Association of Share Market Participants (Russian acronym: NAUFOR) since 1999, a member of the Moscow Central Stock Exchange since 2001 and a member of the Russian Trading System (Russian acronym: RTS) stock exchange since 2002 year. The company's shares are classified as «securities eligible for trading without undergoing the listing procedure» by the OJSC RTS.

2.4. RATING

OUR MOODY'S RATING IS LONG-TERM B2 AND DOMESTIC LONG-TERM BAA1.RU. THE LONG-TERM RATING PROGNOSIS IS STABLE. OUR SHORT-TERM DOMESTIC AND FOREIGN CURRENCY RATING IS AT THE NOT PRIME LEVEL.

Our Fitch rating is long-term B and domestic long-term BBB- (BBB minus/rus). The long-term rating prognosis is stable.

Our National Rating Agency rating is AA- (very high reliability, third level). The prognosis for a change in the company's rating is stable.

Our rating by the Consortium of the Russian Institute of Directors and the Rating Agency «Expert RA» is 7+ according to the National Rating of Corporate Management (Russian acronym: NRKU).

2.5. KEY EVENTS IN 2010

JANUARY

Liubov Goncharenko, member of the Board of Directors of OJSC IC RUSS-INVEST, was awarded the title of Doctor of Science in Economics.

FEBRUARY

OJSC IC RUSS-INVEST became one of the three largest public brokers of Russia according to Finance magazine.

MARCH

OJSC IC RUSS-INVEST was in the semifinals of the business competition called Global Management Challenge. More than 15,000 participants around the world compete annually for the title of best management team.

APRIL

The CJSC MICEX Board of Directors has decided to extend the accreditation of OJSC IC RUSS-INVEST as an authorized listing agent at CJSC MICEX.

MAY

OJSC IC RUSS-INVEST became a prize winner at the 5th International Competition «Best Risk Management 2010» in the category of «Best Fragmentary Risk Management».

JUNE

The National Rating Agency confirmed the individual reliability rating of the investment company OJSC IC RUSS-INVEST of AA- (very high reliability, third level).

JULY

The Consortium of Russian Institute of Directors and the Rating Agency «Expert RA» – «RID – Expert RA» confirmed the reliability rating of OJSC IC RUSS-INVEST» of NRKU 7+ (developed corporate management practice).

AUGUST

OJSC IC RUSS-INVEST develops a new business direction – online seminars for customers. These seminars will provide immediate analytical support to customers residing in the farthest corners of the country.

SEPTEMBER

In the rating of Expert, one of the most authoritative business magazines of Russia, OJSC IC RUSS-INVEST placed 159th among all Russian companies in the Expert-400 rating under the «List of Largest Companies in terms of Market Value (Capitalization)».

OCTOBER

Alexander Bychkov, President-General Director of OJSC IC RUSS-INVEST, was once again elected into the Board of Directors of the Association for the Protection of Investors' Rights (Russian acronym: API).

NOVEMBER

The international rating agency Moody's gave OJSC IC RUSS-INVEST a long-term domestic and foreign currency rating of B2, a short-term domestic and foreign currency rating of Not Prime, as well as a national long-term rating of Baa1.ru. The long-term rating prognosis is stable.

DECEMBER

Ivan Rodionov, member of the Board of Directors of OJSC IC RUSS-INVEST, became a prize winner in the category of Best Independent Director in 2010.

2.6. OJSC IC RUSS-INVEST AND SUBSIDIARY COMPANIES





WINNING TRADITIONS!



“

REGATTA IS A SERIE OF BOAT RACES. USUALLY IT IS LARGE TRADITIONAL COMPETITIONS IN SAILING, CONSISTING OF A SERIES OF RACES FOR THE COURTS DIFFERENT CLASSES.





3

OPERATING RESULTS OF THE COMPANY IN 2010

3.1. THE COMPANY'S PLACEMENT IN THE INDUSTRY SECTOR



THE FINANCIAL AND INVESTMENT MEDIATOR SECTOR IN RUSSIA HAS BEEN GROWING AT BREAKNECK SPEED OVER THE LAST DECADE. THIS SECTOR IS REPRESENTED BY LICENSED INVESTMENT COMPANIES, INVESTMENT FUNDS, COMMERCIAL BANKS, INSURANCE COMPANIES AND PENSION FUNDS. THE IMPROVEMENT OF THE MACROECONOMIC SITUATION HAS LED TO THE ACCELERATED DEVELOPMENT OF THE FINANCIAL MARKET IN RUSSIA. THE QUANTITATIVE CHARACTERISTICS OF THE FINANCIAL MEDIATOR SECTOR IN 2008 WORSENEED SHARPLY DUE TO THE FINANCIAL CRISIS, REFLECTING THE SECTOR'S ACHIEVEMENT OF ITS PEAK.

A defining attribute of the investment sector continues to be its high level of monopolization. Based on data on the 3rd quarter of 2010, the 20 leading investment companies of Russia were responsible for 96% of aggregate turnover, 97.4% of profits, 78.3% of net assets and 85.4% of assets of the 100 largest investment companies.

Under these conditions the main objective of OJSC IC RUSS-INVEST is to maintain and, if possible, increase its market share. Based on data of the National Rating Agency (NRA), at the end of the 3rd quarter of 2010, 2.4% of the assets, 2.9% of the net profit and 11.6% of the shareholders' equity of 50 of the largest investment companies in Russia were ascribed to OJSC IC RUSS-INVEST. Table 1 shows information about the position of OJSC IC RUSS-INVEST relative to other investment companies from 2003 to the 3rd quarter of 2010.

Table 3.1
POSITION OF OJSC IC RUSS-INVEST RELATIVE TO OTHER INVESTMENT COMPANIES

INDICATOR	2003	2004	2005	2006	2007	2008	2009	2010*
1. Aggregate turnover	67	62	40	53	55	71	59	49
2. Exchange turnover	35	47	28	44	47	64	54	45
3. Dealer transaction turnover	26	20	12	18	23	39	26	18
4. Assets	7	7	9	14	20	16	14	12
5. Shareholders' equity	3	2	2	2	2	4	3	1
6. Profit	3	2	3	3	N.A.	N.A.	3	7

Source: National Rating Agency
* at the end of the third quarter of 2010 year

A financial crisis opens up new possibilities for companies with a stable financial situation. Competition in the industry for available financial resources and a wider customer base has become tougher. The advantages of OJSC IC RUSS-INVEST are its comparatively high level of financial reliability and the margin of growth in its brokerage business.

The favorable financial results achieved by OJSC IC RUSS-INVEST over the last years were highly appreciated by leading international rating agencies. On November 25, 2010 the international rating agency Moody's gave OJSC IC RUSS-INVEST (RUSIG) a long-term domestic and foreign currency rating of B2, a short-term domestic and foreign currency rating of Not Prime, as well as a national long-term rating of Baa1.ru. The long-term rating prognosis is stable. This is mentioned in the agency's press release. The ratings take into account the low debt load of OJSC IC RUSS-INVEST. According to Russian accounting standards, OJSC IC RUSS-INVEST is financed by shareholders' equity by more than 80%. This means that the company's shareholders' equity base provides a significant safety net for its potential creditors. Among the positive factors which influenced the Moody's rating for OJSC IC RUSS-INVEST was also the company's diversified investment portfolio which allows it to demonstrate higher profitability (adjusted for risk) than market indices. The agency also reports the stable rating prognosis in the mid-term. However, it notes that an improvement of the situation, a reduction in market volatility as well as the subsequent development of other business

lines of the company and a decrease in market risks may serve as potential drivers that will improve the future rating.

On January 21, 2011 Fitch Ratings confirmed the rating of OJSC IC RUSS-INVEST, Russia: a long-term issuer default rating (IDR) of B, a national long-term rating of BBB- (BBB minus) (rus) and a short-term IDR of B. The prognosis for long-term IDR and national long-term rating is stable. The Fitch rating takes into account the absence of any indebtedness or other significant external financing at OJSC IC RUSS-INVEST. The agency has confirmed that this situation will most probably be maintained in the mid-term. Fitch notes that the main part of the company's earnings still comes from its own trading operations with Russian shares and bonds on RTS and MICEX exchanges which, in turn, reflect the exceptionally high level of the Russian share market's risk exposure. Nonetheless, company management is taking steps to diversify business by launching a European trading platform and developing the brokerage business.

It should be noted that among Russian financial organizations only six companies obtained a Fitch rating (**Table 2**).

In June 2010 the Consortium of Russian Institute of Directors and the Rating Agency «Expert RA» confirmed OJSC IC RUSS-INVEST's corporate

Table 3.2
FITC RATING OF RUSSIAN NON-BANK FINANCIAL ORGANIZATIONS

ISSUER	LONG-TERM IDR* ISSUER DEFAULT IN FOREIGN CURRENCY	PROGNOSIS FOR INTERNATIONAL RATING	SHORT-TERM IDR* IN FOREIGN CURRENCY	NATIONAL RATING	PROGNOSIS FOR NATIONAL RATING
IG Renaissance Capital	BB-	Stable	In	-	-
OJSC IC RUSS-INVEST	In	Stable	In	BBB-(rus)	Stable
BKM Leasing	CC	Negative	With	-	-
VTB Leasing	BBB+	Stable	F2	-	-

Source: Fitch Ratings
* – IDR – issuer default rating

management rating of NRKU 7+. In July 2010 the National Rating Agency confirmed OJSC IC RUSS-INVEST's reliability rating of AA- (very high reliability – third level).

Two of the company's competitive advantages are the size of its shareholders' equity and its strong financial standing. OJSC IC RUSS-INVEST confidently stands out against other investment companies having a wider customer base. In order to maintain its place in the industry, the company also needs to further develop business, incorporate modern technologies and management methods, refine fees, work out and offer its customers new investment products and services.

3.2. BUSINESS DIRECTIONS

3.2.1. COMPANY TRANSACTIONS IN THE SHARE MARKET IN 2010

DURING THE COURSE OF 2010 OJSC IC RUSS-INVEST HAS CARRIED OUT TRANSACTIONS IN THE SHARE, CORPORATE BOND, DERIVATIVES MARKETS IN RUSSIA AND OVERSEAS. THE EXECUTIVE SUMMARY OF OJSC IC RUSS-INVEST'S FINANCIAL RESULTS (FIXED GROSS PROFIT) IS SHOWN IN TABLE 3.

During the course of 2010 the company had lower turnover in the bond market, which was associated with the sharp rise in prices and the decrease in effective yield to maturity (YTM) of 1st-2nd tier corporate bonds with a maturity of 1-2 years to 6.5%-8.5% per annum. As a result, the actual yield of corporate bonds approached zero, and in some cases (Gazprom, Lukoil, etc.) it was even negative. Under these conditions the company chose a strategy that involved the repayment and sale of higher-priced issues and the reinvestment of monies received in short-term issues.

The costs of this strategy were such that our corporate bond portfolio sharply decreased. As of June 30, 2010 this portfolio was 273.6 million rubles and decreased by 42.3% compared to the beginning of the year. As a result of the decrease in our corporate bond portfolio and the YTM of new securities in the portfolio, earnings received from these assets sharply declined. Therefore, the principal task of the second six months is to expand the corporate bond portfolio. As a result of work done, 619.2 million rubles (+30.7% by the start of the year) were earned and the weighted average nominal yield to maturity was 9.53% per annum.

In 2010 OJSC IC RUSS-INVEST continued working intensively with shares of Russian companies, taking advantage of favorable market conditions. The share portfolio at the end of the year was 1873.7 million rubles. The yield on transactions was 21.46% per annum, compared to the RTS Index average of 22.54% per annum. However, the company exceeded the RTS Index by the Sharpe ratio.

Higher indicators of effectiveness for the company's share portfolio compared to the RTS Index are because of the following reasons:

- The presence in the share portfolio in the beginning of the year of a significant share of trans-regional telecommunications companies of the OJSC Svyazinvest which grew faster than the market.

Table 3.3
STRUCTURE OF GROSS PROFIT OF OJSC IC RUSS-INVEST IN 2010 (IN TERMS OF TYPES OF FINANCIAL INSTRUMENTS)
IN THOUSANDS OF RUBLES (WITHOUT CONSIDERING THE REVALUATION OF SECURITIES)

INCOME ITEM	2009	2010	CHANGE COMPARED TO 2009, %
Transactions with shares	165,295	165,655	+ 0.2%
Transactions with foreign securities	-	12,202	+ 100%
Transactions with corporate and municipal bonds (including accumulated coupon income [ACI])	129,383	61,109	- 52.8%
Transactions with derivatives	- 4,038	- 9,071	+ 124.6%
Interest earnings on deposit operations	128	168	+ 31.3%
Participation capital (dividends and the like)	41,163	53,211	+ 29.3%

3. OPERATING RESULTS OF THE COMPANY IN 2010

- The presence in the oil subportfolio of shares of TNK-BP and Surgutneftegas which also looked better than other oil securities.

The asset profile and, in particular, the portfolio composition of OJSC IC RUSS-INVEST are presented in **Figures 1 and 2**.

In analyzing company assets the following trends can be noticed:

- The share of monetary assets at the end of 2010 was 20.7% compared to 16.0% in the beginning of the year (reflecting expectations

of a small correction that took place in the company at the end of December 2010).

- The share of foreign-exchange holdings grew from 5.6% to 12.5% due to the increase in the amount of monetary assets allocated for transactions with foreign shares at the end of 2010.
- The share of corporate bonds grew from 10.75% to 13.7% due to the increase in short-term issues in the second six months of 2010.
- The share fraction in total assets decreased from 52.1% to 45.7%, which is generally associated with the partial profit-taking at the end of the year

Figure 3.1
ASSET PROFILE OF OJSC IC RUSS-INVEST

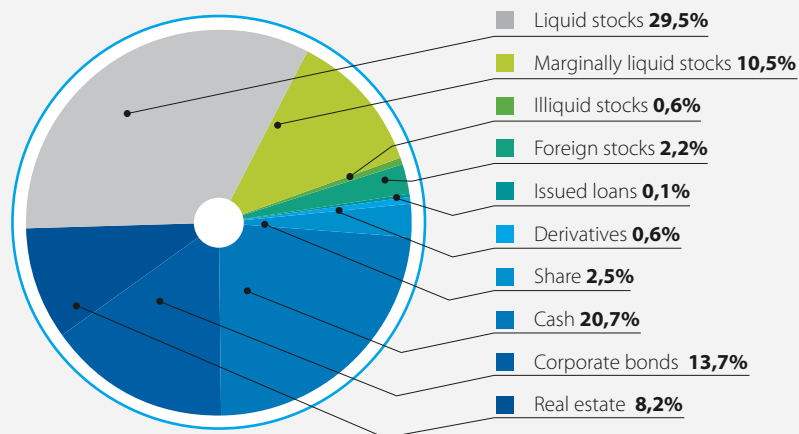
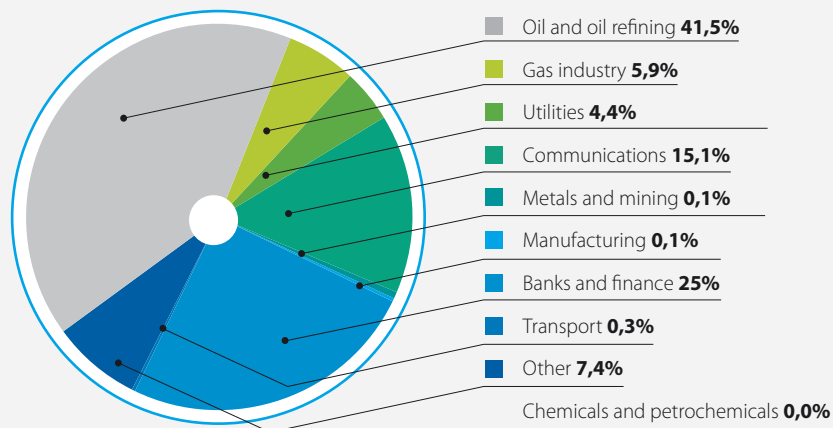


Figure 3.2
INDUSTRY PORTFOLIO COMPOSITION OF OJSC IC RUSS-INVEST



and the increase in investments in corporate bonds.

- In the sectoral makeup of the company's share portfolio there was a focus on increasing the fraction of the oil and gas sector. It grew from 35% to 47.4%.

In working on the derivatives market during the course of 2010, the company as before used the strategy of limited risk based on RTS options. These operations were generally used for partial hedging of our share portfolio. This is the very reason for the loss of 9.1 billion rubles.

3.2.2. BROKERAGE ACTIVITY

In providing brokerage services to its customers in 2010, OJSC IC RUSS-INVEST afforded access to all principal Russian trading facilities. The main goal was to increase the number of customers, expand the range of services provided and boost their quality. The company focused mainly on bringing in individuals and legal entities to their brokerage service and trust management. In terms of information analysis support for customers, the company gives significant attention to customer service, consulting and education in the study center. Educational courses on the principles of trading in the study center have earned an excellent reputation among company's customers.

During 2010 total customer sales increased 59% compared to 2009 (see Fig. 3). The brokerage fee for the 12 months of work increased 40% compared to the similar period in 2009.

The trust management fee at OJSC IC RUSS-INVEST increased 15% over the year compared to 2009. New instruments for customers, boosting the level of comparison transparency, were introduced.

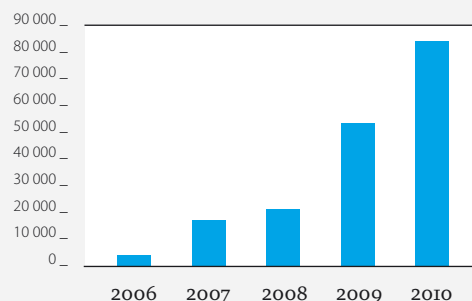
3.2.3. CORPORATE FINANCE AND FINANCIAL CONSULTING

In 2010, in the midst of the post-crisis recovery, OJSC IC RUSS-INVEST invigorated its efforts to develop business in corporate finance and financial consulting.

Confirming the positive changes in the global economy as a whole and at the Russian financial market in particular, the volume of initial offerings of Russian corporate bonds continued its gradual recovery. During the course of last year OJSC IC RUSS-INVEST served as co-underwriter for corporate bond issues of Tatfondbank-6 and Sakhatransneftegaz-2, as well as filed applications to participate in the offerings of other issuers by book-building and by classic auctions (in particular, Alrosa, Sinterra, Sollers, Mechel, Magnitorsky Metallurgichesky Kombinat, Evraz Holding Finance, Novolipetsky Metallurgichesky Kombinat, Trubnaya Metallurgichesky Kompaniya, Severstal, Kamaz, EFKO).

Overall in 2010 there was general recovery at the market: the prices of corporate securities reached their pre-crisis maximums, the volume of initial offerings actually returned to pre-crisis levels. However,

Figure 3.3
BEHAVIOR OF CUSTOMER SALES 2006-2010 (MILLION RUBLES)



Source: OJSC IC RUSS-INVEST

in addition to market's recovery, there was also a significant decrease in the rates of fixed-income instruments related to excess liquidity and the positive perspectives for the future global economy. Closer to the middle of the year, third-tier issuers started to enter the primary market, although everyone noted the complete inaccessibility of the market for these companies at the height of the crisis.

For the financial sector last year was a period for finishing work on restructuring and revaluation assets, and keeping track of modified risks. The leading rating agencies continued their reclassification of Russian companies according to reliability categories. Fitch Ratings gave OJSC IC RUSS-INVEST a rating of B in the international scale and a BBB+ in the national scale with stable outlook. This was confirmation of the company's efficient work, the stability of its indicators given to general market volatility and a low debt leverage (based on Russian accounting standards, OJSC IC RUSS-INVEST is financed by shareholders' equity by more than 80%). Also in 2010 Moody's gave OJSC IC RUSS-INVEST a long-term domestic and foreign currency rating of B2, a short-term domestic and foreign currency rating of Not Prime, as well as a national long-term rating of Baa1.ru with stable outlook.

In 2010 the company was finishing the work on restructuring distressed assets that appeared in the company's balance sheet as a result of the 2008-2009 crisis. New ways of cooperating with market participants were reassessed, and the assistance of customers in carrying out offerings was taken advantage of (particularly, the bond offerings of Sibirtelekom-08, Trubnaya Metallurgicheskoy Kompaniya-03, VTB-05, Zheldoripoteka-02, ITERA FINANCE-01, Yuzhnaya Telekommunikatsionnaya Kompaniya-05, Mechel-02). We continued to promote our services to restructure troubled debts (both issuers of default liabilities and investors possessing similar bonds in their portfolio). The company initiated a broad advertising campaign for the restructuring of debt and for buying back debt instruments below face value for issuers who survived through the crisis.

During this year the company negotiated with potential issuers of bonds, offering them services in the preparation of quarterly reports, disclosure of information and other financial consulting services. particularly, with respect to the organization of bond issues, we worked with the Uran Group of Companies, Choron Diamonds, the CJSC Evrotsement Engineering and the CJSC Evrotsement Group. OJSC IC RUSS-INVEST took part in the preparation of issuer quarterly reports for its own internal needs and for financial consulting customers.

Subsequently, work was done on the analysis and engagement of investment/consulting projects with direct and venture capital financing. Analytical support was provided in corporate finance projects: analysis of potential investment objects, asset pricing, building financial models to evaluate the fair market value of a business. At the moment we plan to give significantly more attention to direct and venture capital projects due to the economic recovery and the appearance of a large number of potentially high-performance lines of business requiring additional financing. In 2010 OJSC IC RUSS-INVEST and OJSC Russian Venture Company signed a Memorandum of Cooperation where the companies intend to do joint work involving innovative venture-capital investment projects. During this year OJSC IC RUSS-INVEST has actively developed connections with other market participants in direct and venture capital investment; and has searched for, analyzed and selected projects for subsequent investments. The company plans to create its own fund specializing in direct and venture-capital investment in promising projects.

OJSC IC RUSS-INVEST is a listing agent for innovative and growing companies at MICEX and is an authorized financial consultant at the OJSC Russian Trading System. **During this year of 2010 the company has continued to provide services as a financial consultant. Among these services are:**

- Paid services agreements on the preparation of documents needed for the registration of the issue of securities and reports on the results of the issue of securities by Russian issuers;
- Listing agent service agreements;
- Financial consulting service agreements, including services of an authorized financial consultant.

3.2.4. TRUST MANAGEMENT AND MUTUAL FUND SERVICES

In order to expand the range of services offered to customers, OJSC IC RUSS-INVEST founded the CJSC Management Company RUSS-INVEST in 2004. From the moment of its creation the management company's main task was to provide high-quality and accessible financial services geared towards boosting the prosperity of Russian nationals. One of these services involves mutual funds, allowing the company's customers to invest available cash effectively in securities of cutting-edge Russian companies.

The National Rating Agency (NRA) classified the CJSC Management Company RUSS-INVEST in the BBB group (sufficient reliability). CJSC Management Company RUSS-INVEST has Federal Service for Financial Markets license No. 21-000-1-00641 dated April 17, 2009, entitling it to manage investment funds, mutual funds and non-governmental pension funds, and professional securities market participant license No. 177-10285-001000 dated June 14, 2007, entitling it to manage securities.

CJSC MC RUSS-INVEST provides the following services:

- Management of mutual fund assets.
- Management of private capital.

Based on 2010 results data of the independent analytical resource Investfunds, CJSC Management Company RUSS-INVEST improved its position in the TOP-50 largest management companies in terms of the net asset value of open and interval mutual funds under management, and jumped in the rating from 35th to 32nd place. At present the Management Company manages the assets of five mutual funds. As of December 31, 2010 the net asset value of mutual funds managed by CJSC Management Company RUSS-INVEST was 424.84 million rubles.

3.2.5. CUSTODY BUSINESS

During this year of 2010 OJSC IC RUSS-INVEST continued to provide brokerage and custody service to its customers, giving them access to all the main Russian trading facilities.

In 2010 the number of serviced custody accounts increased 20.7%, the number of serviced issues of securities increased 28.5%.

Our individual approach to tasks from each customer remains one of our doubtless advantages.

In 2010 the fixed-rate fees for custody service in transactions on Russian trading floors continued to apply.

Our specialists follow high custody service standards. The main principles by which our custody department operates are reliability, operational flexibility, confidentiality.

The custody department makes sure that custody transactions and associated services are performed in a precise and timely manner, systematically upgrading hardware and software.

There is ongoing work to switch depositors to electronic document management (EDM) which will ensure operational flexibility during document exchange. As of December 31, 2010 the EDM share in the volume of document interchange with depositors actively carrying out transactions on the MICEX was 30%.

In 2010 the company serviced customers on the RTS Standard, with services including the creation of the needed software in the custody accounting system.

The company is also planning in the future to expand the list of services offered with the goal of bringing in new customers (entering overseas markets, marginal lending, including the use of depository services).

3.2.6. INTERNATIONAL ACTIVITY

In order to further develop business, OJSC IC RUSS-INVEST founded the subsidiary company ABR Financial B.V. in 2007. This company was licensed in 2008 by the financial market regulator of the Netherlands (AFM):

- to provide financial services, including brokerage;
- to carry out investment activity;
- to carry out support activity in financial markets in the country of registration.

ABR Financial B.V. has a Declaration of No Objections from the Central Bank of the Netherlands (DNB).

At present the subsidiary company has achieved incredible results in the development of its business. In view of all the legislative acts and licenses, ABR Financial has received an EU passport as per the latest requirements of the EU Financial Services Act (adopted as of November 2007). Apart from the Netherlands, the company received a European passport to carry out international activity in the following countries: Belgium, Germany, France, Great Britain, Denmark, Finland, Norway, Sweden.

ABR Financial is a member of the following exchanges (operating as an agent and principal):

- London Stock Exchange;
- NYSE Euronext (Amsterdam, Brussels, Paris – money markets);
- NYSE Euronext LIFFE (Amsterdam, Brussels, Paris – derivatives markets);
- Nordics OMX (Sweden, Denmark, Finland);
- Nasdaq OMX Europe (Multilateral Trading Facility);
- Chi-X (Multilateral Trading Facility).

In 2009 OJSC IC RUSS-INVEST started to trade in the main European stock exchange as a broker, using its subsidiary company ABR Financial.

For 2010 the total trading volume in overseas trading venues increased more than 36 times compared to 2009.

The successful implementation of this project will really allow OJSC IC RUSS-INVEST to diversify its business, reduce the level of risk in its investment transactions and simultaneously expand its income sources.

3.3. FINANCIAL STATUS OF THE COMPANY

OJSC IC RUSS-INVEST ENDED 2010 PROFITABLY. THIS WILL ALLOW THE COMPANY TO RESTORE ITS MAIN FINANCIAL INDICATORS TO THEIR PRE-CRISIS LEVELS. THE VALUE OF ASSETS GREW 3% OVER THE YEAR AND AMOUNTED 4.363 BILLION RUBLES TO THE END OF THE YEAR (SEE FIG. 3.4).

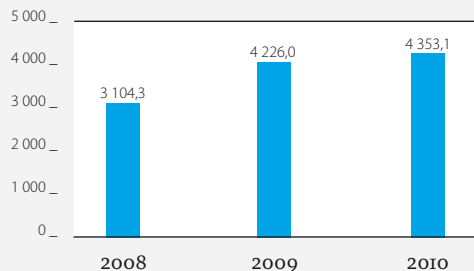
In 2010 the company was among the top investment companies in Russia in terms of shareholders' equity. Over the year the size of the company's shareholders' equity grew 15% and exceeded 4.06 billion rubles (see Fig. 3.5).

In spite of the high level of instability at the Russian stock market in 2010 (RTS Index for the first half of 2010 fell 7.3%), OJSC IC RUSS-INVEST was able to perform with positive financial indicators and support the high level of development in its principal business lines. The high volatility in markets and the increasing riskiness of trading operations necessitated changes in the asset management strategy towards increasing the share of short-term transactions and increasing asset turnover. The shares trading volume in 2010 increased 3.6 times to 18.2 billion rubles. At the same time, the volume of debt instruments was less than 0.95 billion rubles, falling 21% compared to that in 2010. In spite of the 49% rise in gross profit compared to that of 2009 (up to 303.4 million rubles), the yield on securities trading decreased in 2010 because of the higher-than-anticipated growth of trading volumes. Thus, gross margin in 2010 was 3.11%. Nonetheless, this indicator is higher than that in the pre-crisis years of 2006-2007 (see Fig. 3.6).

To be noted is the fact that the gross margin in 2010 was 3.23%, which is 2.36 times higher than that in pre-crisis 2007. This trend is explained by a balanced strategy that relies on the optimal combination of risk, liquidity and profitability of business transactions. The growth of profitability ratios over the last three years is explained by the improved situation at the Russian stock market and the change in the company's development strategy, geared towards business diversification.

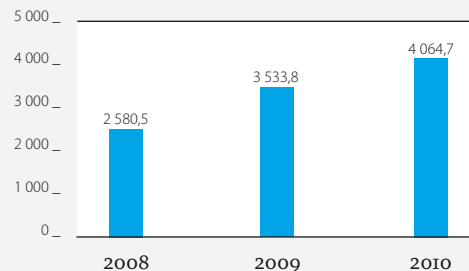
From 2004 to 2007 OJSC IC RUSS-INVEST demonstrated consistently high performance indicators, and this was associated with the growth in

Figure 3.4
VALUE OF ASSETS OF OJSC IC RUSS-INVEST
(MILLION RUBLES)



Source: OJSC IC RUSS-INVEST

Figure 3.5
SIZE OF SHAREHOLDERS' EQUITY OF OJSC IC RUSS-INVEST
(MILLION RUBLES)



Source: OJSC IC RUSS-INVEST

routine transaction volumes in the share market. At the same time, the company suffered a loss in 2008 as a result of the negative revaluation of financial investments caused by the global financial crisis and the more than 72% year-end drop in capitalization of the Russian market. The default of some bonds had a negative impact on the company's performance indicators. In 2009-2010 the company was able to show a high net profit thanks to the Russian share market recovery and a balanced trading strategy. A positive revaluation of financial investments had a positive effect on financial results. The positive revaluation of securities at the end of 2010 amounted to 891 million rubles.

At the end of 2010 we observed a drop in performance indicators for trading operations compared to those in 2009, which reflected the instability in financial markets. Nonetheless, at the end of 2010 profitability ratios continued to remain high. Return on sales was 2.78%, return on equity 7.14%, and return on assets 6.33% (see Fig. 3.7). The return on sales ratios significantly lag behind the performance indicators calculated based on the net profit amount. The reason for this trend is the increase in trading volume at year end. At the same time, the share of sales profit in pretax earnings in 2010 grew from 5.4% to 35%, which reflects the drop in contribution to the total financial result of the positive revaluation of financial investments compared to profit from routine transactions. The stable margin on ongoing securities trading operations is associated with the growth of share indices and a balanced strategy for managing market risk.

In conditions of increasing instability in financial markets, the company chose a moderately risky strategy for carrying out routine transactions, increasing the share of short-term trading operations, intensifying trading activity and narrowing the set of acquired securities. Given high market risks, the company chose a strategy to maintain the high level of floating capital and to increase accounting liquidity. The company also did not forget long-term projects which could bring higher returns in the future compared to current transactions in the market. This strategy allowed the company to maintain its profitability level in the deteriorating economic conditions for the Russian share market in 2010 compared to 2009. The high volatility of the company's performance indicators is explained first

and foremost by the situation in the Russian share market, which is the main facility where the company carries out trading operations, and the company redirecting its development strategy towards the diversification of financial services.

The company's liabilities to equity ratio, which was always comfortably high, sharply increased at the end of 2010. The company's equity in total assets ratio increased to 93% in 2010 as opposed to 84% in 2009. The drop of debt capital in the financial statement structure was a reflection of the higher-than-anticipated growth of retained earnings as a result of the positive revaluation of the company's assets (see Fig. 3.8).

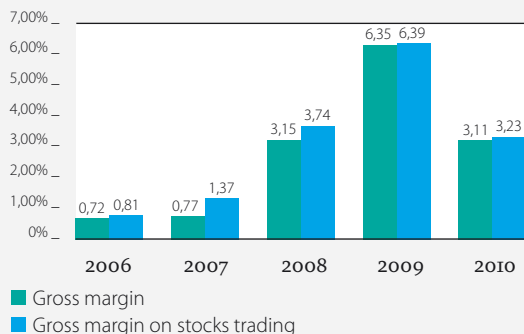
In 2010 the liquidity of OJSC IC RUSS-INVEST sharply increased. (see Fig. 3.9).

The current ratio shows whether the company has enough working capital to cover short-term obligations. The quick ratio is the ratio of a company's most liquid assets and receivables to its current liabilities. The company's liquidity ratios improved sharply in 2010. The current ratio grew from 4.87 at the end of 2009 to 12.25 at the end 2010, and its quick ratio from 4.85 to 12.15. The recommended value for the current liquidity ratio is 2.5, and that for the quick ratio is 1.2. Therefore, the volume of the company's current assets is sufficient to maintain the high level of liquidity and is a testament to the growing margins for implementing new investment projects.

Accumulated retained earnings of prior years allow the company to demonstrate good balance sheet ratios and equity to total assets ratios. A significant part of undistributed net profit in the form of dividends has remained at the company's disposal due to the fact that its distribution will reduce the company's equity, thereby sharply limiting its possibilities to raise profits in the future.

The greatest share in the structure of borrowed funds falls on dividends payable, whose share fell over the year from 10.6% to 2.3% of the total balance. This debt appeared because shareholders do not report to

Figure 3.6
GROSS MARGIN



Source: OJSC IC RUSS-INVEST

Figure 3.7
PROFITABILITY RATIOS



Source: OJSC IC RUSS-INVEST

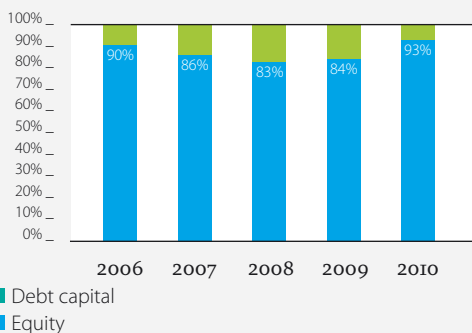
Company's Registrar information about changes in their passport data and place of residence in a timely manner. A significant part of undistributed net profit in the form of dividends remains at the company's disposal due to the fact that its full distribution will reduce the company's equity, thereby sharply limiting its possibilities to raise profits in the future.

Structural changes in the balance sheet of OJSC IC RUSS-INVEST at the end of 2010 reflect the stability of its long-term financial investments in the midst of the sharp growth in the volume of short-term financial investments and the falling share of monetary assets. These changes are related to the deliberate policy of company management to reduce securities investment risk and create cushions of liquidity for new promising projects (see Fig. 3.10).

The company intends to maintain the low level of administrative and business costs. The share of administrative expenses in 2010 grew to 4.1% of the weighted average asset value compared to 3.76% at the end of 2009. Therefore, the company's expenses reached their pre-crisis level (see Fig. 3.11).

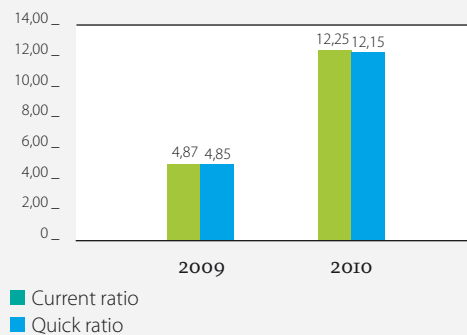
Before 2008 aggressive target growth ratios were incorporated in the company's development strategy, which then manifested in the increasing administrative expenses. However, from 2008 the company has been exercising stricter cost control. In 2008 administrative expenses dropped 11.1% compared to the previous year, and in 2009 they dropped 16.3%. In 2010 expenses increased 27.5% to 2009 levels, which is explained by the company's intensification of its operations. In spite of the aggressive growth of expenses in 2010, in absolute terms, expenses are 4.9% less than those in pre-crisis 2007 (see Fig. 3.12).

Figure 3.8
EQUITY TO TOTAL ASSETS RATIO



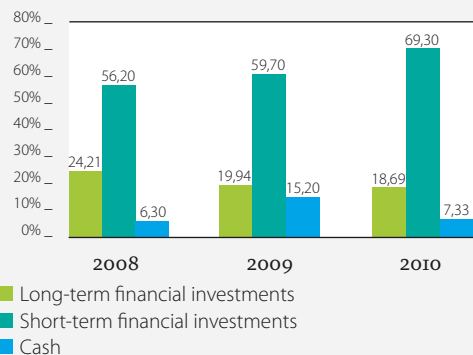
Source: OJSC IC RUSS-INVEST

Figure 3.9
ACCOUNTING LIQUIDITY RATIOS



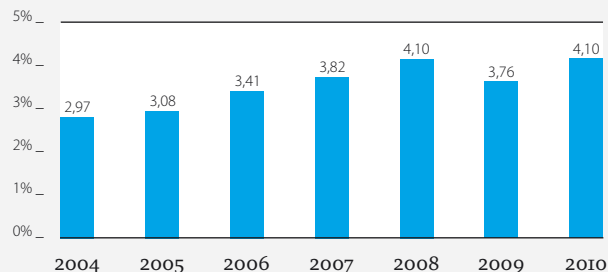
Source: OJSC IC RUSS-INVEST

Figure 3.10
SHARE OF LONG-TERM FINANCIAL INVESTMENTS AND MONETARY ASSETS IN THE ASSET PROFILE OF OJSC IC RUSS-INVEST



Source: OJSC IC RUSS-INVEST

Figure 3.11
RATIO OF ADMINISTRATIVE EXPENSES TO THE WEIGHTED AVERAGE ASSET VALUE



Source: OJSC IC RUSS-INVEST

3. OPERATING RESULTS OF THE COMPANY IN 2010

The growth of the company's operating profit in 2010 also allowed the further reduction of the cost of gross profit. This ratio decreased from 67.6% to 58%. At the same time, the company's break-even point rose from 3.8% to 4.1%. The company presently has a stable level of administrative costs with a downward trend (see Fig. 3.13).

A margin of safety analysis shows this ratio increasing from 1.8% in 2009 to 3% in 2010 due to the rise in the share of profit from routine transactions in total pretax earnings (see Fig. 3.14).

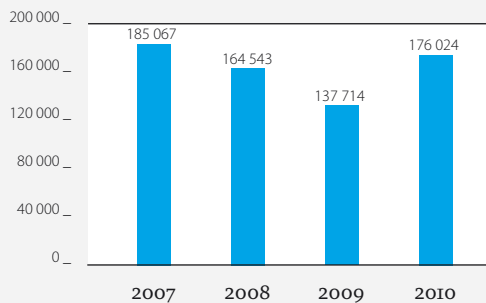
At the end of 2010 the return on assets ratio, whereby administrative and business costs are covered, was 4.1% (break-even point) (see Fig. 3.15).

The break-even point's rise given the higher margin of safety proves that there is a margin for higher expenses at the present level of profitability (see Fig. 3.16).

Given the positive financial results under conditions of instability in financial markets, we should note the company's high tax payments, which reflect the company's exceptional discipline in tax matters. Based on 2010 balance sheet data, the company paid 91.75 million rubles of profit tax.

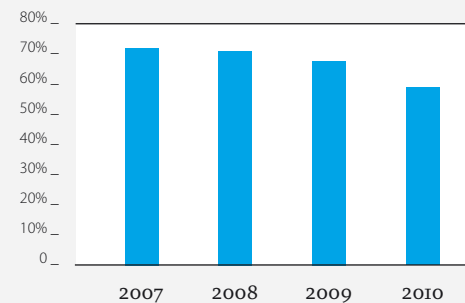
Based on the ratio of the company's market capitalization to shareholders' equity, OJSC IC RUSS-INVEST shares at the end of 2010 were trading at a discount compared to the average level for Russian financial sector

Figure 3.12
BEHAVIOR OF ADMINISTRATIVE AND BUSINESS EXPENSES
(THOUSAND RUBLES)



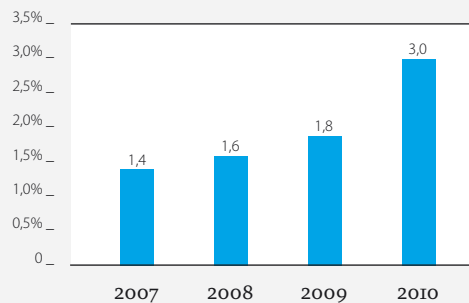
Source: OJSC IC RUSS-INVEST

Figure 3.13
SHARE OF ADMINISTRATIVE AND BUSINESS COSTS
IN GROSS PROFIT



Source: OJSC IC RUSS-INVEST

Figure 3.14
MARGIN OF SAFETY IN 2007-2010
(% OF AVERAGE ANNUAL ASSET VALUE)

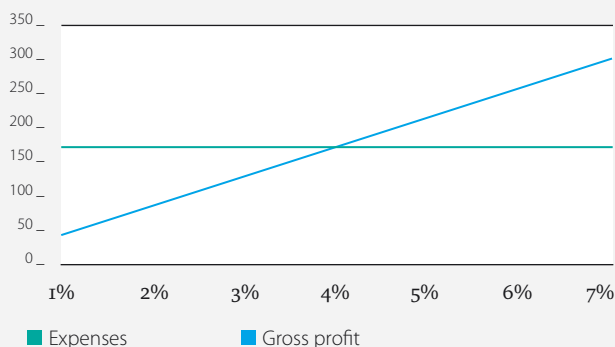


Source: OJSC IC RUSS-INVEST

companies. Thus, the company's shareholders' equity per share at the end of 2010 grew 15% from 32.42 rubles to 37.29 rubles. Therefore, the company's price-to-book value over the year fell from 1.04x to 0.98x, which is 1.5-2 times lower than the similar value for blue-chip companies in the Russian share market.

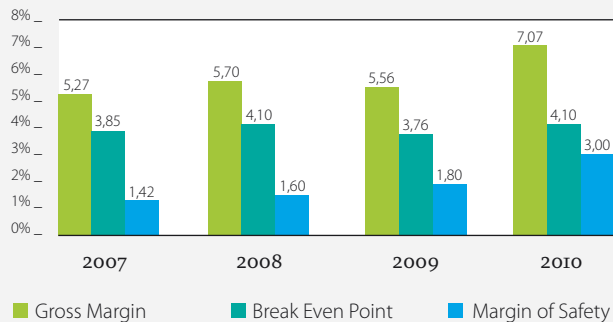
The company's current stage of development given the uncertain conditions in the Russian financial market and the high level of competition in the industry require the intensification of work to diversify business, expand the range of services provided to investment customers, expand the customer base and search for promising investment projects. This work involves additional costs which will have an impact on the operating margin on ongoing activities. However, these losses are normal for companies opting for a development strategy with a long-term outlook. Its main goal is to achieve stable long-term growth of company capital on behalf of every OJSC IC RUSS-INVEST shareholder.

Figure 3.15
BREAK-EVEN POINT AS PER 2010 RESULTS (% OF AVERAGE ANNUAL ASSET VALUE)



Source: OJSC IC RUSS-INVEST

Figure 3.16
GROSS PROFIT MARGIN, BREAK-EVEN POINT OF PROFITABILITY AND MARGIN OF SAFETY IN 2007-2010 (% OF AVERAGE ANNUAL ASSET VALUE)



Source: OJSC IC RUSS-INVEST

3.4. INFORMATION ABOUT THE VOLUME OF EACH TYPE OF ENERGY RESOURCE USED BY THE COMPANY IN 2010

Gasoline consumption for 2010 was 18,699.86 liters/461,574.04 rubles.

3.5. LIST OF ALL THE LARGE-SCALE TRANSACTIONS MADE BY THE COMPANY IN 2010

In 2010 the company did not carry out transactions categorized as large-scale transactions according to the Federal Joint-Stock Companies Act as well as other transactions whose completion is subject to the large-scale transactions approval procedure in accordance with the company's Articles of Association.

3.6. LIST OF NON-ARM'S LENGTH TRANSACTIONS CARRIED OUT BY THE COMPANY IN 2010

OVER THE COURSE OF 2010 THE BOARD OF DIRECTORS OF OJSC IC RUSS-INVEST CAME TO THE FOLLOWING RESOLUTION TO APPROVE NON-ARM'S LENGTH TRANSACTIONS:

on April 7, 2010 a non-arm's length transaction was approved at an OJSC IC RUSS-INVEST Board of Directors meeting (Minutes No. 12/09-10), namely, the approval of the commercial property rental agreement (address: Moscow, Naschokinsky pereulok 5-3/12/4) between CJSC Naschokin and OJSC IC RUSS-INVEST, for a term of 11 months, with a total leased area of 700.6 m² and for a price of 14,650 (fourteen thousand six hundred fifty) rubles per m², including VAT, for the premises located on the 1st and 2nd floors, for the premises in the basement, the rental amount of 13,700 (thirteen thousand seven hundred) rubles per 1 m², including VAT.



WINNING TRADITIONS!



SHOW JUMPING IS A TYPE OF SPORT COMPETITIONS IN OVERCOMING OF BARRIERS (FROM 6 TO 18), TAKING PLACE ON THE JUMPING BOX. DEPENDING ON THE NUMBER OF OBSTACLES AND THEIR HEIGHT CONTESTS ARE DIVIDED INTO EASY, MEDIUM, DIFFICULT AND HIGHER.





4

THE COMPANY'S STRATEGY AND DEVELOPMENT OUTLOOK

4.1. COMPANY STRATEGY

AT PRESENT OJSC IC RUSS-INVEST IS A MULTI-DISCIPLINE INVESTMENT COMPANY THAT HAS BEEN SUCCESSFUL IN ITS MAIN LINES OF BUSINESS OVER THE LAST DECADE. APART FROM ALREADY EXISTING OPERATIONS, THE COMPANY HAS STARTED WORKING IN THE DERIVATIVES MARKET (FUTURES AND OPTIONS), HAS REGISTERED AND STARTED OPERATIONS OF THREE MORE MUTUAL FUNDS (THERE ARE NOW FIVE FUNDS MANAGED BY CJSC MANAGEMENT COMPANY RUSS-INVEST). TO FURTHER DEVELOP ITS BUSINESS, OJSC IC RUSS-INVEST FOUNDED IN 2007 A SUBSIDIARY COMPANY ABR FINANCIAL B.V., WHICH WAS LICENSED BY THE FINANCIAL MARKET REGULATOR OF THE NETHERLANDS (AFM) IN 2008.

Simultaneously the company continued to refine its organizational structure and develop a network of offices and branches as part of CJSC Management Company RUSS-INVEST. Considerable attention was given to increasing the company's creditworthiness and level of corporate management. Company shares were listed at the RTS exchange where they were classified under listing B. The company was included in the list of the 500 largest Russian companies in terms of capitalization (147th place) in the Expert-400 rating (in the List of the largest companies in terms of market value (capitalization) as of 1 September 2009). Thanks to the high operating results and based on data from Expert magazine, OJSC IC RUSS-INVEST has become one of the five fastest growing companies of Russia.

■ 4. The Company's Strategy and Development Outlook

The favorable financial results achieved by OJSC IC RUSS-INVEST over the last years were highly appreciated by the leading international rating agency Fitch. In 2010 Fitch Ratings gave OJSC IC RUSS-INVEST a long-term issuer default rating (IDR) of B, a national long-term rating of BBB- (BBB minus) (rus) and a short-term IDR of B. The outlook for long-term IDR and long-term national rating is stable. The company also obtained a long-term rating of B2 and long-term national rating of Baa1.ru from Moody's. The long-term rating outlook is stable.

Thus, over the last period the company has successfully held back the competition posed by large investment companies and banks in its market segments.

The main types of business that the company has been carrying out over the last three years were:

- Activity of the management company which at present manages five mutual funds
- Brokerage service and trust management
- Provider of underwriter services in the ruble corporate bond market.
- Provision of financial consulting services with respect to IPOs
- Repo transactions
- Transactions in the futures and options market of the RTS
- Real estate project financing

As a whole, in spite of the impact of the crisis, the company's financial standing remains solid, and this is confirmed by the:

- High growth rates of assets and shareholders' equity
- Stabilization of trading volumes
- Growth of the gross margin and profitability of short-term transactions
- High liquidity
- Increase in long-term financial investment
- Consistently low administrative and business costs

In conditions of intense competition, the main strategic goal of OJSC IC RUSS-INVEST is to preserve and, if possible, to increase its market share.

In practical terms, the company has recovered completely after the crisis, and this allows it to look at the future with optimism.

The last 18 years of existence of OJSC IC RUSS-INVEST have allowed it to come to some conclusions and define what the company's strengths are. First of all, one of the company's advantages is its solid financial standing, achieved mostly because of the fact that the company is one of the leaders in its sector in terms of shareholders' equity and has a very little debt. Secondly, the company has significant funds that can be used to finance further development. Thirdly, the profitability of its own transactions has been one of the highest in the industry. Fourthly, the company has a solid reputation among its partners due to the impeccable performance of its undertaken obligations and its professional work. It should also be noted that these advantages are not permanent competitive advantages. Therefore, we need to define what exactly are the company's competitive advantages in the nearest future and in what way will the company be able to hang on to them continuously.

With this said, the company has its weaknesses. First of all, the company has weakly diversified sources of income. Secondly, in spite of the breakthrough that it has achieved in this sector in 2006-2008, the company still has an insignificant customer base compared to its main competitors. Thirdly, the company needs to improve its organizational structure. Fourthly, the company has no public credit history.

An analysis of the company's strong and weak points allows it to determine the possibilities whose successful implementation will allow OJSC IC RUSS-INVEST not only to maintain what it has achieved in the investment environment but also to make rapid progress going forward. First of all, we need to focus our efforts in bringing in customers (first and foremost, in corporate finance, trust management and asset management) by intensively developing our network of branches. Secondly, we need to diversify our business in terms of sector and geography. Therefore, in the next three years we need to increase the capital of our subsidiary company in the EU and intensively expand its transactions, including bringing in customers who wish to invest in Russia.

The principal challenges could be:

- Continuously changing external environment and increasing risks in investment transactions
- Increasing competition in the financial market inside the country, including competition over customers
- Strong dependence on our own transactions in capital markets

The existing political and economic situation gives rise to some challenges. At the same time, there are still good possibilities for investment companies to do business. Therefore, the company must concentrate its attention on bringing in new customers, exploring new markets, and increasing business effectiveness. The main objective is to earn the highest possible diversified profits. This very criterion should be the main criterion when choosing projects.

Thus, in the next planning period we need to formulate a company strategy that takes into account all the major external risks and existing possibilities for developing our investment business.

The principal goals of the company's investment policy are:

- Maintain the company's financial strength
- Increase the company's creditworthiness
- Earn the maximum possible profit at the given level of acceptable risk
- Regular pay-out of dividends to company shareholders
- Diversify the company business (including entry into the international financial market)

With this goal the company needs to complete the following tasks in the next three years:

- Maintain the high economic value of the company by effectively managing its own capital
- Ensure the highest growth rates for shareholders' equity compared to competitors
- Work intensively with international and national rating agencies in order to maintain and increase our current credit rating and corporate management rating

■ 4. The Company's Strategy and Development Outlook

- Intensively expand our customer base, with the main emphasis on bringing in corporate customers
- Develop the investment banking line of our business
- Create a full-fledged investment business through our subsidiary company in the EU
- Carry out an efficient dividend policy
- Recruit the best specialists
- Ensure the most efficient job management
- Create a modern and fully functional technological base
- Work out a system for managing business processes, assets and liabilities, risks, and make this system meet the best world standards; resolve current organizational problems by creating an efficient system for managing the company

We will use the following indicators to assess how and whether we have achieved the tasks we have placed before the company:

- Shareholders' equity and growth rate of shareholders' equity per share (book value)
- Size of net profit and growth rate of net profit per share
- Size and growth rate of the company's net asset value
- Effective yield of working assets
- Size and growth rate of net profit per employee
- Change in the company's share price
- Dividend yield of the company's share
- Return on equity
- Size and growth rate of turnover of customer transactions
- Size and growth rate of gross earnings from customer transactions
- Share of monetary assets of corporate customers in total amount of raised customer funds
- Quantity of financial products and new lines of activity
- Place of company in the market and its share in the total profit, capital, assets and turnover of all investment companies in Russia
- The company's credit rating and its progression

The most suitable strategy for implementing the tasks put forward at this stage of development is the strategy of organic intensive growth of OJSC IC RUSS-INVEST based on the combination of:

- The strategy of creating and developing an international financial holding company
- The strategy of diversifying business within the financial holding company
- The strategy of diversifying income sources in terms of types of business and geography

During the planning period we need to create three strategic business units, two of which will be formed according to the geographic principle (Russia and the EU), and one according to function (management of mutual fund assets by CJSC Management Company RUSS-INVEST).

One of the principal elements of company strategy must be the creation of competitive advantages. It is our belief that the company's competitive strategy must be based on:

- Leadership in costs. The level of company costs has remained low compared to the leading investment companies in Russia, and we need to maintain this (this will be very difficult, considering the ambitious

tasks we have put forward will require significant resources).

- Differentiation of investment services offered and focus on those services that the company can carry out at the highest quality and with the least costs.
- Creation of a special corporate culture and a close-knit team consisting of highly professional and devoted company specialists who are capable of completing tasks creatively.

During the planning period (2010-2011) the company, first of all, needs to develop the already existing business lines as before. These include:

- Capital market's operations, including more intensive use of:
 - Derivatives trading with the goal of hedging risks
- Investment banking (including consulting in mergers and acquisitions, considering that the restructuring process will affect enterprises and industries in Russia)
- Financial consulting
- Management of mutual funds
- Brokerage services
- Project implementation
- Business consulting (starting from the preparation of business plans to consulting in enterprise management)

In order to further developing of these business lines, we need to fortify them with personnel and customers.

Secondly, as additions to our old business portfolio, we need to explore new directions:

- Reinforce our subsidiary company with personnel and modern technologies by opening additional 1-2 offices in the leading financial centers.
- Actively use these subsidiary structures for our own internal operations in international capital markets and for customer transactions, offering our Russian customers new products in the form of brokerage services or trust management in international capital markets.
- Start to bring in customers overseas with our first step being the creation of a hedge fund for foreign customers. We need to offer our customers structural products, enabling them to invest in international markets and in the Russian financial market.
- We will need a radical change in the current manner of dealing with customers by recruiting personnel who deal directly with customers.

Thirdly, we need to create an organizational infrastructure that would focus on bringing in customers and developing company business, as well as boost the company's manageability. With these goals in mind, we should:

- Change and improve the company's organizational structure (switch to the block system of business management as this is done in other investment companies)
- Finally work out the risk management system and make it more efficient
- Build a human resources management system (starting with screening, training, promotion and, ultimately, recruiting unique specialists)
- Upgrade our information technologies (by creating an integral system, similar to a banking system, which would ensure the transparent processing of data from the moment of completion of a business

transaction to its entry in the company's books, and which would integrate information flows from various business processes)

- Create a network of departments for CJSC Management Company RUSS-INVEST and branches of OJSC IC RUSS-INVEST that will represent the company, first and foremost, in Moscow and the main cities of Russia

Fourthly, we need to organize a series of corporate events that would be instrumental in appraising the company and boosting its rating. For example, keep records according to the International Financial Reporting Standards (IFRS), in addition to the Russian Accounting Standards (RAS).

Fifthly, as before we need to expand our resource base.

4.2. THE RUSSIAN CAPITAL MARKETS IN 2010 AND THE COMPANY'S INVESTMENT STRATEGY

4.2.1. THE BOND MARKET

LAST YEAR (2010) HAS BEEN A SUCCESSFUL YEAR FOR THE FIXED-INCOME SECURITIES MARKET. NONETHELESS, RECOVERY IN THIS SECTOR HAS NOT OCCURRED AS PRECIPITOUSLY AS IN 2009. BY THE END OF THE YEAR BOND YIELDS REACHED HISTORIC LOWS, EVEN GOING LOWER THAN THOSE IN 2008 (SEE FIG. 4.1). THIS IS MOSTLY ASSOCIATED WITH RUSSIAN CENTRAL BANK POLICY OF ENSURING A HIGH LEVEL OF LIQUIDITY AND KEEPING INTER-BANK CREDIT RATES LOW. THUS, THE PRECIPITOUS GROWTH OF THE VALUE OF FIXED-INCOME INSTRUMENTS AND, CONSEQUENTLY, THE DROP IN YIELDS IN 2009 HAPPENED IN THE MIDST OF A RISE IN LIQUIDITY AND THE REVALUATION OF RISKS TOWARDS REDUCTION. THESE FACTORS FACILITATED THE INCREASE IN DEMAND FOR RUSSIAN SHARES. MOST RUSSIAN COMPANIES SHOWED BETTER PERFORMANCE FIGURES BUT THIS WAS MAINLY DUE TO THE EFFECT OF A LOW BASE AND A RELATIVELY FAVORABLE EXTERNAL MARKET ENVIRONMENT.

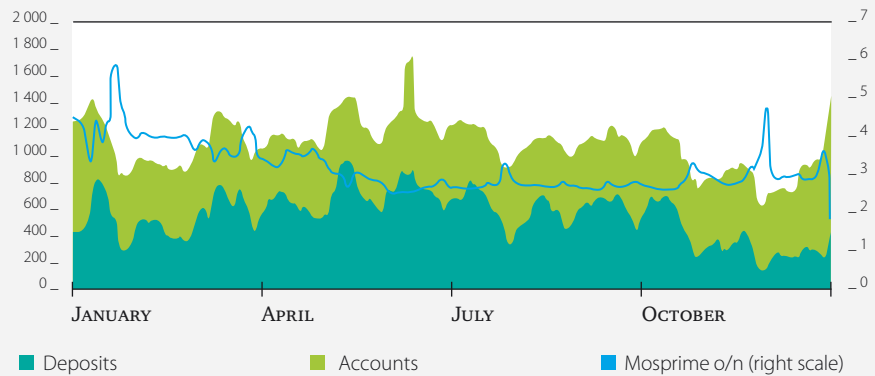
Last year was less plentiful in terms of initial offerings. The volume of offerings in the corporate sector was 855 billion rubles, that is, 140 billion rubles less than the volume in 2009. However, the number of issues rose 20% to 199. The total volume of the 10 largest first-tier issuers was 357 billion rubles as a result of the offerings of such companies as VEB, Russian Agricultural Bank, Rosnano, VTB, Evraz, etc.

The main volume of offerings fell on the last 4 months of 2010. During this period was issued ruble bonds on 450 billion rubles. The weight of initial offerings at the end of the year was quite significant. Based on prognoses for 2011, the volume of public ruble debt in the corporate segment may increase more than 2.5 times to 2.2 trillion rubles. As expected, more than half of this volume will fall on the financial and O&G sector (see Fig. 4.2).

At the external market Russian companies were able to bring in 29 billion dollars, that is, 73% more than the previous year (see Fig. 4.3). However, the strengthening of the ruble and the higher yield of ruble bonds have made these investments more profitable. This has stimulated a growth in demand and the intensification of initial offerings. As a result, growth in the volumes of initial offerings in internal and external markets was 13.8%. It should be noted that Russian companies have lately been diversifying their credit portfolio by bringing in financing in various currencies.

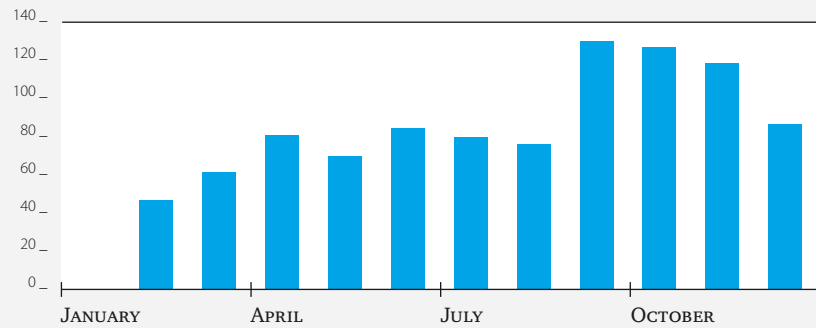
During the first six months of 2010 the indicative spread of Russia's sovereign debt compared to US debt (Russia 30 – UST10), traditionally used as a benchmark, was within a sufficiently narrow range. As of June the spreads were observed to be narrowing and a downward trend was intensifying in conditions of low volatility (see Fig. 4.4). The situation fundamentally differed from that in 2009 when the ratio of the maximum to the minimum level of spread was more than five times. The narrowing of spreads is a testament to the stabilization of the fixed-income securities sector. Over the course of 2010 the refinancing rate changed 4 times, going down 100 basis points and reaching 7.75%.

Figure 4.1
LIQUIDITY AND RATES



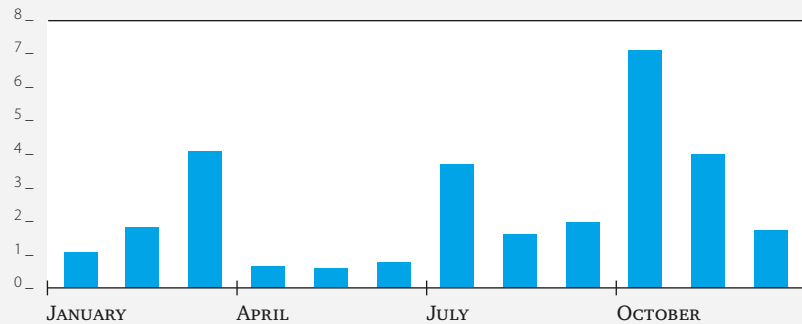
Source: www.cbonds.ru

Figure 4.2
VOLUMES OF INITIAL OFFERINGS OF RUBLE BONDS IN 2010 (BILLION RUBLES)



Source: www.cbonds.ru

Figure 4.3
VOLUMES OF INITIAL OFFERINGS OF EUROBONDS IN 2010 (BILLION DOLLARS)



Source: www.cbonds.ru

At year end the Corporate Bond Index CBI CP increased 14%, the Municipal Bond Index MBI CP 5%, and the Russian Government Bond Index RGI increased 3%. This growth does not look as convincing compared to the growth of the Russian share market (growth of the MICEX index was 17%, while the RTS rose 14%). However, given a much less volatile debt market, this growth is even more significant (see Fig. 4.5).

By the end of the year there has been a deficit of ideas in the secondary bond market because of very low yields. Therefore, initial offerings looked the most appealing in terms of yield. The secondary market fired up. Nonetheless, given the current conditions of instability, we need to pay greater attention to controlling risks. Apart from standard procedures of credit analysis, debt load and credit history appraisal, investors are demanding more information transparency from borrowers (regular publication of IFRS reports, disclosure of additional figures, advanced IR service).

The global financial system at the present time is experiencing a glut of cheap liquidity. The relatively

Figure 4.4
YIELD OF THE RUSSIA 30 AND SPREAD COMPARED TO THE UST10 IN 2010

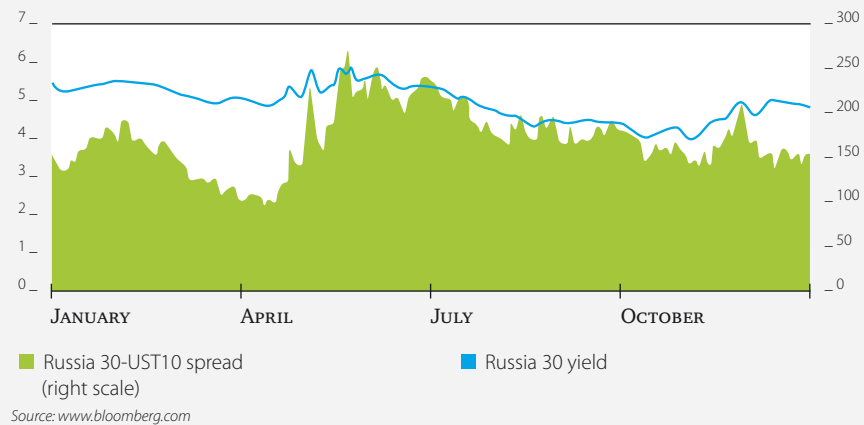
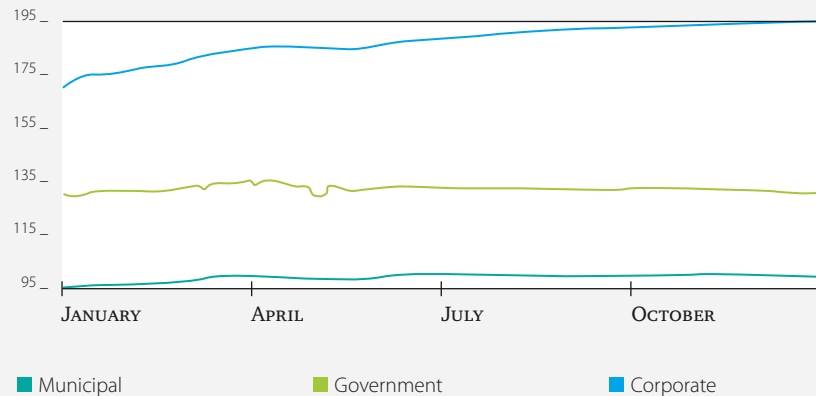


Figure 4.5
BEHAVIOR OF INDICES OF THE CORPORATE, MUNICIPAL AND GOVERNMENT SECTORS



high prices of raw materials remain unchanged, creating favorable conditions for placement and the growth of a secondary market. Interesting ideas will emerge on the primary market which may award placement bonuses, among other things. However, we should also not forget the deterrent factors: uncertainty in the euro zone's debt problems, rising inflationary pressure and the RF Central Bank's focused attention on the money market. The prices of first-tier and second-tier securities in the secondary market are quite high, and the main tactical strategy here will be to bet on widening spreads.

4.2.2. STOCK MARKET

The outgoing year of 2010 was not an easy year for global share markets. The confident rise in prices in the beginning of the year was replaced by May by a painful correction and higher volatility in the principal global share indices. In addition, the global economy continued its confident recovery from the consequences of the global financial crisis. US GDP increased 2.8%, and euro zone GDP 0.3%. Growth in the euro zone was non-uniform. The categorical leaders were the economies of France and Germany, while a tense economic and financial situation ruled in the periphery. In April-May the tension reached its peak. The financial authorities of the EU decided to create a special emergency assistance mechanism for sovereign debtor countries that have fallen into hard times. After this decision was approved by the majority of member countries, the situation in the financial sector started to improve. Favorable corporate reports provided a solid boost to share markets. The unquestionable leaders at year end were the shares of the most successful industrial companies, in whose revenue mix a significant share of investments comes from developing markets, first and foremost China. But the weak monetary policy of the leading central banks led to a significant increase in raw material prices. The prices of oil and industrial metals approached 2008 levels and this fact is one of the principal factors causing inflationary pressure on the global economy.

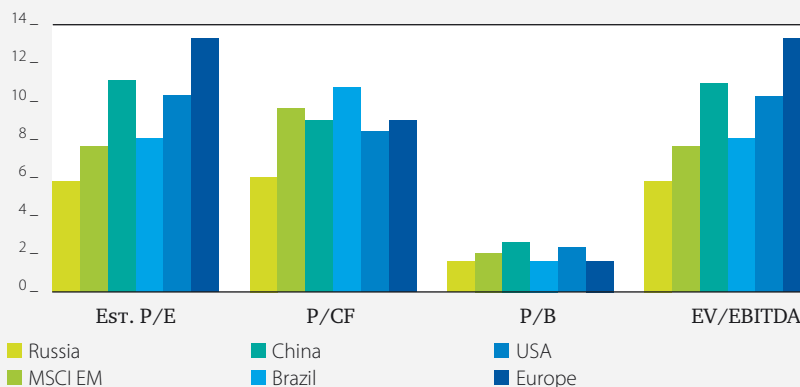
Russian stock indices ended the year being one of the leaders in developing and developed markets, increasing at an average of 23%. The RTS Index over the year increased 22.54%, while the MSCI Emerging Markets Index grew 15.8%. At the same time, the Chinese Shanghai Composite lost 15.8% over the year, while the Brazilian Bovespa grew only 1.04%. The S&P 500 in the US grew 12.8% (see Fig. 4.6). First-tier blue-chip companies confidently outstripped their regional competitors. In particular, Sberbank securities increased in price by 25.4%, while that of Norilsk Nickel, the mining and metallurgical enterprise, rose 70%. Gazprom shares rose 5.13%, and those of Lukoil 2.94%. The higher-than-anticipated rise in prices was observed in the second tier – the RTS-2 Index increased 56.8%.

Figure 4.6
BEHAVIOR OF THE RTS INDEX AND REGIONAL INDICES IN 2010



Source: Bloomberg, OJSC IC RUSS-INVEST appraisal

Figure 4.7
FINANCIAL RATIOS OF RUSSIAN COMPANIES IN COMPARISON
TO OVERSEAS MARKETS



Source: Bloomberg, OJSC IC RUSS-INVEST appraisal

In terms of market ratios, Russian indices remain undervalued compared to competitors from BRIC countries due to the oil and gas sector (see Fig. 4.7). For example, in terms of price/profit Gazprom is trading at 5.69, LUKOIL at 6.4, and Rosneft at 7.79, while the corresponding figure for the MSCI EM Energy index is 9.71. The average value of the capitalization to equity ratio for the MICEX Oil and Gas Index is 1.08 as opposed to 1.5 for the corresponding MSCI Index.

Russian companies in non-resource sectors are frequently valued at the same level as or somewhat lower than their international counterparts. This determines the limited growth potential of their shares in the future. For example, Sberbank shares, in terms of the estimated price/profit ratio in 2010, sell for 8.72, with an average of 10.72 for similar companies in developing markets. In terms of this ratio, only several Brazilian banks sell for higher prices than Sberbank. The high appraisals for Sberbank are related to investor optimism with respect to the further growth of the Russian economy and financial sector, as well as the confident long-term growth of the company's earnings. In terms of the price/estimated shareholders' equity ratio, VTB is trading at 1.86, while Sberbank at 2.3, with an average of 2 for similar banks in developing markets.

RusHydro shares trade for 11.3 in terms of P/E, while the corresponding figure for the MSCI EM Utilities Index is 14.56 (see Table 4.1).

When the principal fixed-line telecoms providers switched to a unified share based on Rostelecom, reform in the telecommunications sector facilitated continued growth of share prices in this sector – the MICEX Telecommunications Index increased 36.16%. Second-tier issuers as a whole also remain undervalued compared to their counterparts.

An analysis of current sovereign credit default swaps (CDS), showing issuer default risk, points to gradually decreasing risk in Russian sovereign debt (see Fig. 4.8).

Thus, the Russian 5-year CDS by the end of 2010 dropped significantly in price and were trading at 150 points as opposed to 111 points in Brazil, 141 points in Turkey and 350 points in Spain (see Fig. 4.9).

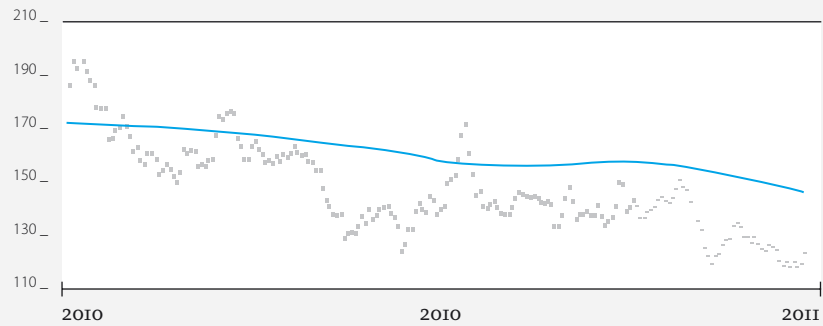
The rates of recovery of the Russian economy as a whole were moderate. At the end of 2010 GDP grew 4%. The positive capital flow and the net balance of payments facilitated the moderate strengthening of the ruble against the dual currency basket. But the Central Bank as a whole had an active presence in the market, hindering the excessive strengthening of the Russian currency. One of the negative

Table 4.1
RATIOS OF THE LARGEST RUSSIAN COMPANIES

ISSUER	ESTIMATED P/E 2010	ESTIMATED EV/EBITDA 2010	ESTIMATED P/CF 2010	ESTIMATED P/BV 2010
JSFC System	-	16.07	-	-
Aeroflot	11.06	8.41	12.00	2.90
Acron	8.56	9.10	10.75	1.50
Severstal	24.08	6.41	10.26	2.71
FGC UES	-	-	9.21	0.55
Gazprom	5.69	-	-	0.99
Norilsk Nickel	10.01	4.64	9.56	3.60
RusHydro	11.3	7.18	7.72	0.93
Lukoil	6.4	3.32	4.51	0.96
MISW	9.90	9.04	11.56	1.13
Magnit	35.54	20.65	28.41	7.06
Holding IDGC	8.37	4.68	2.69	0.90
Mosenergo	12.15	-	-	0.59
Mechel	8.65	9.48	-	2.67
MTS	5.23	4.43	-	3.98
Mvideo	25.59	11.31	9.66	5.33
NLMK	11.76	12.79	16.92	2.50
NCSP	10.54	5.73	7.03	2.59
Novatek	18.93	19.61	23.24	7.13
OPIN	-	27.34	-	0.25
Pharmstandard	14.16	8.79	22.09	4.67
Polyusgold	26.81	17.39	32.43	3.65
Polymetal	33.22	15.88	1.67	7.38
Raspadskaya	11.25	6.93	14.37	3.85
Rosneft	7.79	4.31	5.71	1.59
Sberbank	8.72	-	4.33	2.30
Gazpromneft	5.33	4.35	4.34	1.26
Silvinit	12.88	13.74	15.27	4.05
Surgutneftegaz	8.52	-	-	0.88
Rostelecom	46.91	5.04	9.90	2.22
Sollers	-	162.71	6.00	3.90
Tatneft	9.16	4.42	5.86	1.33
Uralkali	19.62	19.05	22.97	8.75
VTB	19.03	-	-	1.86

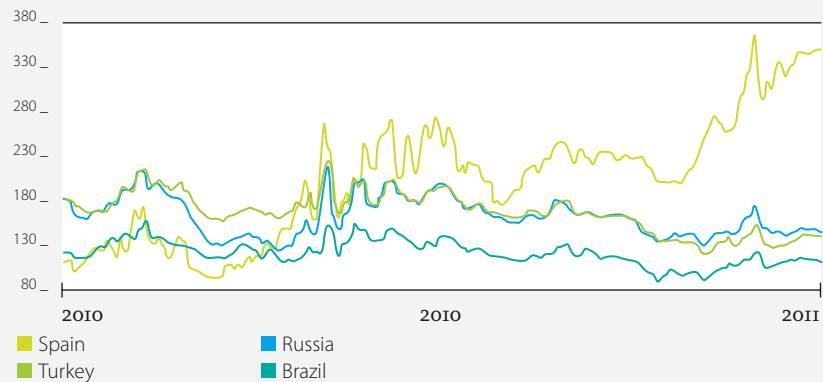
Source: Bloomberg, OJSC IC RUSS-INVEST appraisal

Figure 4.8
BEHAVIOR OF CDS ON 5-YEAR RUSSIAN SOVEREIGN DEBT



Source: Bloomberg, OJSC IC RUSS-INVEST appraisal

Figure 4.9
BEHAVIOR OF CDS ON SOVEREIGN DEBT OF COUNTRIES OF THE WORLD



Source: Bloomberg, OJSC IC RUSS-INVEST appraisal

factors was the increasing inflationary pressure – the consumer price index increased 6.6% over the year. The Central Bank ended up in a not so comfortable situation when steps to tighten the monetary policy by means of direct action affected the currency market situation by exerting pressure on the growth of domestic industry. Lending growth rates were moderate. NDF rates continued to fall gently. In conditions when oil is higher than \$105/barrel, the Russian government will not have any problems with pumping up the budget and there will be no need for considerable external borrowing.

The future prospects of global share markets depend on how stable the rates of recovery and further growth of the global economy, as well as growth of corporate profits will be. If the conditions in the real estate market continue to stagnate, there will be limited possibilities for escaping the inflationary spiral. In addition, sharp growth in share markets seems unlikely. The main imbalances related to the fundamental undervaluation of shares of large-cap and small-cap companies are practically neutralized today by the sharp rise in prices. Moreover, a correction may happen in May-June 2011 in developed and developing markets in the midst of fears of tightening financial and monetary policies. Extraordinary measures of financial stimulation helped even out the situation at the expense of a significant increase in the budget deficit and the sovereign debt load but facilitated increasing imbalances in the global financial system. The issue of insolvency of several sovereign borrowers and very high budget deficits in Western European countries and in the US for a time gave way to

■ 4. The Company's Strategy and Development Outlook

optimistic expectations relative to the growth of corporate profits. But this factor will be recalled when the "crowding-out» effects (displacement of private investments by government expenditures) will start to influence the situation. Developing markets historically lag behind developed markets at a time of increasing interest rates.

In Russia the total liabilities of Russian companies and banks has an upward trend. This is one of the most significant risks for the Russian economy among falling in prices in raw material markets in case the situation in the global economy worsens. The overall problem in the Russian economy – low level of industry diversification and dependence on oil and gas exports – is not showing signs of improvement. The other problems in the Russian share market are: the prevalence of short-term speculators, the public's low level of investment activity, small number of shares in free circulation (about 30%) and the comparatively small number of listed companies.

Nevertheless, a repeat of the 2008 scenario seems unlikely. It appears that, after the certain decline in economic activity in the middle of the year and the correction in Russian and global share markets, the moderate growth in prices at the end of 2011 will continue.

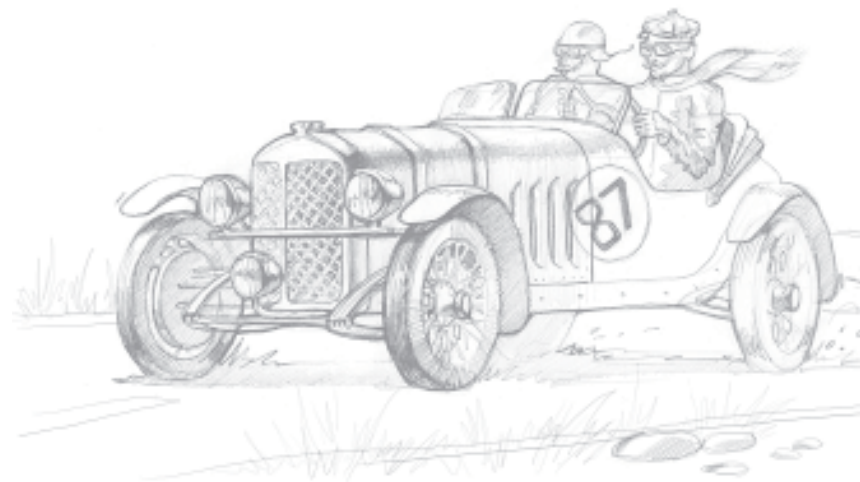


WINNING
TRADITIONS!



“

MOTORSPORT IS A CATEGORY OF TECHNICAL SPORTS WHICH CONSIST OF COMPETE IN SPEED OF ROUTE PASSING BY VEHICLES. DIVIDED INTO ANNULAR RACING, RALLY, AUTOCROSS, OFF-ROAD RACING ETC.



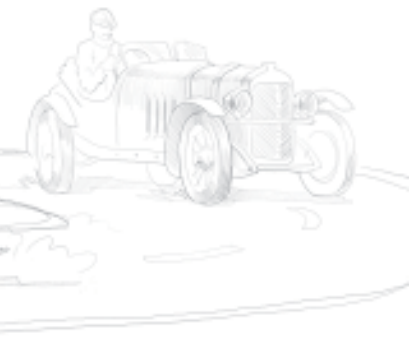


5

EXISTING RISKS AND STEPS TAKEN TO REDUCE THEM

THE SECTOR WHERE OJSC IC RUSS-INVEST OPERATES AND, CONSEQUENTLY, THE COMPANY ITSELF ARE EXPOSED TO VARIOUS RISKS: MARKET (CURRENCY, SHARE MARKET, INTEREST RATE), CREDIT, OPERATING (SETTLEMENT), ETC.

The Russian securities market is heavily dependent on the global economic situation. An economic decline in developed countries, falling global share indices and a worsening socio-economic and political situation inside Russia, a serious fall in prices in the global market of raw materials and metals worsen prospects for the Russian economy and the Russian share market. A whole group of corporate borrowers may stop servicing their debts. There are risks of a reduction in liquidity because of a limitation in the number of freely circulating shares due to the sharp fall of prices. A further worsening of the situation in the securities market may lead to some partners refusing to honor their obligations and, consequently, to losses for the company.



In order to reduce existing risks, the company created a Risk Management Committee under the Board of Directors to work out a risk management system and a risk management procedure. The Risk Management Committee functions based on the Risk Management Regulations and Internal Risk Management Rules, which define in more detail the Committee's authority and establishes the procedure for eliminating discrepancy of the size of a specific type of risk from the norm. The risk situation in the company is discussed in Committee meetings from the point of view of compliance with established standards over the reporting period, and changes in these standards. The Committee also discusses suggestions from Committee members with respect to boosting effectiveness in controlling and managing risks, and works out recommendations to company management.

Market risk is controlled by appraising the riskiness of securities and working out recommendations for the President-General Director to optimize the company's asset profile and change existing limits in investments in concrete securities. A regular review is carried out of the general list of limits for issuers of securities, with which the share market department may carry out deals without special permission drawn up by order of the President-General Director. In 2010 the Risk Management Committee analyzed 46 issuers of securities in terms of a review of limits. The total sum of new limits on shares and bonds recommended in 2010 was 713 million. rubles.

In order to prevent losses which may arise if corporate borrowers refuse to pay their obligations in a timely manner, the company lays down a maximum limit for loans for each borrower. This approach also allowed us to limit potential losses at the end of 2008. OJSC IC RUSS-INVEST management also took all the necessary steps to cover issuer-caused indebtedness by taking advantage of the bankruptcy procedure for insolvent debtors.

Nevertheless, considering the consequences of the crisis, the company's Risk Management Committee reviewed the limits for company partners once every quarter in 2009-2010 with the goal of controlling credit risks. The company regularly works with the risk management department of its principal partners in order to obtain information about their financial situation, and monitors their financial situation with the goal of minimizing the company's settlement risks. In case of justified suspicions about a partner's financial situation, the company will put a limit on this entity and will stop doing business with it.

The present volatility in the share market necessitated the intensification of control of risks inherent in routine transactions. For this purpose, from 2005 the company started to apply the risk appraisal method based on the calculation of the Value-at-Risk (VaR) on a specific portfolio of liquid shares. As part of efforts to control and manage risks in the company, the VaR of the company's share portfolio was calculated regularly using Bloomberg software. VaR estimates are used to determine the optimal amount of stop losses. This method involves the estimation of VaR, portfolio testing using different models and working out stop-loss recommendations on traded positions. The VaR for an asset or portfolio defines the threshold value of losses (in rubles or % of the asset or portfolio value) which can be obtained with specific probability in the given level of liquidity of the instrument (share or portfolio holding period) and the given nature of market behavior. Asset VaR is calculated based on the asset price history

■ 5. EXISTING RISKS AND STEPS TAKEN TO REDUCE THEM

over a certain period (depth of calculation period). This indicator is used to determine the optimal structure of a trading portfolio from the point of view of profitability at the given level of risk. It shows the potential amount of losses in case of unfavorable changes in the market environment. The principal method for calculating VaR is the historical method although the software allows one to calculate VaR using other methods.

OJSC IC RUSS-INVEST became a prize winner at the 5th International Best Risk Management 2010 Competition in the category of Best Fragmentary Risk Management. The Russian Risk Management Society (RusRisk), a member of the Federation of European Risk Management Associations (FERMA), was the organizer of the competition.





WINNING TRADITIONS!



POLO – A TEAM SPORT WITH A BALL IN WHICH PARTICIPANTS PLAY ON HORSEBACK, AND MOVE THE BALL ACROSS THE FIELD WITH A SPECIAL STICK. THE AIM OF THE GAME IS TO HIT THE OPPONENT’S GREATEST NUMBER OF TIMES.





6

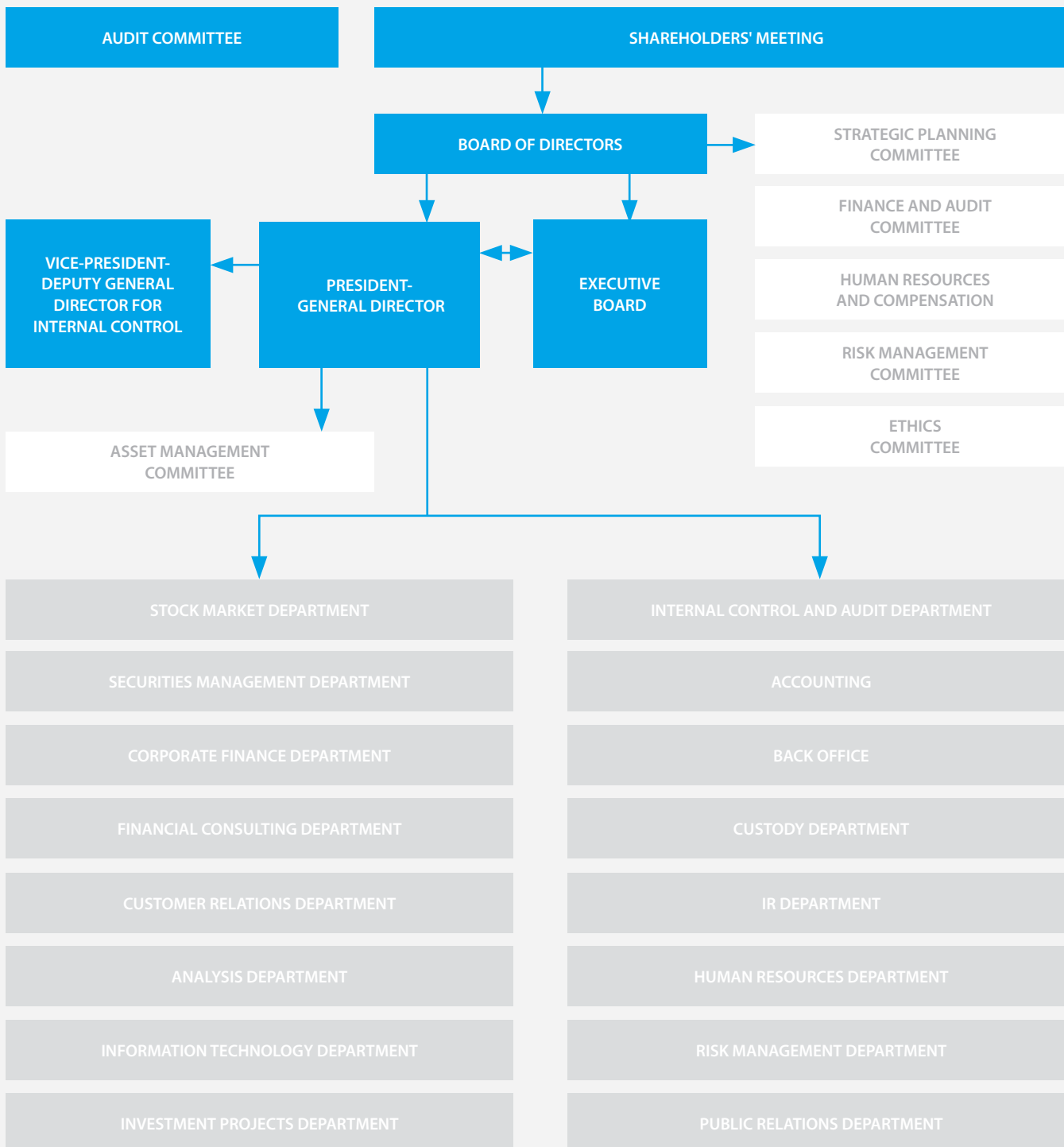
CORPORATE MANAGEMENT

O JSC «IC RUSS-INVEST» HAS LOW RISK OF CORPORATE GOVERNANCE (RANKING RUSSIAN INSTITUTE OF DIRECTORS Rating agency «Expert RA» – «RID – Expert RA» – NRCU 7 +).

Company observe the requirements of Russian legislation in the corporate governance, should be most of the recommendations of the Russian code of corporate conduct and some of the recommendations of the international best practice corporate governance.



6.I. ORGANIZATIONAL STRUCTURE OF OJSC IC RUSS-INVEST



6.2. INFORMATION ON THE BOARD OF DIRECTORS

6.2.1. MEMBERS OF THE COMPANY'S BOARD OF DIRECTORS

IN ACCORDANCE WITH THE COMPANY'S ARTICLES OF ASSOCIATION, THE COMPANY'S BOARD OF DIRECTORS CONSISTS OF 9 INDIVIDUALS. IT IS THE RESPONSIBILITY OF THE COMPANY'S BOARD OF DIRECTORS TO RESOLVE ISSUES CONCERNING THE GENERAL MANAGEMENT OF THE COMPANY'S ACTIVITY.



CHAIRMAN OF THE BOARD OF DIRECTORS

Georgy Alexandrovich SUMIN

(born 1961, graduated from the Moscow Economic and Statistical Institute, currently CEO of the CJSC Professional Registration Center). His share in the company's authorized capital is 0.0010%.



DEPUTY CHAIRMAN OF THE BOARD OF DIRECTORS

Alexander Telmanovich ARUTYUNYAN

(born 1959, graduated from the Faculty of Economics of Lomonosov Moscow State University, Ph.D. in Economics and MBA from Eastern University (USA), currently the First Vice-President-Deputy General Director, Chief of the Share Market Department of OJSC IC RUSS-INVEST).

His share in the company's authorized capital is 0.0102%.

THE MEMBERS OF THE BOARD OF DIRECTORS ARE:



Elena Nikolaevna BABKO

(born 1955, graduated from the All-Union Correspondence Polytechnic Institute, currently the lead specialist in the Issuer Relations Department of the CJSC Professional Registration Center). Her share in the company's authorized capital is 0.0002%.



Alexander Petrovich BYCHKOV

(born 1961, graduated from the Faculty of Economics of Lomonosov Moscow State University, Ph.D. in Economics and MBA from the University of Chicago School of Business (US), currently the President-General Director of OJSC IC RUSS-INVEST).

His share in the company's authorized capital is 0.1792%.



Liubov Ivanovna GONCHARENKO

(born 1957, graduated from the Moscow Institute of Finance, professor, Ph.D. in Economics, currently the head of the Taxes and Taxation Department at the Financial University under the Government of the Russian Federation).

Her share in the company's authorized capital is 0.00001%.



Lidia Fedorovna KAPRANOVA

(born 1953, graduated from the Moscow State Law Academy, currently a lawyer at the Moscow Municipal Bar Association).

Her share in the company's authorized capital is 0.0022%.



Anatoly Alexandrovich POROKHOVSKY

(born 1943, graduated from the Faculty of Economics of Lomonosov Moscow State University, professor, Ph.D. in Economics, currently head of the Political Economics Sub-department of the Faculty of Economics of Lomonosov Moscow State University).

His share in the authorized capital is 0.00001%.



Ivan Ivanovich RODIONOV

(born 1953, graduated from the Faculty of Economics of Lomonosov Moscow State University, professor, Ph.D. in Economics, currently professor at the Department of Economics and Corporate Finance of the Higher School of Economics).

He does not possess OJSC IC RUSS-INVEST shares.



Svetlana Mikhailovna TEPLYASHINA

(born 1971, graduated from the Moscow Institute of Engineering and Construction and the Financial University under the Government of the Russian Federation, Ph.D. in Economics, currently a First Vice-President-Deputy General Director, Chief of the Back Office of OJSC IC RUSS-INVEST).
 He share in the company's authorized capital is 0.0115%.

6.2.2. REPORT OF THE BOARD OF DIRECTORS

The current Board of Directors was elected at the Annual General Meeting of Shareholders on June 4, 2010.

The Board of Directors of OJSC IC RUSS-INVEST pays special attention to the company's potential development. Special emphasis was given to the company's business development tasks.

Committees of the Board of Directors provide direct assistance to the Board of Directors and the company's Executive Board in defining the development strategy and resolving concrete issues. There are currently five committees under the Board of Directors: Finance and Audit Committee, Human Resources and Remunerations Committee, Strategic Planning Committee, Risk Management Committee and Ethics Committee. These committees are elected annually. The current composition of the committees was elected at the meeting of the Board of Directors on June 16, 2010 (Minutes No. 01/10-11 of June 16, 2010). Changes to the composition of the Strategic Planning Committee and the Ethics Committee were made at the meeting of October 4, 2010 (Minutes No. 05/10-11 of Oct. 4, 2010). Only independent directors can be members of the Finance and Audit Committee and the Human Resources and Remunerations Committee.

With the goal of overseeing the company's activity, the Board of Directors regularly heard reports of chairmen of committees of the Board of Directors, the President-General Director and heads of company departments. One of the principal functions of the Board of Directors is to approve the company's financial and business plan and budget for the coming business year.

The Board of Directors pays special attention to the improvement of its corporate management system.

It should be noted that all decisions of the General Meeting and of the Board of Directors at the end of the reporting year have been fulfilled.

In 2010 the Board of Directors had 16 meetings. All meetings were in held in person.

6.2.3. MAIN ISSUES REVIEWED BY THE BOARD OF DIRECTORS IN 2010

- Confirmation of candidates for elections to positions in Boards of Directors, where OJSC IC RUSS-INVEST is a shareholder;
- Fulfillment of previously made decisions of the Board of Directors of OJSC IC RUSS-INVEST;
- Confirmation of the list of nominees for the new composition of the Board of Directors of OJSC IC RUSS-INVEST;
- Confirmation of the list of nominees for the new composition of the Audit Committee of OJSC IC RUSS-INVEST;
- Confirmation of personnel of the competition committee for selecting auditors for the mandatory annual audit of OJSC IC RUSS-INVEST;
- Approval of the procedure for holding tenders (open competitions) for selecting auditors for the mandatory annual audit of the company;

- Report of the President-General Director on the work of OJSC IC RUSS-INVEST in 2009;
- Implementation of the budget of OJSC IC RUSS-INVEST for 2009;
- Annual audit review for 2009;
- Approval of non-arm's length transactions;
- Confirmation of the amount of remuneration for members of the Executive Board of OJSC IC RUSS-INVEST at the end of 2009;
- Establishing the date of preparation of the list of persons entitled to participate in the Annual General Meeting of Shareholders at the end of 2009;
- Convocation of the Annual General Meeting of Shareholders at the end of 2009;
- Confirmation of the agenda of the Annual General Meeting of Shareholders at the end of 2009;
- Confirmation of materials for the Annual General Meeting of Shareholders at the end of 2009;
- Confirmation of recommendations of the Board of Directors for the distribution of profit, including the size of dividends from company shares, procedure for dividend pay-out, and company losses, at the end of 2009;
- Preliminary confirmation of the company's annual report, as well as the report of the Board of Directors to the Annual General Meeting of Shareholder;
- Recommendations to the Annual General Meeting of Shareholders on the selection of auditors for 2010 who will carry out an audit of accounting records prepared according to international financial reporting standards;
- Confirmation of ballots for the Annual General Meeting of Shareholders;
- Approval of the consolidated financial statement as of December 31, 2009 and for 2009, prepared according to IFRS standards;
- Chairman of the Board of Directors;
- Deputy Chairman of the Board of Directors;
- Termination of powers of Executive Board members;
- Confirmation of the new Executive Board;
- Composition of committees of the company's Board of Directors;
- Confirmation of the work agenda of the Board of Directors of OJSC IC RUSS-INVEST for 2009-2010;
- Confirmation of the amount of payment for services provided by auditors of OJSC IC RUSS-INVEST;
- Financial plan and budget of OJSC IC RUSS-INVEST for 2011.

6.2.4. INFORMATION ON REMUNERATION OF MEMBERS OF THE BOARD OF DIRECTORS

According to the Regulations on the Board of Directors of OJSC IC RUSS-INVEST, approved by the Annual General Meeting of Shareholders, members of the Board of Directors are paid the following remuneration:

- Members of the company's Board of Directors are paid a quarterly remuneration of 30,000 (thirty thousand) rubles for the execution of their duties as members of the Board of Directors during the execution of their duties.

The Chairman of the Board of Directors is paid a quarterly monetary remuneration of 45,000 (forty-five thousand) rubles.

The Deputy Chairman of the Board of Directors or any other member of the Board of Directors, in addition to the quarterly remuneration, is paid a bonus of 2,500 (two thousand five hundred) rubles for every meeting in which he or she executes the duties of Chairman of the Board of Directors.

Members of the Board of Directors who are chairmen of committees of the company's Board of Directors are paid a bonus of 6,000 (six thousand) rubles on top of their quarterly remuneration in relation to their execution of their duties as chairmen of committees of the Board of Directors.

Members of the Board of Directors who are members of committees of the company's Board of Directors are paid a bonus of 3,000 (three thousand) rubles on top of their quarterly remuneration in relation to their execution of their duties as members of committees of the Board of Directors (for participation in every committee).

6. CORPORATE MANAGEMENT

- The quarterly remuneration of a member of the Board of Directors is reduced by 4500 (four thousand rubles) for every meeting in which he or she is absent, and this absence is reported when doing the quarterly calculation of the amount of remuneration.

Remuneration of a member of the Board of Directors is paid in proportion to the time worked during the quarter for the quarter in which re-elections for the Board of Directors took place.

- Members of the Board of Directors who are government employees carry out their activity without compensation.
- The amounts of remuneration of members of the Board of Directors are calculated by the company's Executive Secretary who prepares a quarterly calculation, has it approved by the Chairman of the Board of Directors and hands it over to the President-General Director who then issues an order that is the basis for the company's accountant to pay out the established remuneration.

Remuneration of members of the Board of Directors is paid no later than 15 (fifteen) days after submission of the balance sheet for the corresponding quarter and provided there is net profit at the end of the reporting period (quarter). Remuneration of members of the Board of Directors will come from profit of the preceding financial year.

- Members of the Board of Directors are not entitled to receive remuneration and compensation for expenses spent on their execution of their duties in any way and in any form, for the adoption of resolutions of the Board of Directors or any other bodies of the company, as well as for the execution of their rights and duties as members of the Board of Directors, with the exception of remuneration and compensation for expenses in connection with these Regulations or as per resolution of the General Meeting of Shareholders.

The total amount of remuneration paid to members of the Board of Directors of the company in 2010 was 886,965 rubles.

6.2.4. COMPOSITION OF COMMITTEES UNDER THE BOARD OF DIRECTORS OF OJSC IC RUSS-INVEST IN 2010–2011

RISK MANAGEMENT COMMITTEE

D. A. BEDENKOV
N. V. POZDNYAKOVA
L. F. KAPRALOVA – CHAIRWOMAN
S. M. TEPLYASHINA
E. Y. KIRICHENKO

FINANCES AND AUDIT COMMITTEE

A. A. POROKHOVSKIY
I. I. RODIONOV – CHAIRMAN
G. A. SUMIN
L. I. GONCHARENKO

HUMAN RESOURCES AND COMPENSATION COMMITTEE

L. F. KAPRALOVA
I. I. RODIONOV
L. I. GONCHARENKO
A. A. POROKHOVSKIY
E. N. BABKO – CHAIRMAN

STRATEGIC PLANNING COMMITTEE

A. T. ARUTYUNYAN – CHAIRMAN
D. A. BEDENKOV
A. L. BUTORIN
N. E. KARELINA

ETHICS COMMITTEE

A. P. BYCHKOV
A. T. ARUTYUNYAN
M. V. SOLDATOVA
G. A. SUMIN – CHAIRMAN
S. M. TEPLYASHINA

6.3. PRESIDENT-GENERAL DIRECTOR OF OJSC IC RUSS-INVEST

ACCORDING TO THE COMPANY'S ARTICLES OF ASSOCIATION, THE PRESIDENT-GENERAL DIRECTOR OF THE COMPANY IS APPOINTED BY THE COMPANY'S BOARD OF DIRECTORS FOR A TERM OF 5 (FIVE) YEARS.



Alexander Petrovich BYCHKOV

(born 1961, graduated from the Faculty of Economics of Lomonosov Moscow State University, Ph.D. in Economics and MBA (University of Chicago School of Business)).

His share in the company's authorized capital is 0.1792%.

Information about remuneration of the President-General Director:

According to the Articles of Association of OJSC IC RUSS-INVEST, approved by the Annual General Meeting of Shareholders, remuneration of the President-General Director is determined by the following conditions: «The rights and duties, and amount of payment for services as President-General Director are specified by an employment agreement concluded with the company. The employment agreement is signed by the Chairman of the company's Board of Directors on behalf of the company. The terms and conditions of the employment agreement with the President-General Director are approved by the company's Board of Directors.»

6.4. EXECUTIVE BOARD OF OJSC IC RUSS-INVEST

IN ACCORDANCE WITH THE COMPANY'S ARTICLES OF ASSOCIATION, THE EXECUTIVE BOARD OF THE COMPANY IS ITS COLLECTIVE EXECUTIVE BODY ORGANIZING THE EXECUTION OF RESOLUTIONS OF THE GENERAL MEETING OF SHAREHOLDERS AND OF THE COMPANY'S BOARD OF DIRECTORS. THE QUANTITATIVE AND INDIVIDUAL COMPOSITION OF THE EXECUTIVE BOARD IS APPROVED AS PER RESOLUTION OF THE COMPANY'S BOARD OF DIRECTORS.



Alexander Petrovich BYCHKOV

Chairman of the Executive Board
(brief information about him in the «PRESIDENT-GENERAL DIRECTOR» section).



Alexander Telmanovich ARUTYUNYAN

(brief information about him in the «Board of Directors» section).



Nelly Arkadievna KARABANOVA

(born 1941, graduated from the Bauman Moscow State Technical University and the Ordzhonikidze State University of Management, currently Chief Accountant of OJSC IC RUSS-INVEST).

Her share in the company's authorized capital is 0.0001%.

In 2010 the Executive Board held 14 meetings. The current Executive Board was elected at the meeting of the Board of Directors on June 16, 2010 (Minutes No. 01/10-11 of June 16, 2010).

Information about remuneration of Executive Board members:

According to the Regulations on the Executive Board of OJSC IC RUSS-INVEST, approved by the Annual General Meeting of Shareholders, members of the Executive Board are paid the following remuneration:

Members of the company's Executive Board are paid an annual bonus of not more than 0.15 (zero point fifteen) percent of the company's net profit at the end of the financial year for the conscientious execution of their duties.

The size of the bonus of members of the company's Executive Board is approved by the company's Board of Directors as per resolution of the Board of Directors. Afterwards the company's President-General Director issues an order for the allocation and pay-out of the bonus to members of the company's Executive Board.

The said bonus is paid out within 30 (thirty) days from the date of filing by the company of its annual financial statements with the tax office.

The total amount of remuneration paid to members of the company's Executive Board in 2010 was 113,100 rubles.

6.5. BODIES SUPERVISING FINANCIAL AND BUSINESS ACTIVITY

6.5.1. AUDIT COMMITTEE OF OJSC IC RUSS-INVEST

Galina Konstantinovna TROFIMOVA

Chairman of the Audit Committee (born 1945, graduated from Lomonosov Moscow State University, currently professor at the Department of Social Sciences in the Institute of Law of the Moscow State University of Railway Engineering (MIIT)).

Nadezhda Gennadievna VISHNEVSKAYA

member of the Audit Committee (born 1965, graduated from the State University of Management, currency Chief Accountant at Procter and Gamble Distributing Company Ltd., Ph.D. in Economics).

Elena Vladimirovna SHAIKINA

member of the Audit Committee (born 1962, graduated from Timiryazev Moscow Agricultural Academy, Ph.D. in Economics, currently an associate professor at the Department of Statistics of the Timiryazev Russian State Agrarian University).

Information about remuneration of members of the Audit Committee

According to the Regulations on the Operating Procedure of the Audit Committee of OJSC IC RUSS-INVEST, approved by the Annual General Meeting of Shareholders, members of the Audit Committee are paid the following remuneration:

Members of the Audit Committee are paid a quarterly monetary remuneration of 10,000 (ten thousand) rubles during their execution of their duties.

The Chairman of the Audit Committee is paid a quarterly remuneration of 12,500 (twelve thousand five hundred) rubles.

Remuneration of members of the Audit Committee is paid no later than 15 (fifteen) days after submission of the balance sheet for the corresponding quarter.

Members of the Audit Committee, during their execution of their duties, are compensated additionally for actual expenses that they incur while participating in the work of the Audit Committee and that are confirmed by documentation.

The issue of pay-out of remunerations and compensations to members of the Audit Committee is reviewed by the company's General Meeting of Shareholders as an integral part of the issue on the procedure for distributing net profit at the end of the financial year or as an independent issue in the agenda.

6.5.2. AUDITORS OF OJSC IC RUSS-INVEST

The **CJSC KPMG** has Russian Federation Ministry of Finance license No. E003330 dated January 17, 2003, issued for a term of ten years, to carry out audit activity.

ADDRESS:

Krasnopresnenskaya Naberezhnaya 18,
Naberezhnaya Tower Complex, Block C,
Moscow, 123317 Russia.
Phone: (495) 937-4477.

Baker Tilly Russaudit Ltd. has Russian Federation Ministry of Finance license No. E006075 dated June 24, 2004, issued for a term of five years, to carry out audit activity.

ADDRESS:

Zubarev pereulok 15-1,
Moscow 129164.
Phone: (495) 788-5567, 788-5568;
Fax: (495) 788-5569



WINNING TRADITIONS!



“

TENNIS IS A SPORT USUALLY PLAYED BETWEEN TWO PLAYERS (SINGLES) OR BETWEEN TWO TEAMS OF TWO PLAYERS EACH (DOUBLES). EACH PLAYER USES A RACKET THAT IS STRUNG TO STRIKE A HOLLOW RUBBER BALL COVERED WITH FELT OVER A NET INTO THE OPPONENT'S COURT.

50





7

EQUITY

AS OF DECEMBER 31, 2010 THE AUTHORIZED CAPITAL OF OJSC IC RUSS-INVEST WAS 109,000,000 RUBLES.

At present 109,000,000 ordinary shares (ISIN RU000A0JQ9W5) with a par value of RUB 1.00 each are floated and in circulation.

As of December 31, 2010 there were 2,244,011 shareholders of OJSC IC RUSS-INVEST, 150 of which were legal entities with the share of 59.0790% in the Company's authorized capital.

7.1. DIVIDEND POLICY OF THE COMPANY

THE COMPANY PAYS OUT DIVIDENDS IN ACCORDANCE WITH THE PROVISIONS ON DIVIDEND POLICY OF OJSC IC RUSS-INVEST, DRAWN UP ACCORDING TO RUSSIAN FEDERATION LAW, THE COMPANY'S ARTICLES OF ASSOCIATION AND ITS INTERNAL DOCUMENTS. THE PROVISIONS ON DIVIDEND POLICY ARE ACCESSIBLE TO ALL INTERESTED PARTIES ON THE COMPANY'S WEBSITE: WWW.RUSS-INVEST.COM.

The purpose of the Provisions on Dividend Policy of OJSC IC RUSS-INVEST is to establish the strategy of the Company's Board of Directors for developing some guidelines on the amount of dividends on OJSC IC RUSS-INVEST shares, the conditions and procedure for its pay-out, as well as to notify shareholders and other interested parties (potential investors and professional participants of the securities market) about the Company's dividend policy.

Table 7.1
DIVIDEND HISTORY OF OJSC IC RUSS-INVEST.

	2004	2005	2006	2007	2008 ²	2009
Total amount of declared dividends, rubles	69,989,000.00	163,500,000.00	130,800,000.00	109,000,000.00	-	143,880,000.00
% of net profit	16.99%	19.13%	19.97%	69.31% ¹	-	15.09%
Amount of dividend per one ordinary share, rubles	1.00	1.50	1.20	1.00	-	1.32
Amount of net profit (loss), rubles	412,060,004.87	854,833,067.71	654,955,095.63	6,515,757.32	(1,474,917,681.55)	953,347,027.96

¹ The Company's net profit upon the results of the year 2007 of 4,515,757.59 rubles, as well as undistributed profit from prior years of 104,484,242.41 rubles were used to pay out dividends upon the results of 2007.

² OJSC IC RUSS-INVEST had a net loss of 1,474,917,681.55 rubles upon the results of the year 2008.

Source: OJSC IC RUSS-INVEST

When defining the amount of dividends (per share) recommended to the Company's General Meeting of Shareholders and the corresponding share of the net profit of OJSC IC RUSS-INVEST directed for dividend pay-out, the company's Board of Directors assumes that the amount of funds recommended for dividend pay-outs to shareholders must not be less than 15% (fifteen percent) of the net profit determined based on the company's Russian Accounting Standards (RAS) for the reporting period.

In particular, it should be mentioned that, during the initial pay-out of dividends, only taxes are withheld from the amount of accrued dividends, and the amount of these taxes is determined in accordance with current Russian Federation law. In accordance with the Provisions on Dividend Policy of OJSC IC RUSS-INVEST the Company bears the cost of the initial payment of dividends.

On June 9, 2010 the General Meeting of Shareholders of the Company resolved to pay out dividends based on year 2009 results in the amount of 1.32 rubles per one ordinary share, which exceeds by 32% the dividends based on the year 2007 results (**see Table 7.1**).

The total amount of declared dividends based on year 2009 results was 143,880,000 rubles (**see Fig. 7.1**).

In accordance with the Provisions on Dividend Policy of OJSC IC RUSS-INVEST, Company's shareholders had the possibility of selecting the way of receiving dividends upon the results of 2009:

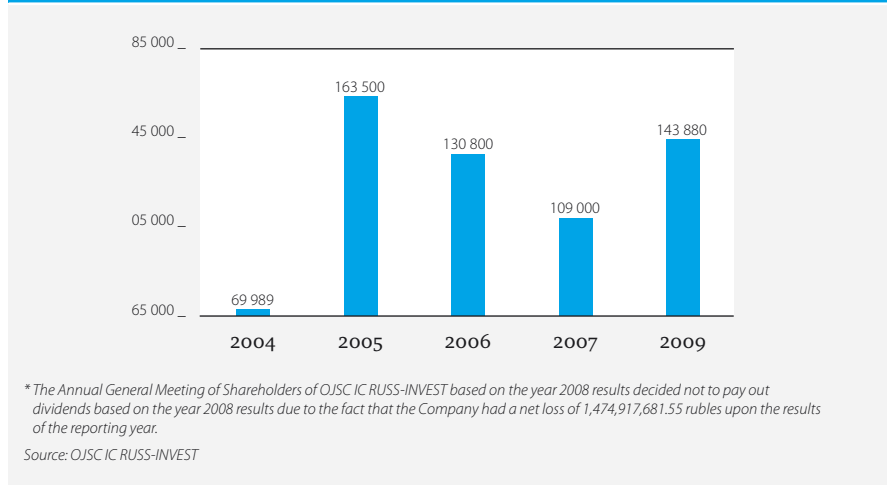
- transfer of dividends through mail remittances
- transfer of dividends to bank accounts.

OJSC IC RUSS-INVEST is in compliance with the resolutions of General Meetings of Shareholders of the Company and fully complies with its obligations to transfer dividends to persons entitled to receive them.

However many shareholders do not follow the resolutions of General Meetings of Shareholders of OJSC IC RUSS-INVEST with respect to the dividend pay-out procedure, and do not promptly notify the Company's Registrar about their personal data changes. As a result, the volume of declared dividends unclaimed by shareholders is increasing, and this increases the expenses incurred by the Company to process information about unclaimed dividends.

The Company pays attention that according to clause 5 article 44 of Federal Law No. 208-FZ «On Joint-Stock Companies» dated December 26, 1995: «A person registered in the shareholders' register of a company must promptly notify the shareholders' Company's Registrar about personal data changes. If this person fails to present information about personal data changes, the company and the Company's Registrar are not liable for losses caused by this failure.»

Figure 7.1
TOTAL AMOUNT OF DECLARED DIVIDENDS OF OJSC IC RUSS-INVEST, THOUSAND RUBLES



OJSC IC RUSS-INVEST continues to pay out declared dividends on shares whose owners have not received the accrued dividends within the deadlines established in a resolution of the General Meeting of Shareholders or in the Company's Articles of Association. The period available to a Shareholder to demand payment of declared and unclaimed dividends may not be a greater period than that stipulated by requirements of current Russian Federation law and the Company's Articles of Association.

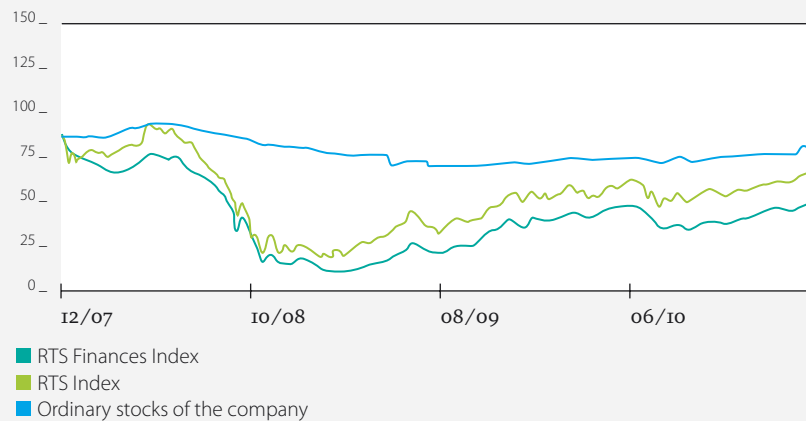
7.2. COMPANY'S SHARES ON THE STOCK EXCHANGE

SINCE 2006 ORDINARY SHARES OF OJSC IC RUSS-INVEST ARE TRADED ON ONE OF THE LARGEST SHARE MARKETS IN RUSSIA, WIDELY KNOWN ABROAD AS THE RTS STOCK EXCHANGE. AFTER OJSC IC RUSS-INVEST SHARES RECEIVED ACCESS TO TRADING AT THE RTS STOCK EXCHANGE, THE COMPANY NOT ONLY STRIVED TO PROVIDE ALL INTERESTED PARTIES WITH THE POSSIBILITY TO CARRY OUT TRANSACTIONS TO BUY AND SELL OJSC IC RUSS-INVEST SHARES EFFECTIVELY, RAPIDLY AND EASILY BUT ALSO, IN EFFECT, CAME INTO CONTACT IN ABSENTIA WITH THE INVESTMENT COMMUNITY BY SETTING A LONG-TERM COURSE FOR FORMING TRANSPARENT AND SUSTAINED RELATIONSHIPS WITH INVESTORS.

Today the Company's ordinary shares (tickers: RUSI – on the Classic Market of the RTS Stock Exchange with settlements in US dollars, RUSIG – on the Stock Market of the RTS Stock Exchange with T+0 settlements in rubles) are traded in the List of «Securities eligible for trading without undergoing the listing procedure» of the RTS Stock Exchange.

The year 2010 has become a successful year in terms of the Company's market value ratios. Investors paid attention to the Company's ordinary shares and, consequently, the market capitalization of OJSC IC RUSS-INVEST at the end of 2010, based on data from the website of the RTS Stock Exchange, was 4,076.51 million rubles, exceeding the similar value of the year 2009 by 11.2%. In addition, the market value of Company's shares has demonstrated consistent behavior at the peak of the global economic crisis. Based on data from the website of the RTS Stock Exchange, for example, the market value of the ordinary share of OJSC IC RUSS-INVEST at the end of 2010 lags percentage-wise behind its pre-crisis value at the end of 2007 – less than the similar lag of the reference RTS Index and RTS Finances Index (see Fig. 7.2).

Figure 7.2
PRICE OF OJSC IC RUSS-INVEST SHARES ON THE RTS STOCK EXCHANGE AGAINST CHANGES IN THE REFERENCE RTS INDEX AND RTS FINANCES INDEX IN 2008–2010

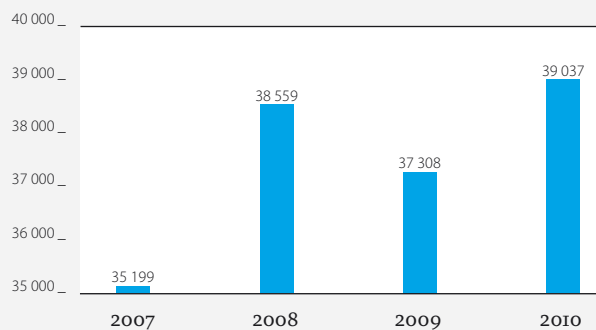


* Prices of ordinary shares of OJSC IC RUSS-INVEST as well as values of the RTS Index and RTS Finances Index are expressed in terms of 100 basis points as of Dec. 28, 2007

** The price of ordinary shares of OJSC IC RUSS-INVEST is the price of their last deal on the previous day on the RTS Stock Exchange

Source: www.rts.ru

Figure 7.3
TRADING VOLUME OF OJSC IC RUSS-INVEST ORDINARY SHARES ON THE RTS STOCK EXCHANGE, THOUSAND RUBLES



* The trading volumes of ordinary shares of OJSC IC RUSS-INVEST are the sum of trading volumes of ordinary shares of OJSC IC RUSS-INVEST on the Classic Market and Share market of the RTS Stock Exchange

Source: www.rts.ru

The image above is a testament to the relatively low level of volatility of the Company's securities over the last three years compared to the Russian share market as a whole.

Moreover, a significant growth in the trading volumes of OJSC IC RUSS-INVEST securities at the Russian Trading System Stock Exchange was observed in the fiscal year (see Fig. 7.3), which may indicate the higher liquidity of OJSC IC RUSS-INVEST shares in 2010. This fact is a key factor which, with all things equal, increases speculative and fundamental interest in the Company's shares.

7.3. COOPERATION WITH INVESTORS AND SHAREHOLDERS OF THE COMPANY



ONE OF THE INDICATORS OF THE SUCCESSFUL ACTIVITY OF A PUBLIC COMPANY IS THE ATTENTION IT PAYS TO THE QUESTION OF RELATIONS WITH INVESTORS AND SHAREHOLDERS.

Following progressive corporate management policy and concerning first and foremost about the interests of shareholders and investors, the Company successfully maintains the bilingual website of OJSC IC RUSS-INVEST: www.russ-invest.com or www.russ-invest.ru. This resource is a means of providing all interested parties with corporate reports, internal documents, information about Company's management, as well as other information needed by shareholders and investors.

It is important to note that, apart from interacting with interested parties through public sources of information, the Company is always ready to give answers and provide the necessary information and explanations in two-way means of communication (electronic means of communication, mail correspondence, telephone calls and person-to-person meetings).

In particular, in exercising their rights with respect to OJSC IC RUSS-INVEST shares, the Company's shareholders may have certain questions which the Company will strive to solve quickly and/or answer in a comprehensive manner. While interacting with shareholders, the Company assumes that respecting the rights and interests of a simple minority shareholder is one of the key factors reflecting the overall level of corporate management in the Company and boosting the level of trust that investors have towards the Company.

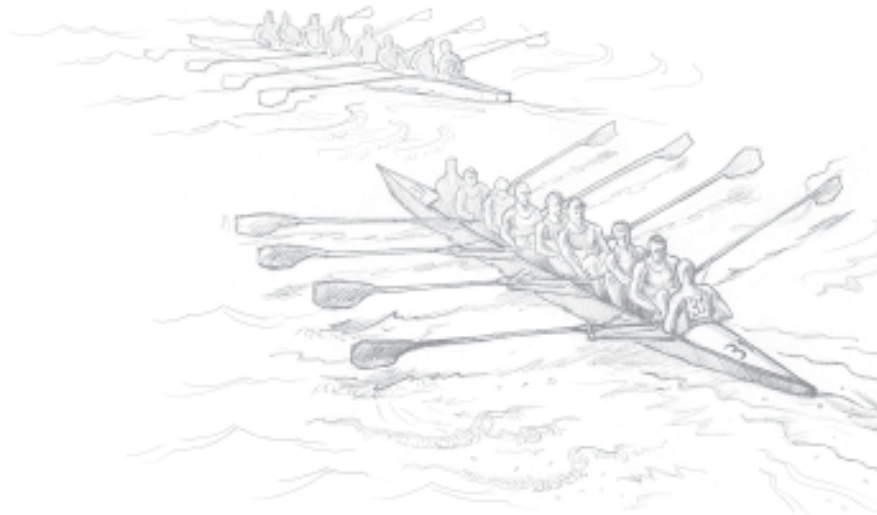
An important trend in 2010 in this direction was the increased use by OJSC IC RUSS-INVEST's shareholders of electronic means of communication when dealing with the Company, which seriously boosted the average speed at which Company's shareholders received comprehensive answers to their questions.



WINNING TRADITIONS!



ROWING IS A SPORT IN WHICH ATHLETES RACE AGAINST EACH OTHER ON RIVERS, ON LAKES OR ON THE OCEAN, DEPENDING UPON THE TYPE OF RACE AND THE DISCIPLINE. THE BOATS ARE PROPELLED BY THE REACTION FORCES ON THE OAR BLADES AS THEY ARE PUSHED AGAINST THE WATER.





8

SOCIAL POLICY OF THE COMPANY

8.1. PRINCIPLES OF CORPORATE SOCIAL RESPONSIBILITY IN OJSC IC RUSS-INVEST

THE OPEN JOINT-STOCK COMPANY "INVESTMENT COMPANY OJSC IC RUSS-INVEST" (REFERRED TO HEREINAFTER AS "THE COMPANY") IS A RESPONSIBLE CORPORATE MEMBER OF SOCIETY, PAYING SERIOUS ATTENTION TO QUESTIONS OF CORPORATE SOCIAL RESPONSIBILITY AND INCORPORATING PRINCIPLES OF CORPORATE SOCIAL RESPONSIBILITY IN ITS ACTIVITY.

The company aims to meet international standards in this matter since corporate social responsibility and accountability are a reflection of company transparency and are closely related to corporate management.

8.2. CHARITABLE WORKS

OVER THE COURSE OF 2010 OJSC IC RUSS-INVEST GAVE PHILANTHROPIC ASSISTANCE TO THE SMOLENSK REGION STATE EDUCATIONAL INSTITUTION SAFONOV GENERAL SCHOOL AND FOSTER HOME FOR ORPHANS AND CHILDREN WITHOUT PARENTAL CARE.

The company's monetary donation was used to do repairs in the lobby and corridor of the first floor of Residence No. 2, replace windows in the washrooms of Residence No. 1, and repair the roof in workshops where many school clubs work. In repairing these rooms, OJSC IC RUSS-INVEST gave real help to the orphans and made their everyday life a little more comfortable and warmer.

APPENDIX I

COMPLIANCE WITH THE CODE OF CORPORATE CONDUCT

A CORPORATE CODE IS CURRENTLY APPLIED IN THE COMPANY. THIS CODE MEETS THE CORRESPONDING RECOMMENDATIONS OF THE GOVERNMENT OF RUSSIA ON THE APPLICATION OF THE CODE OF CORPORATE CONDUCT. THE CURRENT ARTICLES OF ASSOCIATION AND INTERNAL DOCUMENTS OF THE COMPANY (REGULATIONS ON THE BOARD OF DIRECTORS OF OJSC IC RUSS-INVEST, REGULATIONS ON THE EXECUTIVE BOARD, REGULATIONS ON THE PROCEDURE FOR CONVENING AND HOLDING A GENERAL MEETING OF SHAREHOLDERS OF OJSC IC RUSS-INVEST, REGULATIONS ON THE PRESIDENT-GENERAL DIRECTOR OF OJSC IC RUSS-INVEST, REGULATIONS ON THE OPERATING PROCEDURE OF THE AUDIT COMMITTEE, PROVISIONS ON DIVIDEND POLICY) FULLY COMPLY WITH THE PRINCIPLES OF CORPORATE STRUCTURE LAID OUT IN THE CODE. COMPANY MANAGEMENT PAYS GREAT ATTENTION TO ISSUES OF COMPLIANCE WITH THE HIGH STANDARDS OF CORPORATE MANAGEMENT.

Improving internal standards of corporate management is an important part of the company's long-term strategy directed towards the growth of financial indicators, increasing the value of shareholders' equity and return on investments in company shares. The main focus is on resolving the following tasks:

- improve procedures for holding General Meetings of Shareholders, meetings of Boards of Directors and executive bodies of companies,
- improve transparency in company activity;
- improve the information disclosure system and internal financial control system;
- boost the role of the Board of Directors in company management through the institution of independent directors and the work of committees of the Board of Directors;
- adopt a system of regular accountability of the company's executive bodies before the Board of Directors and the General Meeting of Shareholders;
- establish a company dividend policy and development strategy that shareholders understand;

Adoption of the internal code has changed the execution of some corporate procedures. This has resulted in:

- the improvement of the procedure in terms of tightening requirements, accountability and procedures for appointing the President-General Director of the company;
- the greater supervisory and management role of the company's Board of Directors;
- greater independence for the Board of Directors composed of independent directors,
- significantly expanded duties for the Executive Secretary of the company;
- the functioning of five committees of the Board of Directors: Finance and Audit Committee, Strategic Planning Committee, Risk Management Committee, Human Resources and Remuneration Committee, Ethics Committee.

Please refer to Appendix No. 1 for details.

Achievements of OJSC IC RUSS-INVEST in the promotion of progressive corporate management standards were noted by the leading Russian rating agency.

In July 2010 the Consortium of the Russian Institute of Directors and the Rating Agency «Expert RA» – «RID Expert RA» confirmed the corporate management rating of NRKU 7+ (developed corporate

management practice) of the Investment Company RUSS-INVEST according to the National Corporate Management Rating Scale. According to the conclusion made by this leading organization in corporate management, OJSC IC RUSS-INVEST has low corporate management risk. The reliability of the company's financial statements is ensured by the mechanisms for the competitive selection of external auditors, by the hiring of highly professional auditors to do an external audit of financial statements according to IFRS and RAS standards, and by developed mechanisms for controlling their independence. OJSC IC RUSS-INVEST prepares financial statements in accordance with the IFRS and discloses

them in its website. The company meets the requirements of Russian law in the area of corporate management, complies with the greater part of recommendations in the Russian Code of Corporate Conduct and individual recommendations in progressive international corporate management policies.

In addition, the Board of Directors intends to further improve the regulatory framework and procedures defining the relationship between the company's management bodies and company shareholders in order to give full protection to the interests and rights of shareholders.

INFORMATION ABOUT COMPLIANCE WITH THE CODE OF CORPORATE CONDUCT			
Nº	REGULATIONS OF THE CODE OF CORPORATE CONDUCT	FOLLOWED OR NOT FOLLOWED	COMMENTS
General Meeting of Shareholders			
1	Summons of shareholders to a General Meeting of Shareholders no less than 30 days before it is held, regardless of the issues included in its agenda, unless Russian Federation law does not prescribe a longer period	Followed	Clause 13.1 of the Articles of Association of OJSC IC RUSS-INVEST
2	Shareholders are able to acquaint themselves with the list of persons entitled to participate in the General Meeting of Shareholders, starting from the date of announcement of the General Meeting of Shareholders until the closing of the person-to-person meeting of shareholders, in case of a general meeting in absentia – until the last date of receipt of voting ballots	Followed	Clause 7.2.12 of the Articles of Association of OJSC IC RUSS-INVEST
3	Shareholders are able to acquaint themselves with information (materials) subject to submission during preparations for the General Meeting of Shareholders through electronic means of communication, including through the Internet	Followed	Clause 13.4-13.7 of the Articles of Association of OJSC IC RUSS-INVEST Website: www.russ-invest.ru
4	A shareholder is able to enter an issue in the agenda of the General Meeting of Shareholders or demand the convocation of the General Meeting of Shareholders without submitting an extract from the register of shareholders if this shareholder's share rights are entered in the shareholder register maintenance system, and if this shareholder's share rights are entered in a securities account, the adequacy of an extract from the securities account to exercise the above rights	Followed	Article 5 clause 4 of the Regulations on the Procedure for Convening and Holding a General Meeting of Shareholders of OJSC IC RUSS-INVEST
5	The company's Articles of Association or internal documents provide for requirements for the mandatory presence at the General Meeting of Shareholders of the General Director, Executive Board members, members of the Board of Directors, members of the Audit Committee and auditors of the company	Followed	Clause 5.5 of the Regulations on the President-General Director of OJSC IC RUSS-INVEST Clause 2.2 of the Regulations on the Operating Procedure of the Audit Committee of OJSC IC RUSS-INVEST Article 7 of the Regulations on the Board of Directors of OJSC IC RUSS-INVEST Clause 4.11 of the Code of Corporate Conduct of OJSC IC RUSS-INVEST

INFORMATION ABOUT COMPLIANCE WITH THE CODE OF CORPORATE CONDUCT			
Nº	REGULATIONS OF THE CODE OF CORPORATE CONDUCT	FOLLOWED OR NOT FOLLOWED	COMMENTS
6	Mandatory presence of candidates when the General Meeting of Shareholders are discussing issues about the election of members of the Board of Directors, the General Director, members of the Executive Board, members of the Audit Committee, as well as issues about the confirmation of an auditor for the company	Followed	Implemented in practice
7	The company's internal documents provide for a procedure for registering participants of the General Meeting of Shareholders	Followed	Article 40 of the Regulation on the Procedure for Convening and Holding a General Meeting of Shareholders, OJSC IC RUSS-INVEST
Board of Directors			
8	The company's Articles of Association provide for the power of the Board of Directors to approve the company's financial and business plan on an annual basis	Followed	Clause 15.8.16 of the Articles of Association of OJSC IC RUSS-INVEST
9	Availability of a company risk management procedure approved by the Board of Directors	Followed	Regulations on the Management of Risks in OJSC IC RUSS-INVEST
10	The company's Articles of Association provide for the right of the Board of Directors to adopt a resolution to suspend the authority of the General Director appointed by the General Meeting of Shareholders	Not applicable	The appointment of the General Director is the responsibility of the company's Board of Directors pursuant to clause 15.8.23 of the Articles of Association of OJSC IC RUSS-INVEST
11	The company's Articles of Association provide for the right of the Board of Directors to establish requirements for the qualification and amount of remuneration of directors, members of the Executive Board, heads of main structural division of the company	Partially followed	clause 15.8.23 of the Articles of Association of OJSC IC RUSS-INVEST
12	Availability in the company's Articles of Association of the right of the Board of Directors to approve the terms of agreements with the General Director and with members of the Executive Board	Followed	clause 15.8.23 of the Articles of Association of OJSC IC RUSS-INVEST
13	The company's Articles of Association or internal documents provide for a requirement that, upon confirmation of the terms of agreements with the General Director (person managing the organization) and with members of the Executive Board, the votes of members of the Board of Directors, acting as General Director and members of the Executive Board, are not taken into account when votes are counted	Not followed	This requirement is not indicated in the Articles of Association and in internal documents of OJSC IC RUSS-INVEST
14	Presence in the company's Board of Directors of no less 3 independent directors meeting the requirements of the Code of Corporate Conduct.	Followed	Implemented in practice
15	Absence in the company's Board of Directors of persons who have been declared guilty in committing crimes in the economic sphere or crimes against state authority, interests of a government office or an office in local government bodies or against whom administrative penalties have been imposed for infractions in commercial activity or in the areas of finance, taxes and charges, and the securities market.	Followed	Implemented in practice

INFORMATION ABOUT COMPLIANCE WITH THE CODE OF CORPORATE CONDUCT			
Nº	REGULATIONS OF THE CODE OF CORPORATE CONDUCT	FOLLOWED OR NOT FOLLOWED	COMMENTS
16	Absence in the company's Board of Directors of a person who is a participant, the General Director (manager), a member of the Executive Board or an employee of a legal entity competing with the company	Followed	Implemented in practice
17	The company's Articles of Association provide for requirements for the election of the Board of Directors by cumulative voting	Followed	Clause 13.3 of the Articles of Association of OJSC IC RUSS-INVEST
18	The company's internal documents provide for duties of members of the Board of Directors to refrain from actions that will lead to or have the potential of leading to the appearance of conflict between their interests and interests of the company, and in case of the appearance of such a conflict, duties to disclose information about this conflict to the Board of Directors	Followed	Article 7 of the Regulations on the Board of Directors of OJSC IC RUSS-INVEST
19	The company's internal documents provide for duties of members of the Board of Directors to notify the Board of Directors in writing about the intention to carry out transactions using securities of a company where they are members of the Board of Directors, or those of its subsidiary (dependent) companies, as well as to disclose information about transactions they have carried out using these securities	Followed	Article 7 of the Regulations on the Board of Directors of OJSC IC RUSS-INVEST
20	The company's internal documents provide for a requirement to hold a meetings of the Board of Directors no less than once every six weeks	Partially followed	Pursuant to article 26 clause 1 of the Regulations on the Board of Directors of OJSC IC RUSS-INVEST, no less than once every two months
21	Meetings of the company's Board of Directors are held during the year for which the company's annual report is drawn up with a frequency of no less than once every six weeks	Followed	Followed in practice, in 2010 meetings of the company's Board of Directors were held
22	The company's internal documents provide for a procedure for holding meetings of the Board of Directors	Followed	Clause 15 of the Articles of Association of OJSC IC RUSS-INVEST Section 6 of the Regulations on the Board of Directors of OJSC IC RUSS-INVEST
23	The company's internal documents provide for regulations on the need to have the Board of Directors approve company transactions amounting to 10 or more percent of the company's asset value, with the exception of transactions completed during routine business activity.	Followed	Clause 15.8.17 of the Articles of Association of OJSC IC RUSS-INVEST
24	The company's internal documents provide for a right of members of the Board of Directors to receive information from executive bodies and heads of the principal structural divisions of the company needed for the execution of their duties, and provide for liability for failing to provide such information	Followed	Article 10 of the Regulations on the Board of Directors of OJSC IC RUSS-INVEST
25	The Board of Directors has a Strategic Planning Committee or functions of said committee is assigned to another committee except for the Audit Committee and the Human Resources and Remunerations Committee)	Followed	There is a Strategic Planning Committee

INFORMATION ABOUT COMPLIANCE WITH THE CODE OF CORPORATE CONDUCT			
Nº	REGULATIONS OF THE CODE OF CORPORATE CONDUCT	FOLLOWED OR NOT FOLLOWED	COMMENTS
26	The Board of Directors has a committee (Audit Committee) which recommends to the Board of Directors an auditor for the company and which works with this auditor and the company's Audit Committee	Followed	There is a Finance and Audit Committee
27	The Audit Committee only has independent and non-executive directors as members	Followed	The Audit and Finance Committee consists of independent and non-executive directors
28	An independent director manages the Audit Committee	Followed	An independent director manages the Finance and Audit Committee
29	The company's internal documents provide for a right of access of all members of the Audit Committee to any document and information of the company in case they do not disclose confidential information	Followed	Clause 4 of the Regulations on the Finance and Audit Committee of the Board of Directors of OJSC IC RUSS-INVEST
30	Creation of a committee under the Board of Directors (Human Resources and Remunerations Committee) whose function is to define the criteria for screening candidates for members of the Board of Directors and to work out the company's policy on remuneration	Followed	There is a Human Resources and Remunerations Committee
31	An independent director manages the Human Resources and Remunerations Committee	Followed	The Human Resources and Remunerations Committee is managed by an independent director
32	The Human Resources and Remunerations Committee does not have company officers	Followed	Implemented in practice
33	Creation of a Risks Committee under the Board of Directors or the assignment of functions of said committee to another committee (except for the Audit Committee and the Human Resources and Remunerations Committee)	Followed	There is a Risk Management Committee
34	Creation of a Corporate Conflict Management Committee under the Board of Directors or the assignment of functions of said committee to another committee (except for the Audit Committee and the Human Resources and Remunerations Committee)	Followed	The functions are assigned to the Ethics Committee
35	The Corporate Conflict Management Committee does not have company officers	Not followed	There are officers in the committee
36	The Corporate Conflict Management Committee is managed by an independent director	Followed	An independent director manages the Ethics Committee
37	The company's internal documents approved the Board of Directors provide for a procedure for the formation and operation of committees under the Board of Directors	Followed	Regulations on Committees of the Board of Directors of OJSC IC RUSS-INVEST

INFORMATION ABOUT COMPLIANCE WITH THE CODE OF CORPORATE CONDUCT			
Nº	REGULATIONS OF THE CODE OF CORPORATE CONDUCT	FOLLOWED OR NOT FOLLOWED	COMMENTS
38	The company's Articles of Association provide for a procedure for defining the quorum for the Board of Directors, ensuring the mandatory participation of independent directors in meetings of the Board of Directors	Partially followed	The Regulations on the Board of Directors provide for the preliminary announcement 7 days beforehand of all members of the Board of Directors, including independent members, about upcoming meetings.
Executive Bodies			
39	The company has a collective executive body (executive board)	Followed	Article 16 of the Articles of Association of OJSC IC RUSS-INVEST
40	The company's Articles of Association or internal documents provide for regulations on the need for the executive board to approve transactions involving real estate, or the receipt of the company of loans, if said transactions are not considered large-scale transactions and their completion is not part of the company's routine business activity	Not followed	The Articles of Association and internal documents of OJSC IC RUSS-INVEST do not provide for this requirement
41	The company's internal documents provide for a procedure for the approval of transactions which are beyond the financial and business plan of the company	Followed	In accordance with current law
42	The executive bodies do not have persons who are participants, General Directors (managers), members of the managerial body or employees of a legal entity competing with the company	Followed	Implemented in practice
43	The company's executive bodies do not have persons who have been declared guilty in committing economic crimes or crimes against the state authority, the interests of a government office and an office in local government bodies or against whom administrative penalties have been imposed for infractions in commercial activity or in finance, taxes and the securities market. If duties of a one-man executive body are carried out by an organization's manager, compliance of the General Director and members of the executive board managing the organization with requirements imposed on the General Director and members of the executive board of the company	Followed	Implemented in practice
44	The company's Articles of Association or internal documents provide for a prohibition to an organization's manager to carryout similar duties in a competing company, as well as to be in any way related in property to a company, apart from the provision of services as an organization's manager	Partially followed	Article 2 of the Regulations on the President-General Director of OJSC IC RUSS-INVEST
45	The company's internal documents provide for an obligation of executive bodies to refrain from actions which may lead or have the potential of leading to the appearance of conflict between their interests and the company's interests, and in case such a conflict appears, provide for the obligation to notify the Board of Directors about this	Followed	Article 2 of the Regulations on the President-General Director of OJSC IC RUSS-INVEST Article 3 of the Regulations on the Executive Board of OJSC IC RUSS-INVEST

INFORMATION ABOUT COMPLIANCE WITH THE CODE OF CORPORATE CONDUCT			
Nº	REGULATIONS OF THE CODE OF CORPORATE CONDUCT	FOLLOWED OR NOT FOLLOWED	COMMENTS
46	The company's Articles of Association or internal documents provide for criteria for selecting an organization's manager	Not applicable	The Articles of Association of OJSC IC RUSS-INVEST only provide for a one-man executive body (President-General Director of the company)
47	The company's executive bodies submit monthly reports about their work to the Board of Directors	Partially followed	Clause 17.5.20 of the Articles of Association of OJSC IC RUSS-INVEST – the President-General Director reports on a quarterly basis
48	Agreements signed by the company with the General Director (organization's manager) and with members of the executive board provide for liability for breaching regulations on the use of confidential and business information	Followed	Implemented in practice
Company secretary			
49	The company has a special officer (company secretary) whose task is to ensure that the company's bodies and officers comply with procedural requirements guaranteeing the exercise of rights and lawful interests of company shareholders	Followed	Article 18 of the Articles of Association of OJSC IC RUSS-INVEST
50	The company's Articles of Association or internal documents provide for a procedure for appointing (electing) the company secretary and the duties of the company secretary	Followed	Regulations on the Executive Secretary of OJSC IC RUSS-INVEST
51	The company's Articles of Association provide for requirements for the candidacy of company secretary	Partially followed	Article 18 of the Articles of Association of OJSC IC RUSS-INVEST defines the tasks of the Executive Secretary. Requirements for the candidacy of executive secretary are described in the Regulations on the Executive Secretary of OJSC IC RUSS-INVEST
Significant Corporate Actions			
52	The company's Articles of Association and internal documents provide for requirements for the approval of a transaction before it is completed	Followed	Clause 8.2 of the Code of Corporate Conduct of OJSC IC RUSS-INVEST
53	Mandatory recruitment of an independent appraiser to evaluate the market value of property that is the subject matter of a large-scale transactions	Followed	Not applicable due to the absence of large-scale transactions

INFORMATION ABOUT COMPLIANCE WITH THE CODE OF CORPORATE CONDUCT			
Nº	REGULATIONS OF THE CODE OF CORPORATE CONDUCT	FOLLOWED OR NOT FOLLOWED	COMMENTS
54	The company's Articles of Association provide for a prohibition, during the acquisition of large blocks of the company's shares (merger), to take any action geared towards protecting the interests of executive bodies (members of these bodies) and members of the company's Board of Directors, and worsening the situation of shareholders when compared to their current situation (in particular, a prohibition to the Board of Directors, before the termination of the expected period of acquisition of shares, to decide to issue additional shares, issue securities convertible to shares, or securities giving the right to acquire shares of the company, even if the right to make such a decision has been given to the Board of Directors pursuant to the Articles of Association)	Not followed	The Articles of Association of OJSC IC RUSS-INVEST do not provide for this requirement
55	The company's Articles of Association provide for a requirement on the mandatory recruitment of an independent appraiser to evaluate the current market value of shares and potential changes in their market value as a result of a merger	Partially followed	Article 26.2 of the Articles of Association of OJSC IC RUSS-INVEST
56	The company's Articles of Association does not provide for the release of a purchaser from the obligation to suggest to shareholders for them to sell ordinary shares of the company that belong to them (issue-grade securities convertible to ordinary shares) in case of a merger	Followed	The Articles of Association does not have this provision
57	The company's Articles of Association or internal documents provide for a requirement on the mandatory recruitment of an independent appraiser to define the share conversion ratio during a restructuring	Not followed	The Articles of Association and internal documents of OJSC IC RUSS-INVEST do not provide for this requirement
Disclosure of information			
58	Availability of an internal document, approved by the Board of Directors, defining company rules for and approaches to the disclosure of information (information policy regulations)	Followed	Information Policy Regulations of OJSC IC RUSS-INVEST
59	The company's internal documents provide for a requirement on the disclosure of information, the purposes of share issues, the persons who intend to acquire issues shares, including large blocks of shares, and on whether the top officers of the company will participate in the acquisition of issued shares of the company	Not followed	Internal documents of OJSC IC RUSS-INVEST do not provide for this requirement
60	The company's internal documents provide for a list of information, documents and materials which must be provided to shareholders in order to resolve issues submitted to a general meeting of shareholders	Followed	Clause 13.3 of the Articles of Association of OJSC IC RUSS-INVEST
61	The company has a website and the company discloses information about the company in this website	Followed	www.russ-invest.ru
62	The company's internal documents provide for a requirement to disclose information on transactions of the company with persons considered top officers of the company pursuant to the Articles of Association, as well as information on transactions of the company with organizations where the top officers of the company possess directly or indirectly 20 or more percent of the company's authorized capital or to which such persons may in any way exert considerable influence	Followed	Clause 5.5 of the Information Policy Regulations of OJSC IC RUSS-INVEST
63	The company's internal documents provide for a requirement to disclose information about all transactions which may exert influence on the market value of the company's shares	Followed	Clause 5.6 of the Information Policy Regulations of OJSC IC RUSS-INVEST

INFORMATION ABOUT COMPLIANCE WITH THE CODE OF CORPORATE CONDUCT			
Nº	REGULATIONS OF THE CODE OF CORPORATE CONDUCT	FOLLOWED OR NOT FOLLOWED	COMMENTS
64	Availability of an internal document, approved by the Board of Directors, on the use of important information on the activity of the company, shares and other securities of the company and transactions with the company, and this information is not generally accessible and the disclosure of this information may exert considerable influence on the market value of shares and other securities of the company	Followed	Regulations on Insider Information of OJSC IC RUSS-INVEST
Control over Financial and Business Activity			
65	Availability of procedures, approved by the Board of Directors, for the internal control over the financial and business activity of the company	Followed	Regulations on the Audit Committee of OJSC IC RUSS-INVEST Regulations on Internal Control of OJSC IC RUSS-INVEST
66	Availability of a special division in the company ensuring compliance with internal control procedures (control and audit office)	Followed	Audit Committee, Internal Control and Audit Department
67	The company's internal documents provide for a requirement to have the Board of Directors define the structure and composition of the company's control and audit office	Followed	Article 19 of the Articles of Association of OJSC IC RUSS-INVEST, article 9 of the Regulations on Internal Control of OJSC IC RUSS-INVEST
68	The control and audit office does not have persons who have been declared guilty in committing economic crimes or crimes against state power, interests of a government office or local government offices or on whom administrative penalties have been imposed for infractions in commercial activity or in the area of finance, taxes and charges, and in the securities market	Followed	Implemented in practice
69	The control and audit office does not have persons who are members of the company's executive bodies, as well as persons who are participants, general directors (managers), members of managerial boards or employees of a legal entity competing with the company	Followed	Implemented in practice
70	The company's internal documents provide for a time limit for the submission to the control and audit office of documents and materials for evaluating a financial and business operation, as well as liability of officers and employees of the company for their failure to submit by the established time limit	Followed	As per resolution of the Executive Board, a period of 5 (five) working days as well as liability for failure to submit by the established time limit have been prescribed
71	The company's internal documents provide for the responsibility of the control and audit office to inform the Audit Committee about infractions, and if such a committee does not exist, to inform the Board of Directors of the company	Followed	Article 9 of the Regulations on Internal Control of OJSC IC RUSS-INVEST
72	The company's Articles of Association provide for a requirement on the provisional evaluation by the control and audit office of the necessity to carry out transactions not provided for in the financial and business plan of the company (non-standard transactions)	Not followed	The Articles of Association and internal documents of OJSC IC RUSS-INVEST does not provide for this requirement

INFORMATION ABOUT COMPLIANCE WITH THE CODE OF CORPORATE CONDUCT			
Nº	REGULATIONS OF THE CODE OF CORPORATE CONDUCT	FOLLOWED OR NOT FOLLOWED	COMMENTS
73	The company's internal documents provide for a procedure for consulting with the Board of Directors on matters concerning non-standard transactions	Followed	Regulations on the Audit Committee of OJSC IC RUSS-INVEST
74	Availability of an internal document, approved by the Board of Directors, defining the procedure followed by the Audit Committee when checking the financial and business activity of the company	Followed	Regulations on the Audit Committee of OJSC IC RUSS-INVEST
75	The Audit Committee evaluates the audit opinion before it is presented to shareholders at a General Meeting of Shareholders	Followed	Regulations on the Finance and Audit Committee of OJSC IC RUSS-INVEST
Dividends			
76	Availability of an internal document, approved by the Board of Directors, and followed by the Board of Directors when making recommendations with regard to the size of dividends (Provisions on Dividend Policy)	Followed	Provisions on Dividend Policy of OJSC IC RUSS-INVEST
77	The Provisions on Dividend Policy provide for a procedure for defining the minimum share of the company's net profit used to pay out dividends, the conditions whereby dividends on preferred shares are not paid or are not paid in full, and the size of dividends for which such a procedure is provided for in the company's Articles of Association	Followed	Article 3 of the Provisions on Dividend Policy of OJSC IC RUSS-INVEST
78	Publication of information on the company's dividend policy and changes to this policy in a periodical, specified in the company's Articles of Association, publishing information about general meetings of shareholders, as well as the placement of such information on the website of the company	Followed	www.russ-invest.ru

APPENDIX 2

FINANCIAL STATEMENTS ACCORDING TO RAS

INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS OJSC "IC RUSS-INVEST"

WE HAVE AUDITED THE ENCLOSED ACCOUNTING RECORDS OF OJSC INVESTMENT COMPANY OJSC IC RUSS-INVEST CONSISTING OF BALANCE SHEET AS OF DECEMBER 31, 2010, STATEMENT OF PROFIT AND LOSS, STATEMENT OF CHANGES IN EQUITY AND CASH FLOW STATEMENT FOR 2010, OTHER APPENDICES TO THE BALANCE SHEET, TO THE STATEMENT OF PROFIT AND LOSS AND TO THE NOTES.

Responsibility of the audited entity for the accounting reports

The management of the audited entity takes responsibility for the preparation and reliability of said accounting records in accordance with requirements of Russian Federation law and for the internal control system needed for the preparation of accounting records that do not contain significant misstatements as a result of unethical practices or mistakes.

Responsibility of the auditor

Our responsibility lies in expressing an opinion about the reliability of accounting records based on our audit. We carried out the audit in accordance with federal auditing standards of the Russian Federation. These standards require compliance with applicable ethical norms as well as planning and carrying out an audit in such a way that we are sufficiently confident that the accounting records do not contain significant misstatements.

The audit included audit procedures designed to produce audit evidence confirming the numerical indicators in the accounting records and to disclose information in the records. We judged the selection of the audit procedures based on an appraisal of the risk of significant misstatements committed as a result of unethical practices or mistakes. In appraising this risk we examined the internal control system ensuring the preparation and reliability of the accounting records with the goal of selecting the appropriate audit procedures but not with the goal of expressing an opinion about the effectiveness of the internal control system.

The audit also involved the appraisal of the appropriateness of the applied accounting policies and the validity of the estimated figures obtained by the management of the audited entity, as well as the appraisal of the presented accounting records as a whole.

We believe that the audit evidence received during the audit provide sufficient grounds for expressing an opinion about the reliability of the accounting records.

Opinion

It is our opinion that the accounting records of OJSC INVESTMENT COMPANY OJSC IC RUSS-INVEST in all material respects reliably reflect its financial standing as of December 31, 2010, the results of its financial and business activity and the cash flow for 2010 in accordance with requirements of Russian Federation law with regard to the preparation of the accounting records.

*Chief of the Investment Audit Department
O.V. Starovoitova*

*Auditor's Qualification Certificate No. K009007
dated Dec. 19, 2003;*

*Auditor's qualification certificate for the right
to audit exchanges, public pension funds
and investment companies
No. K023998 dated July 26, 2005*

*ORN 20002002300
Power of attorney No. 35-10/11-8 dated Jan. 11, 2011*

BALANCE SHEET

ASSETS	LINE CODE	AS OF THE BEGINNING OF THE REPORTING YEAR	AS OF THE END OF THE REPORTING PERIOD
I. NON-CURRENT ASSETS			
Intangible assets	110	778	675
Fixed assets	120	11428	17493
Construction in progress	130	-	70
Income-bearing investments in tangible assets	135	-	-
Long-term financial investments	140	842720	813571
Investments in subsidiary companies	141	639122	633122
Other long-term financial investments	142	203598	174449
Deferred tax assets	145	415	208
Other non-current assets	150	-	-
TOTAL section I	190	8553	832023
II. CURRENT ASSETS			
Inventory including:	210	2257	3651
Raw materials and other similar inventories	211	103	185
Animals being raised and fattened	212	-	-
Costs of work in progress	213	-	-
Finished goods and goods for resale	214	-	-
Goods delivered	215	-	-
Expenses of future periods	216	2154	3466
Other inventories and costs	217	-	-
Value-added tax on acquired assets	220	-	-
Noncurrent nondelinquent accounts receivable (due beyond 12 months after the reporting date):	230	2141	5047
including buyers and customers		-	-
Noncurrent nondelinquent accounts receivable (due in the next 12 months after the reporting date):	240	186780	154145
including buyers and customers	241	507	379
Advance payments	242	-	10927
Short-term financial investments	250	2521085	3016677
Cash, including	260	644121	319215
Cash of customers	261	239127	182693
Other current assets	270	14292	22356
TOTAL section II	280	3370676	3521091
TOTAL	300	4226017	4353114

BALANCE SHEET

LIABILITIES	LINE CODE	AS OF THE BEGINNING OF THE REPORTING YEAR	AS OF THE END OF THE REPORTING PERIOD
III. CAPITAL AND RESERVES			
Authorized capital	410	109000	109000
Repurchased shares		(-)	(-)
Additional capital	420	376294	376294
Reserve capital	430	109000	109000
including:			
Reserve funds formed in accordance with legislation	431	54500	54500
Reserve funds formed in accordance with incorporation documents			
Retained earnings (uncovered loss) of prior years	470	2939513	3199080
Retained earnings (uncovered loss) of reporting year	471	0	271349
TOTAL section III	490	3533807	4064723
IV. LONG-TERM LIABILITIES			
Borrowings and loans	510		
Deferred tax liabilities	515	543	1027
Other long-term liabilities	520	-	-
TOTAL section IV	590	543	1027
V. SHORT-TERM LIABILITIES			
TOTAL section V	610	-	-
Borrowings and loans	610		
Accounts payable	620	244509	186441
including:	621	577	532
Suppliers and contractors			
Advances received	622	-	15
Salaries payable	623	1	0
Payable to state non-budgetary funds	624		
Taxes and dues payable	625	1564	874
Other creditors	626	242367	185020
Unpaid dividends	630	447158	100923
Deferred income	640	-	-
Reserves for future expenses	650	-	-
Other short-term liabilities	660	-	-
TOTAL section V	690	691667	287364
TOTAL	700	4226017	4353114
Reference to items charged to off-balance accounts			
Rented fixed assets		10000	10000
including by leasing			
Goods and materials accepted for custody			
Goods accepted on commission			
Bad debts written off			
Securities received for obligations and payments			
Securities issued for obligations and payments			
Depreciation of residential properties			
Depreciation of land improvement facilities and other similar properties			
Intangible assets received for use			

PROFIT AND LOSS STATEMENT

ITEM	CODE	FOR THE REPORTING PERIOD	FOR THE SAME PERIOD THE PRIOR YEAR
INCOME AND EXPENSES ON ORDINARY ACTIVITIES			
Net income from sale of goods, products and services (less VAT, excise taxes and similar compulsory payments)	010	9746894	3207218
including from sales of:			
corporate securities and shares	011	8889733	2585860
corporate mortgage-backed securities and shares	012	379689	-
corporate securities and bonds	012	465187	609828
municipal securities and bonds	013	9456	9010
Other services	014	2829	2520
Net cost of goods, products, works and services sold	020	(9443499)	(3003560)
including sold:			
corporate securities and shares	021	(8602686)	(2420565)
corporate mortgage-backed securities and shares	021	(367486)	(-)
corporate securities and bonds	022	(464197)	(574103)
municipal securities and bonds	023	(9130)	(8892)
Gross profit	029	303395	203658
Commercial expenses	030	(-)	(-)
Management expenses	040	(176024)	(137714)
Sales profit (loss)	050	127371	65944
OTHER INCOME AND EXPENSES			
Interest receivable	060	86532	129676
Interest payable	070	(30300)	(36008)
Income from participation in other organizations	080	53212	41163
Other income	090	891017	2136980
Other expenses	100	(764019)	(1123504)
INCOME (LOSS) BEFORE TAXES	140	363813	1214251
Deferred tax assets	148	(207)	(236931)
Deferred tax liabilities	149	(484)	21
Income tax and other similar mandatory payments	150	(91773)	(23994)
Current income tax	150a	(91750)	(22842)
Taxes on transactions with municipal securities	150b	(21)	(137)
Other payment to tax authorities	150v	(2)	(1015)
NET PROFIT (LOSS) FOR THE REPORTING PERIOD	190	271349	953347
FOR REFERENCE			
Permanent tax liabilities (assets)	201	19706	(16948)
Provisional profits tax expense (income)	202	72735	242805
Basic earnings (loss) per share	203	2	9
Diluted earnings (loss) per share	204	-	-

DETAILED PNL ACCOUNTS

ITEM	CODE	FOR THE REPORTING PERIOD		FOR THE SAME PERIOD OF THE PRIOR YEAR	
		Profit	Loss	Profit	Loss
Fines and penalties recognized or in respect of which there are court (arbitration) judgments on their recovery	210		3	800	
Profit (loss) of prior years	220				10
Compensation of damages caused by defaulted obligations or improperly fulfilled obligations	230				
Exchange rate differences	240	41462	46489	14223	14633
Allocations to valuation reserves	250	X	95261	X	214949
Written off accounts receivable and payable with expired statute of limitations	260				

CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF OJSC "IC RUSS- INVEST"

WE HAVE AUDITED THE ACCOMPANYING CONSOLIDATED FINANCIAL STATEMENTS OF OJSC "IC RUSS-INVEST" AND ITS SUBSIDIARIES (THE GROUP), WHICH COMPRISE THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2010, AND THE CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME, CHANGES IN EQUITY AND CASH FLOWS FOR THE YEAR THEN ENDED, AND NOTES, COMPRISING A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2010, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2010

	NOTES	2010, RUB'000	2009, RUB'000
Interest income	4	68,788	114,542
Net gain on financial instruments held for trading	5	509,236	1,474,046
Net realized gain on financial instruments available-for-sale		33,879	-
Net foreign exchange loss	6	(5,000)	(114)
Dividend income		79,028	56,815
Derecognition of liabilities for unclaimed dividends	16	403,447	-
Other operating income	7	19,762	26,899
Operating income		1,109,140	1,672,188
Impairment losses on investment in associate		(12,461)	(29,040)
General administrative expenses	8	(298,069)	(240,455)
Operating expenses		(310,530)	(269,495)
Profit before income tax		798,610	1,402,693
Income tax expense	9	(82,516)	(280,679)
Profit for the year		716,094	1,122,014
Other comprehensive (loss)/income			
Revaluation reserve for financial instruments available-for-sale:			
Net change in fair value, net of income tax		8,508	19,794
Net change in fair value transferred to profit or loss, net of income tax		(27,103)	-
Revaluation of Unit Funds		10,630	41,302
Currency translation differences		(13,739)	2,940
Other comprehensive (loss)/income for the year, net of income tax		(21,704)	64,036
Total comprehensive income for the year		694,390	1,186,050
Profit attributable to:			
Equity holders of the Group		714,990	1,120,635
Non-controlling interests		1,104	1,379
Profit for the year		716,094	1,122,014
Earnings per share attributable to equity holders of the Group (expressed in Russian Rubles per share)	19	6.62	10.32
Total comprehensive income attributable to:			
Equity holders of the Group		682,656	1,143,369
Non-controlling interests		11,734	42,681
Total comprehensive income for the year		694,390	1,186,050

The consolidated financial statements were approved by the Board of Directors on 31 May 2011.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2009

	NOTES	2010, RUB'000	2009, RUB'000
ASSETS			
Cash		8	4
Placements with banks and other financial institutions	10	1,166,280	1,051,736
Financial instruments held for trading	11	3,593,532	3,156,554
Financial instruments available-for-sale	12	10,829	51,796
Other assets	13	83,303	126,757
Property, equipment and intangible assets	14	113,526	119,447
Deferred tax asset	9	71,183	55,958
Total assets		5,038,661	4,562,252
LIABILITIES			
Deposits and balances from banks	15	339,024	-
Financial instruments held for trading	11	348,024	422,775
Dividends payable	16	100,923	447,158
Other liabilities	17	147,172	137,374
Deferred tax liability	9	5,383	4,237
Total liabilities		940,526	1,011,544
EQUITY			
Share capital	18	1,492,376	1,492,376
Retained earnings		2,527,254	1,955,059
Currency translation reserve		1,719	15,458
Revaluation surplus		8,334	8,334
Treasury shares		(31,381)	(27,621)
Revaluation reserve for financial instruments available-for-sale		(3,899)	14,696
Total equity attributable to equity holders of the Group		3,994,403	3,458,302
Non-controlling interests		103,732	92,406
Total equity		4,098,135	3,550,708
Total liabilities and equity		5,038,661	4,562,252

ADDITIONAL INFORMATION ABOUT OJSC IC RUSS-INVEST

INFORMATION ABOUT OJSC IC RUSS-INVEST

Office of OJSC IC RUSS-INVEST:
Vsevolozhsky pereulok 2-2,
Moscow, Russian Federation 119034
Phone: (495) 363-9380
Fax: (495) 363-9390
E-mail: mail@russ-invest.com
Website: www.russ-invest.com

IR CONTACTS

Mailing address:
PO Box 492, Russian Federation 119034
Phone: (495) 363-9380
Fax: (495) 363-9390
E-mail: ir@russ-invest.com

COMPANY'S REGISTRAR

CJSC "Professional Registration Center",
Federal Financial Markets Service License No. 10-000-1-00293
dated Jan. 13, 2004 to act as a registrar without term limit.

Mailing address and reception for shareholders:
Balaklavsky prospekt 28B, Moscow 117452
Phone: (495) 229-3882
Fax: (495) 318-1434.
E-mail: profrc@profrc.ru

MEDIA OUTLET WHERE INFORMATION ABOUT THE COMPANY IS PUBLISHED

Newspaper "Trud"



■ WWW.RUSS-INVEST.COM