

September 2009

Key Russia Economic and Market News

Economy

- Merrill Lynch reports that Russia’s economy is recovering. Following increasing oil prices, the real sector of the economy will rise and later the credit market will improve. Monthly figures indicate the economy has already bottomed out.
- In an interview with Russia’s finance minister Alexei Kudrin, Dow Jones Newswires reports that the Russian economy expects a positive economic outlook for the rest of the year. This growth is attributable to rising oil prices and emerging signs of recovery in Europe.
- Troika Dialog highlights that Russia’s economic performance demonstrated signs of improvement in the mid-year where industrial output grew strongly in June and July. It appears that so far month-on-month recovery in industry was largely due to increased exports, such as gas.
- Troika Dialog also notes that Russia’s stabilization and/or recovery this year looks more natural as it is more market-based, meaning that it should be more sustainable than in other countries.

Currency

- The Russian treasury chief stressed that the ruble’s current exchange rate was at an appropriate level, with the Russian economy poised to emerge from recession. “I would say that the current exchange rate is an objective one – one that works efficiently for the recovery,” he said.

Stock Market

- The Russian stock market is heading for recovery, with Russia’s benchmark Russian Trading System index more than doubling from 498 at the end of January to 1,067 in August. Most analysts are optimistic, and believe investors are likely to see positive returns.

Private Equity

- TPG Capital and the private equity arm of VTB bought a large stake in the Russian hypermarket chain Lenta. According to a report in Kommersant business daily, TPG and VTB had teamed up to buy 35.4% in Lenta for between \$110m and \$115m. TPG and VTB bought the stake from Oleg Zharebtzov, the founder of Lenta.
- Macquarie Renaissance infrastructure fund (MRIF) reaches first close with \$530 million in commitments. Russia’s State Development Bank Vnesheconombank (VEB), IFC, EBRD, Kazyna Capital Management, Macquarie Group and Renaissance Group have all committed to invest in MRIF, the first major private fund dedicated to investing directly in infrastructure in Russia and other key CIS markets.

Aurora Investment Advisors Comment

- It is interesting to note that for the first time since the collapse of the Soviet Union, Russia is exceeding Saudi Arabia in oil exports. Exports of crude and refined products from Russia rose to about 7.4m barrels per day in Q2, according to Energy Ministry data.
- This increase in oil exports for Russia is a positive sign for the Russian economy. Russia also exports more energy than any other country and we see this as a key driver for the country’s continued recovery.
- We also see investors’ sentiment towards Russian stocks improving, this is not only reflected in Aurora Russia’s share price but the doubling of the RTS index from January to the end of August.

Currency Indicators*

As of 8 th Sep	Price	1 Week % Change	1 Month % Change	3 Months % Change	6 Months % Change
Exchange Rate RUR/US\$	31.43	-1.3%	-0.4%	+2.4%	-12.1%
Exchange Rate RUR/€	45.07	-0.8%	-0.5%	+3.4%	-0.7%
Exchange Rate RUR/£	51.55	-0.1%	-2.4%	+4.6%	+1.0%

* Source: Bank of Russia

Key Economic Data**

Inflation Rate	As of 31/08/2009	As of 31/07/2009
MoM	0.0%	0.6%
YoY	11.6%	12.0%
GDP	Q2 2009	Q1 2009
MoM	N/A	0.5%
YoY	-10.9%	-9.3%

** Source: Bloomberg and Reuters, Ministry of Economics

As of 8 September 2009

