

February 2010

Key Russia Economic and Market News

Economy

- At the annual conference organized by Troika Dialog, The Russia Forum, Igor Shuvalov, the first deputy Prime Minister, told Russian and international investors that he expected Russia to be transformed into a 'new country' by 2020. He foresees a significant improvement in Russia's investment climate following a reduction of red tape.
- Russian Finance Minister, Alexei Kudrin, said that the country is likely to receive \$60bn to \$70bn in direct foreign investment in 2010. To help balance the budget, the country may issue new Eurobonds for the first time in 10 years.
- The co-organisers of the initial installment of a planned Eurobond issue by the Government have been named as Barclays Capital, Citigroup Inc., Credit Suisse Group AG and VTB Capital. The Russian Government is seeking to raise as much as \$17.8bn of notes, sold in several installments through 2010. This is the Government's first offering of new international debt since it defaulted on domestic debt in 1998.
- Chris Weafer, chief strategist at UralSib, notes that Russia's economy is on a recovery path as their assets are amongst the least expensive in the world and they are under-owned by international investment funds.
- Bloomberg reported that Russia's GDP shrank 0.3% in January, year on year, compared with a decline of 1.3% in December. VTB reports that this has raised expectations that growth will return in the first quarter.
- Real disposable income grew 1.9% in January, year on year. Despite still high unemployment levels Russians managed to protect their savings by buying foreign currencies after the rouble was devalued in late 2008 to early 2009.

Currency

- The rouble has scaled a one-year high against a broadly downbeat euro, indicating a tentative recovery from recession for the Russian economy.

Capital Markets

- According to Bloomberg, concerns that Greece's deficit crisis will prompt investors to shun riskier assets drove Russia's MICEX down 10% from its January peak.
- Despite a considerable drop in the dollar-based RTS Index the Moscow Times believes Russian equities are well poised for recovery.

Private Equity

- Sweden's investment fund East Capital is setting up a partnership company together with the European collector Intrum Justitia to buy up Russian non-performing consumer loan portfolios. Investments of two private equity funds East Capital Financials Fund and East Capital Explorer in non-performing loans are scheduled to amount to about €20m.
- "We think the project of setting up a joint venture will be the first step in the expansion of Intrum Justitia into the Russian market," said Lars Wollung, the Head of Intrum Justitia. "We see a good potential in the Russian market for the development of our business."

Aurora Investment Advisors Comment

- Russia is emerging from the financial crisis in relatively good shape. It is also encouraging to see the Government's planned Eurobond issue. We believe this relative robustness in the economy will help confidence return to the consumer which will in turn benefit our investee companies.

Currency Indicators*

As of 5 th Feb	Price	1 Week % Change	1 Month % Change	3 Months % Change	6 Months % Change
Exchange Rate RUR/US\$	30.01	-1.2%	-0.6%	2.6%	-3.4%
Exchange Rate RUR/€	41.61	-2.3%	-4.3%	-3.6%	-6.9%
Exchange Rate RUR/£	47.64	-3.5%	-2.1%	-0.1%	-9.5%

* Source: Bank of Russia

Key Economic Data**

Inflation Rate	As of 01/01/2010	As of 31/12/2009
MoM	0.5%	0.4%
YoY	8.0%	8.8%
GDP	Q3 2009	Q2 2009
YoY	-8.9%	-10.9%

** Source: Bloomberg and Reuters

